

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**



PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

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TABLE OF CONTENTS	PAGE
Corporate information	1
Statement by the Chairman	2
Independent auditor's report	3
Consolidated balance sheet (Form B 01 – DN/HN)	5
Consolidated income statement (Form B 02 – DN/HN)	8
Consolidated cash flow statement (Form B 03 – DN/HN)	9
Notes to the consolidated financial statements (Form B 09 – DN/HN)	10

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

CORPORATE INFORMATION

Business Registration Certificate

No. 4103005338 dated 29 September 2006 was initially issued by the Department of Planning and Investment of Ho Chi Minh City and the 18th amendment dated 23 May 2016.

Board of Management

Mr. Phung Tuan Ha	Chairman
Mr. Vu Xuan Lung	Member (Retired from 1 January 2016)
Mr. Pham Quang Huy	Member
Ms. Le Thi Chien	Member
Mr. Vu Tien Duong	Member
Ms. Pham Thi Hong Diep	Member (From 1 January 2016)

Board of Supervision

Mr. Phan Khac Vinh	Chief Supervisor (From 8 April 2016)
Mr. Le Anh Quoc	Member (From 8 April 2016)
Ms. Nguyen Thi My Dung	Member (From 8 April 2016)
Mr. Le Anh Quoc	Chief Supervisor (Until 8 April 2016)
Mr. Nguyen Cao Ky	Member (Until 8 April 2016)
Mr. Pham Thanh Tuan	Member (Until 8 April 2016)

Board of General Directors

Mr. Vu Tien Duong	General Director
Mr. Bui Anh Dung	Deputy General Director
Ms. Pham Thi Hong Diep	Deputy General Director
Mr. Nguyen Thanh Tu	Deputy General Director
Mr. Phan Quang Tuan Anh	Deputy General Director

Legal representative

Mr. Phung Tuan Ha	Chairman
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Registered office

6th Floor, PetroVietnam Tower, No. 1 - 5 Le Duan Street
Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam

Auditor

PricewaterhouseCoopers (Vietnam) Limited

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

STATEMENT OF THE RESPONSIBILITY OF THE CHAIRMAN IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Chairman is responsible for preparing the consolidated financial statements of PetroVietnam General Services Joint Stock Company ("the Parent Company") and its subsidiaries (collectively known as "the Corporation") which give a true and fair view of the financial position of the Corporation as at 31 December 2016 and the results of its operations and cash flows for the year then ended. In preparing these consolidated financial statements, the Chairman is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Corporation will continue in business.

The Chairman is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Corporation and which enable the consolidated financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the consolidated financial statements. The Chairman is also responsible for safeguarding the assets of the Corporation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

I hereby approve the accompanying consolidated financial statements as set out on pages 5 to 55 which give a true and fair view of the financial position of the Corporation as at 31 December 2016 and of the results of its operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of the consolidated financial statements.



Phung Tuan Ha
Chairman

Ho Chi Minh City, SR Vietnam
31 March 2017



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS AND BOARD OF MANAGEMENT OF PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

We have audited the accompanying consolidated financial statements of PetroVietnam General Services Joint Stock Company ("the Parent Company") and its subsidiaries (collectively referred to as "the Corporation") which were prepared on 31 December 2016 and approved by the Chairman on 31 March 2017. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2016, the consolidated income statement, the consolidated cash flow statement for the year then ended, and explanatory notes to the consolidated financial statements, as set out on pages 5 to 55.

The Chairman's Responsibility

The Chairman is responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of consolidated financial statements and for such internal control which the Chairman determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated 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 standards and requirements and plan and perform the audit in order to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and true and fair presentation of the consolidated 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Chairman, as well as evaluating the overall presentation of the consolidated financial statements.

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



Auditor's Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 December 2016, its financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements.

For and on behalf of PricewaterhouseCoopers (Vietnam) Limited



Quach Thanh Chau
Audit Practising Licence No. 0875-2013-006-1
Authorised signatory

Dao Quang Huy
Audit Practising Licence No. 1895-2016-006-1

Report reference number: HCM6161
Ho Chi Minh City, 31 March 2017

As indicated in Note 2.1 to the consolidated financial statements, the accompanying consolidated 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 SR Vietnam, and furthermore their utilisation is not designed for those who are not informed about SR Vietnam's accounting principles, procedures and practices.

CONSOLIDATED BALANCE SHEET

Code	ASSETS	Note	As at 31 December	
			2016 VND	2015 VND
100	CURRENT ASSETS		4,741,485,264,868	4,542,240,259,676
110	Cash and cash equivalents	4	1,694,402,253,760	1,461,210,798,980
111	Cash		388,862,253,760	514,566,693,431
112	Cash equivalents		1,305,540,000,000	946,644,105,549
120	Short-term investments		13,500,000,000	9,222,550,381
123	Investments held to maturity	5(a)	13,500,000,000	9,222,550,381
130	Short-term receivables		1,631,677,896,355	1,334,417,481,376
131	Short-term trade accounts receivable	6	1,425,783,612,685	1,036,279,774,307
132	Short-term prepayments to suppliers	7	76,220,418,183	91,559,376,897
136	Other short-term receivables	8	173,194,455,448	252,094,613,712
137	Provision for doubtful debts – short term	9	(44,259,869,663)	(45,516,283,540)
139	Shortage of assets awaiting resolution		739,279,702	-
140	Inventories	10	969,659,943,435	1,300,928,166,252
141	Inventories		985,760,389,976	1,331,014,880,337
149	Provision for decline in value of inventories		(16,100,446,541)	(30,086,714,085)
150	Other current assets		432,245,171,318	436,461,262,687
151	Short-term prepaid expenses		6,617,348,798	4,327,375,667
152	Value Added Tax to be reclaimed		423,299,760,670	345,097,101,659
153	Other taxes receivable	11(a)	2,328,061,850	87,036,785,361

The notes on pages 10 to 55 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
(continued)

Code	ASSETS (continued)	Note	As at 31 December	
			2016 VND	2015 VND
200	LONG-TERM ASSETS		1,485,521,151,402	602,421,642,023
210	Long-term receivables		5,308,517,717	2,779,901,205
211	Long-term trade account receivables		1,256,100,000	-
212	Long-term advances to suppliers		-	18,000,000
216	Other long-term receivables		4,052,417,717	2,761,901,205
220	Fixed assets		233,964,209,561	238,559,735,806
221	Tangible fixed assets	12(a)	130,931,767,076	135,004,626,018
222	Cost		339,681,880,486	319,609,651,137
223	Accumulated depreciation		(208,750,113,410)	(184,605,025,119)
227	Intangible fixed assets	12(b)	103,032,442,485	103,555,109,788
228	Cost		106,704,875,769	106,332,751,569
229	Accumulated amortisation		(3,672,433,284)	(2,777,641,781)
230	Investment properties	13	915,227,460,670	5,304,000,000
231	Cost		934,696,415,019	6,120,000,000
232	Accumulated depreciation		(19,468,954,349)	(816,000,000)
240	Long-term assets in progress		77,085,251,139	133,979,477,868
242	Construction in progress	14	77,085,251,139	133,979,477,868
250	Long-term investments	5	37,063,714,702	18,428,759,180
252	Investment in associates		16,903,714,702	16,428,759,180
253	Investment in other entities		22,160,000,000	2,000,000,000
254	Provision for long-term investments		(2,000,000,000)	-
260	Other long-term assets		216,871,997,613	203,369,767,964
261	Long-term prepaid expenses	15	201,267,567,590	202,166,255,334
262	Deferred income tax assets	23	189,110,129	1,203,512,630
269	Goodwill	16	15,415,319,894	-
270	TOTAL ASSETS		6,227,006,416,270	5,144,661,901,699

The notes on pages 10 to 55 are an integral part of these consolidated financial statements

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 01 – DN/HN

CONSOLIDATED BALANCE SHEET
(continued)

Code	RESOURCES	Note	As at 31 December	
			2016 VND	2015 VND
300	LIABILITIES		4,579,147,052,293	3,570,295,234,266
310	Short-term liabilities		4,158,915,168,811	3,376,319,221,450
311	Short-term trade accounts payable	17	1,446,414,809,155	1,175,310,245,507
312	Short-term advances from customers		19,037,977,620	33,438,469,654
313	Taxes and other payables to the State Budget	11(b)	17,887,171,282	21,637,413,700
314	Payable to employees		64,202,977,309	96,524,772,732
315	Short-term accrued expenses	18	72,948,847,410	16,649,614,765
318	Short-term unearned revenue	19(a)	30,362,744,050	2,300,367,758
319	Other short-term payables	20	140,627,818,410	105,728,121,564
320	Short-term borrowings	21	2,302,634,027,522	1,864,401,640,693
322	Bonus and welfare funds		64,798,796,053	60,328,575,077
330	Long-term liabilities		420,231,883,482	193,976,012,816
332	Long-term advances from customers		-	136,363,636,364
336	Long-term unearned revenue	19(b)	102,350,533,942	77,806,667
337	Other long-term payables	22	66,576,995,606	57,534,569,785
338	Long-term borrowings	21	251,304,353,934	-
400	OWNERS' EQUITY		1,647,859,363,977	1,574,366,667,433
410	Capital and reserves		1,647,859,363,977	1,574,366,667,433
411	Owners' capital	24, 25	866,001,240,000	846,001,240,000
411a	- Ordinary shares with voting rights		866,001,240,000	846,001,240,000
412	Share premium	25	133,918,052,614	133,918,052,614
414	Owners' other capital	25	56,740,087,775	56,740,087,775
415	Treasury shares	25	(35,523,322,342)	(35,523,322,342)
418	Investment and development funds	25	172,453,174,126	173,203,515,481
421	Undistributed earnings	25	272,012,928,770	241,130,930,168
421a	- Undistributed post-tax profits of the previous years		128,331,038,291	156,145,909,360
421b	- Post-tax profit of the current year		143,681,890,479	84,985,020,808
429	Non-controlling interests	26	182,257,203,034	158,896,163,737
440	TOTAL RESOURCES		6,227,006,416,270	5,144,661,901,699

