



**DANANG AIRPORT SERVICE
JOINT STOCK COMPANY**

**AUDITED FINANCIAL STATEMENTS
OF HEAD OFFICE**
For the financial year ended 31 December 2016

DANANG AIRPORT SERVICE JOINT STOCK COMPANY – HEAD OFFICE

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

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THE MANAGEMENT'S REPORT

The Management of Danang Airport Service Joint Stock Company (hereinafter referred to as "the Company") hereby presents its report and the audited financial statements of the Company's Head Office for the financial year ended 31 December 2016.

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

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

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

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

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

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

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

RESPONSIBILITY OF THE MANAGEMENT

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

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

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

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

THE MANAGEMENT'S REPORT (CONTINUED)

AUDITOR

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

STATEMENT BY THE MANAGEMENT

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

For and on behalf of the Management *A/*



Nguyen Thanh Dong
General Director

Danang City, 23 February 2017



RSM

RSM Vietnam

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No.: 11/BCKT-RSMMT

INDEPENDENT AUDITOR'S REPORT

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

Report on the financial statements

We have audited the accompanying financial statements of Danang Airport Service Joint Stock Company – Head Office (hereinafter referred to as “the Company”) prepared on 24/01/2017 as set out from page 5 to page 36, which comprise the statement of financial position as at 31 December 2016, and the income statement, and cash-flow statement for the financial year then ended, and summary of significant accounting policies and other explanatory information. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

Management's Responsibility

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Danang Airport Service Joint Stock Company – Head Office as at 31 December 2016, and of the results of its financial performance and its cash flows for the financial year then ended in accordance with Vietnamese Accounting Standards and Vietnamese Corporate Accounting System and relevant legislation as to the preparation and presentation of financial statements.



Tran Duong Nghia
Director

Audit Practice Registration Certificate No.:
1309-2016-026-1

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

Nguyen Ha Trung
Auditor

Audit Practice Registration Certificate No.:
2444-2016-026-1

STATEMENT OF FINANCIAL POSITION
At 31 December 2016

Unit: VND

ASSETS	Code	Notes	At 31/12/2016	At 01/01/2016
A. CURRENT ASSETS	100		31,509,281,283	23,893,495,529
I. Cash and cash equivalents	110	5.1	16,694,210,289	11,597,869,491
1. Cash	111		16,694,210,289	11,597,869,491
2. Cash equivalents	112		-	-
II. Current financial investments	120		-	-
III. Current account receivables	130		7,943,946,075	6,911,921,212
1. Trade receivables	131	5.2	4,580,342,683	6,220,463,041
2. Advances to suppliers	132		20,108,003	354,977,915
3. Intra-company receivables	133		4,270,807,045	1,345,410,013
4. Other current receivables	136	5.3	553,813,343	472,195,242
5. Provision for doubtful debts	137	5.4	(1,481,124,999)	(1,481,124,999)
IV. Inventories	140		6,073,452,349	4,725,486,362
1. Inventories	141	5.5	6,073,452,349	4,725,486,362
2. Provision for decline in value of inventories	149		-	-
V. Other current assets	150		797,672,570	658,218,464
1. Current prepayments	151	5.9	500,206,537	658,218,464
2. Value added tax deductible	152		297,466,033	-
B. NON-CURRENT ASSETS	200		73,095,082,308	69,468,760,735
I. Non-current account receivables	210		-	-
II. Fixed assets	220		72,633,002,255	68,788,225,078
1. Tangible fixed assets	221	5.7	72,126,320,032	68,233,813,339
Cost	222		155,405,773,708	139,525,888,919
Accumulated depreciation	223		(83,279,453,676)	(71,292,075,580)
2. Intangible fixed assets	227	5.8	506,682,223	554,411,739
Cost	228		736,433,100	736,433,100
Accumulated amortisation	229		(229,750,877)	(182,021,361)
III. Investment property	230		-	-
IV. Non-current assets in progress	240		125,915,418	148,734,908
1. Non-current work in process	241		-	-
2. Construction in progress	242	5.6	125,915,418	148,734,908
V. Non-current financial investments	250		-	-
VI. Other non-current assets	260		336,164,635	531,800,749
1. Non-current prepayments	261	5.9	336,164,635	531,800,749
2. Other non-current assets	268		-	-
TOTAL ASSETS (270 = 100 + 200)	270		104,604,363,591	93,362,256,264

STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 31 December 2016

RESOURCES	Mã số	TM	At 31/12/2016	At 01/01/2016
C. LIABILITIES	300		41,829,611,590	37,091,891,533
I. Current liabilities	310		25,531,566,230	25,164,230,853
1. Trade payables	311	5.11	6,729,737,241	5,676,933,151
2. Advances from customers	312		7,840,550	169,250,959
3. Taxes and amounts payable to the state budget	313	5.12	2,447,575,467	3,706,741,007
4. Payables to employees	314		5,668,077,841	3,779,051,824
5. Accrued expenses	315	5.13	435,639,726	-
6. Current unearned revenue	318	5.14	648,300,000	687,912,000
7. Other current payables	319	5.15	4,194,898,777	4,120,594,504
8. Current loans and obligations under finance lease	320	5.10	4,204,260,800	5,753,715,079
9. Bonus and welfare fund	322		1,195,235,828	1,270,032,329
II. Current liabilities	330		16,298,045,360	11,927,660,680
1. Other non-current payables	337		3,640,000,000	3,640,000,000
2. Non-current loans and obligations under finance lease	338	5.10	12,658,045,360	8,287,660,680
D. OWNER'S EQUITY	400		62,774,752,001	56,270,364,731
I. Equity	410		62,774,752,001	56,270,364,731
1. Owner's contributed capital	411	5.16	30,088,160,000	30,088,160,000
Ordinary shares carrying voting rights	411a		30,088,160,000	30,088,160,000
Preference shares	411b		-	-
2. Investment and development fund	418	5.16	803,208,113	803,208,113
3. Retained earnings	421	5.16	31,883,383,888	25,378,996,618
Beginning accumulated retained earnings	421a		464,468,618	591,868,076
Ending accumulated retained earnings	421b		31,418,915,270	24,787,128,542
II. Other capital and funds	430		-	-
TOTAL RESOURCES (440 = 300 + 400)	440		104,604,363,591	93,362,256,264



Nguyen Thanh Dong
General Director
Danang City, 24 January 2017

Phan Huu Tam
Chief Accountant

Nguyen Thi Minh Huyen
Preparer

INCOME STATEMENT

For the financial year ended 31 December 2016

Unit: VND

	ITEMS	Code	Note	Year 2016	Year 2015
1.	Revenue	01	5.18	131,789,591,872	121,849,258,219
2.	Deductions	02	5.19	1,728,850,077	2,988,566,008
3.	Net revenue	10		130,060,741,795	118,860,692,211
4.	Cost of sales	11	5.20	104,684,256,743	92,709,013,384
5.	Gross profit	20		25,376,485,052	26,151,678,827
6.	Financial income	21	5.21	424,816,200	655,539,808
7.	Financial expense	22	5.22	878,312,050	629,618,328
	<i>Of which, interest expense</i>	23		798,108,289	369,969,913
8.	Selling expense	25	5.23	6,066,242,616	5,931,454,858
9.	General and administration expense	26	5.24	5,673,669,307	4,295,878,651
10.	Operating profit/(loss)	30		13,183,077,279	15,950,266,798
11.	Other income	31	5.25	2,983,182,459	977,502,076
12.	Other expense	32	5.26	517,369,164	167,833,690
13.	Net other income/(loss)	40		2,465,813,295	809,668,386
14.	Accounting profit/(loss) before tax	50		15,648,890,574	16,759,935,184
15.	Current corporate income tax expense	51	5.27	3,177,795,902	3,726,016,393
16.	Deferred corporate income tax expense	52		-	-
17.	Net profit/(loss) after tax	60		12,471,094,672	13,033,918,791



