

**PETROVIETNAM MARINE SHIPYARD
JOINT STOCK COMPANY**

(Incorporated in the Socialist Republic of Vietnam)

AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2016

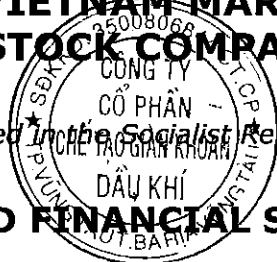


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PETROVIETNAM MARINE SHIPYARD JOINT STOCK COMPANY

65A2, 30/4 Street, Thang Nhat Ward
Ba Ria - Vung Tau Province, Vietnam

STATEMENT OF THE BOARD OF EXECUTIVE OFFICERS

The Board of Executive Officers of PetroVietnam Marine Shipyard Joint Stock Company (the "Company") presents this report together with the Company's financial statements for the year ended 31 December 2016.

THE BOARDS OF DIRECTORS AND EXECUTIVE OFFICERS

The members of the Boards of Directors and Executive Officers of the Company who held office during the year and to the date of this report are as follows:

Board of Directors

Mr. Phan Tu Giang	Chairman
Mr. Le Hung	Member
Ms. Le Thi Kim Khuyen	Member (appointed on 29 March 2016)
Mr. Tran Thien Le	Member (appointed on 29 March 2016)
Mr. Hoang Huy Ha	Member (resigned on 29 March 2016)
Mr. Vu Minh Phu	Member
Mr. Nguyen Van Quang	Member

Board of Executive Officers

Mr. Le Hung	Chief Executive Officer
Mr. Tran Quoc Thanh	Deputy Chief Executive Officer
Mr. Nguyen Nam Anh	Deputy Chief Executive Officer
Mr. Dao Do Khiem	Deputy Chief Executive Officer

BOARD OF EXECUTIVE OFFICERS' STATEMENT OF RESPONSIBILITY


The Board of Executive Officers of the Company is responsible for preparing the financial statements, which give a true and fair view of the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. In preparing these financial statements, the Board of Executive Officers 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 material departures 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 an effective internal control system for the purpose of properly preparing and presenting the financial statements so as to minimize errors and frauds;

The Board of Executive Officers 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 that the financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. The Board of Executive Officers is also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Board of Executive Officers confirms that the Company has complied with the above requirements in preparing these financial statements.

For and on behalf of the Board of Executive Officers,


Le Hung
Chief Executive Officer
17 March 2017

No: 444 /VN1A-HC-BC

INDEPENDENT AUDITORS' REPORT

**To: The Shareholders
The Boards of Directors and Executive Officers
PetroVietnam Marine Shipyard Joint Stock Company**

We have audited the accompanying financial statements of PetroVietnam Marine Shipyard Joint Stock Company (the "Company"), prepared on 17 March 2017, as set out from page 4 to page 28, which comprise the balance sheet as at 31 December 2016, and the statement of income, and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Executive Officers' Responsibility for the Financial Statements

Board of Executive Officers is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and for such internal control as the Board of Executive Officers determines is necessary to enable the preparation of 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 auditors' 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 auditors consider internal control relevant to the Company'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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board of Executive Officers, 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 qualified opinion.

Basis for Qualified Opinion

As stated in Note 4 of the Notes to financial statements, one of the four conditions for the construction contract to be estimated reliably, in term of fixed price construction contracts, is the cost related to construction contract is able to be clearly identified and reliably calculated so that the actual cost of the construction contract is able to be compared with the total estimated contract cost. In addition, the Company must regularly review and, when necessary, revise the estimates of contract revenue and contract costs as the contract progresses. In 2016, the Company completed the construction of Tam Dao 05 Drilling Rig ("Tam Dao 05 Project") at fixed price and handed over to customer on 1 November 2016 with total actual cost exceeded the total initial estimated contract cost. According to Vietnamese accounting standards and related regulations, the Company should review, assess and adjust estimated contract cost to re-determine the revenue of the Tam Dao 05 Project for 2015 and 2016, to comply with the actual situation, and make retrospective adjustments to the financial statements for the year ended 31 December 2015. However, the Company has not implemented the above procedures and we do not obtain adequate relevant audit evidence of the adjusted estimated contract cost of the Tam Dao 05 Project for 2015 to determine the corresponding revenue figures for 2015 and 2016. Therefore, we were unable to determine the figures of revenue of Tam Dao 05 Project which need to be adjusted retrospectively.

INDEPENDENT AUDITORS REPORT (Continued)

According to the warranty clause of Tam Dao 05 Drilling Rig Contract No. 0885/13/T-N4/KB-PVShipyards dated 19 November 2013, the Company has warranty obligation within 24 months from the date of delivery of the rig. The responsibility for rig warranty is set out in Note 4. The Company has not recognized a warranty provision as the Company has assessed the probability of warranty cost occurrence at a low level. We are unable to obtain sufficient audit evidence about not recording any liability regarding to the warranty obligation for the year ended 31 December 2016. Therefore, we are unable to determine whether it is necessary to adjust this provision amount.

Qualified Opinion

In our opinion, except for the effects of the matters described in the "Basis for Qualified Opinion", the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.

Emphasis of Matter

We would like to draw attention to Note 2 of Notes to the financial statements which indicates that the Company reported significant accumulated losses of VND 550,805,320,862 as at 31 December 2016 and as of that date, the Company's total current liabilities exceeded its total current assets by VND 68,309,350,383. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The plans of the Board of Executive Officers related to this matter which has been disclosed at Note 2.

We would like to draw attention to Note 4 of Notes to the financial statements. During the year, the Board of Executive Officers reassessed and evaluated technical conditions of a number of machineries and equipment for production and business activities in line with actual operation as well as production conditions. On the basis of assessing and redefining the useful life of each asset, the Company's Board of Executive Officers had changed depreciation rate for tangible fixed assets, mainly related to machineries and equipment and effective from 1 January 2016. The change in the depreciation rates for 2016 affected financial results of the Company for the year ended 31 December 2016. If previous depreciation rates remained, the depreciation expense in 2016 would increase VND 81,981,333,667.

Our qualified opinion is not modified in respect of this matter.