Ha Van Phuong
Preparer

Dao Van Dai
Chief Accountant

Phung Tuan Ha
Chairman
31 March 2017



The notes on pages 10 to 55 are an integral part of these consolidated financial statements

CONSOLIDATED INCOME STATEMENT

Code		Note	Year ended 31 December	
			2016 VND	2015 VND
01	Sales		10,058,565,973,290	10,906,728,446,342
02	Less deductions		(176,507,006,819)	(254,278,415,829)
10	Net sales	30	9,882,058,966,471	10,652,450,030,513
11	Cost of sales	31	(9,223,562,797,487)	(9,833,612,696,212)
20	Gross profit		658,496,168,984	818,837,334,301
21	Financial income	32	68,131,386,998	80,596,382,188
22	Financial expenses	33	(104,195,476,130)	(125,817,223,764)
23	- Including: Interest expenses		(81,342,268,416)	(95,128,275,859)
24	Loss sharing from investment in associate		(378,312,558)	(1,449,614,398)
25	Selling expenses	34	(236,590,286,036)	(281,547,504,063)
26	General and administration expenses	35	(175,683,250,956)	(218,306,356,507)
30	Net operating profit		209,780,230,302	272,313,017,757
31	Other income		11,774,290,030	12,101,108,414
32	Other expenses		(9,843,764,170)	(10,247,554,932)
40	Net other income	36	1,930,525,860	1,853,553,482
50	Net accounting profit before tax		211,710,756,162	274,166,571,239
51	Business income tax – current	37	(43,718,626,868)	(60,267,738,253)
52	Business income tax - deferred	37	(1,014,402,501)	(2,003,999,370)
60	Net profit after tax		166,977,726,793	211,894,833,616
Attributable to:				
61	Shareholders of the Parent Company		143,681,890,479	172,904,848,911
62	Non-controlling interests		23,295,836,314	38,989,984,705
70	Earnings per share	29	1,578	2,050

Ha Van Phuong
Preparer

Dao Van Dai
Chief Accountant

Phung Tuan Ha
Chairman
31 March 2017



The notes on pages 10 to 55 are an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT
(Indirect method)

		Year ended 31 December	
Code	Note	2016 VND	2015 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01	Net profit before tax	211,710,756,162	274,166,571,239
	Adjustments for:		
02	Depreciation and amortisation	46,976,983,663	30,602,786,294
03	Provisions	(13,602,639,075)	22,962,511,915
04	Unrealised foreign exchange losses	1,281,020,127	4,999,441,853
05	Profits from investing activities	(55,983,010,417)	(63,164,660,050)
06	Interest expense	81,342,268,416	95,128,275,859
08	Operating profit before changes in working capital	271,725,378,876	364,694,927,110
09	Increase in receivables	(270,908,955,749)	(76,864,061,055)
10	Decrease in inventories	426,956,675,471	226,753,607,173
11	(Decrease)/increase in payables	(176,648,704,659)	129,620,442,316
12	Decrease/(increase) in prepaid expenses	7,770,241,596	(60,439,805,785)
14	Interest paid	(80,637,851,647)	(116,436,708,931)
15	Business income tax paid	(48,369,479,667)	(64,542,822,848)
16	Other receipts from operating activities	83,681,659,609	-
17	Other payments on operating activities	(10,678,882,194)	(16,139,861,359)
20	Net cash inflows from operating activities	202,890,081,636	386,645,716,621
CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchases and construction of fixed assets and other long-term assets	(493,455,030,883)	(127,778,358,425)
22	Proceeds from disposals of fixed assets and other long-term assets	807,902,754	4,171,041,429
23	Investments in term deposits	(13,500,000,000)	(9,222,550,381)
24	Collection of term deposits	9,222,550,381	-
25	Investments in other entities	(46,470,086,614)	-
27	Dividends and interests received	47,654,921,388	59,329,690,994
30	Net cash outflows from investing activities	(495,739,742,974)	(73,500,176,383)
CASH FLOWS FROM FINANCING ACTIVITIES			
31	Proceeds from issue of shares	45,740,000,000	23,708,750,000
32	Payments for share repurchases	(795,000,000)	(35,523,322,342)
33	Proceeds from borrowings	6,568,717,739,850	7,096,110,722,231
34	Repayments of borrowings	(5,954,788,807,093)	(7,873,287,870,123)
36	Dividends paid	(133,211,683,333)	(116,033,857,924)
40	Net cash inflows/(outflows) from financing activities	525,662,249,424	(905,025,578,158)
50	Net increase/(decrease) in cash and cash equivalents	232,812,588,086	(591,880,037,920)
60	Cash and cash equivalents at beginning of year	1,461,210,798,980	2,050,148,166,048
61	Effect of foreign exchange differences	378,866,694	2,942,670,852
70	Cash and cash equivalents at end of year	1,694,402,253,760	1,461,210,798,980

Ha Van Phuong
Preparer

Dao Van Dai
Chief Accountant

Phung Tuan Ha
Chairman
31 March 2017



The notes on pages 10 to 55 are an integral part of these consolidated financial statements

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

1 GENERAL INFORMATION

PetroVietnam General Services Joint Stock Company ("the Parent Company") was established in Vietnam in accordance with Business Registration Certificate No. 4103005338 dated 29 September 2006 and the 18th amendment dated 23 May 2016 which were issued by the Department of Planning and Investment Department of Ho Chi Minh City. The Corporation was transformed from PetroVietnam Tourism and Services Company, a wholly State-owned subsidiary of Vietnam Oil and Gas Corporation ("PetroVietnam").

The Parent Company's shares are officially listed on Ho Chi Minh City Stock Exchange ("HOSE") on 12 September 2007 with stock symbol "PET" pursuant to Decision No. 94/QD-SGDHCM issued by General Director of HOSE on 13 August 2007.

The principal activities of the Corporation include:

- Trading plastic resins, textile fibers, and cassava;
- Support and management services;
- Lease of warehouse, workshops, premises, office;
- Wholesale of computers and equipment;
- Trading of telecommunication equipment;
- Supply of specialised materials and equipment in oil and gas industry;
- Heavy transportation and lifting services;
- Catering services and commodities for oil and gas industry;
- LPG trading and distributing, gas filling;
- Property management (offices, hotels, residential etc.);
- Processing electronic components, IT and communications equipment.

The normal business cycle of the Corporation is within 12 months.

As at 31 December 2016, the Corporation had 2,375 employees (2015: 2,390 employees).

As at 31 December 2016, the Corporation had 14 direct subsidiaries, 2 indirect subsidiaries, 1 direct associate and 1 indirect associate with details as follows:

No	Name	Principal activity	Place of incorporation and operation	% of ownership	% of voting rights
I.	Direct subsidiaries				
1	Petroleum General Distribution Services Joint Stock Company ("PSD")	Distribution of telecom, electronic equipment	HCMC	80.02%	80.02%
2	Petroleum Offshore Trading and Services Company Limited ("POTS")	Trading and rendering services	HCMC	60%	60%
3	Petroleum Vung Tau General Services Joint Stock Company ("PSV")	Rendering services	Vung Tau	70%	70%

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

1 GENERAL INFORMATION (continued)

No	Name	Principal activity	Place of incorporation and operation	% of ownership	% of voting rights
I. Direct subsidiaries (continued)					
4	Mien Trung Petroleum Services and Trading Joint Stock Company ("PSMT")	Trading and rendering services	Quang Ngai	99.79%	99.79%
5	PetroVietnam Assets Management Joint Stock Company ("PSA")	Operating in property management and services	Ha Noi	78.61%	78.61%
6	Petrosetco SSG Company Limited ("PSSSG")	Real estates	HCMC	51%	51%
7	Smart Convergence Joint Stock Company ("Smartcom")	Distributing equipment, electronic, components, peripheral devices, software	HCMC	55%	55%
8	Petrosetco Retail Services Joint Stock Company ("PSR")	Retail of mobile phones	HCMC	51%	51%
9	Petroleum Logistics Service Joint Stock Company ("PSL") (*)	Marine transportation service	HCMC	44%	60%
10	Petroleum High Technology Products Distribution Joint Stock Company ("PHTD")	Distributing equipment, electronic components, peripheral devices	HCMC	56%	56%
11	ASSA Technology JSC ("ASSA")	Processing electronic and telecommunication equipment	HCMC	60%	60%
12	Petrosetco - ALE Heavy Transportation and Lifting Joint-stock Company ("Petrosetco - Ale")	Providing heavy transportation and lifting services	HCMC	51%	51%
13	Petroleum Trading Services Company Limited ("PST") (**)	Stopped operation and on liquidation process	HCMC	100%	100%
14	Petroleum Saigon General Services Company Limited ("PSG") (**)	Stopped operation and on liquidation process	HCMC	100%	100%
II. Indirect subsidiaries					
1	Binh Minh Electronics Refrigeration Joint Stock Company (formerly known as Binh Minh Electronics Refrigeration Company Limited) ("Binh Minh")	Trading in electronic devices, refrigeration appliances, electronic household appliances	HCMC	40.81%	51%

1 GENERAL INFORMATION (continued)

No	Name	Principal activity	Place of incorporation and operation	% of ownership	% of voting rights
II. Indirect subsidiaries (continued)					
2	Nha Trang Petroleum Services Trading Company Limited ("Nha Trang PST")	Wholesale of solid, liquid and gaseous fuels and related products	Nha Trang	99,79%	100%
III. Direct associate					
1	Petro Tower Limited Company	Office for lease	Ba Ria - Vung Tau	24%	24%
IV. Indirect associate					
1	Vietecom Digital Trade and Investment Joint Stock Company	Trading electronic components, information technology, technology transfer services, delivery services	Ha Noi	16%	20%

(*) As at 31 December 2016, although the Parent Company's interest at PSL was only 44% after PSL increased its charter capital in 2015, the Parent Company's voting ratio at PSL was 60%. Therefore, the Parent Company still has the authority to control over the financial and operational policies of PSL, and PSL was classified and presented as a subsidiary of the Parent Company for the consolidation purpose.

