

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**



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FOR THE YEAR ENDED 31 DECEMBER 2019**

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

Enterprise registration certificate

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

Board of Management

| | |
|------------------------|--|
| Mr. Phung Tuan Ha | Chairman |
| Ms. Le Thi Chien | Member |
| Mr. Vu Tien Duong | Member |
| Ms. Pham Thi Hong Diep | Member |
| Mr. Kim Kang Ho | Member (resigned from 3 January 2020) |

Board of Internal Audit

| | |
|----------------------|---|
| Ms. Nguyen Quynh Nhu | Chief Supervisor (appointed from 1 January 2020) |
| Mr. Dao Van Dai | Chief Supervisor (resigned from 1 January 2020) |
| Mr. Le Anh Quoc | Vice Supervisor |
| Mr. Hoang Dang Anh | Member (resigned from 5 January 2020) |

Board of Directors

| | |
|-------------------------|--|
| Mr. Vu Tien Duong | General Director |
| Mr. Ho Minh Viet | Deputy General Director |
| Ms. Pham Thi Hong Diep | Deputy General Director |
| Mr. Huynh Van Ngan | Deputy General Director (appointed from 1 January 2020) |
| Mr. Dao Van Dai | Deputy General Director (appointed from 1 January 2020) |
| Mr. Nguyen Thanh Tu | Deputy General Director (resigned from 1 January 2020) |
| Mr. Phan Quang Tuan Anh | Deputy General Director (resigned from 1 January 2020) |

Legal representative

| | |
|-------------------|----------|
| Mr. Phung Tuan Ha | Chairman |
|-------------------|----------|

Registered office

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

Auditor

PwC (Vietnam) Limited

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

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

The Chairman of the Board of Management ("the Chairman") of PetroVietnam General Services Joint Stock Company ("the parent Company") is responsible for preparing the consolidated financial statements of the parent Company and its subsidiaries (collectively referred to as "the Corporation") which give a true and fair view of the consolidated financial position of the Corporation as at 31 December 2019, and of the consolidated results of its operations and its consolidated 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 consolidated 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 or errors.

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

I hereby approve the accompanying consolidated financial statements as set out on pages 5 to 64 which give a true and fair view of the consolidated financial position of the Corporation as at 31 December 2019, and of the consolidated results of its operations and its consolidated 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 consolidated financial statements.



Phung Tuan Ha
Chairman

Ho Chi Minh City, SR Vietnam
30 March 2020



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS 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 ("the Corporation") which were prepared on 31 December 2019 and approved by the Chairman on 30 March 2020. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2019, the consolidated income statement and 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 64.

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 as 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 Corporation'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 Corporation'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 consolidated financial position of the Corporation as at 31 December 2019, its consolidated financial performance and consolidated 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 consolidated financial statements.

Other Matter

The independent auditor's report is prepared in Vietnamese and English. Should there be any conflict between the Vietnamese and English versions, the Vietnamese version shall take precedence.

For and on behalf of PwC (Vietnam) Limited



Mai Viet Hung Tran
Audit Practising Licence No.
0048-2018-006-1
Authorised signatory

Cao Thi Ngoc Loan
Audit Practising Licence No.
3030-2019-006-1

Report reference number: HCM9313
Ho Chi Minh City, 30 March 2020

CONSOLIDATED BALANCE SHEET

| Code | ASSETS | Notes | As at 31 December 2019 | |
|------------|---|-------|--------------------------|--------------------------|
| | | | 2019 VND | 2018 VND |
| 100 | CURRENT ASSETS | | 3,715,299,217,677 | 4,330,671,814,214 |
| 110 | Cash and cash equivalents | 4 | 816,407,457,540 | 1,038,281,209,462 |
| 111 | Cash | | 435,089,509,540 | 348,751,510,692 |
| 112 | Cash equivalents | | 381,317,948,000 | 689,529,698,770 |
| 120 | Short-term investments | | 99,200,576,454 | 28,011,800,000 |
| 121 | Short term investments | | 186,138 | - |
| 122 | Provision for diminution in value of trading securities | | (152,538) | - |
| 123 | Investments held-to-maturity | 5(a) | 99,200,542,854 | 28,011,800,000 |
| 130 | Short-term receivables | | 1,451,095,996,327 | 1,847,136,673,354 |
| 131 | Short-term trade accounts receivable | 6 | 1,335,173,232,707 | 1,602,337,603,339 |
| 132 | Short-term prepayments to suppliers | 7 | 164,176,048,240 | 193,713,174,336 |
| 135 | Short-term lending | | 941,130,000 | - |
| 136 | Other short-term receivables | 8(a) | 162,552,004,257 | 187,633,232,862 |
| 137 | Provision for doubtful debts – short-term | 9 | (211,746,418,877) | (136,547,337,183) |
| 140 | Inventories | 10 | 1,121,577,450,141 | 1,005,806,038,013 |
| 141 | Inventories | | 1,144,702,735,496 | 1,034,126,786,928 |
| 149 | Provision for decline in value of inventories | | (23,125,285,355) | (28,320,748,915) |
| 150 | Other current assets | | 227,017,737,215 | 411,436,093,385 |
| 151 | Short-term prepaid expenses | | 8,580,003,423 | 8,522,285,940 |
| 152 | Value Added Tax ("VAT") to be reclaimed | 11(a) | 215,797,255,034 | 400,786,975,549 |
| 153 | Tax and other receivables from the State | 11(a) | 2,640,478,758 | 2,126,831,896 |

The notes on pages 10 to 64 are an integral part of these consolidated financial statements.

**CONSOLIDATED BALANCE SHEET
(continued)**

| | | As at 31 December 2019 | | |
|------------|-------------------------------------|-------------------------------|--------------------------|--------------------------|
| Code | ASSETS | Notes | 2019 VND | 2018 VND |
| 200 | LONG-TERM ASSETS | | 1,251,035,283,681 | 1,232,389,760,023 |
| 210 | Long-term receivables | | 31,380,277,552 | 8,162,504,752 |
| 216 | Other long-term receivables | 8(b) | 31,380,277,552 | 8,162,504,752 |
| 220 | Fixed assets | | 202,067,818,570 | 190,496,727,093 |
| 221 | Tangible fixed assets | 12(a) | 91,889,465,194 | 87,993,861,420 |
| 222 | Historical cost | | 345,040,412,003 | 327,863,935,080 |
| 223 | Accumulated depreciation | | (253,150,946,809) | (239,870,073,660) |
| 227 | Intangible fixed assets | 12(b) | 110,178,353,376 | 102,502,865,673 |
| 228 | Historical cost | | 117,766,092,179 | 106,860,184,632 |
| 229 | Accumulated amortisation | | (7,587,738,803) | (4,357,318,959) |
| 230 | Investment properties | 13 | 713,804,121,841 | 758,428,814,929 |
| 231 | Historical cost | | 852,074,158,578 | 858,194,158,578 |
| 232 | Accumulated depreciation | | (138,270,036,737) | (99,765,343,649) |
| 240 | Long-term asset in progress | | 39,476,191,275 | 38,512,494,154 |
| 242 | Construction in progress | 14 | 39,476,191,275 | 38,512,494,154 |
| 250 | Long-term investments | | 42,427,175,256 | 22,705,237,055 |
| 252 | Investments in associates | 5(b) | 31,039,870,918 | 15,474,289,268 |
| 253 | Investments in other entities | 5(c) | 30,006,800,000 | 28,910,000,000 |
| 254 | Provision for long-term investments | 5(c) | (22,640,229,299) | (22,160,000,000) |
| 255 | Investments held-to-maturity | 5(a) | 4,020,733,637 | 480,947,787 |
| 260 | Other long-term assets | | 221,879,699,187 | 214,083,982,040 |
| 261 | Long-term prepaid expenses | 15 | 211,167,021,687 | 198,530,067,519 |
| 262 | Deferred income tax assets | 16 | - | 3,310,854,521 |
| 269 | Goodwill | 17 | 10,712,677,500 | 12,243,060,000 |
| 270 | TOTAL ASSETS | | 4,966,334,501,358 | 5,563,061,574,237 |

The notes on pages 10 to 64 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
(continued)

| Code | RESOURCES | Note | As at 31 December 2019 | |
|------------|--|--------|--------------------------|--------------------------|
| | | | 2019 VND | 2018 VND |
| 300 | LIABILITIES | | 3,326,016,900,969 | 3,942,652,024,730 |
| 310 | Short-term liabilities | | 3,005,641,724,631 | 3,557,079,155,532 |
| 311 | Short-term trade accounts payable | 18 | 1,305,855,552,459 | 1,428,095,256,213 |
| 312 | Short-term advances from customers | 19 | 85,920,901,592 | 89,349,766,737 |
| 313 | Taxes and other payables to the State | 11(b) | 30,365,478,424 | 29,801,737,904 |
| 314 | Payable to employees | | 109,761,766,691 | 81,425,763,820 |
| 315 | Short-term accrued expenses | 20 | 19,324,122,334 | 28,345,497,684 |
| 318 | Short-term unearned revenue | 21(a) | 27,992,142,804 | 31,870,171,186 |
| 319 | Other short-term payables | 22(a) | 121,096,238,181 | 179,413,912,692 |
| 320 | Short-term borrowings | 23(a) | 1,270,668,669,493 | 1,614,290,757,720 |
| 321 | Provision for short-term liabilities | | 600,000,000 | - |
| 322 | Bonus and welfare fund | 24 | 34,056,852,653 | 74,486,291,576 |
| 330 | Long-term liabilities | | 320,375,176,338 | 385,572,869,198 |
| 336 | Long-term unearned revenue | 21(b) | 20,454,545,483 | 47,727,272,747 |
| 337 | Other long-term payables | 22(b) | 41,855,134,218 | 54,635,171,676 |
| 338 | Long-term borrowings | 23(b) | 254,765,496,637 | 279,910,424,775 |
| 341 | Deferred income tax liabilities | 16 | 3,300,000,000 | 3,300,000,000 |
| 400 | OWNERS' EQUITY | | 1,640,317,600,389 | 1,620,409,549,507 |
| 410 | Capital and reserves | | 1,640,317,600,389 | 1,620,409,549,507 |
| 411 | Owners' capital | 25, 26 | 866,001,240,000 | 866,001,240,000 |
| 411a | - Ordinary shares with voting rights | | 866,001,240,000 | 866,001,240,000 |
| 412 | Share premium | 26 | 133,918,052,614 | 133,918,052,614 |
| 414 | Owners' other capital | 26 | 131,776,000,000 | 90,820,087,775 |
| 415 | Treasury shares | 26 | (50,118,432,974) | (50,118,432,974) |
| 418 | Investment and development fund | 26 | 272,167,291,300 | 172,453,174,126 |
| 421 | Undistributed earnings | | 157,945,411,873 | 264,287,335,590 |
| 421a | - Undistributed post-tax profits of previous years | | 43,234,500,487 | 200,269,009,711 |
| 421b | - Post-tax profit of this current year | | 114,710,911,386 | 64,018,325,879 |
| 429 | Non-controlling interests | 27 | 128,628,037,576 | 143,048,092,376 |
| 440 | TOTAL RESOURCES | | 4,966,334,501,358 | 5,563,061,574,237 |


Pham Thi Ninh
Preparer


Nguyen Thi Thanh
Chief Accountant


Phung Tuan Ha
Chairman
30 March 2020

The notes on pages 10 to 64 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

| Code | Note | For the year ended 31 December | |
|------|--|--------------------------------|----------------------|
| | | 2019 VND | 2018 VND |
| 01 | Revenue from sales of goods and rendering of services | 10,148,628,566,350 | 11,237,353,478,530 |
| 02 | Less deductions | (140,139,720,157) | (145,377,143,791) |
| 10 | Net revenue from sales of goods and rendering of services | 10,008,488,846,193 | 11,091,976,334,739 |
| 11 | Cost of goods sold and services rendered | (9,397,354,564,382) | (10,429,535,229,187) |
| 20 | Gross profit from sales of goods and rendering of services | 611,134,281,811 | 662,441,105,552 |
| 21 | Financial income | 37,650,314,756 | 80,677,869,112 |
| 22 | Financial expenses | (73,059,815,421) | (125,261,973,866) |
| 23 | - Including: Interest expense | (67,681,145,079) | (93,376,087,267) |
| 24 | Losses sharing from investments in associates | (434,418,350) | (967,331,882) |
| 25 | Selling expenses | (223,578,783,271) | (240,776,025,051) |
| 26 | General and administration expenses | (251,495,637,148) | (202,902,993,436) |
| 30 | Net operating profit | 100,215,942,377 | 173,210,650,429 |
| 31 | Other income | 107,817,428,386 | 13,562,355,930 |
| 32 | Other expenses | (22,888,312,445) | (4,260,519,629) |
| 40 | Net other income | 84,929,115,941 | 9,301,836,301 |
| 50 | Net accounting profit before tax | 185,145,058,318 | 182,512,486,730 |
| 51 | Business income tax ("BIT") - current | (54,517,481,520) | (55,880,843,431) |
| 52 | BIT - deferred | (3,310,854,521) | 3,310,854,521 |
| 60 | Net profit after tax | 127,316,722,277 | 129,942,497,820 |
| | Attributable to: | | |
| 61 | Shareholders of the parent Company | 122,071,092,323 | 113,081,223,363 |
| 62 | Non-controlling interests | 5,245,629,954 | 16,861,274,457 |
| 71 | Basic earnings per share | 29(a) 1,323 | 1,196 |
| 72 | Diluted earnings per share | 29(b) 1,323 | 1,196 |

Pham Thi Ninh
Preparer

Nguyen Thi Thanh
Chief Accountant

Phung Tuan Ha
Chairman
30 March 2020



The notes on pages 10 to 64 are an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019****1 GENERAL INFORMATION**

PetroVietnam General Services Joint Stock Company (“the parent Company”) is a joint stock company established in SR of Vietnam pursuant to Enterprise 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 of Ho Chi Minh City. The parent Company was transformed from PetroVietnam Tourism and Services Company, a wholly state-owned subsidiary of Vietnam Oil and Gas Group (the “Group” or “PVN”).