Nguyen Thanh Dong
General Director

Danang City, 24 January 2017

Phan Huu Tam
Chief Accountant

Nguyen Thi Minh Huyen
Preparer

CASH FLOW STATEMENT
(Indirect method)

For the financial year ended 31 December 2016

Unit: VND

ITEMS	Code	Note	Year 2016	Year 2015
I. CASH FLOWS FROM OPERATING ACTIVITIES				
1. Net profit /(loss) before taxes	01		15,648,890,574	16,759,935,184
2. Adjustment for:				
Depreciation and amortisation	02		12,577,045,108	6,977,926,093
Provisions	03			-
Unrealised foreign exchange gains/losses from revaluation of foreign currency monetary items	04	5.21	(48,079,457)	178,842,388
Gains/losses from investment	05		(2,756,166,355)	(209,898,649)
Interest expense	06	5.22	798,108,289	369,969,913
3. Operating profit /(loss) before adjustments to working capital	08		26,219,798,159	24,076,774,929
Increase or decrease in accounts receivable	09		(1,329,490,896)	(814,522,907)
Increase or decrease in inventories	10		(1,347,965,987)	2,232,175,403
Increase or decrease in accounts payable (excluding	11		47,977,075,590	32,549,400,438
Increase or decrease prepaid expenses	12		353,648,041	282,631,605
Interest paid	14		(729,948,563)	(369,969,913)
Corporate income tax paid	15		(11,479,884,780)	(10,620,000,000)
Other cash inflows from operating activities	16		271,620,000	560,320,000
Other cash outflows from operating activities	17		(709,970,601)	(150,974,556)
Net cash from operating activities	20		59,224,880,963	47,745,834,999
II. CASH FLOWS FROM INVESTING ACTIVITIES				
1. Acquisition and construction of fixed assets and other long-term assets	21		(24,114,000,764)	(28,373,065,819)
2. Proceeds from disposals of fixed assets and other long-term assets	22		2,555,000,000	156,000,000
3. Interest and dividends received	27	5.21	44,603,896	68,080,467
Net cash from investing activities	30		(21,514,396,868)	(28,148,985,352)
III. CASH FLOWS FROM FINANCING ACTIVITIES				
1. Proceeds from borrowings	33	5.10	20,196,521,175	9,791,519,863
2. Repayment of borrowings	34	5.10	(17,375,590,774)	(2,073,189,193)
3. Dividends paid	36		(35,561,118,075)	(34,548,740,359)
Net cash from financing activities	40		(32,740,187,674)	(26,830,409,689)
NET INCREASE/(DECREASE) IN CASH	50		4,970,296,421	(7,233,560,042)
Cash and cash equivalents at beginning of year	60	5.1	11,597,869,491	18,660,929,059
Impact of exchange rate fluctuation	61		126,044,377	124,523,748
CASH AND CASH EQUIVALENTS AT END OF YEAR	70		16,694,210,289	11,551,892,765



Nguyen Thanh Dong
General Director
Danang City, 24 January 2017

Phan Huu Tam
Ke toan truong

Nguyen Thi Minh Huyen
Preparer

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

1.1. Structure of ownership

Danang Airport Service Joint Stock Company – Masco (hereinafter referred to as “the Company”) was incorporated on the basis of equitizing the State-owned enterprise (Danang Airport Service Company) under the Decision No. 3547/QD-BGTVT dated 23/09/2005 by the Ministry of Transport. The Company is an independent accounting entity which is operating in observance of the Business Registration Certificate No. 3203000950 dated 05/04/2006 by Danang City’s Department of Planning and Investment, Enterprise Law, its Charter and other relevant regulations. So far, the Company’ Certificate has been amended 13 times and the most recent amendment was made on 19 May 2016 with the registration number 0400102045.