(**) According to Decision No. 313/QĐ-DVTHDK-HDQT and 314/QĐ-DVTHDK-HDQT dated 26 December 2011, the Parent Company's Board of Management decided to dissolve PST and PSG from 1 January 2012. Currently, PST and PSG are under tax finalisation with the tax authorities for dissolution. From 2013 until the date of these consolidated financial statements, the two companies have had no business activities incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of consolidated financial statements. The consolidated financial statements have been prepared under the historical cost convention.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.2 Significant changes in the Corporation's accounting policy applied**

Circular No. 53/2016/TT- BTC ("Circular 53") - Amended some articles of Circular No. 200/2014/TT-BTC ("Circular 200") – Providing guidance on Corporate Accounting System. Circular 53 is applicable to fiscal years beginning on or after 1 January 2016. However, enterprises can choose to apply those changes relating to foreign exchange rates for the fiscal year 2015.

According to Circular 200, transactions arising in foreign currencies are translated at actual exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are respectively translated at the buying and selling exchange rates of the commercial bank where the Corporation regularly trades. Foreign currencies deposited in bank at the consolidated balance sheet date are translated at the buying exchange rate of the commercial bank where the Corporation holds the foreign currency accounts.

According to Circular 53, the actual exchange rate can be the approximate exchange rate that is the rate approximating the average transfer exchange rate of the buying and selling rates of the commercial bank where the Corporation regularly trades. The approximate exchange rate disparity must not exceed +/- 1% compared with the average transfer exchange rate. The average transfer exchange rate is determined daily or weekly or monthly based on the average between the daily buying transfer rate and selling transfer rate of the commercial bank.

In addition, under Circular 53, if the Corporation uses the approximate exchange rate to account for transactions denominated in foreign currencies in the accounting period, the Corporation must use the transfer rate of the commercial bank where it regularly trades to revalue balances denominated in foreign currencies at end of the accounting period. The transfer rate can be the buying or selling rate or average transfer rate of the commercial bank.

2.3 Fiscal year

The Corporation's fiscal year is from 1 January to 31 December.

2.4 Currency

The consolidated financial statements are measured and presented using Vietnamese Dong ("VND").

Transactions arising in foreign currencies are translated at an exchange rate which is the rate approximating the average transfer exchange rate of the buying and selling rates of the commercial bank where the Corporation regularly trades. The Corporation ensures that the disparity of the approximate exchange rate does not exceed +/- 1% compared with the average transfer exchange rate. The average transfer exchange rate is determined monthly based on the average between the daily buying transfer rate and selling transfer rate of the commercial bank. Foreign exchange differences arising from these translations are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the transfer rate at the balance sheet date of the commercial bank where the Corporation regularly trades. The transfer rate is the buying rate or selling rate of the commercial bank. Foreign exchange differences arising from these translations are recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.5 Basis of consolidation**

The Corporation prepared its consolidated financial statements in accordance with Circular 202/2014/TT-BTC - Guiding on the preparation and presentation of consolidated financial statements.

Subsidiaries

Subsidiaries are all entities over which the Corporation has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Corporation controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Corporation. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Corporation. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Corporation's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains and losses on transactions between Corporation companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Corporation.

Non-controlling transactions and interests

The Corporation applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Corporation.

Non-controlling interests ("NCI") are measured at their proportionate share of the acquiree's identifiable net assets at date of acquisition.

Changes in the Corporation's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners. The difference between the change in the Corporation's share of net assets of the subsidiary and any consideration paid or received is recorded directly in the undistributed earnings under equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.5 Basis of consolidation (continued)****Associates**

Associates are all entities over which the Corporation has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Corporation's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Corporation's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Corporation's share of losses in an associate equals or exceeds its interest in the associate, the Corporation does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Corporation.

Unrealised gains and losses on transactions between the Corporation and its associates are eliminated to the extent of the Corporation's interest in the associates. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Corporation.

2.6 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Corporation's share of the net identifiable assets of the acquired subsidiary/ associate at the date of acquisition as accordance with current accounting requirements. Goodwill on acquisitions of subsidiaries is recognised as an asset and is amortised on the straight-line basis over its estimated period of benefit but not exceed 10 years.

Goodwill on acquisitions of investments in associates is included in the carrying amount of the investments at the date of acquisition. The Corporation does not amortise this goodwill.

On disposal of the investments in subsidiaries or associates, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on the disposal.

Goodwill is tested annually for impairment and carried at cost less accumulated amortisation less accumulated impairment losses. If there is evidence that the impairment during the year is higher than the annual goodwill charge, the Corporation records the impairment immediately in the accounting period.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank, cash in transit, demand deposits and other short-term investments with an original maturity of three months or less.

2.8 Trade receivables

Trade receivables are carried at the original invoice amount less an estimate made for doubtful receivables based on a review by the Board of General Directors of all outstanding amounts at the year end. Bad debts are written off when identified.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the specific identification method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on normal levels of operating activity. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses. Provision is made, where necessary, for obsolete, slow-moving and defective inventory items.

2.10 Investments

(a) Investments held-to-maturity

Investments held to maturity are investments which the Corporation's Management has positive intention and ability to hold until maturity.

Investments held-to-maturity include term deposits, treasury bills, bonds, callable preference shares which should be repurchased by issuer at certain time in the future, loans held-to-maturity for interest earning and other held-to-maturity investments. Those investments are accounted for at cost less provision.

Provision for diminution in value of investments held to maturity is made when there is evidence that part or the whole of the investment is uncollectible.

(b) Investments in equity of other entities

Investments in equity of other entities are investments in equity instruments of other entities without controlling rights or co-controlling rights, or without significant influence over the investee. These investments are initially recorded at cost. Provision for diminution in value of these investments is made when the entities make losses, except when the loss was anticipated in their business plan before the date of investment.

2.11 Fixed assets

Tangible and intangible fixed assets

Fixed assets are stated at historical cost less accumulated depreciation/ amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets.

Depreciation and amortisation

Fixed assets are depreciated and amortised using the straight-line method so as to write off the cost of the assets over their estimated useful lives. The principal annual rates used are:

Buildings	2% - 20%
Machinery and equipment	5% - 33%
Motor vehicles	10% - 33%
Office equipment	20% - 33%
Computer software	12.5% - 20%

Land use rights with indefinite useful life are recorded at historical cost and are not amortised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.11 Fixed assets (continued)***Disposals*

Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are recognised as income or expense in the income statement.

Construction in progress

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost. Cost includes professional fees and, for qualifying assets, borrowing costs dealt with in accordance with the Corporation's accounting policy. Depreciation of these assets, on the same basis as other fixed assets, commences when the assets are ready for their intended use.

2.12 Leased assets

Leases of property, plant and equipment where the lessor has transferred the ownership at the end of the lease period, and transferred substantially the risks and rewards, are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charge, are included in long-term borrowings. The interest element of the finance cost is charged to the income statement over the lease period. The property, plant and equipment acquired under finance leasing contracts are depreciated over the shorter of the estimated useful life of the assets or the lease term. However, if there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, depreciation is calculated over the estimated useful life of the assets.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.13 Investment properties

Cost of an investment property means the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire the investment property at the time of its acquisition or completion of construction.

Depreciation

Investment properties are depreciated on the straight-line method to write off the cost of the assets over their estimated useful lives. The principal annual rate used is:

Land use rights	10%
Buildings	2% - 20%
Equipment	14% - 50%

Disposals

Gains or losses on disposals are determined by comparing net disposal proceeds with the net book value and are recognised as income or expense in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.14 Prepaid expenses**

Prepaid expenses include short-term or long-term prepayments on the balance sheet and are mainly prepaid office rental, prepaid warehouse rental. Prepaid expenses are recorded at historical cost and allocated to expenses using the straight line method over the allocation period.

2.15 Payables

Classifications of payables are based on their nature as follows:

- Trade accounts payable are trade payables arising from purchase of goods and services.
- Other payables including non-trade payables, and not relating to purchase of goods and services.

Payables are classified into long-term and short-term payables on the balance sheet based on remaining period from the balance sheet date to the maturity date.

2.16 Borrowing costs

Borrowing costs that are directly attributable to the construction or production of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in the income statement when incurred.

2.17 Accrued expenses

Accrued expenses include liabilities for goods and services received in the period but not yet paid due to pending invoice or insufficient records and documents. Accrued expenses are recorded as expenses in the reporting period.

2.18 Provisions

Provisions are recognised when: the Corporation has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provision is not recognised for future operating losses.

Provisions are measured at the expenditures expected to be required to settle the obligation. If the time value of money is material, provision will be measured at the present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

2.19 Unearned revenue

Unearned revenue mainly comprises of the amounts that customers paid in advance for one or many accounting periods for asset leases. The Corporation records unearned revenue for the future obligations that the Corporation has to conduct.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Share capital

(a) Ordinary shares

Contributed capital of the shareholders is recorded according to actual amount contributed. Contributions from owners are recorded according to par value of the share.

(b) Share premium

Share premium is the difference between the par value and the issue price of shares and the difference between the repurchase price and re-issuing price of treasury shares.