Nguyen Quang Trung
Audit Partner

Audit Practising Registration Certificate
No. 0733-2013-001-1

For and on behalf of
DELOITTE VIETNAM COMPANY LIMITED
17 March 2017
Ho Chi Minh City, S.R. Vietnam

Van Dinh Khue
Auditor

Audit Practising Registration Certificate
No. 1178-2013-001-1

BALANCE SHEET
 As at 31 December 2016

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
A. CURRENT ASSETS	100		1,187,250,810,881	1,548,528,293,634
I. Cash and cash equivalents	110	5	194,601,120,979	479,440,036,807
1. Cash	111		74,601,120,979	479,440,036,807
2. Cash equivalents	112		120,000,000,000	-
II. Short-term financial investments	120		913,634,631	-
1. Held-to-maturity investments	123		913,634,631	-
III. Short-term receivables	130		880,430,407,241	251,336,885,551
1. Short-term trade receivables	131	6	769,015,581,021	9,334,433,214
2. Short-term advances to suppliers	132	7	2,037,874,152	193,901,843,094
3. Other short-term receivables	136	8	109,376,952,068	48,087,654,653
4. Deficits in assets awaiting solution	139		-	12,954,590
IV. Inventories	140	9	96,276,185,322	811,658,576,347
1. Inventories	141		108,940,228,436	811,658,576,347
2. Provision for devaluation of inventories	149		(12,664,043,114)	-
V. Other short-term assets	150		15,029,462,708	6,092,794,929
1. Short-term prepayments	151	10	9,837,962,668	2,020,111,029
2. Value added tax deductibles	152	11	4,446,984,926	2,454,686,460
3. Taxes and other receivables from the State budget	153	11	744,515,114	1,617,997,440
B. NON-CURRENT ASSETS	200		657,347,687,602	682,223,177,998
I. Fixed assets	220		530,161,009,010	545,354,829,477
1. Tangible fixed assets	221	12	503,512,518,140	542,725,655,534
- Cost	222		1,279,704,887,200	1,279,066,327,200
- Accumulated depreciation	223		(776,192,369,060)	(736,340,671,666)
2. Intangible assets	227	13	26,648,490,870	2,629,173,943
- Cost	228		73,988,918,145	41,132,298,145
- Accumulated amortisation	229		(47,340,427,275)	(38,503,124,202)
II. Long-term assets in progress	240		481,996,750	-
1. Long-term construction in progress	242		481,996,750	-
III. Other long-term assets	260		126,704,681,842	136,868,348,521
1. Long-term prepayments	261	10	126,704,681,842	133,594,948,521
2. Deferred tax assets	262	14	-	3,273,400,000
TOTAL ASSETS (270=100+200)	270		1,844,598,498,483	2,230,751,471,632

The accompanying notes are an integral part of these financial statements

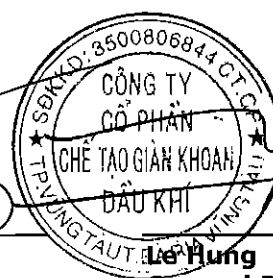
BALANCE SHEET (Continued)
As at 31 December 2016

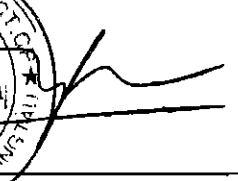
Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
C. LIABILITIES	300		1,764,474,736,890	1,760,515,856,260
I. Current liabilities	310		1,255,560,161,264	1,174,411,407,163
1. Short-term trade payables	311	15	278,547,482,381	287,007,785,471
2. Short-term advances from customers	312	16	120,053,478,663	51,749,701,303
3. Taxes and amounts payable to the State budget	313	11	1,237,639,645	6,932,885,183
4. Payables to employees	314		5,868,831,301	13,156,471,863
5. Short-term accrued expenses	315	17	46,946,706,598	31,586,189,874
6. Payables relating to construction contracts	317	18	-	197,744,149
7. Short-term unearned revenue	318		8,545,082,343	-
8. Other current payables	319	19	24,761,881,134	25,665,405,886
9. Short-term loans	320	20	767,615,397,603	755,727,413,838
10. Bonus and welfare funds	322		1,983,661,596	2,387,809,596
II. Long-term liabilities	330		508,914,575,626	586,104,449,097
1. Long-term loans	338	21	508,104,449,097	586,104,449,097
2. Long-term provisions	342		810,126,529	-
D. EQUITY	400		80,123,761,593	470,235,615,372
I. Owners' equity	410	22	46,690,270,601	460,460,146,238
1. Owners' contributed capital	411		594,897,870,000	594,897,870,000
- Ordinary shares carrying voting rights	411a		594,897,870,000	594,897,870,000
2. Other owners' capital	414		2,597,721,463	2,597,721,463
3. Accumulated losses	421		(550,805,320,862)	(137,035,445,225)
- Losses accumulated to the prior	421a		(137,035,445,225)	(175,719,341,089)
- (Loss)/profit of the current year	421b		(413,769,875,637)	38,683,895,864
II. Other resources and funds	430	23	33,433,490,992	9,775,469,134
1. Subsidised funds	431		7,144,178,934	9,328,527,263
2. Funds for fixed assets acquisition	432		26,289,312,058	446,941,871
TOTAL RESOURCES (440=300+400)	440		1,844,598,498,483	2,230,751,471,632


Pham Van Dau
Preparer


Nguyen Van Quang
Chief Accountant




Le Hung
General Director
17 March 2017

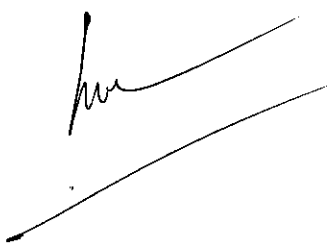
The accompanying notes are an integral part of these financial statements