The parent Company’s shares were 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 the General Director of the HOSE on 13 August 2007.

The shareholders of the parent Company are companies and individuals doing business and working in Vietnam. Details of the percentage of capital contribution are presented in Note 25.

The parent Company’s business activities are providing services and trading of commodity.

The principal activities of the parent Company and its subsidiaries (together, “the Corporation”) include:

- Trading plastic resins, textile fibers, and cassava;
- Sale of supplies, office equipment, audio-visual equipment;
- Support and management services and human resources services;
- Lease of warehouse, workshops, premises and office;
- Real estate development trading and management;
- Trading fertilizers, pesticides and chemicals used in agricultural industry;
- 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;
- Real estate trading and management; and
- Property management (offices, hotels, residential, projects etc.).

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

As at 31 December 2019, the Corporation had 2,520 employees (as at 31 December 2018: 2,450 employees).

As at 31 December 2019, the parent Company had 11 direct subsidiaries, 4 indirect subsidiaries, and 2 direct associates. The parent company also has 1 dependent accounting unit that does not have legal status. Details are presented on the following page.

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

1 GENERAL INFORMATION (continued)

| Name | Place of incorporation | Principal activities | 2019 | | 2018 | |
|--|------------------------|---|----------------|-------------|----------------|-------------|
| | | | Voting right % | Ownership % | Voting right % | Ownership % |
| I - Direct subsidiaries | | | | | | |
| Petroleum General Distribution Services Joint Stock Company ("PSD") | Ho Chi Minh City | Distribution of telecommunication and electronic equipment | 80.04 | 80.04 | 80.04 | 80.04 |
| Petroleum Offshore Trading and Services Company Limited ("POTS") | Ho Chi Minh City | Trading and rendering of services | 60 | 60 | 60 | 60 |
| Petroleum Vung Tau General Services Joint Stock Company ("PSV") | Vung Tau | Rendering of services | 70 | 70 | 70 | 70 |
| Mien Trung Petroleum Services and Trading Joint Stock Company ("PSMT") | Quang Ngai | Trading and rendering of services | 99.79 | 99.79 | 99.79 | 99.79 |
| PetroVietnam Assets Management Joint Stock Company ("PSA") | Ha Noi | Operating in property management and services | 71.46 | 71.46 | 78.61 | 78.61 |
| Petrosetco SSG Company Limited ("PSSSG") (i) | Ho Chi Minh City | Real estate business | 51 | 21.46 | 51 | 21.46 |
| Smart Convergence Joint Stock Company ("Smartcom") | Ho Chi Minh City | Distributing equipment, electronic, components, peripheral devices and software | 55 | 55 | 55 | 55 |
| Petrosetco Retail Services Joint Stock Company ("PSR") | Ho Chi Minh City | Retail of mobile phones | 75 | 72.75 | 75 | 72.75 |
| Petroleum Logistics Service Joint Stock Company ("PSL") (ii) | Ho Chi Minh City | Marine transportation service | 67 | 44 | 67 | 44 |
| Petroleum High Technology Products Distribution Joint Stock Company ("PHTD") | Ho Chi Minh City | Distributing equipment, electronic components and peripheral devices | 51 | 51 | 51 | 51 |
| Petroleum Saigon General Services Company Limited ("PSG") (iii) | Ho Chi Minh City | Stopped operations and on liquidation process | 100 | 100 | 100 | 100 |

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

1 GENERAL INFORMATION (continued)

| Name | Place of incorporation | Principal activities | 2019 | | 2018 | |
|--|------------------------|--|----------------|-------------|----------------|-------------|
| | | | Voting right % | Ownership % | Voting right % | Ownership % |
| II – Indirect subsidiaries | | | | | | |
| Binh Minh Electronics Refrigeration Joint Stock Company ("Binh Minh") | Ho Chi Minh City | Trading of electronic devices, refrigeration appliances and electronic household appliances | 51 | 40.81 | 51 | 40.81 |
| Nha Trang Petroleum Services Trading Company Limited ("Nha Trang PST") | Nha Trang | Wholesale of solid, liquid and gaseous fuels and related products | 100 | 99.79 | 100 | 99.79 |
| Petrosetco - ALE Heavy Transportation and Lifting Joint-stock Company ("Petrosetco - Ale") (iii) | Ho Chi Minh City | Providing heavy transportation and lifting services | 51 | 22.44 | 51 | 22.44 |
| Green Technology Import Export Joint Stock Company ("Green Technology") (iv) | Ho Chi Minh City | Trading of medical equipment and supplies | 50 | 40.02 | - | - |
| III – Direct associates | | | | | | |
| Petro Tower Limited Company | Ba Ria - Vung Tau | Office for lease | 24 | 24 | 24 | 24 |
| Vinh Hoa Emerald Bay International Hospitality Company Limited (v) | Phu Yen | Hospitality service | 20 | 20 | - | - |
| IV – Indirect associates | | | | | | |
| Vietcom Digital Trade and Investment Joint Stock Company ("Vietcom") (vi) | Ha Noi | Trading of electronic components, information technology, technology transfer services and delivery services | 20 | 16 | 20 | 16 |
| V – The dependent accounting unit that does not have legal status | | | | | | |
| Petroleum Industrial Material Distribution Company ("PIMD") | Ho Chi Minh city | Trading solid, liquid, gas fuels and related products | | | | |

1 GENERAL INFORMATION (continued)

- (i) As at 31 December 2019 and as at 31 December 2018, although the Corporation's ownership in PSSSG was only 21.46%, the Corporation still had the authority to exercise its power over the financial and operational policies of PSSSG through its representatives in the Board of Management of PSSSG. Therefore, the Corporation controls PSSSG and PSSSG has been classified and presented as a subsidiary of the Corporation for the consolidation reporting purpose.
- (ii) As at 31 December 2019 and as at 31 December 2018, although the Corporation's ownership in PSL was only 44%, the Corporation still had the authority to exercise its power over the financial and operational policies of PSL through its representatives in the Board of Management of PSL. Therefore, the Corporation controls PSL and PSL has been classified and presented as a subsidiary of the Corporation for the consolidation reporting purpose.
- (iii) Currently, PSG is under tax finalisation with the tax authorities for the dissolution purpose. From 2013 until now, PSG has had no business activities incurred.
- (iv) According to Resolution No. 09/NQ-PSD-HDQT dated 8 May 2019, PSD, a subsidiary, agreed to buy the new shares issued by Green Technology, with the share capital of VND10 billion, accounting for 50% of the voting right and ownership, equivalent to 40.02% of the voting right of the parent Company. As at 31 December 2019, although the Corporation's ownership in Green Technology was only 40.02%, the Corporation still had the authority to exercise its power over the financial and operational policies of Green Technology through its representatives in the Board of Management of Green Technology. Therefore, the Corporation controls Green Technology and Green Technology has been classified and presented as a subsidiary of the Corporation for consolidation reporting purpose.
- (v) According to Resolution No. 22/DVTHDK-QD dated 9 July 2018, the Corporation agreed to contribute its capital obligation into Vinh Hoa Emerald Bay International Hospitality Company Limited with the charter capital of VND111.2 billion, accounting for 20% of the voting right and ownership. As at 31 December 2019, the Corporation contributed VND16 billion.
- (vi) Vietecom is in liquidation progress.

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, except for investments in associates and business combinations as presented in Note 2.5.

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)**2.1 Basis of preparation of consolidated financial statements (continued)**

The consolidated financial statements in the Vietnamese language are the official statutory consolidated financial statements of the Corporation. The consolidated financial statements in the English language have been translated from the Vietnamese version.

2.2 Fiscal year

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

2.3 Currency

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

The Corporation determine their accounting currencies based on the currencies which are mainly used in sales of goods and rendering of services, which have a significant impact on selling prices of goods and services, which are normally used to list selling prices and receive payments; which are mainly used in purchases of goods or services, which have a significant impact on costs of labor, materials and other production or operating costs and normally used as payments for those costs.

Additionally, the Corporation also use these currencies to raise financial resources and/or regularly collect these currencies from business operations and savings.

2.4 Exchange rates

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognised in the consolidated income statement.

Monetary assets and liabilities denominated in foreign currencies at the consolidated balance sheet date are respectively translated at the buying and selling exchange rates at the consolidated balance sheet date of the commercial bank(s) where the Corporation regularly trades. Foreign currencies deposited in bank(s) at the consolidated balance sheet date are translated at the buying exchange rate of the commercial bank(s) where the Corporation opens its foreign currency accounts. Foreign exchange differences arising from these translations are recognised in the consolidated income statement.

2.5 Basis of consolidation**Subsidiaries**

Subsidiaries are all entities over which the Corporation has the power to govern the financial and operating policies in order to gain future benefits from their activities 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.

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

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 consolidated income statement.

Inter-company transactions, balances and unrealised gains and losses on transactions between Corporation companies are eliminated.

In a multi-phase acquisition, when determining goodwill or bargain purchase, the consideration is the sum of the total consideration on the date of acquiring control and previous considerations remeasured to fair value on the date of control acquisition.

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 ("NCI") as transactions with parties external to the Corporation.

NCI are measured at their proportionate share of the acquiree's identifiable net assets at date of acquisition.

In a divestment of the Corporation's interest in a subsidiary that results in a loss of control, the difference between the Corporation's share in the net assets of the subsidiary and the net proceeds from divestment is recognised in the consolidated income statement. The retained interest in such entity will be accounted for as either an investment in other entity or investment to be equity accounted for since the divestment date.

Changes in the Corporation's interest in a subsidiary that does not result in a loss of control is accounted for as a transaction 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. 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.

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/or associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is recognised as an asset and is amortised on a 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 year.

2.7 Cash and cash equivalents

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.8 Receivables**

Receivables represent trade receivables from customers arising from sales of goods and rendering of services or non-trade receivables from others and are stated at cost. Provision for doubtful debts is made for each outstanding amount based on overdue days in payment according to the initial payment commitment (exclusive of the payment rescheduling between parties), or based on the expected loss that may arise. Bad debts are written off when identified.

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

2.9 Inventories

Inventories include properties for sales being constructed for sale under the ordinary course of business, rather than to be held for rental or capital appreciation; merchandise; and other inventories.

Inventories are stated at the lower of cost and net realisable value. Cost of properties for sales includes land costs and construction costs of infrastructure, other direct and overhead expenses. Cost of other inventories includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Cost is determined by the specific identification method for plastic resins and by the weighted average method for other inventories. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

The Corporation applies the perpetual method for inventories.

Provision is made, where necessary, for obsolete, slow-moving and defective inventory items. The difference between the provision of this year and the provision of the previous year are recognised as an increase or decrease of cost of goods sold in the year.

2.10 Investments**(a) Investments held-to-maturity**

Investments held-to-maturity are investments which the Chairman has positive intention and ability to hold until maturity.

Investments held-to-maturity include term deposits and other investments held-to-maturity. Those investments are initially accounted for at cost. Subsequently, the Chairman reviews all outstanding investments to determine the amount of provision to recognise at the year end.

Provision for diminution in value of investments held-to-maturity is made when there is evidence that the investment is uncollectible in whole or in part. Changes in the provision balance during the fiscal year are recorded as an increase or decrease in financial expenses. A reversal, if any, is made only to the extent the investment is restored to its original cost.