(c) Treasury shares

Treasury shares are shares issued by the Corporation and bought-back by itself, but these are not cancelled and shall be re-issued in the period in accordance with the Law on securities

(d) Undistributed earnings

Undistributed earnings record the Corporation's results (profit, loss) after business income tax at the reporting date.

(e) Other capital

Other capital shall be recorded in owners' other capital at the reporting date.

2.21 Appropriation of net profit

Net profit after income tax could be distribute to shareholders after approval at General Meeting, and after appropriation to other funds in accordance with the Corporation's charter and Vietnamese regulations.

The Corporation's funds are as below:

(a) Investment and Development funds

Investment and Development fund is appropriated from net profit of the Corporation and approved by shareholders in the General Meeting. This fund is used for expanding and developing the business of the Corporation.

(b) Bonus and welfare fund

The bonus and welfare fund is appropriated from the Corporation's net profit and subject to shareholders' approval at the General Meeting. This fund is used for rewarding and encouraging, enhancing the physical and mental well-being of the employees.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.22 Revenue recognition

(a) Sales of goods

Revenue from the sale of goods is recognised in the income statement when all five (5) following conditions are satisfied:

- The Corporation has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Corporation retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Corporation; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods.

Revenue is recognised based on principle of “substance over form” and allocated to each sales obligation. In case that the Corporation gives promotional goods to customers associated with customers’ purchase, the Corporation allocates total consideration received for goods sold and promotional goods. Cost of promotional goods is recognised as cost of sales in the income statement.

(b) Provision of services

Revenue from provision of services is recognised in the income statement when the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenue from the sale of services is only recognised when all four (4) following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company;
- The percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

(c) Interest income

Interest income is recognised on an earned basis, and is determined based on the amount of deposits and their interest rates.

(d) Dividend income

Income from dividend is recognised when the Corporation has established the receiving right from investees.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.23 Sales deductions**

Sales deductions include trade discounts, sales returns and allowances. Sales deductions incurred in the same period of the related sales of products, goods and services are recorded as deduction of revenue of that period.

Sales deductions for the products, goods or services which are sold in the period, but are incurred after the balance sheet date but before the issuance of the consolidated financial statements are recorded as deduction of revenue of the period.

2.24 Cost of sales

Cost of goods sold or cost of services are cost of finished goods, merchandises, materials sold or services provided during the period, and recorded on the basis of matching with revenue and on prudent concept.

2.25 Financial expenses

Finance expenses are expenses incurred in the period for financial activities including expenses or losses relating to financial investment activity, expenses of lending and borrowing, costs of capital contributed to associates, losses from short-term securities trading, losses from securities selling transactions; provision for diminution in value of trading securities, provision for diminution in value of investments in other entities, losses incurred when selling foreign currencies, losses from foreign exchange differences, payment discounts.

2.26 Selling expenses

Selling expenses represent expenses that are incurred in the process of selling products, goods, and providing services, which mainly include publicity, display, promotions, advertising expenses, maintenance charges, packaging, and transportation.

2.27 General and administration expenses

General and administration expenses represent expenses for administrative purposes which mainly include salary expenses of administrative staffs (salaries, wages, allowances, etc.); social insurance, medical insurance, labour union fees, unemployment insurance of administrative staffs, expenses of office materials, tools and supplies, depreciation of fixed assets used for administration, land rental, licence tax, provision for bad debts, outside services and other cash expenses.

2.28 Current and deferred income tax

Income taxes include all income taxes which are based on taxable profits including profits generated from production and trading activities in other countries with which the Socialist Republic of Vietnam has not signed any double taxation agreement. Income tax expense comprises current tax expense and deferred tax expense.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profits at the current year tax rates. Current and deferred tax should be recognised as an income or an expense and included in the profit or loss of the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, directly in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.28 Current and deferred income tax (continued)**

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of occurrence affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.29 Dividend distribution

Dividend of the Corporation is recognised as a liability in the Corporation's consolidated financial statements in the period in which the interim dividends are temporarily declared by Board of Management and finally approved by the Corporation's General Meeting of shareholders.

2.30 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Corporation, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Corporation. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Corporation that gives them significant influence over the Corporation, key management personnel, including Chairman, directors of the Corporation and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering the related party relationship, the Corporation considers the substance of the relationship not merely the legal form.

2.31 Accounting estimates

The preparation of consolidated financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting requires the Chairman and Board of General Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the financial year. Although these accounting estimates are based on the Chairman and Board of General Directors' best knowledge, actual results may differ from those estimates.

2.32 Segment reporting

A segment is a component which can be separated by the Corporation engaged in providing products or services (business segment), or providing products or services within a particular economic environment (geographical segment). Each segment is subject to risks and returns that are different from those of other segments. A reportable segment is the Corporation's business segment.

Segment reporting is prepared and presented in accordance with accounting policies applied to the preparation and presentation of the Corporation's consolidated financial statements in order to help users of consolidated financial statements to understand and evaluate the situation the operations of the Corporation in a comprehensive way.

3 BUSINESS COMBINATIONS

(a) Acquisition of Nha Trang PST

In May 2016, PSMT completed the acquisition of 100% interest in Nha Trang Petroleum Services Trading Company Limited ("Nha Trang PST") with the total consideration of VND6,737,884,227.

The impacts of the business combination to the net assets of the Corporation at the acquisition date were as follows:

	Book value at acquisition date VND	Fair values adjustment VND	Fair values recognised at acquisition date VND
Assets			
Cash and cash equivalents	443,011,426	-	443,011,426
Short-term account receivables	1,305,800,402	-	1,305,800,402
Inventories	2,253,481,100	-	2,253,481,100
Other current assets	1,051,604,235	-	1,051,604,235
Fixed assets	11,787,781,034	-	11,787,781,034
Long-term prepaid expenses	8,295,224,501	-	8,295,224,501
	25,136,902,698		25,136,902,698
Liabilities			
Current liabilities	10,293,851,920		10,293,851,920
Non - current liabilities	8,229,049,767		8,229,049,767
	18,522,901,687		18,522,901,687
Total identifiable net assets	6,614,001,011		6,614,001,011
Goodwill (Note 16)			123,883,216
Non-controlling interests			-
Consideration transferred			6,737,884,227
<i>In which:</i>			
<i>Cash paid</i>			6,737,884,227
Cash acquired			(443,011,426)
Net cash outflow on acquisition			6,294,872,801

3 BUSINESS COMBINATIONS (continued)

(b) Acquisition of Binh Minh

In December 2016, PSD completed the acquisition of 51% interest in Binh Minh Electronics Refrigeration Joint Stock Company (formerly known as Binh Minh Electronics Refrigeration Company Limited) ("Binh Minh") with the total consideration of VND26,775,000,000.

The impacts of the business combination to the net assets of the Corporation at the acquisition date were as follows:

	Book value at acquisition date VND	Fair values adjustment VND	Fair values recognised at acquisition date VND
Assets			
Cash and cash equivalents	7,234,741,709	-	7,234,741,709
Accounts receivable	60,146,501,320	-	60,146,501,320
Inventories	79,088,746,356	-	79,088,746,356
Other current assets	364,965,470	-	364,965,470
Long-term receivables	1,256,100,000	-	1,256,100,000
Fixed assets	2,804,634,520	-	2,804,634,520
Other long-term assets	726,822,482	-	726,822,482
	151,622,511,857		151,622,511,857
Short-term liabilities			
Trade accounts payable	54,287,016,900	-	54,287,016,900
Short-term borrowings	74,409,018,006	-	74,409,018,006
Other short-term liabilities	6,727,686,951	-	6,727,686,951
Long-term borrowings	1,198,790,000	-	1,198,790,000
	136,622,511,857		136,622,511,857
Total identifiable net assets	15,000,000,000		15,000,000,000
Goodwill (Note 16)			15,303,825,000
Non-controlling interests (Note 26)			(3,528,825,000)
Consideration transferred			26,775,000,000
<i>In which:</i>			
<i>Cash paid</i>			26,775,000,000
Cash acquired			(7,234,741,709)
Net cash outflow on acquisition			19,540,258,291

4 CASH AND CASH EQUIVALENTS

	2016 VND	2015 VND
Cash on hand	7,892,234,694	6,557,591,838
Cash at banks	380,970,019,066	507,957,754,593
Cash in transit	-	51,347,000
Cash equivalents (*)	1,305,540,000,000	946,644,105,549
	<u>1,694,402,253,760</u>	<u>1,461,210,798,980</u>

(*) Cash equivalents includes term deposits with the original maturity within three months.

As at 31 December 2016, a term deposit at a commercial bank with total value of VND30 billion has been pledged with a commercial bank as collateral asset for long-term borrowings granted by the commercial bank to Industry Construction Corporation, a constructor of the Parent Company.

5 INVESTMENTS

(a) Investments held to maturity

Investments held to maturity represent VND term deposits with the original maturity over three months at commercial banks, with interest rates ranging from 5.6% to 6% per annum (2015: 4.7% - 5% per annum).

(b) Investment in associates

	2016		2015	
	Cost VND	Carrying value VND	Cost VND	Carrying value VND
Petro Tower Limited Company	14,359,957,249	16,050,446,622	14,359,957,249	16,428,759,180
Vietecom Digital Trade and Investment Joint Stock Company (*)	853,268,080	853,268,080	-	-
	<u>15,213,225,329</u>	<u>16,903,714,702</u>	<u>14,359,957,249</u>	<u>16,428,759,180</u>

5 INVESTMENTS (continued)

(b) Investment in associates (continued)

Details of the Corporation's associates as at 31 December 2016 are disclosed in Note 1.

Movements in investment in associates are as follows:

	2016 VND	2015 VND
Beginning of the year	16,428,759,180	17,878,373,578
Acquisitions	853,268,080	-
Share of loss for the year	(378,312,558)	(1,449,614,398)
End of year	<u>16,903,714,702</u>	<u>16,428,759,180</u>

(*) In July 2016, PSD completed the acquisition of 20% interest in Vietecom Digital Trade and Investment Joint Stock Company.