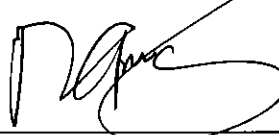
INCOME STATEMENT

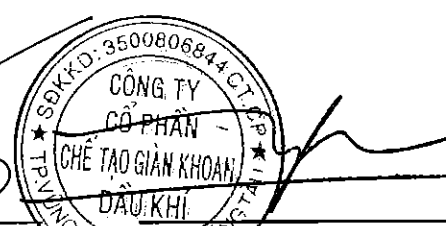
For the year ended 31 December 2016


Unit: VND

ITEMS	Codes	Notes	Current year	Prior year
1. Gross revenue from services rendered	01		1,472,772,198,124	2,289,576,743,912
2. Net revenue from services rendered (10=01)	10	26	1,472,772,198,124	2,289,576,743,912
3. Cost of services rendered	11	27	1,784,951,860,878	2,095,994,885,445
4. (Loss)/gross profit from services rendered (20=10-11)	20		(312,179,662,754)	193,581,858,467
5. Financial income	21	29	13,657,252,609	10,947,608,082
6. Financial expenses	22	30	75,565,405,580	127,250,765,522
- In which: Interest expense	23		63,097,115,410	65,925,809,380
7. General and administration expenses	26	31	24,326,427,650	30,672,938,546
8. Operating losses (30=20+(21-22)-26)	30		(398,414,243,375)	46,605,762,481
9. Other income	31		5,940,362,519	1,787,069,857
10. Other expenses	32		18,022,594,781	7,645,542,927
11. Losses from other activities (40=31-32)	40	32	(12,082,232,262)	(5,858,473,070)
12. (Loss)/profit before tax (50=30+40)	50		(410,496,475,637)	40,747,289,411
13. Corporate Income tax expense	51	33	-	-
14. Deferred corporate tax expense	52	33	3,273,400,000	2,063,393,547
15. (Loss)/profit after tax (60=50-51-52)	60		(413,769,875,637)	38,683,895,864
16. Basic earnings per share	70	34	(6,955)	650


Pham Van Dau
Preparer


Nguyen Van Quang
Chief Accountant


Le Hung
General Director
17 March 2017



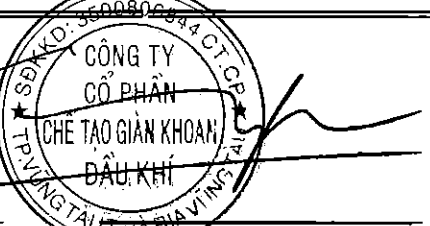
CASH FLOW STATEMENT
For the year ended 31 December 2016

Unit: VND

ITEMS	Codes	Current year	Prior year
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. (Loss)/profit before tax	01	(410,496,475,637)	40,747,289,411
2. Adjustments for:			
Depreciation and amortisation of fixed assets	02	41,674,750,654	143,088,292,180
Provisions	03	12,664,043,114	-
Foreign exchange loss arising from translating foreign currency items	04	7,953,912,337	24,131,866,262
Gain from investing activities	05	(3,923,016,096)	(2,579,295,077)
Interest expense	06	63,097,115,410	65,925,809,380
3. (Loss)/Operating profit before movements in working capital	08	(289,029,670,218)	271,313,962,156
Change in receivables	09	(625,043,879,393)	268,404,539,637
Change in inventories	10	702,718,347,911	(623,505,433,231)
Change in payables	11	(41,901,534,601)	(509,994,128,444)
Change in prepaid expenses	12	(927,584,960)	4,245,856,192
Interest paid	14	(64,550,528,710)	(103,772,532,787)
Other cash inflows	16	44,092,500,000	10,000,847,141
Other cash outflows	17	(7,535,478,448)	(1,965,714,164)
Net cash used in operating activities	20	(282,177,828,419)	(685,272,603,500)
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition of fixed assets	21	(1,393,882,850)	(9,651,858,292)
2. Cash outflow for lending, buying debt instruments of other entities	23	(913,634,631)	-
3. Interest earned	27	3,923,016,096	2,579,295,077
Net cash generated by/(used in) investing activities	30	1,615,498,615	(7,072,563,215)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from borrowings	33	698,730,265,976	1,556,011,081,196
2. Repayment of borrowings	34	(703,107,592,500)	(1,397,312,844,758)
3. Dividend and profit paid	36	(848,694,300)	(799,418,800)
Net cash (used in)/generated by financing activities	40	(5,226,020,824)	157,898,817,638
Net decrease in cash (50=20+30+40)	50	(285,788,350,628)	(534,446,349,077)
Cash and cash equivalents at the beginning of the year	60	479,440,036,807	1,013,571,500,908
Effects of changes in foreign exchange rates	61	949,434,800	314,884,976
Cash and cash equivalents at the end of the year (70=50+60+61)	70	194,601,120,979	479,440,036,807


Phạm Văn Dâu
Preparer


Nguyễn Văn Quang
Chief Accountant


Lê Hùng
General Director
17 March 2017


NOTES TO THE FINANCIAL STATEMENTS

These notes are an integral part of and should be read in conjunction with the accompanying financial statements

1. GENERAL INFORMATION**Structure of ownership**

PetroVietnam Marine Shipyard Joint Stock Company ("the Company") was incorporated in Vietnam under Business Registration Certificate No. 3500806844 dated 9 July 2007 issued by the Department of Planning and Investment of Ba Ria - Vung Tau Province, as amended.

The number of the Company's employees as at 31 December 2016 was 522 (as at 31 December 2015: 695).

Principal activities

The principal activities of the Company are to build, maintain, and refurbish drilling platforms, oil platforms, ships, floating devices and related equipment; to trade in related materials and equipment.

Normal production and business cycle

The principal activities of the Company are to build, maintain oil platforms, floating devices, the normal production and business cycle is carried out accordingly to the timing for building and maintaining, upon projects, normally for a time period from 1 to 3 year for building and of 12 months or less for maintaining.

Disclosure of information comparability in the financial statements

Comparative figures are the figures of the restated audited financial statements for the year ended 31 December 2015.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR**Accounting convention**

The accompanying financial statements, expressed in Vietnam Dong ("VND"), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.

As at 31 December 2016, the Company reported significant accumulated losses of VND 550,805,320,862 and as of that date, the Company's total current liabilities exceeded its total current assets by VND 68,309,350,383. In view thereof, the Company's ability to continue its business as a going concern is dependent upon on its ability to generate sufficient cash flows. The Board of Executive Officers believes that the operation will be continuing with agreed contracts and will be conducted in upcoming years and the Company will be able to generate sufficient funds to meet its financial obligations as and when they fall due. Accordingly, the financial statements have been prepared on a going concern basis.

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.

Financial year

The Company's financial year begins on 1 January and ends on 31 December.

3. ADOPTION OF NEW ACCOUNTING GUIDANCE

On 21 March 2016, the Ministry of Finance issued Circular No. 53/2016/TT-BTC ("Circular 53") amending and supplementing certain articles of Circular 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance guiding the accounting regime for enterprises. Circular 53 is effective for the financial years beginning on or after 01 January 2016. The Chief Executive Officers has adopted Circular 53 in the preparation and presentation of the Company's financial statements for the year ended 31 December 2016. However, the adoption of this circular does not have any significant impact on the comparability of the figures in the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Company in the preparation of these financial statements, are as follows:

Estimates

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

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 cash equivalents, held-to-maturity investments, trade and other receivables and deposits.