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

The charter capital as stipulated in the Business Registration Certificate is VND 30,088,160,000 as follows:

Investors	As at 31 Dec. 2016		As at 01 Jan. 2016	
	Amount (VND)	Percent (%)	Amount (VND)	Percent (%)
Vietnam Airlines Corporation	10,854,050,000	36.07	10,854,050,000	36.07
Other investors	19,234,110,000	63.93	19,234,110,000	63.93
Total	30,088,160,000	100	30,088,160,000	100

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

The number of employees as at 31 December 2016 was 740 (31 December 2015: 589)

1.2. Business field

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

1.3. Operating industry and principal activities

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

- Service activities incidental to air transportation. Details: Air transport technical commercial exploitation;
- Manufacture of prepared meals and dishes. Details: Manufacture and serve of catering on flight, industrial catering, packed and instant food, candies, purified bottled water;
- Real estate activities with own or leased property;
- Other educational activities n.e.c. Details: Training of driving car, motor;

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

- Land transport of passengers by urban or suburban transport systems (except via bus). Details: Transport of passengers by provincial and intercity car, taxi;
- Sale of motor vehicles on a fee or contract basis;
- Maintenance and repair of motor vehicles;
- Freight transport by road; Details: Freight transport by car;
- Restaurants and mobile food service activities. Details: Restaurants for food and beverage;; Trading of locally produced wine, beer, cigarette;
- Short-term accommodation activities. Details: Tourism accommodation activities;
- Other support activities related to transportation. Details: Booking office; Office of freight transport by air, boat, train;
- Advertising. Details: Advertising services;
- Other retail sale of new goods in specialized stores. Details: Retail sale of duty-free goods, artworks, general goods, office supplies;
- Wholesale of construction materials, installation supplies. Details: Wholesale of interior exterior decoration products, construction materials (except for brick, sand, soil and cement);
- Wholesale of other machinery and equipment. Details: Wholesale of electricity, telecommunication, marine equipment and specialized equipment for transportation and urban environment;
- Wholesale of food. Details: Wholesale of waterfood, seafood;
- Marine aquaculture. Details: Water and marine aquaculture;
- Wholesale of textiles, clothing, footwear. Details: Wholesale of wearing apparel;
- Manufacture of textile articles (except apparel). Details: Outsourcing of wearing apparel;
- Sale of motor vehicle part and accessories.

1.4. Normal operating cycle

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

1.5. The Company's structure

As at 31 December 2016, the Company's jointly controlled entities were as follows:

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

2. ACCOUNTING CONVENTION, FINANCIAL YEAR AND REPORTING CURRENCY**2.1. Accounting convention**

The accompanying financial statements, expressed in VND, are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, Vietnamese Corporate Accounting System and prevailing accounting regulations in Vietnam.

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

2.2. Financial year

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

2.3. Reporting and functional currency

The Company maintains its accounting records in Vietnamese Dong.

3. ACCOUNTING STANDARDS, ACCOUNTING SYSTEM**3.1. Accounting standards, accounting system**

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES**4.1. Applicable exchange rates**

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

4.2. Use of estimates

The preparation of the financial statements requires management to make estimates and assumptions that impact the carrying value of certain assets and liabilities, contingent assets and liabilities reported in the notes as well as revenues and expenses in the financial statements for the ended 31 December 2016. Although these estimates are based on management's best knowledge of all relevant information available at the date when the financial statements are prepared, this does not prevent actual figures differing from estimates.

4.3. Cash and cash equivalents

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

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

4.4. Account receivables***Recognition method***

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

Provision for doubtful debts

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

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

4.5. Inventories***Inventory measurement***

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

The costs of inventories shall comprise all costs of purchase, costs of conversion, and other costs incurred in bringing inventories to their present location and condition.

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

Inventory cost formulas

Inventories are measured using the weighted average method.

Method of accounting for inventories

Inventories are recorded under the perpetual inventory method.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4.6. Tangible fixed assets

Tangible fixed assets are measured at cost less accumulated depreciation.