(c) Investment in other entities

	2016			2015		
	Cost VND	Fair value VND	Provision VND	Cost VND	Fair value VND	Provision VND
PetroVietnam Central Biofuels Joint Stock Company	2,000,000,000	(*)	2,000,000,000	2,000,000,000	(*)	-
Vietnam Coolpad Co., Ltd (**)	20,160,000,000	(*)	-	-	(*)	-
	<u>22,160,000,000</u>		<u>2,000,000,000</u>	<u>2,000,000,000</u>		<u>-</u>

(*) At the date of report, the fair value of the investment in other entity was not available as the entity is not listed on the Stock Exchange.

(**) In October 2016, Smartcom completed the capital contribution to Vietnam Coolpad Co., Ltd with the total amount of VND20.16 billion.

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

6 SHORT-TERM TRADE ACCOUNTS RECEIVABLE

	2016	2015
	VND	VND
Third parties		
<i>Mobile World Joint Stock Company</i>	37,687,183,365	79,215,627,167
<i>Viettronics Corporation</i>	110,341,725,392	-
<i>Icool Technology Limited Company</i>	121,214,494,359	-
<i>Others</i>	1,045,586,820,267	849,421,759,130
	<u>1,314,830,223,383</u>	<u>928,637,386,297</u>
Related parties (Note 41(b)(i))		
<i>Joint Venture "Vietsovpetro"</i>	27,607,958,118	49,670,108,359
<i>Others</i>	83,345,431,184	57,972,279,651
	<u>110,953,389,302</u>	<u>107,642,388,010</u>
	<u><u>1,425,783,612,685</u></u>	<u><u>1,036,279,774,307</u></u>

7 SHORT-TERM PREPAYMENTS TO SUPPLIERS

	2016	2015
	VND	VND
Third parties		
<i>Tan Lien Phat Investment and Constrution</i>		
<i>Joint Stock Company</i>	42,025,456,603	39,647,968,416
<i>Others</i>	34,194,961,580	51,911,408,481
	<u>76,220,418,183</u>	<u>91,559,376,897</u>

8 OTHER SHORT-TERM RECEIVABLES

	2016	2015
	VND	VND
Receivables from trade discounts	66,412,185,181	202,274,264,049
Interest income receivable	7,572,079,938	4,273,525,646
Others	99,210,190,329	45,546,824,017
	<u>173,194,455,448</u>	<u>252,094,613,712</u>

9 PROVISION FOR DOUBTFUL DEBTS

	2016			
	Cost	Recoverable	Provision	Number of
	VND	amount	VND	overdue days
		VND		Days
Receivables that are past due	69,673,553,721	25,406,739,405	(44,259,869,663)	Over 1 year

	2015			
	Cost	Recoverable	Provision	Number of
	VND	amount	VND	overdue days
		VND		Days
Receivables that are past due	159,522,404,717	114,006,121,177	(45,516,283,540)	Over 6 months

10 INVENTORIES

	2016		2015	
	Cost	Provision	Cost	Provision
	VND	VND	VND	VND
Goods in transit	33,931,135,537	-	48,797,395,361	-
Raw materials	1,792,014,813	-	2,531,723,986	-
Tools and supplies	2,505,719,355	-	534,489,929	-
Work in progress	469,936,562	-	-	-
Merchandises	823,218,080,526	(16,100,446,541)	1,127,642,665,885	(30,086,714,085)
Goods on consignment	123,843,503,183	-	151,508,605,176	-
	<u>985,760,389,976</u>	<u>(16,100,446,541)</u>	<u>1,331,014,880,337</u>	<u>(30,086,714,085)</u>

The Corporation has pledged a part of inventories with a commercial bank as collateral asset for long-term borrowings granted by the commercial bank (Note 21).

10 INVENTORIES (continued)

Movements in the provision for decline in value of inventories during the year were as follows:

	2016 VND	2015 VND
Beginning of year	30,086,714,085	35,952,925,192
Increase	6,366,306,120	7,253,136,088
Increase from acquisition of indirect subsidiaries	359,957,654	-
Reversal	(20,712,531,318)	(13,119,347,195)
	<hr/>	<hr/>
End of year	16,100,446,541	30,086,714,085
	<hr/>	<hr/>

11 TAXES RECEIVABLE FROM AND PAYABLE TO THE STATE BUDGET

(a) Taxes receivable from the State Budget

	2016 VND	2015 VND
VAT to be refunded (*)	-	83,681,659,609
Business income tax	1,083,452,440	1,434,941,758
Personal income tax	613,448,058	769,859,445
Overpaid VAT	455,167,122	-
Other taxes	175,994,230	1,150,324,549
	<hr/>	<hr/>
	2,328,061,850	87,036,785,361
	<hr/>	<hr/>

(*) During the year 2016, the Corporation received the to-be-refunded VAT from the tax department.

(b) Taxes payable to the State Budget

	2016 VND	2015 VND
VAT output	5,060,854,446	3,992,280,733
Business income tax	11,362,678,354	16,365,020,471
Personal income tax	1,455,661,282	1,279,112,516
Other taxes	7,977,200	999,980
	<hr/>	<hr/>
	17,887,171,282	21,637,413,700
	<hr/>	<hr/>

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

11 TAXES RECEIVABLE FROM AND PAYABLE TO THE STATE BUDGET (continued)

Movements of taxes receivable from the State Budget during the year were as follows:

	As at 1.1.2016		During the year			As at 31.12.2016	
	Receivable	Incurred	Settled	Net off	Reclassification	Receivable	Payable
	VND	VND	VND	VND	VND	VND	VND
Business income tax	1,434,941,758	-	-	(1,434,941,758)	1,083,452,440	1,083,452,440	
Personal income tax	769,859,445	-	-	(769,859,445)	613,448,058	613,448,058	
Overpaid VAT	-	-	-	-	455,167,122	455,167,122	
Other taxes	1,150,324,549	-	-	(1,150,324,549)	175,994,230	175,994,230	

Movements of taxes payable to the State Budget during the year were as follows:

	As at 1.1.2016		During the year			As at 31.12.2016	
	Payable	Incurred	Settled	Net off	Reclassification	Payable	Payable
	VND	VND	VND	VND	VND	VND	VND
VAT output	3,992,280,733	187,611,528,570	(117,387,630,664)	(69,155,324,193)	-	5,060,854,446	
Business income tax	16,365,020,471	43,718,626,868	(48,369,479,667)	(1,434,941,758)	1,083,452,440	11,362,678,354	
Personal income tax	1,279,112,516	8,958,530,633	(8,625,570,480)	(769,859,445)	613,448,058	1,455,661,282	
Other taxes	999,980	1,032,622,187	(51,314,648)	(1,150,324,549)	175,994,230	7,977,200	

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

12 FIXED ASSETS

(a) Tangible fixed assets

	Buildings VND	Machinery, equipment VND	Motor vehicles VND	Office Equipment VND	Total VND
Historical cost					
At as 1 January 2016	90,402,864,980	101,807,466,895	113,623,032,816	13,776,286,446	319,609,651,137
Increase from acquisition of indirect subsidiaries	8,110,809,100	3,782,272,800	5,592,320,090	-	17,485,401,990
New purchases	741,361,270	986,502,000	8,842,667,346	264,938,374	10,835,468,990
Disposals	(479,907,479)	(1,261,728,000)	(6,114,770,727)	(392,235,425)	(8,248,641,631)
At as 31 December 2016	98,775,127,871	105,314,513,695	121,943,249,525	13,648,989,395	339,681,880,486
Accumulated depreciation					
At as 1 January 2016	48,034,903,149	56,617,474,060	68,926,195,035	11,026,452,875	184,605,025,119
Increase from acquisition of indirect subsidiaries	707,442,794	329,898,239	1,855,645,403	-	2,892,986,436
Charge for the year	4,053,160,550	11,433,655,286	10,114,242,954	1,828,179,021	27,429,237,811
Disposals	(614,728,742)	(1,260,792,027)	(4,041,005,953)	(260,609,234)	(6,177,135,956)
At as 31 December 2016	52,180,777,751	67,120,235,558	76,855,077,439	12,594,022,662	208,750,113,410
Net book value					
At as 1 January 2016	42,367,961,831	45,189,992,835	44,696,837,781	2,749,833,571	135,004,626,018
At as 31 December 2016	46,594,350,120	38,194,278,137	45,088,172,086	1,054,966,733	130,931,767,076

Cost of fully depreciated fixed assets but still be in use as at 31 December 2016 was VND 84.1 billion (2015: VND96.8 billion).

As at 31 December 2016, motor vehicles with total net book value of VND2.67 billion (2015: VND2.67 billion) have been pledged with commercial banks as security for long-term borrowings granted to the Corporation (Note 21).

12 FIXED ASSETS (continued)

(b) Intangible fixed assets

	Land use rights VND	Software VND	Total VND
Historical cost			
At as 1 January 2016	101,988,494,434	4,344,257,135	106,332,751,569
New purchases	-	372,124,200	372,124,200
At as 31 December 2016	<u>101,988,494,434</u>	<u>4,716,381,335</u>	<u>106,704,875,769</u>
Accumulated amortisation			
At as 1 January 2016	-	2,777,641,781	2,777,641,781
Charge for the year	-	894,791,503	894,791,503
At as 31 December 2016	<u>-</u>	<u>3,672,433,284</u>	<u>3,672,433,284</u>
Net book value			
At as 1 January 2016	<u>101,988,494,434</u>	<u>1,566,615,354</u>	<u>103,555,109,788</u>
At as 31 December 2016	<u>101,988,494,434</u>	<u>1,043,948,051</u>	<u>103,032,442,485</u>

Cost of fully amortised intangible fixed assets but still be in use as at 31 December 2016 was VND1.9 billion (2015: VND1.6 billion).