Financial liabilities: At the date of initial recognition financial liabilities are recognised at cost plus transaction costs that are directly attributable to the issue of the financial liabilities. Financial liabilities of the Company comprise trade and other payables, borrowings and accrued expenses.

Subsequent measurement

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Financial investments

Held-to-maturity investments

Held-to-maturity investments comprise term deposits that the Company has the positive intent or ability to hold to maturity. Post-acquisition interest income from bank deposit is recognised in the income statement on accrual basis. Held-to-maturity investments are measured at cost less any impairment. Impairment of held-to-maturity investments is made in accordance with prevailing accounting regulations.

Receivables

Receivables represent the amounts recoverable from customers or other debtors and are stated at book value less provision for doubtful debts.

Provision for doubtful debts is made for receivables that are overdue for six months or more, or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises cost of purchases and other directly attributable expenses. Cost is calculated using the weighted average method. 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 evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realisable values as at the balance sheet date.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working conditions and locations for their intended use. The costs of tangible fixed assets formed from construction investment by contractual mode or self-construction or self-generating process are the settled costs of the invested construction projects in accordance with the prevailing regulations on investment and construction management, directly-related expenses and registration fee (if any). In the event the construction project has been completed and put into use but the settled costs thereof have not been approved, the cost of tangible fixed assets is recognised at the estimated cost based on the actual cost incurred. The estimated cost will be adjusted according to the settled costs approved by competent authorities.

Tangible fixed assets are depreciated using the straight-line method over their following estimated useful lives as follows:

	<u>Current Year</u>	<u>Prior Years</u>
	Years	Years
Buildings structures	5 - 40	5 - 25
Machinery, equipment	5 - 7	5 - 7
Office equipment	3 - 15	3 - 15
Motor vehicles	6 - 20	2 - 6
Equipment formed from Subsidised funds	2 - 3	2 - 3
Others	3	3

During the year, the Board of Executive Officers reassessed and evaluated technical conditions of a number of machineries and equipments for production and business activities in line with actual operation as well as production conditions. On the basis of assessing and redefining the useful life of each asset, the Company's Board of Executive Officers had changed depreciation rate for tangible fixed assets, mainly related to machineries and equipments and effective from 1 January 2016. The change in the depreciation rate for 2016 affected financial results of the Company for the year ended 31 December 2016. If the previous depreciation rates remained depreciation expense in 2016 would increase VND 81,981,333,667.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Intangible assets and amortisation

Intangible assets represent computer software and vessel designing software formed from subsidised funds that are stated at cost less accumulated amortisation. Computer software and vessel designing software formed from subsidised funds which are not part of the related hardware, the relevant purchase price will be capitalized and recorded as intangible assets. Computer software and vessel designing software formed from subsidised funds are amortized using straight-line method from 3 to 5 years:

Construction in progress

Properties in the course of construction for production, rental or administrative purposes, or for other purposes, are carried at cost. Cost includes professional fees, and for qualifying assets, borrowing costs and other expenses dealt with in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Prepayments

Prepayments are expenses which have already been paid but relate to results of operations of multiple accounting periods. Prepayments comprise prepaid land rentals and other types of long-term prepayments.

Prepaid land rentals are charged to the income statement using the straight-line method over the lease term of 47 years.

Other types of prepayments comprise costs of land clearance and tools which are expected to provide future economic benefits to the Company for more than 1 year. These expenditures have been capitalised as prepayments, and are allocated to the income statement using the straight-line method in accordance with the current prevailing accounting regulations.

Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation as at the balance sheet date.

In 2016, the Company completed the construction of Tam Dao 05 Drilling Rig and handed over to its customer on 1 November 2016. According to the warranty clause of Tam Dao 05 Drilling Rig Contract No. 0885/13/T-N4/KB-PVShipyards dated 19 November 2013, the Company has responsibility for rig warranty within 24 months from the date of delivery of the rig. Basically, the warranty work comprises two main parts. The first part is for equipments, the warranty responsibility will be done by the equipment suppliers as "back to back" contractors, so the Company will not bear warranty costs if equipments are damaged. The second is construction work done by the Company. According to the Company's experiences on operation of Tam Dao 03 Drilling Rig in the past, the probability of mechanical failure of construction work is assessed at low level.

Revenue recognition

Revenue of a transaction involving the rendering of services is recognised when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several years, revenue is recognised in each year by reference to the percentage of completion of the transaction at the balance sheet date of that year. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

- (a) The amount of revenue can be measured reliably;
- (b) It is probable that the economic benefits associated with the transaction will flow to the Company;
- (c) The percentage of completion of the transaction at the balance sheet date can be measured reliably; and

- (d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Revenue from construction contracts is recognised in accordance with the Company's accounting policy on construction contracts (see note as below).

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate.

Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

For fixed price construction contracts, the contract results shall be reliably estimated when the following four (4) conditions are simultaneously met:

- (a) Total contract revenue can be calculated reliably;
- (b) It is probable that the economic benefits associated with the contract will flow to the entity;
- (c) Both the contract costs to complete the contract and the stage of contract completion at the end of the reporting period can be calculated reliably;
- (d) The contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with the total cost estimates.

In addition, the Company must regularly review and, when necessary, revise the estimates of contract revenue and contract costs as the contract progresses.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable of recovery, then no profit is recognised, even if the outcome of a construction contract may exceed the total contract revenue.

Foreign currencies

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognised in the income statement.

Borrowing costs

Borrowing costs are recognised in the income statement in the year when incurred unless they are capitalised in accordance with Vietnamese Accounting Standard "Borrowing costs". Accordingly, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. For specific borrowings for the purpose of construction of fixed assets and investment properties, borrowing costs are capitalised even when the construction period is under 12 months.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on significant differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

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

5. CASH AND CASH EQUIVALENTS

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Cash on hand	764,934,019	866,303,485
Demand deposits	73,836,186,960	478,573,733,322
Cash equivalents	120,000,000,000	-
	<u>194,601,120,979</u>	<u>479,440,036,807</u>

Cash equivalents as at 31 December 2016 represent time deposits at commercial banks with the maturity day less than 3 months and interest rates from 4.3% to 5.2% per annum (2015: 4.0% to 4.6% per annum).