Investments held to maturity are classified short-term and long-term investments held to maturity on the consolidated balance sheet based on remaining period from the consolidated balance sheet date to the maturity date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Investments (continued)

(b) Investments in other entities

Investments in 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 accounted for initially at cost. Subsequently, the Chairman reviews all outstanding investments to determine the amount of provision to recognise at the year end.

Provision for investments in other entities is made when there is a diminution in value of the investments at the year end. Regarding investments in listed shares or the investments whose fair value can be determined reliably, the provision for diminution in value is made when the cost is higher than the market value. For other investments, provision for diminution in value is made when the entities make losses, except when the loss was anticipated by the Chairman before date of investment. Changes in the provision balance during the fiscal year are recorded as an increase or decrease in financial expenses. A reversal, if any, is made only to the extent the investment is restored to its original cost.

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 bringing them to a suitable conditions for their intended use. Expenditure incurred subsequently which has resulted in an increase in the future economic benefits expected to be obtained from the use of fixed assets, can be capitalised as an additional historical cost. Otherwise, they are charged to the consolidated income statement when incurred.

Depreciation and amortisation

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

| | |
|--------------------------|-------------|
| Buildings and structures | 2% - 20% |
| Machinery and equipment | 7% - 33% |
| Motor vehicles | 10% - 33% |
| Office equipment | 10% - 33% |
| Software | 12.5% - 33% |

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.11 Fixed assets (continued)***Depreciation and amortisation (continued)*

Land use rights are comprised of land use rights with an indefinite useful life, land use rights with a definite useful life, and prepayments for land rental contracts which are in effective before or in 2003 and are granted land use right certificates, in which:

- Land use rights with an indefinite useful life are recorded at historical cost and are not amortised;
- Land use rights with a definite useful life are recorded in accordance with the terms indicated in the land use right certificates issued by Department of Natural Resources and Environmental of Ba Ria – Vung Tau province on 1 August 2019 and amortised using the straight-line method over 24 years in accordance with such land use right certificates; and
- Prepayments for land rental contracts, which became effective before or in 2003 and are granted lands use rights certificates, are recorded in accordance with the guidance of Circular No. 45/2013/TT-BTC dated 25 April 2013 issued by Ministry of Finance and allocated using the straight-line method over 10 years in accordance with such land use right certificates.

Disposals

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

Construction in progress

Construction in progress represents the cost of assets in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, including such necessary costs to construct, to repair and maintain, to renew, or to equip new technologies for the projects as construction costs, costs of tools and equipments, compensation and resettlement costs, project management expenditures, construction consulting expenditures, and capitalised borrowing costs for qualifying assets 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 Operating leases

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 consolidated income statement on a straight-line basis over the term of the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.13 Investment properties

The historical cost of an investment property represents 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. Expenditure incurred subsequently which has resulted in an increase in the expected future economic benefits from the use of investment properties can be capitalised as an additional historical cost. Otherwise, they are charged to the consolidated income statement when incurred.

Depreciation and amortisation

Investment properties are depreciated and amortised using the straight-line method to write off the cost of the assets over their estimated useful lives. The principal annual rates of each class of assets are as follows:

| | |
|-----------------|----------|
| Land use rights | 2% |
| Buildings | 2% - 33% |

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 consolidated income statement.

2.14 Prepaid expenses

Prepaid expenses include short-term or long-term prepayments on the consolidated balance sheet. Prepaid expenses are recorded at historical cost and allocated on the straight line basis over the allocation period. In which, long-term prepaid expenses mainly comprise prepaid gas cylinders; office rental; tools and supplies already put into use.

The long-term prepayments of gas cylinders are allocated into the consolidated income statement on a straight-line basis over 10 years in accordance with Circular No. 118/2010/TT-BTC dated 10 August 2010 issued the Ministry of Finance – *Guidance on the financial and taxation regimes to entities trading liquefied petroleum gas.*

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; and
- Other payables are non-trade payables, and payables not relating to purchases of goods and services.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.16 Borrowing**

Borrowings represent borrowings from banks and others.

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

Borrowing costs are recognised in the consolidated income statement when incurred.

2.17 Accrued expenses

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

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 a financial expense. Changes in the provision balance during the fiscal year are recorded as an increase or decrease in operating expenses.

2.19 Unearned revenue

Unearned revenue mainly comprises the amounts that customers have 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 fulfill. Once recognition criteria have been satisfied, unearned revenue will be recognised as revenue in the consolidated income statement to the extent that it has met the recognition criteria.

2.20 Capital and reserves**(a) Owners' capital**

Owners' capital is recorded according to the actual amounts contributed by shareholders and is 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Capital and reserves (continued)

(c) Owners' other capital

Owners' other capital reflects other capital of owners at the reporting date.

(d) Treasury shares

Treasury shares are shares issued by the parent Company and bought-back by itself, but these are not cancelled and may be re-issued subsequently in accordance with the Law on securities.

(e) Undistributed earnings

Undistributed earnings record the Corporation's results after BIT at the reporting date.

2.21 Appropriation of profit after BIT

Profit after BIT could be distributed to shareholders after approval at General Meeting, and after appropriation to funds in accordance with the Corporation's charter and Vietnamese regulations.

The Corporation's dividends are recognised as a liability in the consolidated financial statements in the year in which the dividends are approved by the General Meeting of Shareholders.

The Corporation's funds are as below:

(a) Investment and development fund

Investment and development fund is appropriated from profit after BIT of the Corporation and approved by shareholders at the Annual General Meeting. This fund is used for expanding and developing the business of the Corporation.

(b) Bonus and welfare fund

Bonus and welfare fund is appropriated from the Corporation's profit after BIT and subject to shareholders' approval at the Annual 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) Revenue from sales of goods**

Revenue from sale of goods is recognised in the consolidated 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 in accordance with the “substance over form” principle and allocated to each sale obligation. In cases where the Corporation gives promotional goods to customers associated with their purchases, the Corporation allocates the total considerations received between goods sold and promotional goods. The cost of promotional goods is recognised as cost of goods sold in the consolidated income statement.

(b) Revenue from real estate sale

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

- The real estate asset has been completed, and the Company has transferred to the buyer the significant risks and rewards of ownership of the real estate asset;
- The Corporation no longer holds the right to manage the real estate asset as the real estate's owner nor the right to control the real estate asset;
- The amount of revenue can be measured reliably;
- The Corporation has received or entitled to receive economic benefits from the sale of the real estate asset; and
- The costs incurred or to be incurred in respect of the real estate asset can be measured reliably.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.22 Revenue recognition (continued)****(c) Revenue from rendering of services**

Revenue from rendering of services is recognised in the consolidated 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 rendering 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 Corporation;
- The percentage of completion of the transaction at the consolidated 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.

(d) Revenue from rendering of operating lease services

Revenue from rendering of operating lease services is recognised in the consolidated income statement on a straight-line basis over the lease term.

(e) Interest income

Interest income is recognised on an earned basis.

(f) Income from dividend paid/profit shared

Income from dividend paid/profit shared is recognised when the Corporation has established the receiving right from investees.

(g) Allocation of gas cylinders deposits

Gas cylinders deposits received from customers are allocated into the consolidated income statement on a straight-line basis over 10 years, which is in line with allocation of the long-term prepayments of gas cylinders (Note 2.14), following Circular No. 118/2010/TT-BTC dated 10 August 2010 issued by the Ministry of Finance – *Guidance on the financial and taxation regimes to entities trading liquefied petroleum gas.*

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 year of the related revenue from sales of products, goods and rendering of services are recorded as deduction of revenue of that year.

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

2.24 Cost of goods sold and services rendered

Cost of goods sold and services rendered are the cost of finished goods, merchandise, materials sold or services rendered during the year, and recorded on the basis of matching with revenue and on a prudence basis.

2.25 Financial expenses

Financial expenses are expenses incurred in the year for financial activities including expenses or losses relating to financial investment activities, expenses of borrowing, provision for diminution in value of investments in other entities, losses incurred on selling foreign currencies, losses from foreign exchange differences, and 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 staff; social insurance, medical insurance, labour union fees, unemployment insurance of administrative staff; expenses of office materials; tools and supplies; depreciation and amortization of fixed assets used for administration; land rental; licence tax; provision for bad debts; outside services; and other expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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 year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity.

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 consolidated 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 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.30 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.

2.31 Accounting estimates

The preparation of consolidated financial statements in conformity with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of consolidated financial statements requires the Chairman 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.

Such estimates and assumptions are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Corporation and that are believed to be reasonable under the circumstances by the Chairman.

3 BUSINESS COMBINATION

On 8 May 2019, PSD, a subsidiary of the Corporation, completed its acquisition of new shares issued by Green Technology, accordingly, obtained 50% ownership and voting rights in Green Technology with a consideration of VND10,000,000,000 (Note 1).

The impact of the business combination on the net assets of this subsidiary at the acquisition date was as follows:

| | Book value at acquisition date VND | Fair value adjustment VND | Fair value recognised at acquisition date VND |
|---|--|---------------------------------|--|
| Assets | | | |
| Cash and cash equivalents | 10,828,078,757 | - | 10,828,078,757 |
| Short-term trade accounts receivable | 23,582,633,407 | - | 23,582,633,407 |
| Other short-term receivables | 1,985,090,197 | 11,689,195,735 | 13,674,285,932 |
| Inventories | 12,235,792,051 | - | 12,235,792,051 |
| Other current assets | 2,216,146,589 | - | 2,216,146,589 |
| Fixed assets | 113,649,401 | - | 113,649,401 |
| Long-term assets in progress | 11,689,195,735 | (11,689,195,735) | - |
| Other long-term assets | 87,663,073 | - | 87,663,073 |
| | 62,738,249,210 | | 62,738,249,210 |
| Liabilities | | | |
| Short-term trade accounts payable | 5,687,772,912 | - | 5,687,772,912 |
| Short-term borrowings | 34,219,119,536 | - | 34,219,119,536 |
| Other short-term payables | 1,909,145,318 | - | 1,909,145,318 |
| Other short-term liabilities | 922,211,444 | - | 922,211,444 |
| | 42,738,249,210 | | 42,738,249,210 |
| Net assets | 20,000,000,000 | | 20,000,000,000 |
| Goodwill | | | - |
| Non-controlling interests (Note 26) | | | (10,000,000,000) |
| Total consideration in cash | | | 10,000,000,000 |
| Net cash outflow on acquisition | | | (10,000,000,000) |

4 CASH AND CASH EQUIVALENTS

| | 2019 | 2018 |
|-----------------------|------------------------|--------------------------|
| | VND | VND |
| Cash on hand | 9,700,810,391 | 6,239,434,885 |
| Cash at banks (*) | 425,388,699,149 | 342,512,075,807 |
| Cash equivalents (**) | 381,317,948,000 | 689,529,698,770 |
| | <u>816,407,457,540</u> | <u>1,038,281,209,462</u> |

(*) As at 31 December 2019, included in cash at bank is VND1 billion which was transferred by PetroVietnam Assets Management Joint Stock Company ("PSA") to the bank account of the parent Company from the assets recovered from Ha Noi Oil and Gas Trading Services One Member Company Limited upon the liquidation of this company. Currently, the Corporation is working with the relevant parties to determine the right and obligations of this amount.

(**) Cash equivalents represent bank term deposits with an original maturity of three months or less at commercial banks and earn interest at the average rates from 4.5% to 7.6% per annum (year 2018: 4.5% to 5.5% per annum).

As at 31 December 2019 and as at 31 December 2018, included in above cash equivalents are two term deposits at the commercial banks amounting to VND29,600,000,000 and VND13,000,000,000, respectively, which were pledged as collateral assets for the deferred revenue advanced from Nghi Son Refinery and Petrochemical Limited Liability Company.

5 INVESTMENTS

(a) Investments held-to-maturity

| | <u>2019</u> | | <u>2018</u> | |
|--------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | Cost VND | Book Value VND | Cost VND | Book Value VND |
| Short-term | | | | |
| Term deposits (*) | <u>99,200,542,854</u> | <u>99,200,542,854</u> | <u>28,011,800,000</u> | <u>28,011,800,000</u> |
| Long-term | | | | |
| Term deposits (**) | <u>4,020,733,637</u> | <u>4,020,733,637</u> | <u>480,947,787</u> | <u>480,947,787</u> |

(*) Term deposits represent bank deposits in VND with the remaining maturity of less than 12 months and earn interest at the average rates from 5.3% to 8.4% per annum (year 2018: 5.1% - 8.0% per annum).

(**) Term deposits represent bank deposits in VND with the remaining maturity of less than 12 months and earn interest at the average rates from 6.7% to 7.0% per annum (year 2018: 6.7% per annum).

As at 31 December 2019 and 31 December 2018, included in term deposits is a term deposit of VND10 billion which was pledged as collateral assets for the Corporation's borrowings (Note 23).