Tangible fixed asset recognition

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

Depreciation

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

The estimated useful lives are as follows:

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

4.7. Intangible fixed assets

Intangible fixed assets are measured at cost less accumulated amortisation.

Intangible fixed asset recognition

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

Accounting principles for intangible fixed assets***Land use rights***

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

Computer software

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

4.8. Prepayments

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

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

- Tools and supplies are amortised to the income statement under straight-line method for no more than 36 months;

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

- Other prepaid expenses: Based on the nature and volume of each expense, the Company applies the proper amortization method over the period in which economic benefits are generated in relation to that expense.

4.9. Liabilities

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

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

Liabilities are recognised at no less than the payment obligation.

4.10. Borrowing costs***Capitalisation of borrowing costs***

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

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

4.11. Accrued expenses

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

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

4.12. Owner's equity***The owners' equity***

The owners' equity is recognised when contributed.

Dividends

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

Retained earnings

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

4.13. Revenue, other income***Revenue from selling goods***

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)***Interest income***

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

Other income

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

4.14. Cost of sales

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

4.15. Financial expense

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

4.16. Selling expense and general and administration expense

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

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

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

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

Tax incentive, tax exemption and reduction

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

Value added tax

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

Other taxes

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

The tax reports of the Company will be inspected by the Tax Department. Application of the laws and regulations on tax to different transactions can be interpreted by many ways; therefore, the tax amounts presented in the financial statements can be amended in accordance with the Tax Department's final assessment.

4.18. Earnings per share

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

4.19. Diluted earnings per share

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

4.20. Financial instruments

Initial recognition

Financial assets

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

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

Financial liabilities

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

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

Re-measurement after initial recognition

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

DANANG AIRPORT SERVICE JOINT STOCK COMPANY – HEAD OFFICE

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

FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

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

5.1. Cash and cash equivalents

	Foreign currencies	As at 31/12/2016 VND	Foreign currencies	As at 01/01/2016 VND
Cash in hand		1,295,712,260		564,895,314
VND		1,092,075,820		377,633,973
USD	8,976.70 #	203,636,440	8,348.70 #	187,261,341
Cash at banks		15,398,498,029		11,032,974,177
VND		7,571,543,293		7,124,940,772
USD	347,898.39 #	7,826,954,736	174,232.43 #	3,908,033,405
Cash equivalent		-		-
Total		16,694,210,289		11,597,869,491

5.2. Trade receivables

	As at 31/12/2016 VND	As at 01/01/2016 VND
Trade Receivables	2,973,390,594	2,009,895,070
Indochina Airlines Joint Stock Company	1,481,124,999	1,481,124,999
Vietjet Aviation Joint Stock Company	634,751,500	400,067,650
Others	857,514,095	128,702,421
Trade Receivables from related parties - refer to note 7	1,606,952,089	4,210,567,971
Total	4,580,342,683	6,220,463,041

5.3. Other receivables

	As at 31/12/2016 VND		As at 01/01/2016 VND	
	Value	Provision	Value	Provision
Receivables from other individuals and organizations	104,201,897	-	91,847,233	-
Advances	449,183,643	-	230,818,268	-
Deposits	427,803	-	149,529,741	-
Total	553,813,343	-	472,195,242	-

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.4. Doubtful debts

	As at 31/12/2016 VND		As at 01/01/2016 VND	
	Cost	Recoverable amount	Cost	Recoverable amount
Overdue trade receivables but uncollectible	1,481,124,999	-	1,481,124,999	-
Total	1,481,124,999	-	1,481,124,999	-

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

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

	As at 31/12/2016 VND			As at 01/01/2016 VND		
	Cost	Recoverable amount	Overdue days	Cost	Recoverable amount	Overdue days
Trade receivables Indochina Airlines Joint Stock Company	1,481,124,999	-	Over 3 years	1,481,124,999	-	Over 3 years
Total	1,481,124,999	-		1,481,124,999	-	