6. SHORT-TERM TRADE RECEIVABLES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
a. Receivables from related parties	745,226,226,582	-
(see Note 36)		
b. Receivables from others		
Sao Mai - Ben Dinh Petroleum Investment Joint Stock Company	1,455,026,764	2,831,016,136
Petroleum Pipeline & Tank Construction Joint Stock Company	1,240,462	1,579,742,000
TJS Technical service & Construction Joint Stock Company	3,604,665,633	1,052,522,520
Dung Quat Shipbuilding Company Limited	319,019,381	2,675,415,087
Other receivables	18,409,402,199	1,195,737,471
	<u>769,015,581,021</u>	<u>9,334,433,214</u>

7. SHORT-TERM ADVANCES TO SUPPLIERS

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
National Oilwell Varco L.P.638	-	166,045,059,062
Dril-quip Asia Pacific Pte Ltd	-	5,928,725,192
Koastal Industries Pte Ltd	1,826,749,020	-
Other suppliers	211,125,132	21,928,058,840
	<u>2,037,874,152</u>	<u>193,901,843,094</u>

8. OTHER SHORT-TERM RECEIVABLES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Receivable from employees	84,438,808	1,372,977,812
Short-term deposits	27,000,000	-
Other receivables		
- PetroVietnam Insurance Company (PVI) - Vung Tau Branch	2,156,727,272	381,216,946
- PetroVietnam Securities Incorporated (*)	14,606,419,575	15,412,679,160
- Custom Department Ba Ria-Vung Tau Province (**)	89,948,853,752	28,261,130,481
- Other receivables	2,553,512,661	2,659,650,254
	<u>109,376,952,068</u>	<u>48,087,654,653</u>

(*) Short-term receivable from PetroVietnam Securities Incorporated ("PSI") as at 31 December 2016 presents the actual dividend amounts transferred to PSI but PSI has not made the payment to the Company's shareholders.

(**) Short-term receivable from Custom Department Ba Ria - Vung Tau province represents import value added tax of equipment declared for refund relating to Tam Dao 05 project.

9. INVENTORIES

	<u>Closing balance</u>		<u>Opening balance</u>	
	Cost	Provision	Cost	Provision
	VND	VND	VND	VND
Goods in transit	20,939,526,472	-	143,616,226,536	-
Raw materials	73,664,066,245	12,664,043,114	662,157,063,174	-
Tools and supplies	4,763,524,275	-	5,830,332,274	-
Work on progress	9,573,111,444	-	54,954,363	-
	<u>108,940,228,436</u>	<u>12,664,043,114</u>	<u>811,658,576,347</u>	<u>-</u>

During the year, the Company has provisioned an amount of VND 12,664,043,114 (2015: nil) for devaluation of slow-moving inventories. This is provision for inventories that were bought for Tam Dao 05 project and have not used yet. According to the Board of Executive Officers' evaluation, these inventories can be used for other projects in the future.

10. SHORT-TERM AND LONG-TERM PREPAYMENTS

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
a. Short-term		
Tools	42,004,952	624,507,299
Expenses related to projects	8,762,640,293	-
Other prepayments	1,033,317,423	1,395,603,730
	<u>9,837,962,668</u>	<u>2,020,111,029</u>
b. Long-term		
Land rental (*)	122,650,457,764	125,732,014,960
Tools	1,880,022,655	5,125,198,590
Others	2,174,201,423	2,737,734,971
	<u>126,704,681,842</u>	<u>133,594,948,521</u>

(*) Land rental presents the land lease in PTSC port in Ba Ria - Vung Tau Province with area of 39.8 ha according to the rental contract No. CN0107001/HDKT -PVSB signed with Sao Mai - Ben Dinh Petroleum Investment Joint Stock Company on 6 December 2007 to build the office, factory and warehouse for business purpose. The lease term is from the date of signing the handover minutes to 31 December 2057.

11. TAXES AND OTHER RECEIVABLES FROM/PAYABLES TO THE STATE BUDGET

	Opening balance VND	Increase/Payable during the year VND	Deducted/Paid during the year VND	Closing balance VND
Value added tax deductibles	2,454,686,460	50,683,459,719	(48,691,161,253)	4,446,984,926
a. Receivables				
Import tax	1,617,997,440	(2,281,450,706)	801,675,280	138,222,014
Value added tax	-	-	606,293,100	606,293,100
	1,617,997,440	(2,281,450,706)	1,407,968,380	744,515,114
b. Payables				
Value added tax	554,370,767	61,225,195,547	(61,779,566,314)	-
Personal income tax	1,578,116,786	7,346,800,058	(8,628,294,510)	296,622,334
Foreign contractor withholding tax	3,408,539,154	15,570,974,911	(18,038,496,754)	941,017,311
Others tax	1,391,858,476	125,337,340	(1,517,195,816)	-
	6,932,885,183	84,268,307,856	(89,963,553,394)	1,237,639,645

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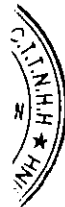
PETROVIETNAM MARINE SHIPYARD JOINT STOCK COMPANY
NOTES TO THE FINANCIAL STATEMENTS (Continued)

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12. TANGIBLE FIXED ASSETS

	Buildings, structures VND	Machinery, equipment VND	Motor vehicles VND	Office equipment VND	Assets formed from subsidised funds VND	Others VND	Total VND
COST							
Opening balance	737,699,245,400	120,051,402,553	397,516,923,844	10,051,303,961	3,850,699,617	9,896,751,825	1,279,066,327,200
Additions	-	71,000,000	-	320,060,000	-	247,500,000	638,560,000
Closing balance	<u>737,699,245,400</u>	<u>120,122,402,553</u>	<u>397,516,923,844</u>	<u>10,371,363,961</u>	<u>3,850,699,617</u>	<u>10,144,251,825</u>	<u>1,279,704,887,200</u>
ACCUMULATED DEPRECIATION							
Opening balance	444,361,209,288	85,191,586,772	186,225,548,791	8,814,945,568	3,387,525,107	8,359,856,140	736,340,671,666
Charge for the year	15,888,177,159	6,771,956,684	16,092,727,115	557,997,769	131,121,744	409,716,923	39,851,697,394
Closing balance	<u>460,249,386,447</u>	<u>91,963,543,456</u>	<u>202,318,275,906</u>	<u>9,372,943,337</u>	<u>3,518,646,851</u>	<u>8,769,573,063</u>	<u>776,192,369,060</u>
NET BOOK VALUE							
Opening balance	<u>293,338,036,112</u>	<u>34,859,815,781</u>	<u>211,291,375,053</u>	<u>1,236,358,393</u>	<u>463,174,510</u>	<u>1,536,895,685</u>	<u>542,725,655,534</u>
Closing balance	<u>277,449,858,953</u>	<u>28,158,859,097</u>	<u>195,198,647,938</u>	<u>998,420,624</u>	<u>332,052,766</u>	<u>1,374,678,762</u>	<u>503,512,518,140</u>

As at 31 December 2016, the cost of the Company's tangible fixed assets includes an amount of VND 66,942,409,556 (as at 31 December 2015: VND 56,031,854,530) in respect of fully depreciated assets which are still in use.