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

5 INVESTMENTS (continued)

(b) Investments in associates

Details of investments in associates are presented as follows:

| | 2019 | | | | 2018 | | | |
|---|-----------------------|-----------------------|----------------------|------------------|-----------------------|-----------------------|----------------------|------------------|
| | Cost VND | Book value VND | Fair value VND | Provision VND | Cost VND | Book value VND | Fair value VND | Provision VND |
| Petro Tower Limited Company | 14,359,957,249 | 15,039,870,918 | (*) | - | 14,359,957,249 | 15,474,289,268 | (*) | - |
| Vietecom Digital Trade and Investment Joint Stock Company | 853,268,080 | - | (*) | - | 853,268,080 | - | (*) | - |
| Vinh Hoa Emerald Bay International Hospitality Company Limited | 16,000,000,000 | 16,000,000,000 | (*) | - | - | - | (*) | - |
| | <u>31,213,225,329</u> | <u>31,039,870,918</u> | | <u>-</u> | <u>15,213,225,329</u> | <u>15,474,289,268</u> | | <u>-</u> |

(*) As at 31 December 2019 and 31 December 2018, the Company has not enough information about the fair value of these investments to disclose on the consolidated financial statements because the subsidiaries do not listed.

Movements in investments in associates during the year are as follows:

| | 2019 VND | 2018 VND |
|------------------------|-----------------------|-----------------------|
| As at 1 January 2019 | 15,474,289,268 | 16,441,621,150 |
| New investment | 16,000,000,000 | - |
| Losses sharing | (434,418,350) | (967,331,882) |
| As at 31 December 2019 | <u>31,039,870,918</u> | <u>15,474,289,268</u> |

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

5 INVESTMENTS (continued)

(c) Investments in other entities

Details of investments in other entities are presented as follows:

| | 2019 | | 2018 | |
|--|-----------------------|-------------------------|-----------------------|-------------------------|
| | Cost VND | Fair value VND | Cost VND | Fair value VND |
| PetroVietnam Central Biofuels Joint Stock Company | 2,000,000,000 | (*) | 2,000,000,000 | (*) |
| Vietnam Coolpad Co., Ltd | 20,160,000,000 | (*) | 20,160,000,000 | (*) |
| Vietnam - Korea Petroleum Industrial Gas Joint Stock Company | 7,846,800,000 | (*) | 6,750,000,000 | (*) |
| | <u>30,006,800,000</u> | <u>(22,640,229,299)</u> | <u>28,910,000,000</u> | <u>(22,160,000,000)</u> |

(*) As at 31 December 2019 and 31 December 2018, the Company has not determined the fair value of these investments to disclose on the consolidated financial statements because they do not have listed prices.

6 SHORT-TERM TRADE ACCOUNTS RECEIVABLE

| | 2019 | 2018 |
|---|--------------------------|--------------------------|
| | VND | VND |
| Third parties | | |
| <i>Mobile World Joint Stock Company</i> | 141,155,766,676 | 123,121,611,348 |
| <i>Icool Technology Company Limited (*)</i> | 73,657,133,467 | 73,657,133,467 |
| <i>Coolpad Viet Nam Company Limited (*)</i> | 42,965,708,261 | 42,965,708,261 |
| <i>Others</i> | 935,363,789,535 | 1,073,015,497,922 |
| | <hr/> | <hr/> |
| Related parties (Note 41(b)) | 1,193,142,397,939 | 1,312,759,950,998 |
| | 142,030,834,768 | 289,577,652,341 |
| | <hr/> | <hr/> |
| | <u>1,335,173,232,707</u> | <u>1,602,337,603,339</u> |

(*) In 2019, a subsidiary of the Corporation carried out legal proceedings against the business partners relating to short-term trade accounts receivable from Icool Technology Company Limited and Coolpad Viet Nam Company Limited. At the date of these consolidated financial statements, this subsidiary is collecting required legal documents of this lawsuit.

As at 31 December 2019 and 31 December 2018, the balances of short-term trade accounts receivable which were past due and made provision for doubtful debts.

7 SHORT-TERM PREPAYMENTS TO SUPPLIERS

| | 2019 | 2018 |
|--|------------------------|------------------------|
| | VND | VND |
| Third parties | | |
| <i>Global Consulting and Mechanical Services LLC (*)</i> | 127,977,681,191 | 119,000,391,587 |
| <i>Tan Lien Phat Investment and Construction Joint Stock Company</i> | - | 42,662,223,802 |
| <i>Others</i> | 36,198,367,049 | 32,050,558,947 |
| | <hr/> | <hr/> |
| | <u>164,176,048,240</u> | <u>193,713,174,336</u> |

(*) In 2017, POTS, a subsidiary of the Corporation, signed a service contract and received an advance of VND232 billion from a customer. At the same time, POTS also made a prepayment of VND201 billion to the supplier to perform the services required. In 2019, due to the extended scope of work, this subsidiary received an additional advance of VND30 billion from a customer and also made a additional prepayment of VND34 billion to that supplier. The service is performed from the contract signing date to the year 2022. As at 31 December 2019, the amount of short-term prepayment to supplier represents the outstanding amount to be net off in the next 12 months.

8 OTHER SHORT-TERM RECEIVABLES

(a) Short-term

| | 2019 VND | 2018 VND |
|----------------------------------|------------------------|------------------------|
| Trade discounts receivable | 47,176,226,191 | 58,447,866,826 |
| Interest income receivable | 1,062,888,302 | 2,516,436,679 |
| Other receivables from suppliers | 58,507,945,214 | 68,874,097,135 |
| Deposits | 262,098,949 | 25,973,800,000 |
| Others | 55,542,845,601 | 31,821,032,222 |
| | <u>162,552,004,257</u> | <u>187,633,232,862</u> |

(b) Long-term

| | 2019 VND | 2018 VND |
|----------|-----------------------|----------------------|
| Deposits | 29,647,597,006 | 6,408,629,626 |
| Others | 1,732,680,546 | 1,753,875,126 |
| | <u>31,380,277,552</u> | <u>8,162,504,752</u> |

As at 31 December 2019 and 31 December 2018, the balances of other receivables which were past due and made provision for doubtful debts.

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

9 PROVISION FOR DOUBTFUL DEBTS – SHORT-TERM

| | 2019 | | | 2018 | | | | |
|---|-----------------|------------------------------|-------------------|---------------------------|-----------------|------------------------------|------------------|---------------------------|
| | Cost VND | Recoverable amount VND | Provision VND | Number of overdue days | Cost VND | Recoverable amount VND | Provision VND | Number of overdue days |
| Total accounts receivable that are past due | 260,510,116,941 | 51,762,030,633 | (211,746,418,877) | Over 6 months | 102,638,833,820 | (136,547,337,183) | - | Over 6 months |

10 INVENTORIES

| | 2019 | | 2018 | |
|-------------------------|--------------------------|-------------------------|--------------------------|-------------------------|
| | Cost VND | Provision VND | Cost VND | Provision VND |
| Real estate for sales | 3,111,210,072 | - | 32,450,512,124 | - |
| Goods in transit | 47,250,746,363 | - | 118,592,796,571 | - |
| Raw materials | 4,960,325,176 | - | 1,351,239,429 | - |
| Tools and supplies | 2,922,569,926 | - | 2,018,607,974 | - |
| Work-in-progress | - | - | 439,158,002 | - |
| Merchandise | 1,006,017,927,506 | (23,125,285,355) | 816,546,887,425 | (28,320,748,915) |
| Goods on consignment | 80,439,956,453 | - | 62,708,511,296 | - |
| | <u>1,144,702,735,496</u> | <u>(23,125,285,355)</u> | <u>1,034,107,712,821</u> | <u>(28,320,748,915)</u> |

Provision for decline in value of inventories is to represent the net realisable value of merchandise. Movements in the provision for decline in value of inventories during the year are as follows:

| | 2019 VND | 2018 VND |
|---------------------------------|-----------------------|-----------------------|
| Beginning of year | 28,320,748,915 | 16,259,578,785 |
| Increase (Note 32) | 913,771,402 | 25,783,027,297 |
| Reversal of provision (Note 32) | (6,109,234,962) | (13,721,857,167) |
| End of year | <u>23,125,285,355</u> | <u>28,320,748,915</u> |

11 TAX AND OTHER RECEIVABLES FROM/PAYABLES TO THE STATE

(a) Taxes and other receivables from the State

| | 2019 VND | 2018 VND |
|---------------------|------------------------|------------------------|
| VAT to be reclaimed | 215,797,255,034 | 400,786,975,549 |
| Overpaid BIT | 827,221,764 | 128,675,472 |
| Personal income tax | 661,654,700 | 617,230,461 |
| Others | 1,151,602,294 | 1,380,925,963 |
| | <u>218,437,733,792</u> | <u>402,913,807,445</u> |

(b) Taxes and other payables to the State

| | 2019 VND | 2018 VND |
|---------------------|-----------------------|-----------------------|
| VAT | 7,788,853,223 | 7,814,553,202 |
| BIT | 14,166,165,851 | 18,963,055,991 |
| Personal income tax | 7,967,486,758 | 3,024,128,711 |
| Others | 442,972,592 | - |
| | <u>30,365,478,424</u> | <u>29,801,737,904</u> |

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

11 TAXES AND OTHER RECEIVABLES FROM/PAYABLES TO THE STATE (continued)

Movements of taxes and other receivables from/ payables to the State are as follows:

| | As at 1.1.2019 VND | Receivables/ payables during the year VND | Amount refunded/ paid during the year VND | Net off amount during the year VND | Reclassification VND | As at 31.12.2019 VND |
|-------------------------|--------------------------|--|--|--|-------------------------|-------------------------|
| (a) Receivables | | | | | | |
| VAT to be reclaimed (*) | 400,786,975,549 | 913,328,182,724 | (171,056,391,313) | (927,261,511,926) | - | 215,797,255,034 |
| BIT | 128,675,472 | - | - | (128,675,472) | 827,221,764 | 827,221,764 |
| Personal income tax | 617,230,461 | - | - | (617,230,461) | 661,654,700 | 661,654,700 |
| Others | 1,380,925,963 | - | - | (1,380,925,963) | 1,151,602,294 | 1,151,602,294 |
| | <u>402,913,807,445</u> | <u>913,328,182,724</u> | <u>(171,056,391,313)</u> | <u>(929,388,343,822)</u> | <u>2,640,478,758</u> | <u>218,437,733,792</u> |
| (b) Payables | | | | | | |
| BIT | 18,963,055,991 | 54,517,481,520 | (60,012,917,952) | (128,675,472) | 827,221,764 | 14,166,165,851 |
| Personal income tax | 3,024,128,711 | 54,950,308,716 | (50,051,374,908) | (617,230,461) | 661,654,700 | 7,967,486,758 |
| VAT | 7,814,553,202 | 1,074,546,900,572 | (147,311,088,625) | (927,261,511,926) | - | 7,788,853,223 |
| Others | - | (161,853,080,729) | 162,524,816,990 | (1,380,365,963) | 1,151,602,294 | 442,972,592 |
| | <u>29,801,737,904</u> | <u>1,022,161,610,079</u> | <u>(94,850,564,495)</u> | <u>(929,387,783,822)</u> | <u>2,640,478,758</u> | <u>30,365,478,424</u> |

(*) As at 31 December 2019, included in VAT to be reclaimed is the amount of VAT that the Corporation has submitted the refund applications amounting to VND76 billion (as at 31 December 2018: VND265.7 billion) and is awaiting for the results from tax authorities.

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

| 12 | FIXED ASSETS | Buildings and structures VND | Machinery and equipment VND | Motor vehicles VND | Office equipment VND | Total VND |
|-----|---|---------------------------------|--------------------------------|------------------------|-------------------------|------------------------|
| (a) | Tangible fixed assets | | | | | |
| | Historical cost | | | | | |
| | At as 1 January 2019 | 99,698,720,422 | 89,010,638,713 | 125,046,085,544 | 14,108,490,401 | 327,863,935,080 |
| | New purchases | 224,104,251 | 9,427,703,162 | 23,535,265,458 | 622,800,517 | 33,809,873,388 |
| | Increase from acquisition of a subsidiary | - | - | 1,974,264,000 | - | 1,974,264,000 |
| | Disposals | (9,073,960,800) | (2,759,739,103) | (5,438,730,182) | (1,335,230,380) | (18,607,660,465) |
| | As at 31 December 2019 | <u>90,848,863,873</u> | <u>95,678,602,772</u> | <u>145,116,884,820</u> | <u>13,396,060,538</u> | <u>345,040,412,003</u> |
| | Accumulated depreciation | | | | | |
| | At as 1 January 2019 | 61,215,381,454 | 73,169,522,383 | 92,412,942,320 | 13,072,227,503 | 239,870,073,660 |
| | Charge for the year | 4,117,093,488 | 5,554,059,924 | 12,346,836,097 | 695,063,734 | 22,713,053,243 |
| | Increase from acquisition of a subsidiary | - | - | 1,860,614,599 | - | 1,860,614,599 |
| | Disposals | (2,614,906,625) | (2,236,615,912) | (5,172,025,776) | (1,269,246,380) | (11,292,794,693) |
| | As at 31 December 2019 | <u>62,717,568,317</u> | <u>76,486,966,395</u> | <u>101,448,367,240</u> | <u>12,498,044,857</u> | <u>253,150,946,809</u> |
| | Net book value | | | | | |
| | At as 1 January 2019 | 38,483,338,968 | 15,841,116,330 | 32,633,143,224 | 1,036,262,898 | 87,993,861,420 |
| | As at 31 December 2019 | <u>28,131,295,556</u> | <u>19,191,636,377</u> | <u>43,668,517,580</u> | <u>898,015,681</u> | <u>91,889,465,194</u> |

The historical cost of fully depreciated tangible fixed assets but still in use as at 31 December 2019 was VND118.9 billion (as at 31 December 2018: VND119.7 billion).