5.5. Inventories

	As at 31/12/2016 VND		As at 01/01/2016 VND	
	Cost	Provision	Cost	Provision
Raw materials	1,764,203,876	-	1,235,003,963	-
Tools and supplies	6,058,708	-	3,855,478	-
Finished goods	462,019,105	-	145,550,933	-
Merchandise	3,841,170,660	-	3,341,075,988	-
Total	6,073,452,349	-	4,725,486,362	-

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.7. Tangible fixed assets

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.8. Intangible fixed assets

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

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

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

5.9. Prepayments

	As at 31/12/2016 VND	As at 01/01/2016 VND
Non-current:		
Tools and equipment waiting allocation	-	230,831,772
Road fee	228,401,347	270,968,977
Office rental, others	107,763,288	30,000,000
Total	336,164,635	531,800,749
	As at 31/12/2016 VND	As at 01/01/2016 VND
Current:		
Vehicle insurance fee, road fee	282,969,825	296,631,136
Land, office rental fee	217,236,712	311,197,658
Tools and equipment waiting allocation	-	49,509,906
Repair expenses, training fee, others	-	879,764
Total	500,206,537	658,218,464

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

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

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

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

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

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

DANANG AIRPORT SERVICE JOINT STOCK COMPANY – HEAD OFFICEDanang International Airport, Hoa Thuan Tay Ward,
Hai Chau District, Danang City, Vietnam**FINANCIAL STATEMENTS**
For the financial year ended 31 December 2016**NOTES TO FINANCIAL STATEMENTS (CONTINUED)****5.11. Trade payables**

	As at 31/12/2016 VND		As at 01/01/2016 VND	
	Value	Payable value	Value	Payable value
Trade payables				
Le Tien Minh	427,770,000	427,770,000	-	-
Phuoc Thinh Individual Business Household	360,106,500	360,106,500	420,680,000	420,680,000
Le Ngoc Thinh	820,379,972	820,379,972	690,976,948	690,976,948
Other suppliers	5,549,250,769	5,549,250,769	4,565,276,203	4,565,276,203
Total	6,729,737,241	6,729,737,241	5,676,933,151	5,676,933,151

5.12. Tax and amounts payable to the state budget

	As at 01/01/2016 VND		Movements in the year VND		As at 31/12/2016 VND	
	Payable	Payable	Payable	Paid	Payable	Payable
Value added tax	412,628,036	6,329,528,033	6,742,156,069	-	-	-
Corporate income tax	2,864,019,513	10,959,573,950	11,479,884,780	2,343,708,683	2,343,708,683	2,343,708,683
Head Office		3,177,795,902				
Dependent units		7,781,778,048				
Personal income tax	430,093,458	1,143,748,774	1,469,975,448	8,000,000	103,866,784	103,866,784
Other taxes	-	8,000,000	8,000,000	-	-	-
Total	3,706,741,007	29,400,424,707	19,700,016,297	2,447,575,467	2,447,575,467	2,447,575,467

DANANG AIRPORT SERVICE JOINT STOCK COMPANY – HEAD OFFICEDanang International Airport, Hoa Thuan Tay Ward,
Hai Chau District, Danang City, Vietnam**FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

NOTES TO FINANCIAL STATEMENTS (CONTINUED)**5.13. Accrued expenses**

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

5.14. Unearned revenue

	As at 31/12/2016 VND	As at 01/01/2016 VND
Advertising revenue	648,300,000	687,912,000
Total	648,300,000	687,912,000

5.15. Other payables

	As at 31/12/2016 VND	As at 01/01/2016 VND
Current:		
Trade union dues	133,129,650	-
Social insurance, Health Insurance, Unemployment insurance	717,310,292	700,855,388
Current deposits	227,850,000	224,300,000
Other payables	3,116,608,835	3,195,439,116
Responsibility fee for taxi driver	2,562,546,169	2,356,946,169
Tickets fee	119,039,201	-
Divident payables	34,897,348	75,097,223
Other payables	400,126,117	763,395,724
Total	4,194,898,777	4,120,594,504
Non - current:		
At Danang Driver Training Centre	1,640,000,000	1,640,000,000
At Thua Thien Hue Driver Training Centre	2,000,000,000	2,000,000,000
Total	3,640,000,000	3,640,000,000