13. INTANGIBLE ASSETS

	Computer Software VND	Software formed from subsidised funds VND	Total VND
COST			
Opening balance	17,966,543,935	23,165,754,210	41,132,298,145
Additions	-	32,856,620,000	32,856,620,000
Closing balance	<u>17,966,543,935</u>	<u>56,022,374,210</u>	<u>73,988,918,145</u>
ACCUMULATED AMORTISATION			
Opening balance	15,337,369,992	23,165,754,210	38,503,124,202
Charge for the year	<u>1,954,175,004</u>	<u>6,883,128,069</u>	<u>8,837,303,073</u>
Closing balance	<u>17,291,544,996</u>	<u>30,048,882,279</u>	<u>47,340,427,275</u>
NET BOOK VALUE			
Opening balance	<u>2,629,173,943</u>	<u>-</u>	<u>2,629,173,943</u>
Closing balance	<u>674,998,939</u>	<u>25,973,491,931</u>	<u>26,648,490,870</u>

As at 31 December 2016, the cost of the Company's intangible assets includes an amount of VND 35,269,773,145 (as at 31 December 2015: VND 35,269,773,145) in respect of fully depreciated assets which are still in use.

14. DEFERRED TAX ASSETS

	Closing balance VND	Opening balance VND
Corporate income tax rates used for determination of value of deferred tax assets	20%	20%
Deferred tax assets related to unused tax losses	-	3,273,400,000
Deferred income tax assets	<u>-</u>	<u>3,273,400,000</u>

As at 31 December 2016, the Company has unused tax losses of VND 492,245,839,990 as at 31 December 2015 after tax inspection adjustment: VND 93,504,739,875) available for offset against future profit.

The Company had not recognized deferred tax asset for the tax loss during the year due to the uncertainty of having enough taxable profit streams to be used in the future

The unused tax losses will be carried forward within 5 years from the year it was incurred. The benefits from the Company's tax losses carried forward will be expired as follows:

2018	93,504,739,875
2021	398,741,100,115
	<u>492,245,839,990</u>

15. SHORT-TERM TRADE PAYABLES

	Closing balance		Opening balance	
	Amount VND	Amount able to be paid off VND	Amount VND	Amount able to be paid off VND
Posh Teresa Offshore Pte Ltd	-	-	29,668,230,145	29,668,230,145
Lenn International Pte Ltd	2,068,610,013	2,068,610,013	19,692,582,433	19,692,582,433
National Oilwell Varco LP #638	103,193,478,535	103,193,478,535	29,971,510,128	29,971,510,128
Abnormal Load Engineering Ltd	-	-	14,529,726,000	14,529,726,000
Semco Maritime Pte Ltd	-	-	9,016,000,000	9,016,000,000
Italgru S.R.L	-	-	8,925,840,000	8,925,840,000
Hung Kim Joint Stock Company	958,164,900	958,164,900	8,698,833,000	8,698,833,000
Hai Van Service - Transportation Joint Stock Company	-	-	7,233,655,000	7,233,655,000
Gaylin International Pte Ltd	-	-	6,942,320,000	6,942,320,000
TJS Technical service & Construction Joint Stock Company	7,097,548,365	7,097,548,365	6,145,120,814	6,145,120,814
Oakwell Engineering (Vietnam) Co., Ltd.	16,115,610,413	16,115,610,413	-	-
Other suppliers	149,114,070,155	149,114,070,155	146,183,967,951	146,183,967,951
	278,547,482,381	278,547,482,381	287,007,785,471	287,007,785,471

16. ADVANCES FROM CUSTOMERS

	Closing balance VND	Opening balance VND
a. Advance from customers - related parties (see Note 36)	-	51,749,701,303
b. Advance from customers - third parties		
Corporation	5,053,478,663	-
Project management board of DKI Construction	115,000,000,000	-
	120,053,478,663	51,749,701,303

17. SHORT-TERM ACCRUED EXPENSES

	Closing balance VND	Opening balance VND
Loan interest expense	21,494,018,070	22,947,431,370
Expenses for construction (projects XL2)	7,018,078,517	7,018,078,517
Provision for BOP cost - Tam Dao 03 Project	11,357,500,000	-
Others	7,077,110,011	1,620,679,987
	46,946,706,598	31,586,189,874

18. PAYABLES FROM CONSTRUCTION CONTRACTS

	Closing balance VND	Opening balance VND
Contracts in progress as at the balance sheet date:		
Payables relating to construction contracts under percentage of completion method	-	197,744,149
	-	197,744,149
Contract costs incurred plus recognised profits less recognised losses to date	-	3,094,301,261,522
Less: progress billings	-	3,094,499,005,671
	-	(197,744,149)

19. OTHER SHORT-TERM PAYABLES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Dividend payable	18,825,561,100	19,674,255,400
Others	5,936,320,034	5,991,150,486
	24,761,881,134	25,665,405,886

20. SHORT-TERM LOANS

	<u>Opening balance</u>		<u>During the year</u>		<u>Closing balance</u>	
	Amount VND	Amount able to be paid off VND	Increases VND	Decrease VND	Amount VND	Amount able to be paid off VND
Short-term loans	616,854,469,351	616,854,469,351	698,730,265,976	(700,454,843,227)	615,129,892,100	615,129,892,100
bond liabilities (see Note 21)	117,000,000,000	117,000,000,000	78,000,000,000	(78,000,000,000)	117,000,000,000	117,000,000,000
Exchange difference	21,872,944,487	21,872,944,487	13,612,561,016	-	35,485,505,503	35,485,505,503
	755,727,413,838	755,727,413,838	790,342,826,992	(778,454,843,227)	767,615,397,603	767,615,397,603

Short-term loans represent the short-term borrowings in United States Dollar from Vietnam Bank for Industry and Trade - Branch No. 4, maturity within 12 months from drawing date. This facility is unsecured and bears interest at 2%/per annum, interest will be paid monthly. According to contract No. 01/2015- HDTDHM/NHCT908-PVShipyards in March 2015, this facility can be drawn up to a maximum amount of equivalent to VND 970 billion. The facility is used to finance working capital, issue credit guarantee, open and pay letter of credit for the contract of newly-building Tam Dao 05 project. Credit facility will be expired after 12 months from signing date.