12 FIXED ASSETS (continued)

(b) Intangible fixed assets

| | Land use rights VND | Software VND | Total VND |
|---|-------------------------------|---------------------------|--------------------------------------|
| Historical cost | | | |
| At as 1 January 2019 | 101,988,494,434 | 4,871,690,198 | 106,860,184,632 |
| New purchases | 8,200,800,000 | 304,470,600 | 8,505,270,600 |
| Transfer from investment properties (Note 13) | 6,120,000,000 | - | 6,120,000,000 |
| Disposals | (3,651,185,053) | (68,178,000) | (3,719,363,053) |
| As at 31 December 2019 | <u>112,658,109,381</u> | <u>5,107,982,798</u> | <u>117,766,092,179</u> |
| Accumulated amortisation | | | |
| At as 1 January 2019 | - | 4,357,318,959 | 4,357,318,959 |
| Charge for the year | 847,886,719 | 346,009,054 | 1,193,895,773 |
| Transfer from investment properties (Note 13) | 2,351,213,790 | - | 2,351,213,790 |
| Disposals | (246,511,719) | (68,178,000) | (314,689,719) |
| As at 31 December 2019 | <u>2,952,588,790</u> | <u>4,635,150,013</u> | <u>7,587,738,803</u> |
| Net book value | | | |
| At as 1 January 2019 | <u>101,988,494,434</u> | <u>514,371,239</u> | <u>102,502,865,673</u> |
| As at 31 December 2019 | <u><u>109,705,520,591</u></u> | <u><u>472,832,785</u></u> | <u><u>110,178,353,376</u></u> |

The historical cost of fully amortised intangible fixed assets but still in use as at 31 December 2019 was VND2.96 billion (as at 31 December 2018: VND2.87 billion).

13 INVESTMENT PROPERTIES

| | Land use rights VND | Buildings and structures VND | Total VND |
|--|------------------------|------------------------------------|------------------------|
| Historical cost | | | |
| As at 1 January 2019 | 6,120,000,000 | 852,074,158,578 | 858,194,158,578 |
| Transfer to intangible fixed assets (Note 12) | (6,120,000,000) | - | (6,120,000,000) |
| As at 31 December 2019 | - | 852,074,158,578 | 852,074,158,578 |
| Accumulated depreciation | | | |
| As at 1 January 2019 | 2,198,213,790 | 97,567,129,859 | 99,765,343,649 |
| Charge for the year | 153,000,000 | 40,702,906,878 | 40,855,906,878 |
| Transfer to intangible fixed assets (Note 12) | (2,351,213,790) | - | (2,351,213,790) |
| As at 31 December 2019 | - | 138,270,036,737 | 138,270,036,737 |
| Net book value | | | |
| As at 1 January 2019 | 3,921,786,210 | 754,507,028,719 | 758,428,814,929 |
| As at 31 December 2019 | - | 713,804,121,841 | 713,804,121,841 |

Investment properties mainly include:

- The buildings and structures 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; and
- The land use right is being held by a subsidiary for leasing. However, this subsidiary terminated the contract with the third party as at 31 March 2019. From 1 April 2019, the land use right is being used for the business operation of a branch of this subsidiary. Therefore, the Corporation reclassified this land use right from investment property into intangible asset as at 31 December 2019.

As at 31 December 2019 and 31 December 2018, all investment properties have been pledged as collateral assets for the Corporation’s borrowings (Note 23).

In 2019, revenue incurred from investment properties was VND121,742,503,746 (2018: VND116,376,984,794). Direct expenses (including tools and supplies, utilities and management fee) incurred from investment properties relating to revenue from leasing from the year 2019 are VND34,873,788,406 (from the year 2018: VND42,336,131,341).

The Corporation was unable to collect sufficient information of similar properties as a basis for fair value comparison, therefore fair value of the investment properties as at 31 December 2019 has not been disclosed in the consolidated financial statements. However, given the occupancy rate of these properties, in the view of the Chairman, the market value of these properties is higher than the net book values at the year end consolidated balance sheet date.

14 CONSTRUCTION IN PROGRESS

Details of construction in progress are presented as follows:

| | 2019 | 2018 |
|--|-----------------------|-----------------------|
| | VND | VND |
| Cape Pearl Project (formerly known as Petrosetco SSG Tower) | 37,509,649,278 | 37,503,649,278 |
| Others | 1,966,541,997 | 1,008,844,876 |
| | <u>39,476,191,275</u> | <u>38,512,494,154</u> |

Movements in construction in progress during the year are as follows:

| | 2019 | 2018 |
|---------------------------------|-----------------------|-----------------------|
| | VND | VND |
| Beginning of year | 38,512,494,154 | 102,728,014,308 |
| Additions | 1,165,909,091 | 331,223,002 |
| Reclassification to inventories | - | (64,546,743,156) |
| Others | (202,211,970) | - |
| | <u>39,476,191,275</u> | <u>38,512,494,154</u> |

15 LONG-TERM PREPAID EXPENSES

Details of long-term prepaid expenses are as follows:

| | 2019 | 2018 |
|-----------------------|------------------------|------------------------|
| | VND | VND |
| Office rental (*) | 96,796,156,531 | 99,171,522,333 |
| Prepaid gas cylinders | 79,965,942,521 | 48,402,203,601 |
| Tools and supplies | 313,170,657 | 20,572,583,834 |
| Others | 34,091,751,978 | 30,383,757,751 |
| | <u>211,167,021,687</u> | <u>198,530,067,519</u> |

(*) The amount includes the prepayment to PVN for office leasing. This prepaid office rental expense is allocated to the consolidated income statement on a straight-line basis over a period of 50 years from 2010.

15 LONG-TERM PREPAID EXPENSES (continued)

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

| | 2019 VND | 2018 VND |
|-------------------|------------------------|------------------------|
| Beginning of year | 198,530,067,519 | 213,430,498,636 |
| Addition | 39,838,606,914 | 11,940,116,106 |
| Allocation | (27,201,652,746) | (26,840,547,223) |
| End of year | <u>211,167,021,687</u> | <u>198,530,067,519</u> |

16 DEFERRED INCOME TAX

Deferred income tax assets and deferred income tax liabilities are offsetting 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.

Details were as follows:

| | 2019 VND | 2018 VND |
|---|----------------------|----------------------|
| Deferred income tax assets: | | |
| Deferred income tax assets to be recovered within 12 months | <u>-</u> | <u>3,310,854,521</u> |
| Deferred tax income liabilities: | | |
| Deferred income tax liabilities to be repaid within 12 months | <u>3,300,000,000</u> | <u>3,300,000,000</u> |

The gross movements in deferred income tax during the year are as follows:

| | 2019 VND | 2018 VND |
|--|------------------------|------------------------|
| Deferred income tax assets | 3,310,854,521 | - |
| Deferred income tax liabilities | (3,300,000,000) | (3,300,000,000) |
| Beginning of year | 10,854,521 | (3,300,000,000) |
| Consolidated income statement (charged)/credited (Note 38) | <u>(3,310,854,521)</u> | <u>3,310,854,521</u> |
| End of year | <u>(3,300,000,000)</u> | <u>10,854,521</u> |
| In which: | | |
| Deferred income tax assets | - | 3,310,854,521 |
| Deferred income tax liabilities | <u>(3,300,000,000)</u> | <u>(3,300,000,000)</u> |

16 DEFERRED INCOME TAX (continued)

Deferred income tax assets and deferred income tax liabilities are mainly arisen from the temporary differences relating provisions made by the parent Company and its subsidiaries in consolidation.

The Corporation uses tax rate of 20% to determine deferred income tax assets and deferred income tax liabilities.

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 of the Corporation's subsidiaries 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.

The Corporation has not recognised deferred income tax assets relating to the above tax losses carried forward as the realisation of the related tax benefit through future taxable income profit of its subsidiaries currently cannot be assessed as probable.

17 GOODWILL

| | 2019 VND | 2018 VND |
|----------------------|---------------------------|---------------------------|
| Beginning of year | 12,243,060,000 | 13,773,442,500 |
| Allocation (Note 36) | (1,530,382,500) | (1,530,382,500) |
| End of year | <u>10,712,677,500</u> | <u>12,243,060,000</u> |

As at 31 December 2019 and 31 December 2018, goodwill arises from the acquisition of Binh Minh Electronics Refrigeration Joint Stock Company.

18 SHORT-TERM TRADE ACCOUNTS PAYABLE

| | 2019 VND | 2018 VND |
|---|---------------------------|---------------------------|
| Third parties | | |
| <i>Samsung Electronics Vietnam Thai</i> | | |
| <i>Nguyen Company Limited</i> | 323,507,897,900 | 70,491,782,900 |
| <i>Microsoft Regional Sales Corporation</i> | 52,951,579,956 | 57,761,717,651 |
| <i>Dell Global B.V. (Singapore Branch)</i> | 34,329,345,917 | 199,526,352,550 |
| <i>Others</i> | 452,193,106,373 | 626,900,455,933 |
| | <u>862,981,930,146</u> | <u>954,680,309,034</u> |
| Related parties (Note 41(b)) | 442,873,622,313 | 473,414,947,179 |
| | <u>1,305,855,552,459</u> | <u>1,428,095,256,213</u> |

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

18 SHORT-TERM TRADE ACCOUNTS PAYABLE (continued)

As at 31 December 2019 and 31 December 2018, the Chairman believes that the Corporation has no doubt on its ability to fully repay the short-term trade accounts payable as and when they fall due, there was no balance of short-term trade accounts payable which was past due.

19 SHORT-TERM ADVANCES FROM CUSTOMERS

| | 2019 VND | 2018 VND |
|----------------------------|-----------------------|-----------------------|
| Third parties | 11,855,255,385 | 10,809,235,647 |
| Related party (Note 41(b)) | 74,065,646,207 | 78,540,531,090 |
| | <u>85,920,901,592</u> | <u>89,349,766,737</u> |

20 SHORT-TERM ACCRUED EXPENSES

| | 2019 VND | 2018 VND |
|-------------------------------------|-----------------------|-----------------------|
| Warehouse rental and transportation | 549,516,262 | 10,274,515,709 |
| Interest expense | 5,344,004,221 | 8,490,392,082 |
| Allowance | 4,813,930,494 | 474,089,660 |
| Others | 8,616,671,357 | 9,106,500,233 |
| | <u>19,324,122,334</u> | <u>28,345,497,684</u> |

21 UNEARNED REVENUE

(a) Short-term

| | 2019 VND | 2018 VND |
|-----------------------------|-----------------------|-----------------------|
| Rental advance received (*) | 27,272,727,273 | 27,272,727,273 |
| Others | 719,415,531 | 4,597,443,913 |
| | <u>27,992,142,804</u> | <u>31,870,171,186</u> |

(b) Long-term

| | 2019 VND | 2018 VND |
|-----------------------------|---------------------|---------------------|
| Rental advance received (*) | 20,454,545,483 | 47,727,272,747 |

(*) The balance represents 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 (Notes 13 and 41(b)).