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

13 INVESTMENT PROPERTIES

	Land use rights VND	Buildings VND	Equipment VND	Total VND
Historical cost				
As at 1 January 2016	6,120,000,000	-	-	6,120,000,000
New purchases	-	4,788,521,818	-	4,788,521,818
Acquisition from a related party (Note 41(a)(v))	-	229,237,037,787	25,308,416,758	254,545,454,545
Transfer from Construction in progress	-	493,274,309,055	175,968,129,601	669,242,438,656
As at 31 December 2016	6,120,000,000	727,299,868,660	201,276,546,359	934,696,415,019
Accumulated depreciation				
As at 1 January 2016	816,000,000	-	-	816,000,000
Charge for the year	612,000,000	11,110,909,433	6,930,044,916	18,652,954,349
As at 31 December 2016	1,428,000,000	11,110,909,433	6,930,044,916	19,468,954,349
Net book value				
As at 1 January 2016	5,304,000,000	-	-	5,304,000,000
As at 31 December 2016	4,692,000,000	716,188,959,227	194,346,501,443	915,227,460,670

13 INVESTMENT PROPERTIES (continued)

Investment properties include:

- The buildings, infrastructure and other equipment related to the living quarters of Nghi Son Refinery and Petrochemical Complex project ("Nghi Son Project") being constructed and held for lease by the Parent Company. Total amount of the interest cost capitalised during the year related to Nghi Son Project was VND9,7 billion (2015: nil). The interest cost after Nghi Son Project is brought into use will be paid by Nghi Son Refinery and Petrochemical Company Limited (Note 19) over the lease term.
- Land use right related to PSMT's land being held for lease.

14 CONSTRUCTION IN PROGRESS

Details of construction in progress are presented as follows:

	2016 VND	2015 VND
Nghi Son Project	-	101,112,071,454
Cape Pearl Project	35,300,069,469	31,602,965,744
Other projects	41,785,181,670	1,264,440,670
	<u>77,085,251,139</u>	<u>133,979,477,868</u>

Movements of construction in progress during the year were as follows:

	2016 VND	2015 VND
Beginning of year	133,979,477,868	32,561,674,286
Construction	612,348,211,927	101,417,803,582
Transfer to Investment Properties (Note 13)	(669,242,438,656)	-
End of year	<u>77,085,251,139</u>	<u>133,979,477,868</u>

15 LONG-TERM PREPAID EXPENSES

Details of long-term prepaid expenses are as follows:

	2016 VND	2015 VND
Office rental (*)	103,922,253,941	110,696,745,961
Cost of gas cylinders	61,430,299,515	66,766,950,430
Others	35,915,014,134	24,702,558,943
	<u>201,267,567,590</u>	<u>202,166,255,334</u>

15 LONG-TERM PREPAID EXPENSES (continued)

Movements in long-term prepaid expenses during the year were as follows:

	2016 VND	2015 VND
Beginning of year	202,166,255,334	208,100,667,693
Increase	24,454,671,133	17,178,907,172
Allocation	(25,353,358,877)	(23,113,319,531)
End of year	<u>201,267,567,590</u>	<u>202,166,255,334</u>

(*) The amount represents the prepayment to PetroVietnam for office leasing. This office rental prepaid expense was allocated on straight-line basis over 50 years from 2010.

16 GOODWILL

	2016 VND	2015 VND
Beginning of year	-	-
Increase (Note 3)	15,427,708,216	-
Allocation	(12,388,322)	-
End of year	<u>15,415,319,894</u>	<u>-</u>

Details of goodwill arising from business combinations during the year and estimated allocation periods are as follows:

	Goodwill VND	Allocation period Years
Nha Trang PST (Note 3(a))	123,883,216	10
Binh Minh (Note 3(b))	15,303,825,000	10
	<u>15,427,708,216</u>	

17 SHORT-TERM TRADE ACCOUNTS PAYABLE

	2016 VND	2015 VND
Third parties		
<i>Samsung Electronics Vietnam Thai Nguyen Company Limited</i>	354,845,181,900	143,723,625,100
<i>Industry Construction Corporation (DESCON)</i>	79,430,928,503	3,054,520,355
<i>Shenzhen Sang Fei Consumer Communication Company Limited</i>	69,357,559,116	54,914,083,818
<i>Dell Global B.V. (Singapore Branch)</i>	68,611,680,700	101,689,677,900
<i>Others</i>	396,799,511,761	575,137,897,577
	<u>969,044,861,980</u>	<u>878,519,804,750</u>
Related parties (Note 41(b)(ii))		
<i>PetroVietnam</i>	280,990,702,572	19,433,233,494
<i>Binh Son Refining and Petrochemical Company Limited</i>	193,502,091,457	272,489,604,727
<i>Others</i>	2,877,153,146	4,867,602,536
	<u>477,369,947,175</u>	<u>296,790,440,757</u>
	<u>1,446,414,809,155</u>	<u>1,175,310,245,507</u>

The Corporation has no doubt on its ability to fully repay the payables when they come due. As at 31 December 2016, there was no balance of short-term trade account receivable which is past due.

18 SHORT-TERM ACCRUED EXPENSES

	2016 VND	2015 VND
Accrued cost related to Nghi Son Project	58,025,439,685	-
Warehouse rental and transportation	799,741,877	1,751,315,848
Interest expenses	2,909,169,834	3,363,462,425
Others	11,214,496,014	11,534,836,492
	<u>72,948,847,410</u>	<u>16,649,614,765</u>

19 UNEARNED REVENUE

(a) Short-term unearned revenue

	2016 VND	2015 VND
Advances for revenue - Nghi Son Project (*)	27,272,727,273	-
Others	3,090,016,777	2,300,367,758
	<u>30,362,744,050</u>	<u>2,300,367,758</u>

(b) Long-term unearned revenue

	2016 VND	2015 VND
Advances for revenue - Nghi Son Project (*)	102,272,727,275	-
Others	77,806,667	77,806,667
	<u>102,350,533,942</u>	<u>77,806,667</u>

(*) This is the advance payment received from Nghi Son Refinery and Petrochemical Company Limited for leasing of living quarters and provision of other services to Nghi Son Project. As at 31 December 2015, total amount of VND136,363,636,364 (Note 41(b)(v)) was presented as a long-term advance from customer. From 1 October 2016, the Parent Company handed over Nghi Son project to Nghi Son Refinery and Petrochemical Company Limited under an operating lease arrangement and thus reclassified this amount into respective short-term and long-term unearned revenue.

20 OTHER SHORT-TERM PAYABLES

	2016 VND	2015 VND
Payables to PetroVietnam (Note 41(b)(iv))	-	8,535,573,233
Payables to agents, customers	79,089,029,187	47,131,703,889
Dividend payable (Note 27)	20,833,461,631	34,158,820,320
Others	40,705,327,592	15,902,024,122
	<u>140,627,818,410</u>	<u>105,728,121,564</u>

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

21 BORROWINGS

(a) Short-term borrowings

	During the year				As at 1.1.2016 VND	Reclassification from long-term borrowings VND	As at 31.12.2016 VND
	Repayments VND	Drawdowns VND	Increase from acquisition of indirect subsidiaries VND				
Joint Stock Commercial Bank for Foreign Trade of Vietnam	(1,919,895,574,994)	2,029,208,054,999	-		605,326,076,759	-	714,638,556,764
ANZ Bank Vietnam Limited	(840,542,048,053)	630,043,488,868	-		342,220,393,572	-	131,721,834,387
Military Commercial Joint Stock Bank	(1,519,636,100,526)	1,389,990,596,675	-		487,703,802,260	-	358,058,298,409
Vietnam Joint Stock Commercial Bank for Industry and Trade	(1,018,065,907,455)	1,120,004,913,146	-		353,498,505,575	-	455,437,511,266
HSBC Bank Vietnam Limited	(279,300,419,720)	566,587,963,490	-		75,652,862,527	-	362,940,406,297
Asia Commercial Bank (*)	-	-	17,196,790,006		-	-	17,196,790,006
Individual borrowings (*)	-	-	57,090,000,000		-	-	57,090,000,000
Standard Chartered Bank	(213,281,714,179)	213,281,714,179	-		-	-	-
Vietnam International Commercial Joint Stock Bank	(14,314,720,711)	14,324,618,401	-		-	-	9,897,690
Vietnam Technological and Commercial Joint Stock Bank	(137,789,193,617)	171,921,689,622	-		-	-	34,132,496,005
Vietnam Export Import Bank (*)	-	-	122,228,000		-	-	122,228,000
Vietnam Export Import Bank	-	99,840,601,711	-		-	-	99,840,601,711
Tien Phong Commercial Joint Stock Bank	-	53,349,172,995	-		-	-	53,349,172,995
Asia Commercial Bank (ii) (Note 21(b))	-	-	-		-	18,096,233,992	18,096,233,992
	(5,942,825,679,255)	6,288,552,814,086	74,409,018,006		1,864,401,640,693	18,096,233,992	2,302,634,027,522

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

21 BORROWINGS (continued)

(a) Short-term borrowings

(*)

These represent short-term loans of Binh Minh arising from the acquisition and gain of control over Binh Minh's operation by PSD (Note 3(b)). The short-term loans of Binh Minh mainly consist of:

- Unsecured loans from individuals for the purpose of working capital funding and bear the interest rate of 12% per annum. The borrowing has no fixed term of repayment.
- Loans from Asia Commercial Bank for the purpose of working capital funding. The loans bear the interest rates ranging from 7.5% to 8.2% per annum and have repayment period within 12 months. The loans are secured by receivables of Binh Minh, inventory of Binh Minh with total value of VND 10 billion, and other properties of related individuals.