21. LONG-TERM LOANS

	<u>Opening balance</u>		<u>During the year</u>		<u>Closing balance</u>	
	Amount VND	Amount able to be paid off VND	Increases VND	Decreases VND	Amount VND	Amount able to be paid off VND
Long-term loans	586,104,449,097	586,104,449,097	-	(78,000,000,000)	508,104,449,097	508,104,449,097

Long-term loans and liabilities which present the long-term loans from PetroVietnam Joint Stock Finance Corporation ("PVFC"), now known as Vietnam Public Joint Stock Commercial Bank ("PVcomBank"), include two credit facilities:

- Agreement No. 11/2011/HDTDUT/TC DK-CNVT.TD dated 17 May 2011 with the amount of VND 641 billion for payment of investment cost of project "Building and maintaining oil rig platforms". The term loan is 12 months from 24 May 2011 to 24 May 2012 and is extended to 24 November 2014 according to Appendix No. 01/11/2011/HDTDUT/TC DK-CNVT.TD. This loan is unsecured loan and it was fully disbursed in 2011.

- Agreement No. 07/HDTDUT/TC DK-CNVT.TD dated 18 March 2011 with the maximum amount of VND 250 billion for payment of investment cost of project "Building and maintaining oil rig platforms". Interest of loan is the same with interest rate from economics entities with the term of 12 months of PVcomBank plus 5% per annum for loans disbursed before 6 October 2011 and 14.2% per annum for loans disbursed after 6 October 2011. This loan is unsecured. Term loan is starting from the date PetroVietnam transfers its entrusted fund to PVFC to the date 6 April 2012. The Company has withdrawn VND 153,197,270,000 in 2011 and VND 30,363,179,097 in 2012.

On 9 May 2013, the Company entered into two Appendixes of two Agreement No. 02/07/HDTDUT/TC DK-CNVT.TD and Agreement No. 02/11/2011/HDTDUT/TC DK-CNVT.TD. Thereon, these two loans will be rescheduled and extended to 31 December 2018. These two loans are repayable in instalments starting from 30 June 2014 to 31 December 2018. The loans bear interest at the rate of 100% saving rate in the 12 months of postpaid from Bank for Foreign Trade of Vietnam ("VietcomBank") at the time of adjusted rate plus entrust rate (0.15%/year).

On 29 June 2015, the Company additionally entered into two Appendixes of two Agreement No. 02/07/HDTDUT/TCDK-CNVT.TD and Agreement No. 02/11/2011/HDTDUT/TCDK-CNVT.TD. Accordingly, the first payment as scheduled on 30 June 2014 will be made in year 2015. The remaining balance will be repaid in 19 instalments (6 month every) starting from 30 June 2015 to 30 June 2024.

Long-term loans are repayable as follows:

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
On demand or within one year	117,000,000,000	117,000,000,000
In the second year	78,000,000,000	78,000,000,000
In the third to fifth year inclusive	234,000,000,000	234,000,000,000
After five years	196,104,449,097	274,104,449,097
	625,104,449,097	703,104,449,097
Less: Amount due for settlement within 12 months (presents at Note 20)	(117,000,000,000)	(117,000,000,000)
Amount due for settlement after 12 months	508,104,449,097	586,104,449,097

22. OWNERS' EQUITY

Movement in owners' equity

	Owners' contributed capital VND	Other owners' capital VND	Accumulated losses VND	Total VND
Prior year's opening balance	594,897,870,000	2,597,721,463	(175,719,341,089)	421,776,250,374
Profit during the year	-	-	38,683,895,864	38,683,895,864
Current year's opening balance	594,897,870,000	2,597,721,463	(137,035,445,225)	460,460,146,238
Loss during the year	-	-	(413,769,875,637)	(413,769,875,637)
Current year's closing balance	594,897,870,000	2,597,721,463	(550,805,320,862)	46,690,270,601

Shares

	<u>31/12/2016</u>	<u>31/12/2015</u>
- Shares authorised to be issued to the public	59,489,787	59,489,787
- Shares issued	59,489,787	59,489,787
- Shares are currently traded	<u>59,489,787</u>	<u>59,489,787</u>

The Company has one class of ordinary share which carries no right to fixed income with par value of VND 10,000 per share. The shareholders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the Company's shareholders meetings. All shares rank equally with regard to the Company's residual assets.

Details of the Company's capital contribution as at balance sheet date are as follows:

		<u>31/12/2016 and 31/12/2015</u>	
	<u>%</u>	<u>Shares</u>	<u>Amount(VND)</u>
PetroVietnam Technical Services Corporation	28.75	17,105,643	171,056,430,000
Vietnam Shipbuilding Industry Group	7.53	4,479,257	44,792,570,000
Bank for Investment and Development of Vietnam JSC	4.03	2,400,000	24,000,000,000
Vietsovpetro Joint Venture	3.63	2,161,300	21,613,000,000
LILAMA	4.03	2,400,000	24,000,000,000
Others	52.03	30,943,587	309,435,870,000
	100	59,489,787	594,897,870,000

23. OTHER RESOURCES AND FUNDS

Subsidised funds
VND

As at the beginning of the year	9,775,469,134
- Subsidised funds	9,328,527,263
- Funds for fixed assets acquisition	446,941,871
Increase in the year	76,949,120,000
- Received subsidised funds from Science and Technology Development fund from the State budget	44,092,500,000
- Funds for fixed assets acquisition	32,856,620,000
Decrease in the year:	(53,291,098,142)
- Subsidised funds	(46,276,848,329)
<i>in which: forming in fixed assets</i>	(32,856,620,000)
<i>in which: fund usage</i>	(13,420,228,329)
- Funds for fixed assets acquisition	(7,014,249,813)
<i>in which: depreciation in the year</i>	(7,014,249,813)
As at the end of the year	33,433,490,992
- Subsidised funds	7,144,178,934
- Funds for fixed assets acquisition	26,289,312,058

24. OFF BALANCE SHEET ITEMS

	<u>Closing balance</u>	<u>Opening balance</u>
Foreign currencies		
<i>United States Dollar</i>	2,424,599	6,657,373
<i>Euro</i>	2,467	102

25. BUSINESS AND GEOGRAPHICAL SEGMENT

Principal activities of the Company are to build, maintain and refurbish drilling rig platforms, oil rig platforms, ships, floating devices and related equipment. During the operation course, the Company's other production and business activities are very small proportion of its total revenue and operating results, accordingly, the financial information that was presented in the balance sheet as at 31 December 2016 and all its revenue, expenses in the income statement for the year ended 31 December 2016 are related to its principal activities. In geography, the Company mainly operates within Vietnam.