22 OTHER PAYABLES

(a) Short-term

| | 2019 VND | 2018 VND |
|---|------------------------|------------------------|
| Payable for usage funds under the requirements of the business sector | 2,967,817,630 | 4,729,320,176 |
| Trade discount payable to customers | 39,394,453,530 | 33,059,818,886 |
| Dividends payable (Note 28) | 32,282,864,484 | 37,683,689,120 |
| Payable for trade accounts receivable's insurance contracts | - | 44,590,090,748 |
| Others | 46,451,102,537 | 59,350,993,762 |
| | <u>121,096,238,181</u> | <u>179,413,912,692</u> |

(b) Long-term

| | 2019 VND | 2018 VND |
|---|-----------------------|-----------------------|
| Gas cylinders deposits (*) | 29,001,185,411 | 27,872,772,164 |
| Other deposits | 7,490,188,553 | 18,791,253,958 |
| Payable to the Ba Ria - Vung Tau Province State Treasury (**) | 4,481,270,945 | 7,030,627,285 |
| Others | 882,489,309 | 940,518,269 |
| | <u>41,855,134,218</u> | <u>54,635,171,676</u> |

(*) Gas cylinders deposits received from customers are allocated into the consolidated income statement on a straight-line basis over 10 years, which is in line with allocation of the long-term prepayments of gas cylinders (Note 2.22), following Circular No. 118/2010/TT-BTC dated 10 August 2010 issued the Ministry of Finance – *Guidance on the financial and taxation regimes to entities trading liquefied petroleum gas*.

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

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

23 BORROWINGS

(a) Short-term

Short-term borrowings represent outstanding borrowings from banks and from individuals. Details are as follows:

| | As at 1.1.2019 VND | Drawdowns VND | Repayments VND | Reclassification VND | As at 31.12.2019 VND |
|--|--------------------------|--------------------------|----------------------------|-------------------------|--------------------------|
| Joint Stock Commercial Bank for Foreign Trade of Vietnam | 209,290,236,950 | 1,038,771,370,849 | (937,524,748,209) | - | 310,536,859,590 |
| ANZ Bank Vietnam Limited | 407,904,543,961 | - | (407,904,543,961) | - | - |
| Military Commercial Joint Stock Bank | 434,735,344,254 | 656,538,853,250 | (1,029,297,023,095) | - | 61,977,174,409 |
| Joint Stock Commercial Bank for Foreign Trade of Vietnam | 48,669,089,968 | 1,696,992,834,433 | (1,190,238,131,375) | - | 555,423,793,026 |
| HSBC Bank Vietnam Limited | 391,201,759,866 | 1,409,270,615,584 | (1,510,922,006,792) | - | 289,550,368,658 |
| Vietnam Technological and Commercial Joint Stock Bank | 82,000,000,000 | 486,200,000,000 | (568,200,000,000) | - | - |
| Asia Commercial Joint Stock Bank | 28,572,727,562 | - | (28,572,727,566) | 29,494,928,138 | 29,494,928,134 |
| Vietnam International Joint Stock Commercial Bank | - | 27,410,669,600 | (27,410,669,600) | - | - |
| Individual | 11,917,055,159 | 25,344,109,754 | (17,914,069,237) | - | 19,347,095,676 |
| | - | 4,838,450,000 | (500,000,000) | - | 4,338,450,000 |
| | <u>1,614,290,757,720</u> | <u>5,345,366,903,470</u> | <u>(5,718,483,919,835)</u> | <u>29,494,928,138</u> | <u>1,270,668,669,493</u> |

Borrowings from banks were made in the forms of credit limit contracts or letters of credit.

As at 31 December 2019, collateral assets of these borrowings are as follows:

- Guarantee commitments of the parent Company for its subsidiaries' borrowings with the value of VND3,430.2 billion (as at 31 December 2018: VND3,812.6 billion and USD30 million (Note 42(c)));
- Land use rights at 274 Xo Viet Nghe Tinh Street, Ward 25, Binh Thanh District and at 8E Luong Huu Khanh Street, Pham Ngu Lao Ward, District 1; and
- A part of term deposits (Note 5(a)).

The interest rates are announced by the banks at drawdown dates or adjusted from time to time which are announced by the banks.

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

23 BORROWINGS (continued)

(a) Short-term (continued)

The individual borrowings are unsecured and bear interest at the rate of 9.9% per annum.

Short-term borrowings are to finance for the working capital of the Corporation's business operations.

(b) Long-term

| | As at 1.1.2019 VND | Drawdowns VND | Repayments VND | Reclassification VND | As at 31.12.2019 VND |
|---|------------------------|----------------------|----------------------|-------------------------|-------------------------|
| Asia Commercial Joint Stock Bank (*) | 279,910,424,775 | - | - | (29,494,928,138) | 250,415,496,637 |
| Southeast Asia Commercial Joint Stock Bank (**) | - | 4,800,000,000 | (450,000,000) | - | 4,350,000,000 |
| | <u>279,910,424,775</u> | <u>4,800,000,000</u> | <u>(450,000,000)</u> | <u>(29,494,928,138)</u> | <u>254,765,496,637</u> |

(*) The borrowings with Asia Joint Stock Commercial Bank have credit limit of VND400 billion and bear interest at the rates adjustable from time to time which are announced by this bank.

The purpose of borrowings is to finance the construction of Nghi Son Project. The term is 9 years from 2016 and the borrowings are secured by assets formed from Nghi Son Project; rights arising from land rental contracts; receivables and other rights arising from the lease agreement at Nghi Son Project; and 5,345,200 shares of PSA owned by the Corporation.

Interest expense relating to Nghi Son Project before the completion date of Nghi Son Project had been capitalised in the value of the investment properties. From 10 October 2016, since Nghi Son Project was put into operation, interest expense is reimbursed by Nghi Son Refinery and Petrochemical Company Limited, the lessee of Nghi Son Project.

(**) The borrowing with Southeast Asia Commercial Joint Stock Bank is comprised of 2 credit agreements in VND with the maturity of 2 years since October 2019 and December 2019, respectively, is secured by the assets formed by these borrowings, and bear interest at the rates adjustable from time to time which are announced by this bank.

24 BONUS AND WELFARE FUND

| | 2019 VND | 2018 VND |
|---|-----------------------|-----------------------|
| Beginning of year | 74,486,291,576 | 67,424,459,272 |
| Appropriation from undistributed earnings of previous years | 4,511,149,927 | 9,339,706,251 |
| Appropriation from undistributed earnings of current year | 7,218,580,968 | 8,333,602,990 |
| Increase from acquisition of a subsidiary | 236,340,501 | - |
| Utilisation | (10,235,849,476) | (9,118,976,937) |
| Transfer to related parties | (2,084,700,000) | (1,492,500,000) |
| Other decreases (*) | (40,074,960,843) | - |
| End of year | <u>34,056,852,653</u> | <u>74,486,291,576</u> |

(*) Included in other decreases is the bonuses to employees for long-term service awards to the Corporation's development.

25 OWNERS' CAPITAL

(a) Number of shares

| | 2019 | | 2018 | |
|--|-------------------|-------------------|-------------------|-------------------|
| | Ordinary shares | Preference shares | Ordinary shares | Preference shares |
| Number of shares registered | 86,600,124 | - | 86,600,124 | - |
| Number of shares issued | 86,600,124 | - | 86,600,124 | - |
| Number of shares repurchased | (1,590,310) | - | (1,590,310) | - |
| Number of existing shares in circulation | <u>85,009,814</u> | - | <u>85,009,814</u> | - |

(b) Details of owners' shareholding

| | 2019 | | 2018 | |
|--------------------|------------------------|------------|------------------------|------------|
| | VND | % | VND | % |
| PVN | 209,738,510,000 | 24.7 | 209,738,510,000 | 24.7 |
| Other shareholders | 641,667,619,368 | 75.3 | 641,667,619,368 | 75.3 |
| | <u>851,406,129,368</u> | <u>100</u> | <u>851,406,129,368</u> | <u>100</u> |

25 OWNERS' CAPITAL (continued)

(c) Movement of share capital

| | Ordinary shares VND | Preference shares VND | Total VND |
|------------------------|---------------------------|-----------------------------|-------------------------------|
| As at 1 January 2018 | 866,001,240,000 | - | 866,001,240,000 |
| New shares issued | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| As at 31 December 2018 | 866,001,240,000 | - | 866,001,240,000 |
| New shares issued | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| As at 31 December 2019 | <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

26 MOVEMENTS IN OWNERS' EQUITY

| | Share capital VND | Share premium VND | Owners' other capital VND | Treasury shares VND | Investment and development fund VND | Undistributed earnings VND | Total VND | Non-controlling interests VND | Total capital and reserves VND |
|---|----------------------|----------------------|---------------------------------|---------------------------|---|----------------------------------|-------------------|-------------------------------------|--------------------------------------|
| As at 1 January 2018 | 866,001,240,000 | 133,918,052,614 | 56,740,087,775 | (35,523,322,342) | 172,453,174,126 | 303,178,676,162 | 1,496,767,908,335 | 163,812,852,269 | 1,660,580,760,604 |
| Net profit for the year | - | - | - | - | - | 113,081,223,363 | 113,081,223,363 | 16,861,274,457 | 129,942,497,820 |
| Appropriations to bonus and welfare funds | - | - | - | - | - | (15,267,255,570) | (15,267,255,570) | (2,406,053,671) | (17,673,309,241) |
| Repurchase of issued shares | - | - | - | (14,595,110,632) | - | - | (14,595,110,632) | - | (14,595,110,632) |
| Dividends paid | - | - | 34,080,000,000 | - | (135,936,890,213) | (768,418,152) | (101,856,890,213) | (35,988,398,831) | (137,845,289,044) |
| Change in ownership | - | - | - | - | - | (768,418,152) | (768,418,152) | 768,418,152 | - |
| As at 1 January 2019 | 866,001,240,000 | 133,918,052,614 | 90,820,087,775 | (50,118,432,974) | 172,453,174,126 | 264,287,335,590 | 1,477,361,457,131 | 143,048,092,376 | 1,620,409,549,507 |
| Capital increased during the year | - | - | - | - | - | - | - | 3,400,000,000 | 3,400,000,000 |
| Net profit for the year | - | - | - | - | - | 122,071,092,323 | 122,071,092,323 | 5,245,629,954 | 127,316,722,277 |
| Appropriation to bonus and welfare fund (*) | - | - | - | - | - | (9,620,490,808) | (9,620,490,808) | (2,109,240,087) | (11,729,730,895) |
| Appropriation to investment and development fund (**) | - | - | - | - | 100,000,000,000 | (100,000,000,000) | - | - | - |
| Dividends paid | - | - | 40,896,000,000 | - | - | (113,340,103,168) | (72,444,103,168) | (38,630,837,332) | (111,074,940,500) |
| Increase from acquisition of a subsidiary | - | - | - | - | (285,882,826) | (5,452,422,064) | (5,678,392,665) | 11,996,000,000 | 11,996,000,000 |
| Change in ownership | - | - | 59,912,225 | - | - | - | - | 5,678,392,665 | - |
| As at 31 December 2019 | 866,001,240,000 | 133,918,052,614 | 131,776,000,000 | (50,118,432,974) | 272,167,291,300 | 157,945,411,873 | 1,511,689,562,813 | 128,628,037,576 | 1,640,317,600,389 |

(*) Bonus and welfare fund is appropriated from the 2018 net profit after tax and 2019 planned profit after tax upon approval of shareholders at the Annual General Meeting.

(**) According to the Resolution No.13/NQ-DVTHDK-ĐHĐCĐ dated 26 April 2019, the parent Company's Shareholders approved the appropriation to the investment and development fund of VND100,000,000,000.

27 NON-CONTROLLING INTERESTS

Details of non-controlling interests are as follows:

| | 2019 VND | 2018 VND |
|---------------------------------|------------------------|------------------------|
| Owners' capital | 181,244,598,000 | 171,665,773,000 |
| Owners' other capital | 36,223,230,000 | 22,686,160,000 |
| Treasury shares | (1,170,000,000) | (1,170,000,000) |
| Investment and development fund | 7,366,690,987 | 7,080,808,161 |
| Undistributed earnings | (95,036,481,411) | (57,214,648,785) |
| | <u>128,628,037,576</u> | <u>143,048,092,376</u> |

Movements of non-controlling interests during the year are as follows:

| | 2019 VND | 2018 VND |
|--|------------------------|------------------------|
| Beginning of year | 143,048,092,376 | 163,812,852,269 |
| Increase of owners' capital | 3,400,000,000 | - |
| Increase of owners' other capital from dividend paid by share | 10,137,070,000 | 8,447,670,000 |
| Net profit | 5,245,629,954 | 16,861,274,457 |
| Appropriation to bonus and welfare fund | (2,109,240,087) | (2,406,053,671) |
| Dividends paid | (48,767,907,332) | (44,436,068,831) |
| Increase from acquisition of a subsidiary | 11,996,000,000 | - |
| Change in ownership | 5,678,392,665 | 768,418,152 |
| | <u>128,628,037,576</u> | <u>143,048,092,376</u> |

28 DIVIDENDS

| | 2019 VND | 2018 VND |
|--|-----------------------|-----------------------|
| Beginning of year | 37,683,689,120 | 22,777,755,034 |
| Dividends payable during the year | 162,108,010,500 | 180,372,959,044 |
| Stock dividends | (51,033,070,000) | (42,527,670,000) |
| Dividends paid by cash during the year | (113,304,830,166) | (120,145,639,162) |
| Others | (3,170,934,970) | (2,793,715,796) |
| | <u>32,282,864,484</u> | <u>37,683,689,120</u> |

29 BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders after deducting the bonus and welfare fund by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares repurchased by the parent Company and held as treasury shares. Details are as follows:

| | 2019 VND | 2018 VND |
|--|------------------------|------------------------|
| Net profit after tax attributable to the shareholders (VND) | 122,071,092,323 | 113,081,223,363 |
| Less appropriation to bonus and welfare fund (VND) (*) | (9,620,490,808) | (10,439,399,027) |
| Net profit for the year attributable to the shareholders (VND) | <u>112,450,601,515</u> | <u>102,641,824,336</u> |
| Weighted average number of ordinary share in issue (shares) | <u>85,009,814</u> | <u>85,851,054</u> |
| Basic earning per share (VND) | <u><u>1,323</u></u> | <u><u>1,196</u></u> |

(*) The appropriation to bonus and welfare fund for the year ended 31 December 2018 was adjusted by the 2018 actual appropriation from undistributed earnings approved by shareholders at the Annual General Meeting which is attributable to the parent Company.