The remaining balance comprises loans from commercial banks in the form of short-term loans, credit terms or letter of credit. As at 31 December 2016, the Corporation had non-cancellable guarantee commitment for loans at commercial banks for the Corporation's subsidiaries with the total amount of VND2,332 billion; and a part of inventories was pledged as collateral asset for the loans. The interest rates are determined at the withdrawal dates or are adjustable from time to time by the banks.

22 OTHER LONG-TERM PAYABLES

	2016 VND	2015 VND
Payable to Ba Ria - Vung Tau Province State Treasury (*)	7,030,627,285	7,449,088,575
Gas cylinders deposits	37,653,017,593	37,823,913,087
Long-term deposits	12,254,177,404	-
Others	9,639,173,324	12,261,568,123
	<u>66,576,995,606</u>	<u>57,534,569,785</u>

(*) The balance represents rental fee payable to Ba Ria - Vung Tau Province State Treasury relating to a land rental contract.

23 DEFERRED TAX

(a) Deferred tax assets

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority. The offset amounts are as follows:

	2016 VND	2015 VND
Deferred tax assets:		
Deferred tax asset to be recovered within 12 months	189,110,129	1,203,512,630

The gross movement in the deferred income tax, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	2016 VND	2015 VND
Beginning of year	1,203,512,630	3,207,512,000
Charged to Income statement	(1,014,402,501)	(2,003,999,370)
End of year (*)	<u>189,110,129</u>	<u>1,203,512,630</u>

(*) Deferred income tax assets arise from provision for short term doubtful debts.

23 DEFERRED TAX (continued)

(b) Tax losses for which no deferred income tax asset was recognised

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Tax losses can be carried forward to offset against future taxable income for a maximum period of no more than five consecutive years from the year right after the year in which the loss was incurred. The actual amount of tax losses that can be carried forward is subject to review and approval of the tax authorities and may be different from the figures presented. As at 31 December 2016, based on the accumulated tax losses of the subsidiaries, the Corporation could incur deferred tax asset of VND11.2 billion. However the Corporation did not recognise defer tax asset as the realisation of the related tax benefit through subsidiaries' future taxable income currently cannot be assessed as probable.

24 OWNERS' CAPITAL

(a) Number of shares

	2016		2015	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Number of shares registered	86,600,124	-	84,600,124	-
Number of existing shares in circulation	86,600,124	-	84,600,124	-

The Parent Company has only one class of ordinary shares which is not entitled to fixed dividend and has the par value of VND10,000/share. The shareholders of ordinary shares are entitled to receive dividends as declared and entitled to one vote per share at the Parent Company's shareholder meetings.

24 OWNERS' CAPITAL (continued)

(b) Details of owners' shareholding

Pursuant to the 18th amended Business Registration Certificate dated 23 May 2016, charter capital of the Parent Company is VND866 billion.

As at 31 December 2016, the detail of owners' shareholding of the Parent Company is as follows:

	2016		2015	
	VND	%	VND	%
PetroVietnam	209,738,510,000	24.22	209,738,510,000	24.79
Other shareholders	656,262,730,000	75.78	636,262,730,000	75.21
	<u>866,001,240,000</u>	<u>100</u>	<u>846,001,240,000</u>	<u>100</u>

(c) Movement of share capital

	Ordinary shares VND	Preference shares VND	Total VND
As at 1 January 2015	698,420,000,000	-	698,420,000,000
New shares issued	147,581,240,000	-	147,581,240,000
	<u>846,001,240,000</u>	<u>-</u>	<u>846,001,240,000</u>
As at 31 December 2015	846,001,240,000	-	846,001,240,000
New shares issued	20,000,000,000	-	20,000,000,000
	<u>866,001,240,000</u>	<u>-</u>	<u>866,001,240,000</u>
As at 31 December 2016	<u>866,001,240,000</u>	<u>-</u>	<u>866,001,240,000</u>

Par value per share: VND10,000.

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

25 MOVEMENTS IN OWNERS' EQUITY

	Share capital VND	Share premium VND	Other capital VND	Investment and development funds VND	Undistributed earnings VND	Treasury shares VND	Total VND
As at 1 January 2015	698,420,000,000	160,547,882,393	-	175,628,619,942	317,268,414,029	-	1,351,864,916,364
Profit for the year	-	-	-	-	172,904,848,911	-	172,904,848,911
Net profit from transferring shares	-	-	-	-	1,611,021,552	-	1,611,021,552
Issuance of shares for dividends	132,681,240,000	-	-	-	(132,681,240,000)	-	-
Issuance of shares to employees (phase one) (*)	14,900,000,000	-	-	-	-	-	14,900,000,000
Dividend settlement by shares by a subsidiary	-	(26,629,829,779)	56,740,087,775	(3,975,810,036)	(26,134,447,960)	(35,523,322,342)	(35,523,322,342)
Repurchases of treasury shares	-	-	-	-	-	-	-
Reversal of appropriated funds	-	-	-	(57,971,775)	57,971,775	-	-
Appropriations to funds	-	-	-	1,608,677,350	(8,785,514,139)	-	(7,176,836,789)
Interim dividend of 2015	-	-	-	-	(83,110,124,000)	-	(83,110,124,000)
As at 31 December 2015	846,001,240,000	133,918,052,614	56,740,087,775	173,203,515,481	241,130,930,168	(35,523,322,342)	1,415,470,503,696
Profit for the year	-	-	-	-	143,681,890,479	-	143,681,890,479
Issuance of shares to employees (phase two) (*)	20,000,000,000	-	-	-	-	-	20,000,000,000
Reversal of appropriated funds	-	-	-	(767,832,647)	767,832,647	-	-
Appropriations to funds	-	-	-	17,491,292	(20,545,440,224)	-	(20,527,948,932)
Final dividend of 2015 (**)	-	-	-	-	(51,960,074,400)	-	(51,960,074,400)
Interim dividend of 2016 (***)	-	-	-	-	(41,062,209,900)	-	(41,062,209,900)
As at 31 December 2016	866,001,240,000	133,918,052,614	56,740,087,775	172,453,174,126	272,012,928,770	(35,523,322,342)	1,465,602,160,943

25 MOVEMENTS IN OWNERS' EQUITY (continued)

- (*) According to the Annual General Meeting Resolution No. 04/NQ-DVTHDK-DHDCCD dated 9 April 2015, the shareholders of the Parent Company approved the share issuance plan to its employees in 2 phases: 1,490,000 shares in phase 1 and 2,000,000 shares in phase 2 at VND10,000 per share for both phases. Phase one and phase two were completed on 24 August 2015 and 28 April 2016, respectively.
- (**) According to the Annual General Meeting Resolution No. 17/NQ-DVTHDK-DHDCCD dated 8 April 2016, the shareholders of the Parent Company approved the final dividend for 2015 at the rate 16% of the par value per share. Accordingly, the Parent Company's Board of Management issued the Announcement No. 539/TB-SGDHCM dated 9 May 2016 to pay the 6% final dividend by using the 2015 undistributed post-tax profit, amounting to VND51,960,074,400.
- (***) According to the Resolution No. 36/NQ-DVTHDK dated 15 August 2016, the Parent Company's Board of Management declared the 2016 interim dividend at the rate of 5% of par value per share, amounting to VND43,300,062,000.

26 NON-CONTROLLING INTERESTS

Details of non-controlling interests are as follows:

	2016 VND	2015 VND
Share capital	178,750,402,225	145,660,402,225
Treasury shares	(795,000,000)	-
Investment and development funds	7,080,808,161	7,276,045,572
Undistributed earnings	(2,779,007,352)	5,959,715,940
	<u>182,257,203,034</u>	<u>158,896,163,737</u>

Movements in non-controlling interest are as follows:

	2016 VND	2015 VND
Beginning of year	158,896,163,737	147,364,858,411
Capital increased during the year (*)	25,740,000,000	7,197,728,448
Share of net profit for the year	23,295,836,314	38,989,984,705
Appropriations to bonus and welfare fund	(1,544,581,672)	(1,732,673,903)
Dividends declared	(26,864,040,345)	(32,923,733,924)
Treasury shares repurchased	(795,000,000)	-
Increase from the acquisition of an indirect subsidiary (Note 3(b))	3,528,825,000	-
End of year	<u>182,257,203,034</u>	<u>158,896,163,737</u>

26 NON-CONTROLLING INTERESTS (continued)

(*) During the year 2016, the non-controlling interests of POTS and PSSSG contributed VND20,000,000,000 and VND5,740,000,000 in respective subsidiaries.

(**) This is the non-controlling interest arising from the acquisition of 51% interest in Binh Minh Electronics Refrigeration Company Limited by PSD.

27 DIVIDENDS PAYABLE

	2016 VND	2015 VND
Beginning of year	34,158,820,320	31,418,233,319
Dividends payable during the year	119,886,324,644	251,455,684,925
Dividends paid by share	-	(132,681,240,000)
Dividends paid in cash	(133,211,683,333)	(116,033,857,924)
End of year	<u>20,833,461,631</u>	<u>34,158,820,320</u>

28 OFF BALANCE SHEET ITEMS

	2016	2015
Foreign currencies:		
- USD	5,332,904	4,179,211
- EUR	332	25,579
- GBP	205	205
	<u> </u>	<u> </u>

Total amount of bad debts written off within 10 years from the write off date is VND17,918,448,762. During the year 2016 there was no additional bad debt written off (2015: nil).