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.16. Owner's equity

5.16.1.Changes in owner's equity

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.16.2. Details of owner's equity

	As at 31/12/2016 VND	As at 01/01/2016 VND
Capital contributed by Vietnam Airlines Corporation	10,854,050,000	10,854,050,000
Capital contributed by others	19,234,110,000	19,234,110,000
Total	30,088,160,000	30,088,160,000

According to the Resolution of the 2016 extraordinary General Assembly of shareholders No. 12/NQ-DHDCDBT-DVDN dated 21/10/2016, extraordinary general Assembly of Shareholders has approved the decision on increasing Charter Capital in year 2016 from VND 30,088,160,000 to VND 42,725,180,000 to supplement the capital to proceed the Company's investment projects (including Danang Catering Factory Construction Project).

5.16.3. Capital transactions with owners

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.16.4. Shares

	As at 31/12/2016 VND	As at 01/01/2016 VND
Number of shares registered for issue	3,008,816	3,008,816
Number of shares sold to public	3,008,816	3,008,816
<i>Including: Ordinary shares</i>	3,008,816	3,008,816
<i>Preference shares (Classified as owner's equity)</i>	-	-
Number of shares repurchased (Treasury shares)	-	-
<i>Including: Ordinary shares</i>	-	-
<i>Preference shares (Classified as owner's equity)</i>	-	-
Number of shares outstanding	3,008,816	3,008,816
<i>Including: Ordinary shares</i>	3,008,816	3,008,816
<i>Preference shares (Classified as owner's equity)</i>	-	-
Par value per outstanding share: VND 10,000 per share		

5.16.5. Retained earnings

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.17. Off statement of financial position items

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

5.18. Revenue from selling goods and rendering services

	Year 2016 VND	Year 2015 VND
Revenue:		
Sale of merchandise	16,895,029,044	17,212,233,223
Sale of finished goods	7,042,342,000	11,204,457,100
Rendering of services	107,852,220,828	93,432,567,896
Total	131,789,591,872	121,849,258,219

5.19. Deductions

	Year 2016 VND	Year 2015 VND
Trade discounts	1,728,850,077	2,988,371,463
Allowances	-	194,545
Sales returns	-	-
Total	1,728,850,077	2,988,566,008

5.20. Cost of sales

	Year 2016 VND	Year 2015 VND
Cost of merchandise sold	9,312,969,899	9,614,025,819
Cost of finished goods sold	7,095,950,233	10,433,438,588
Cost of services rendered	88,275,336,611	72,661,548,977
Total	104,684,256,743	92,709,013,384

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.21. Financial income

	Year 2016 VND	Year 2015 VND
Deposit and loan interest	44,603,896	68,080,467
Realized gains from exchange differences	301,981,645	547,861,319
Unrealized gains from exchange differences	48,079,457	-
Purchase discounts	30,151,202	39,598,022
Total	424,816,200	655,539,808

5.22. Financial expense

	Year 2016 VND	Year 2015 VND
Interest expense	798,108,289	369,969,913
Realized losses from exchange differences	80,203,761	135,445,373
Unrealized losses from exchange differences	-	124,203,042
Total	878,312,050	629,618,328

5.23. Selling expense

	Year 2016 VND	Year 2015 VND
Salaries	2,666,847,566	2,396,381,599
Other outsourced services expenses	2,633,726,734	738,277,350
Other selling expenses	765,668,316	2,796,795,909
Total	6,066,242,616	5,931,454,858

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.24. General and administration expense

	Year 2016 VND	Year 2015 VND
Salaries	7,860,944,076	6,229,086,630
Out-sourced services	1,647,552,703	1,254,944,067
Other GA expenses	5,466,813,617	4,097,793,845
Expenses allocated to dependent units	9,301,641,089	7,285,945,891
Total	5,673,669,307	4,295,878,651