For the year ended 31 December 2019, the Corporation has provisionally appropriated the net profit to bonus and welfare fund based on the 2019 plan approved by shareholders at the Annual General Meeting.

Basic earnings per share of the year 2018 were recalculated as follows:

| | For the year ended 31.12.2018 | | |
|--|--------------------------------------|------------------------|-------------------------|
| | As previously reported | Adjustments | As restated |
| Net profit attributable to shareholders (VND) | 113,081,223,363 | - | 113,081,223,363 |
| Actual appropriation to bonus and welfare fund (VND) | <u>(6,405,919,489)</u> | <u>(4,033,479,538)</u> | <u>(10,439,399,027)</u> |
| Net profit attributable to shareholders (VND) | 106,675,303,874 | (4,033,479,538) | 102,641,824,336 |
| Weighted average number of ordinary shares in issue (shares) | <u>85,851,054</u> | <u>-</u> | <u>85,851,054</u> |
| Basic earnings per share (VND) | <u><u>1,243</u></u> | <u>-</u> | <u><u>1,196</u></u> |

29 BASIC EARNINGS PER SHARE AND DILUTED EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit attributable to shareholders, which already subtracted the bonus and welfare fund, by the weighted average number of ordinary shares outstanding during the year and the ordinary shares expected to be issued. The parent Company has no dilutive potential ordinary shares during the year and up to the date of these consolidated financial statements.

30 OFF CONSOLIDATED BALANCE SHEET ITEMS

(a) Foreign currencies

As at 31 December 2019, included in cash and cash equivalents as at 31 December 2019 are balances held in foreign currency of USD1,893,098.52 and EUR250.96 (as at 31 December 2018: USD2,838,469.58 and EUR262.79).

(b) Operating lease assets

The future minimum lease receipts under non-cancellable operating leases were presented in Note 42(a)(ii).

31 REVENUE FROM SALE OF GOODS AND RENDERING OF SERVICES

| | 2019 | 2018 |
|--------------------------------------|---------------------------|---------------------------|
| | VND | VND |
| Revenue | | |
| Sales of goods | 8,547,695,744,167 | 9,671,234,648,111 |
| Rendering of services | 1,600,932,822,183 | 1,566,118,830,419 |
| | <u>10,148,628,566,350</u> | <u>11,237,353,478,530</u> |
| Sales deductions | | |
| Trade discounts | (75,984,445,226) | (68,351,778,606) |
| Sales allowances | (15,928,334,551) | (16,367,084,140) |
| Sales returns | (48,226,940,380) | (60,658,281,045) |
| | <u>(140,139,720,157)</u> | <u>(145,377,143,791)</u> |
| Net revenue | | |
| Net sales from sales of goods | 8,407,556,024,010 | 9,525,857,504,320 |
| Net sales from rendering of services | 1,600,932,822,183 | 1,566,118,830,419 |
| | <u>10,008,488,846,193</u> | <u>11,091,976,334,739</u> |

32 COST OF GOODS SOLD AND SERVICES RENDERED

| | 2019 VND | 2018 VND |
|--|--------------------------|---------------------------|
| Cost of merchandises sold | 8,245,282,399,533 | 9,245,319,099,769 |
| Cost of services rendered (*) | 1,157,267,628,409 | 1,172,154,959,288 |
| (Reversal of provision)/provision for decline in value of inventories | (5,195,463,560) | 12,061,170,130 |
| | <u>9,397,354,564,382</u> | <u>10,429,535,229,187</u> |

(*) Included in the cost of services rendered is the interest expense relating to Nghi Son Project, amounting to VND28.3 billion (2018: VND29.2 billion) being refunded by Nghi Son Refinery and Petrochemical Company Limited (Note 23), the leasor of Nghi Son Project, after this project was put into operation.

33 FINANCIAL INCOME

| | 2019 VND | 2018 VND |
|---|-----------------------|-----------------------|
| Interest income from deposits | 26,896,128,366 | 61,028,163,419 |
| Realised foreign exchange gains | 6,463,225,105 | 7,285,458,238 |
| Unrealised foreign exchange gains | - | 3,384,565,760 |
| Late payment charge and payment discount | 402,353,015 | 8,375,041,559 |
| Others | 3,888,608,270 | 604,640,136 |
| | <u>37,650,314,756</u> | <u>80,677,869,112</u> |

34 FINANCIAL EXPENSES

| | 2019 VND | 2018 VND |
|---|-----------------------|------------------------|
| Interest expense | 67,681,145,079 | 93,376,087,267 |
| Realised foreign exchange losses | 1,362,314,209 | 8,709,718,138 |
| Provision for diminution in value of investments | 480,229,299 | 20,160,000,000 |
| Net loss from foreign currency translation at year-end | 24,077,643 | - |
| Payment discounts | 225,015,647 | 2,447,873,728 |
| Others | 3,287,033,544 | 568,294,733 |
| | <u>73,059,815,421</u> | <u>125,261,973,866</u> |

35 SELLING EXPENSES

| | 2019 | 2018 |
|---------------------------|------------------------|------------------------|
| | VND | VND |
| Staff costs | 88,949,879,878 | 86,944,839,253 |
| Transportation | 36,106,697,947 | 36,188,309,974 |
| Advertising and marketing | 9,708,349,011 | 12,940,920,945 |
| Depreciation | 1,820,158,042 | 2,512,309,275 |
| Warehouse rentals | 21,560,539,685 | 22,625,323,369 |
| Commission | 14,036,097,485 | 6,831,489,543 |
| Outside services | 4,560,645,456 | 12,351,658,022 |
| Tool and supplies | 1,905,398,963 | 1,804,255,040 |
| Insurance | 6,299,379,108 | 3,943,962,453 |
| Others | 38,631,637,696 | 54,632,957,177 |
| | <u>223,578,783,271</u> | <u>240,776,025,051</u> |

36 GENERAL AND ADMINISTRATION EXPENSES

| | 2019 | 2018 |
|-------------------------------|------------------------|------------------------|
| | VND | VND |
| Staff costs | 86,551,126,492 | 72,501,979,217 |
| Depreciation and amortisation | 5,196,567,745 | 8,433,268,675 |
| Outside services | 29,543,634,881 | 31,317,748,851 |
| Provision for doubtful debts | 75,199,081,694 | 38,291,826,491 |
| Management fees | 995,988,167 | 6,041,917,929 |
| Goodwill allocation (Note 17) | 1,530,382,500 | 1,530,382,500 |
| Others | 52,478,855,669 | 44,785,869,773 |
| | <u>251,495,637,148</u> | <u>202,902,993,436</u> |

37 OTHER INCOME AND OTHER EXPENSES

| | 2019 VND | 2018 VND |
|---------------------------------------|-------------------------|------------------------|
| Other income | | |
| Allocation of gas cylinders deposits | 6,174,203,143 | 5,896,226,162 |
| Contractual fines received (*) | 27,626,828,676 | 169,942,249 |
| Net gains on disposal of fixed assets | 71,170,091,999 | 1,328,461,487 |
| Sundry income | 2,846,304,568 | 6,167,726,032 |
| | <u>107,817,428,386</u> | <u>13,562,355,930</u> |
| Other expenses | | |
| Contractual fines (*) | (15,958,743,655) | (1,787,586,088) |
| Sundry expenses | (6,929,568,790) | (2,472,933,541) |
| | <u>(22,888,312,445)</u> | <u>(4,260,519,629)</u> |
| Net other income | <u>84,929,115,941</u> | <u>9,301,836,301</u> |

(*) These amounts represent the penalties receivables from the suppliers and payables to the customers for the late service performance after finalising the contracts during the year.

38 BIT

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

| | 2019 VND | 2018 VND |
|--|-----------------------|-----------------------|
| Net accounting profit before tax | 185,145,058,318 | 182,512,486,730 |
| Tax calculated at a rate of 20% | 37,029,011,664 | 36,502,497,346 |
| Effect of: | | |
| Expenses not deductible for tax purposes | 7,295,496,623 | 1,680,454,389 |
| Tax losses for which no deferred income tax asset was recognised | 11,616,730,688 | 14,630,310,809 |
| Under-provision/(over-provision) in previous years | 1,971,786,589 | (225,467,767) |
| Utilisation of tax losses | (84,689,523) | (17,805,867) |
| BIT charge (*) | <u>57,828,336,041</u> | <u>52,569,988,910</u> |
| Charged/(credited) to consolidated income statement: | | |
| BIT – current | 54,517,481,520 | 55,880,843,431 |
| BIT – deferred (Note 16) | 3,310,854,521 | (3,310,854,521) |
| | <u>57,828,336,041</u> | <u>52,569,988,910</u> |

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

39 COST OF OPERATION BY FACTOR

Costs of operation by factor represents all costs incurred during the year, excluding cost of merchandises for trading activities. The details are as follows:

| | 2019 | 2018 |
|--|--------------------------|--------------------------|
| | VND | VND |
| Cost of real estate properties sold | 29,339,302,052 | 93,000,662,258 |
| Raw materials | 514,641,428,795 | 514,859,563,943 |
| Staff costs | 567,610,090,246 | 521,120,158,227 |
| Depreciation and amortisation | 64,600,145,754 | 66,739,258,988 |
| Goodwill allocation | 1,530,382,500 | 1,530,382,500 |
| Provision for decline in value of inventories | (5,195,463,560) | 12,061,170,130 |
| Provision for doubtful debts | 75,199,081,694 | 38,291,826,491 |
| Outside services | 395,774,757,112 | 405,810,628,886 |
| Interest expense (Note 32) | 28,368,774,772 | 29,256,661,676 |
| Transportation | 8,686,420,190 | 7,493,891,523 |
| Repair and maintenance | 23,743,430,217 | 30,456,649,477 |
| Management fee payable to related parties (Note 41(a)) | 995,988,167 | 6,041,917,929 |
| Tool and supplies | 18,284,003,662 | 22,665,686,608 |
| Rental expenses | 16,731,789,278 | 17,310,893,159 |
| Marketing | 8,129,395,347 | 13,206,730,313 |
| Entertainment expense | 10,211,202,486 | 13,349,022,284 |
| Utilities | 10,866,559,853 | 12,856,975,481 |
| Cleaning expense | 69,131,363,987 | 50,482,869,431 |
| Others | 91,110,493,365 | 111,998,533,986 |
| | <u>1,929,759,145,917</u> | <u>1,968,533,483,290</u> |

40 ADDITIONAL INFORMATION ON CERTAIN THE ITEMS OF THE INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Non-cash transactions affecting the consolidated statement of cash flows

| | 2019 | 2018 |
|---|----------------|---------------|
| | VND | VND |
| Purchase and construction of fixed assets and other long-term assets which have not been paid yet | 82,943,600 | 2,026,698,327 |
| Investment in other entity by offsetting with other receivables | 16,000,000,000 | - |

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

Investments held-to-maturity of the Corporation which were pledged as collateral assets for the Corporation's borrowing contracts as disclosed in Note 5(a) are held by the Corporation but restricted to use.

40 ADDITIONAL INFORMATION ON CERTAIN THE ITEMS OF THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

(c) Amount of borrowings actually drawdown during the year

| | 2019 VND | 2018 VND |
|---|--------------------------|--------------------------|
| Proceeds from borrowings following normal borrowing contracts | 5,315,947,783,934 | 6,662,948,556,690 |
| Borrowings from acquisition of a subsidiary | 34,219,119,536 | - |
| | <u>5,350,166,903,470</u> | <u>6,662,948,556,690</u> |

(d) Amount of borrowings principal actually repaid during the year

| | | |
|--|--------------------------|--------------------------|
| Repayments for borrowings following normal borrowing contracts | <u>5,718,933,919,835</u> | <u>7,078,799,826,342</u> |
|--|--------------------------|--------------------------|

41 RELATED PARTY DISCLOSURES

The largest shareholder of the Corporation is PVN, who owns 24.7% of share capital of the Corporation (Note 25).