29 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares repurchased by the Corporation and held as treasury shares:

	2016 VND	2015 VND
Net profit after tax attributable to the shareholders of the Parent Company	143,681,890,479	172,904,848,911
Less appropriation to bonus and welfare fund (*)	(7,940,578,038)	(9,224,953,413)
Net profit for the year attributable to the shareholders of the Parent Company	135,741,312,441	163,679,895,498
Weighted average number of ordinary shares in issue (shares)	86,030,261	79,846,627
Basic earnings per share	1,578	2,050

(*) According to the Decision No. 17/NQ-DVTHDK-DHDCCD on 8 April 2016, bonus and welfare fund of 2015 has been approved with total amount of VND9,224,953,413 and bonus and welfare fund of 2016 is appropriated at 6% of 2016 profit after tax on the separate financial statements of the Parent Company.

30 REVENUE

	2016 VND	2015 VND
Sales		
Sales of goods	9,531,107,064,097	10,453,704,746,917
Rendering of services	527,458,909,193	453,023,699,425
	10,058,565,973,290	10,906,728,446,342
Sales deductions		
Trade discounts	87,579,839,102	98,805,050,625
Sales allowances	40,254,369,109	57,819,623,472
Sales returns	48,672,798,608	97,653,741,732
	176,507,006,819	254,278,415,829
Net revenue		
Net sales from sales of goods	9,354,600,057,278	10,199,426,331,088
Net sales from rendering of services	527,458,909,193	453,023,699,425
	9,882,058,966,471	10,652,450,030,513

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

31 COST OF SALES

	2016 VND	2015 VND
Cost of merchandises sold	8,806,187,937,766	9,416,485,709,765
Cost of services rendered	431,361,127,265	422,993,197,554
Reversal of provision for decline in value of inventory	(13,986,267,544)	(5,866,211,107)
	<u>9,223,562,797,487</u>	<u>9,833,612,696,212</u>

32 FINANCIAL INCOME

	2016 VND	2015 VND
Interest income from deposits and loans	55,227,001,326	63,248,513,005
Realised foreign exchange gains	7,855,407,790	10,839,652,433
Others	5,048,977,882	6,508,216,750
	<u>68,131,386,998</u>	<u>80,596,382,188</u>

33 FINANCIAL EXPENSES

	2016 VND	2015 VND
Interest expenses	81,342,268,416	95,128,275,859
Payment discounts	6,181,212,551	10,518,084,794
Realised foreign exchange losses	7,531,630,669	14,335,852,583
Provision for diminution in value of investments	2,000,000,000	-
Net loss from foreign currency translation at year-end	1,281,020,127	4,999,441,853
Others	5,859,344,367	835,568,675
	<u>104,195,476,130</u>	<u>125,817,223,764</u>

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

34 SELLING EXPENSES

	2016 VND	2015 VND
Staff costs	63,042,375,772	80,265,517,836
Transportation	25,233,670,740	41,417,861,917
Marketing	16,689,087,221	39,618,237,555
Depreciation	2,127,946,186	2,959,476,463
Warehouse rentals	23,022,748,964	12,473,002,306
Outside services	51,387,564,025	49,939,473,929
Others	55,086,893,128	54,873,934,057
	<u>236,590,286,036</u>	<u>281,547,504,063</u>

35 GENERAL AND ADMINISTRATION EXPENSES

	2016 VND	2015 VND
Staff costs	62,889,134,393	71,829,206,727
Depreciation	9,045,102,923	7,802,527,827
Outside services	51,168,635,364	58,727,616,520
Provision for doubtful debts	5,825,590,888	28,828,723,022
Management fees (Note 41(a)(iv))	4,744,137,316	6,392,362,882
Others	42,010,650,072	44,725,919,529
	<u>175,683,250,956</u>	<u>218,306,356,507</u>

36 NET OTHER INCOME

	2016 VND	2015 VND
Other income		
Gains on disposal of fixed assets	756,009,091	1,603,669,067
Fines	-	1,037,680,873
Sundry income	11,018,280,939	9,459,758,474
	<u>11,774,290,030</u>	<u>12,101,108,414</u>
Other expenses		
Losses on disposal of fixed assets	-	(237,907,624)
Write-off of tools and supplies	-	(5,120,287,377)
Sundry expenses	(9,843,764,170)	(4,889,359,931)
	<u>(9,843,764,170)</u>	<u>(10,247,554,932)</u>
Net other income	<u>1,930,525,860</u>	<u>1,853,553,482</u>

37 BUSINESS INCOME TAX

The tax on the Corporation's profit before tax differs from the theoretical amount that would arise using the applicable tax rate of 20% (2015: 22%) as under current tax regulations as follows:

	2016 VND	2015 VND
Net accounting profit before tax	211,710,756,162	274,166,571,239
Tax calculated at a rate of 20% (2015: 22%)	42,342,151,232	60,316,645,673
Effect of:		
Income not subject to tax	(4,807,971,866)	(8,017,852,407)
Expenses not deductible for tax purposes	3,039,792,950	5,148,737,453
Tax losses for which no deferred income tax asset was recognised	5,483,693,283	8,826,900,654
Under/(Over)-provision in previous year	1,010,854,397	(4,002,693,750)
Utilisation of previously unrecognised tax losses	(2,335,490,627)	-
Business income tax charge (*)	44,733,029,369	62,271,737,623
Charged to income statement:		
Business income tax – current	43,718,626,868	60,267,738,253
Business income tax – deferred	1,014,402,501	2,003,999,370
	44,733,029,369	62,271,737,623

(*) The business income tax charge for the year is based on estimated taxable income and is subject to review and possible adjustments by the tax authorities.

38 COST OF OPERATIONS BY FACTOR

	2016 VND	2015 VND
Raw materials and merchandises	8,655,465,728,343	9,285,651,057,223
Labour costs	317,529,567,868	426,271,913,704
Depreciation expense	45,347,638,028	30,602,786,294
Reversal of provision for decline in value of inventory	(13,986,267,544)	(5,866,211,107)
Provision for doubtful debts	5,825,590,888	28,828,723,022
Outside services	528,556,533,695	499,502,735,349
Others	97,097,543,201	68,475,552,297
	9,635,836,334,479	10,333,466,556,782

40 ADDITIONAL INFORMATION FOR THE ITEMS OF THE CASH FLOW STATEMENT

(a) Material non-cash transactions that affect the cash flow statement

	2016 VND	2015 VND
Purchase of assets under form of receiving debts directly	331,409,310,912	7,906,610,232
Accrued cost related to Nghi Son Project	58,025,439,685	-
	<u>331,409,310,912</u>	<u>7,906,610,232</u>

(b) Cash held by the Corporation but restricted to use

A term deposit at a commercial bank of the Corporation pledged as collateral asset for a guarantee agreement is disclosed in Note 4.

41 RELATED PARTY DISCLOSURES

The largest shareholder of the Corporation is Vietnam Oil and Gas Corporation ("PVN"), who owns 24.22% of share capital of the Corporation (Note 24(b)).

(a) Related party transactions

During the year, the following significant transactions were carried out with related parties:

	2016 VND	2015 VND
i) Sales of goods and services		
PVN	12,515,917,698	133,345,496,720
Related parties of PVN	1,428,849,751,169	889,193,020,085
	<u>1,441,365,668,867</u>	<u>1,022,538,516,805</u>
ii) Purchases of goods and services		
PVN	278,989,274,212	7,239,906,802
Related parties of PVN	11,171,321,931	954,924,516,830
	<u>290,160,596,143</u>	<u>962,164,423,632</u>

41 RELATED PARTY DISCLOSURES (continued)

(a) Related party transactions (continued)

	2016 VND	2015 VND
iii) Compensation of key management		
Gross salaries and other benefits	4,322,636,209	6,753,763,018
iv) Others		
Dividend paid to PVN	23,072,005,036	20,602,999,700
Management fee paid to PVN (Note 35)	4,744,137,316	6,392,362,882
v) Acquisition of investment properties (Note 13)		
PVN	254,545,454,545	-

(b) Year-end balances with related parties

	2016 VND	2015 VND
i) Short-term trade accounts receivable (Note 6)		
PVN	4,783,741,086	1,925,000
Related parties of PVN	106,169,648,216	107,640,463,010
	110,953,389,302	107,642,388,010
ii) Short-term trade accounts payable (Note 17)		
PVN	280,990,702,572	19,433,233,494
Related parties of PVN	196,379,244,603	277,357,207,263
	477,369,947,175	296,790,440,757
iii) Short-term advances from customers		
PVN	-	7,492,510,418
Related parties of PVN	-	16,839,117,867
	-	24,331,628,285

41 RELATED PARTY DISCLOSURES (continued)

(b) Year-end balances with related parties (continued)

	2016 VND	2015 VND
<i>iv) Other short-term payables (Note 20)</i>		
PVN	-	8,535,573,233
<i>v) Long-term advances from customers</i>		
Related parties of PVN	-	136,363,636,364
<i>vi) Short-term unearned revenue (Note 19(a))</i>		
Related parties of PVN	27,272,727,273	-
<i>vii) Long-term unearned revenue (Note 19(b))</i>		
Related parties of PVN	102,272,727,275	-

42 COMMITMENTS

(a) Capital expenditure

Capital expenditure at the balance sheet date but not recognised in the consolidated financial statements is as follows:

	2016 VND	2015 VND
Nghi Son Project	-	505,989,640,465

(b) Commitments under operating leases

The Parent Company signed the non-cancellable operating land leases with Management Board of Nghi Son Economic Zone. The future minimum lease payments under non-cancellable operating leases are as follows:

	2016 VND	2015 VND
Over five years	54,191,290,810	54,191,290,810

(c) **Commitment of credit guarantee**

(d) **Other commitments**

As at 31 December 2016, the Parent Company has a guarantee contract amounting to VND150 billion with a Commercial Bank to guarantee the repayment with regards to the advance payment received from Nghi Son Refinery and Petrochemical Company Limited (Note 13) by netting-off the amount with monthly revenue from the Nghi Son Project.

The consolidated financial statements were approved by the Chairman on 31 March 2017.

Ha Van Phuong
Preparer

Dao Van Dai
Chief Accountant