5.25. Other income

	Year 2016 VND	Year 2015 VND
Re-used goods	-	39,022,836
Purchase support	271,620,000	791,320,000
Other income	-	5,341,058
Proceeds from disposal of assets	2,711,562,459	141,818,182
Total	2,983,182,459	977,502,076

5.26. Other expense

	Year 2016 VND	Year 2015 VND
Destroyed goods expenses	8,835,621	6,458,013
Other expenses	508,533,543	161,375,677
Total	517,369,164	167,833,690

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5.27. Current corporate income tax expense

	Year 2016 VND	Year 2015 VND
Accounting profit before tax	15,648,890,574	16,759,935,184
Adjustments to arrive to taxable income	240,088,935	176,502,964
Increase adjustments (improper expenses)	240,088,935	176,502,964
Decrease adjustments	-	-
Total taxable income	15,888,979,509	16,936,438,148
Corporate income tax rate	20%	22%
Corporate income tax	3,177,795,902	3,726,016,393
Tax exemption, reductions	-	-
Current corporate income tax expense	3,177,795,902	3,726,016,393

5.28. Production cost by elements

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

6.1. Cash receipts from loans in the year

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6.2. Cash repayments of principal amounts borrowed

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

7. SEGMENT REPORT

According to Vietnamese Accounting Standard No. 28 and the Circular guiding this standard, the Company is required to prepare segment report. Segment is a distinguishable component of the Company that is engaged in providing related products or services (a business segment) or providing products or services within a particular economic environment (a geographical segment) and that is subject to risks and returns that are different from those of other segments.

Based on the Head Office's operation, the Chairman of the Board of Directors and the Management of the Company assess that there is no difference in risks and returns among business segments and geographical segments. The Head Office is engaged in a sole business segment that is related to air transport activities (catering, flight crew transport...) and the main geographical segment is Danang City.

8. RELATED PARTIES

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

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

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

	As at 31/12/2016 VND	As at 01/01/2016 VND
Trade Receivables:		
Vietnam Airlines Corporation	1,606,952,089	4,210,567,971
Total	1,606,952,089	4,210,567,971

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

	Year 2016 VND	Year 2015 VND
Rendering services:		
Vietnam Airlines Corporation	58,009,438,601	51,414,082,753
Total	58,009,438,601	51,414,082,753

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

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

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

9. FINANCIAL INSTRUMENTS

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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

	As at 31/12/2016 VND	As at 01/01/2016 VND
Financial assets:		
Cash and cash equivalents	16,694,210,289	11,597,869,491
Trade receivables	3,099,217,684	4,739,338,042
Other receivables	104,201,897	91,847,233
Inter-company receivables	4,270,807,045	1,345,410,013
Total	24,168,436,915	17,774,464,779
Financial liabilities:		
Loans	16,862,306,160	14,041,375,759
Trade and other payables	13,714,196,076	12,736,672,267
Accrued expenses	435,639,726	-
Total	31,012,141,962	26,778,048,026

Liquidity risk

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

The following tables analyse financial liabilities by remaining contractual maturity:

	Borrowings VND	Payables VND	Total VND
Less than 1 year	4,204,260,800	10,509,835,802	14,714,096,602
From 1 to 3 years	12,658,045,360	3,640,000,000	16,298,045,360
As at 31/12/2016	16,862,306,160	14,149,835,802	31,012,141,962
	Borrowings VND	Payables VND	Total VND
Less than 1 year	5,753,715,079	9,096,672,267	14,850,387,346
From 1 to 3 years	8,287,660,680	3,640,000,000	11,927,660,680
As at 01/01/2016	14,041,375,759	12,736,672,267	26,778,048,026

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Interest rate risk

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

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

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

10. EVENTS AFTER THE END OF THE REPORTING YEAR

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



Nguyen Thanh Dong
General Director
Danang City, 24 January 2017

Phan Huu Tam
Ke toan truong

Nguyen Thi Minh Huyen
Preparer