Accordingly, PVN, fellow PVN group subsidiaries, and associates of the Corporation are considered the Corporation's related parties.

(a) Related party transactions

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

| | 2019 VND | 2018 VND |
|---|------------------------|--------------------------|
| <i>i) Revenue from sale of goods and rendering of services</i> | | |
| PVN | 102,587,769,064 | 134,171,945,638 |
| Fellow PVN group subsidiaries | 682,686,218,682 | 1,416,226,132,790 |
| | <u>785,273,987,746</u> | <u>1,550,398,078,428</u> |
| <i>ii) Purchases of goods and services</i> | | |
| PVN | 23,280,883,112 | 19,759,753,049 |
| Fellow PVN group subsidiaries | 749,081,248,835 | 744,366,925,882 |
| | <u>772,362,131,947</u> | <u>764,126,678,931</u> |
| <i>iii) Compensation of key management</i> | | |
| Gross salaries and other benefits | <u>4,706,346,507</u> | <u>4,775,916,385</u> |
| <i>iv) Other transactions</i> | | |
| Dividend paid | 20,973,851,000 | 25,169,460,039 |
| Management fee | 995,988,167 | 6,041,917,929 |
| | <u>20,973,851,000</u> | <u>25,169,460,039</u> |

41 RELATED PARTY DISCLOSURES (continued)

(b) Year-end balances with related parties

| | 2019 VND | 2018 VND |
|--|------------------------|------------------------|
| <i>i) Short-term trade accounts receivable (Note 6)</i> | | |
| PVN | 15,588,778,033 | 15,192,801,006 |
| Fellow PVN group subsidiaries | 126,442,056,735 | 274,384,851,335 |
| | <u>142,030,834,768</u> | <u>289,577,652,341</u> |
| <i>ii) Other short-term receivables</i> | | |
| PVN | - | 564,093,538 |
| Fellow PVN group subsidiaries | - | 1,044,022,765 |
| Key management | 2,824,646,687 | 45,969,950,931 |
| | <u>2,824,646,687</u> | <u>47,578,067,234</u> |
| <i>iii) Short-term trade accounts payable (Note 18)</i> | | |
| PVN | 267,091,684,091 | 301,669,366,269 |
| Fellow PVN group subsidiaries | 175,781,938,222 | 171,745,580,910 |
| | <u>442,873,622,313</u> | <u>473,414,947,179</u> |
| <i>iv) Short-term advances from customers (Note 19)</i> | | |
| Fellow PVN group subsidiaries | 74,065,646,207 | 78,540,531,090 |
| | <u>74,065,646,207</u> | <u>78,540,531,090</u> |
| <i>v) Short-term unearned revenue (Note 21(a))</i> | | |
| Fellow PVN group subsidiaries | 27,272,727,273 | 27,272,727,273 |
| | <u>27,272,727,273</u> | <u>27,272,727,273</u> |
| <i>vi) Long-term unearned revenue (Note 21(b))</i> | | |
| Fellow PVN group subsidiaries | 20,454,545,483 | 47,727,272,747 |
| | <u>20,454,545,483</u> | <u>47,727,272,747</u> |

41 RELATED PARTY DISCLOSURES (continued)

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

| | 2019 VND | 2018 VND |
|---------------------------------------|----------------------|-----------------------|
| vii) Other short-term payables | | |
| PVN | 2,967,817,630 | 4,729,320,176 |
| Fellow PVN group subsidiaries | 6,162,107,710 | 17,063,173,604 |
| | <u>9,129,925,340</u> | <u>21,792,493,780</u> |
| viii) Other long-term payables | | |
| PVN | 1,108,248,372 | - |
| Fellow PVN group subsidiaries | 412,290,726 | 5,207,861,036 |
| | <u>1,520,539,098</u> | <u>5,207,861,036</u> |

42 COMMITMENTS

(a) Commitments under operating leases

(i) *The Corporation as the lessee*

The Corporation signed the operating land lease agreement over a period of 70 years from the year 2009 with the Management Board of Nghi Son Economic Zone. Accordingly, the Corporation is exempted from land use fee until 2022. Additionally, the Corporation also signed office and warehouse lease contracts with suppliers to conduct its business activities. As at 31 December 2019, the future minimum lease payments under these operating lease contracts were as follows:

| | 2019 VND | 2018 VND |
|------------------------|------------------------|-----------------------|
| Below 1 year | 54,676,289,807 | 12,693,743,792 |
| From 1 to 5 years | 43,597,970,137 | 14,938,377,131 |
| Above 5 years | 63,963,103,508 | 54,941,664,415 |
| Total minimum payments | <u>162,237,363,452</u> | <u>82,573,785,338</u> |

42 COMMITMENTS (continued)

(a) Commitments under operating leases (continued)

(ii) The Corporation as the lessor

The Corporation signed the operating lease contract related to Nghi Son Project and land lease contract. Accordingly, the future minimum lease receipts under non-cancellable operating leases are as follows:

| | 2019 | 2018 |
|------------------------|------------------------|------------------------|
| | VND | VND |
| Below 1 year | 144,559,684,006 | 137,408,413,985 |
| From 1 to 5 years | 375,620,829,970 | 388,013,783,137 |
| Above 5 years | 194,358,846,690 | 239,914,838,035 |
| | <u>714,539,360,666</u> | <u>765,337,035,157</u> |
| Total minimum receipts | <u>714,539,360,666</u> | <u>765,337,035,157</u> |

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

42 COMMITMENTS (continued)

(b) Capital contribution commitments

As at 31 December 2019, the progress of charter capital contribution commitments is as follows:

| | As per business registration certificates VND | The Corporation's ownership (%) | Capital contributed as at 31.12.2019 VND | Capital to be contributed as at 31.12.2019 VND |
|---|--|------------------------------------|--|--|
| PSSSG (*) | 229,500,000,000 | 51 | 10,733,401,247 | 218,766,598,753 |
| Saigon Investment Trading Technology Joint Stock Company ("ITS") (**) | 20,000,000,000 | 40 | - | 20,000,000,000 |
| Vinh Hoa Emerald Bay International Hospitality Company Limited (***) | 111,200,000,000 | 20 | 16,000,000,000 | 95,200,000,000 |
| | <u>360,700,000,000</u> | | <u>26,733,401,247</u> | <u>333,966,598,753</u> |

(*) In December 2010, the Corporation agreed to contribute its capital obligation into PSSSG with the charter capital of VND229.5 billion, accounting for 51% of the ownership. As at 31 December 2019, the Corporation contributed VND10.7 billion.

(**) According to Resolution No. 16/NQ-DVTHDK dated 29 March 2016, the Board of Management decided to invest in ITS in which the Corporation owns 40% of ITS's charter capital, equivalent to VND20 billion. As at 31 December 2019, the shareholders of ITS have not yet contributed their capital obligations.

(***) According to Resolution No. 22/DVTHDK-QD dated 9 July 2018, the Corporation agreed to contribute its capital obligation into Vinh Hoa Emerald Bay International Hospitality Company Limited with the charter capital of VND11.2 billion, accounting for 20% of the voting right and ownership. As at 31 December 2019, the Corporation contributed VND16 billion.

(c) Other commitments

As at 31 December 2019, the Corporation had a guarantee contract amounting to VND150 billion with a commercial bank to guarantee the advanced amount received from Nghi Son Refinery and Petrochemical Company Limited.

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

43 SEGMENT REPORTING

Geographical segments

The Corporation does not have any operation outside the territory of Vietnam. Therefore, no geographical business segment has been presented.

Business activity segments

Information of assets and liabilities segment based on the activities of the Corporation is as follows:

2019

| | Electronic products VND | Petroleum materials and supplies VND | Plastic resins, textile fibers and gas distribution VND | Others VND | Total VND |
|-------------------|-----------------------------------|--|---|----------------------|--------------------------|
| Total assets | 2,100,447,197,988 | 357,961,770,717 | 365,211,627,837 | 2,142,713,904,816 | 4,966,334,501,358 |
| Total liabilities | 1,790,547,586,331 | 279,626,944,050 | 255,496,828,796 | 1,000,345,541,792 | 3,326,016,900,969 |

2018

| | Electronic products VND | Petroleum materials and supplies VND | Plastic resins, textile fibers and gas distribution VND | Others VND | Total VND |
|-------------------|-----------------------------------|--|---|----------------------|--------------------------|
| Total assets | 2,548,208,090,080 | 490,386,271,526 | 454,122,238,264 | 2,070,344,974,367 | 5,563,061,574,237 |
| Total liabilities | 2,076,901,583,279 | 450,053,811,006 | 348,930,222,350 | 1,066,766,408,095 | 3,942,652,024,730 |

PETROVIETNAM GENERAL SERVICES JOINT STOCK COMPANY

Form B 09 – DN/HN

43 SEGMENT REPORTING (continued)

Business activity segments (continued)

Information of revenue and cost of sales by business activity segment based on the activities of the Corporation is as follows:

| | Year ended 31 December 2019 | | | | Total VND |
|---|-------------------------------|---|--|------------------------------------|-------------------------------|
| | Electronic products VND | Petroleum materials and supplies VND | Plastic resins, textile fibers and gas distribution VND | Other goods and services VND | |
| Net revenue from sale of goods and rendering of services | 6,255,802,830,435 | 389,134,464,024 | 1,711,719,666,643 | 1,651,831,885,091 | 10,008,488,846,193 |
| Cost of goods sold and service rendered | (5,929,596,797,790) | (312,580,781,913) | (1,645,730,762,945) | (1,509,446,221,734) | (9,397,354,564,382) |
| Gross profit from sale of goods and rendering of services | <u>326,206,032,645</u> | <u>76,553,682,111</u> | <u>65,988,903,698</u> | <u>142,385,663,357</u> | <u>611,134,281,811</u> |
| | | | | | |
| | Year ended 31 December 2018 | | | | Total VND |
| | Electronic products VND | Petroleum materials and supplies VND | Plastic resins, textile fibers and gas distribution VND | Other goods and services VND | |
| Net revenue from sale of goods and rendering of services | 6,476,312,872,744 | 1,274,770,115,191 | 1,663,293,105,389 | 1,677,600,241,415 | 11,091,976,334,739 |
| Cost of goods sold and service rendered | (6,117,230,528,773) | (1,173,769,472,749) | (1,609,696,775,631) | (1,528,838,452,034) | (10,429,535,229,187) |
| Gross profit from sale of goods and rendering of services | <u>359,082,343,971</u> | <u>101,000,642,442</u> | <u>53,596,329,758</u> | <u>148,761,789,381</u> | <u>662,441,105,552</u> |

44 CONTINGENT LIABILITIES


The Corporation signed land, warehouse and office lease contracts with its suppliers to conduct the business activities. According to the Civil Law No. 91/2015/QH13 dated 24 November 2015, the Corporation has to return leased property in the same condition in which it was received, except for normal wear and tear, or in the agreed condition. If the value of the leased property decreases in comparison with its condition at the time it was received, the lessor has the right to ask for compensation for any damage, except for normal wear and tear.

According to Vietnamese Accounting Standard No. 18 – *Provision and Contingent assets and liabilities* and Circular No. 200/2014/TT-BTC - *Providing guidance on Corporate Accounting System* issued by the Ministry of Finance on 24 December 2014, the Corporation is required to provide for dismantling and restoration costs of the Corporation’s leased premises at the end of rental period. However, as at 31 December 2019, the Chairman has not yet come up with a reliable estimate for the dismantling and restoration costs relating to the aforementioned rental contracts. Therefore, the Corporation has not recorded a provision for dismantling costs in the consolidated financial statements.

45 SUBSEQUENT EVENTS

The wide spread of the Covid-19 since the beginning of 2020 is a fluid and challenging situation facing all industries. The Corporation had performed a preliminary assessment of the overall impact of the situation on the Corporation's operations, including the recoverability of the carrying amount of assets, measurements of its assets and liabilities as well as implications to its credit guarantees covenants... At this juncture, the Chairman is unable to reliably estimate the financial impact on the Corporation's results for the next financial years. The Corporation will continue to monitor the situation, take appropriate and timely actions to minimise the possible impact.

The consolidated financial statements were approved by the Chairman on 30 March 2020.



 Pham Thi Ninh
 Preparer



 Nguyen Thi Thanh
 Chief Accountant



 Phung Tuan Ha
 Chairman