Accordingly, the Board of Executive Officers has assessed and believes that the financial statements in which did not present information related to business and geographical segment for the year ended 31 December 2016 is in accordance with stipulations of Accounting Standard No. 28 "Segment reporting" and also in according with the business situation of the Company.

26. NET REVENUE FROM SERVICES RENDERED

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Construction contracts	1,352,358,081,649	2,225,298,758,873
Other maintenance contracts	108,545,613,888	40,769,381,328
Other services	11,868,502,587	23,508,603,711
	<u>1,472,772,198,124</u>	<u>2,289,576,743,912</u>

27. COST OF SERVICES RENDERED

	Current year	Prior year
	VND	VND
Construction contracts	1,688,804,056,270	2,060,483,430,864
Other maintenance contracts	91,248,088,844	27,211,268,623
Other services	4,899,715,764	8,300,185,958
	1,784,951,860,878	2,095,994,885,445

28. PRODUCTION COST BY NATURE

	Current year	Prior year
	VND	VND
Raw materials and consumables	1,129,883,506,858	1,364,014,533,641
Labour	140,921,316,904	180,188,211,512
Depreciation and amortization	40,991,034,118	142,370,813,519
Out-sourced services	438,846,487,804	416,754,658,504
Other expenses	83,635,214,811	22,705,514,866
	1,834,277,560,495	2,126,033,732,042

29. FINANCIAL INCOME

	Current year	Prior year
	VND	VND
Bank interest	3,923,016,096	2,579,295,077
Foreign exchange gain	9,734,236,513	8,368,313,005
	13,657,252,609	10,947,608,082

30. FINANCIAL EXPENSES

	Current year	Prior year
	VND	VND
Interest expense	63,097,115,410	65,925,809,380
Foreign exchange loss	12,468,290,170	61,324,956,142
	75,565,405,580	127,250,765,522

31. GENERAL AND ADMINISTRATION EXPENSES

	Current year	Prior year
	VND	VND
Salary for employees	16,976,853,492	24,583,544,655
Others	7,349,574,158	6,089,393,891
	24,326,427,650	30,672,938,546

32. LOSS FROM OTHER ACTIVITIES

	Current year	Prior year
	VND	VND
Other income	5,940,362,519	1,787,069,857
Depreciation and amortization	683,716,536	634,091,949
Compensation provision - BOP cost for Tam Dao 03 Project	11,357,500,000	-
Other expenses	5,981,378,245	7,011,450,978
Other expenses	18,022,594,781	7,645,542,927
Loss from other activities	(12,082,232,262)	(5,858,473,070)

33. CURRENT CORPORATE INCOME TAX EXPENSE

	Current year VND	Prior year VND
Current corporate income tax expenses		
- Corporate income tax based on taxable profit in the current year	-	-
Deferred corporate income tax expenses		
- Deferred corporate income tax expenses from deferred tax assets	3,273,400,000	2,063,393,547
	<u>3,273,400,000</u>	<u>2,063,393,547</u>

The current corporate income tax expense for the year was computed as follows:

	Current year VND	Prior year VND
Loss before tax	(410,496,475,637)	40,747,289,411
Adjustments for assessable profit		
Less: non- assessable income	(6,117,893,237)	(314,884,976)
Add back: non-deductible expenses	17,873,268,759	12,059,816,120
Loss carry- forward	-	(52,492,220,555)
Taxable loss	(398,741,100,115)	-
Tax rate	20%	22%
Corporate income tax expense based on taxable loss in the current year	-	-

The Company is obliged to pay corporate income tax at the rate of 20% (2015: 22%) of its taxable income. No income tax has been provided for during the year as the Company has no taxable income.

34. BASIC EARNINGS PER SHARE

	Current year VND	Prior year VND
(Loss)/profit for the purposes of calculating basic earnings per share	(413,769,875,637)	38,683,895,864
Weighted average number of ordinary shares for the purposes of calculating basic earnings per share	59,489,787	59,489,787
Basic earnings per share	<u>(6,955)</u>	<u>650</u>

35. FINANCIAL INSTRUMENTS

Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of net debt (borrowings disclosed in Note 20 and Note 21 offset by cash and cash equivalents) and equity attributable to equity shareholders (comprising owners's contributed capital, other owner's capital and accumulated losses).

Gearing ratio

The gearing ratio of the Company as at the balance sheet date was as follows:

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Borrowings	1,275,719,846,700	1,341,831,862,935
Less: Cash and cash equivalents	194,601,120,979	479,440,036,807
Net debt	1,081,118,725,721	862,391,826,128
Equity	46,690,270,601	460,460,146,238
Net debt to equity ratio	23.16	1.87

Significant accounting policies

Details of the significant accounting policies and methods adopted (including the criteria for recognition, the bases of measurement, and the bases for recognition of income and expenses) for each class of financial asset and financial liability are disclosed in Note 4.

Categories of financial instruments

	<u>Carrying amounts</u>	
	<u>Closing balance</u>	<u>Opening balance</u>
	VND	(Restated) VND
Financial assets		
Cash and cash equivalents	194,601,120,979	479,440,036,807
Held-to-maturity investments	913,634,631	-
Trade and other receivables	788,332,240,529	27,787,979,574
Deposits	27,000,000	-
Total	983,873,996,139	507,228,016,381
Financial liabilities		
Trade and other payables	302,837,208,734	312,673,066,357
Borrowings	1,275,719,846,700	1,341,831,862,935
Accrued expenses	46,946,706,598	31,586,189,874
Total	1,625,503,762,032	1,686,091,119,166

The Company has not assessed fair value of its financial assets and liabilities as at the balance sheet date since there are no comprehensive guidance under Circular No. 210/2009/TT-BTC issued by the Ministry of Finance on 6 November 2009 ("Circular 210") and other relevant prevailing regulations to determine fair value of these financial assets and liabilities. While Circular 210 refers to the application of International Financial Reporting Standards ("IFRS") on presentation and disclosures of financial instruments, it did not adopt the equivalent guidance for the recognition and measurement of financial instruments, including application of fair value, in accordance with IFRS.

Financial risk management objectives

The Company has set up risk management system to identify and assess the risks exposed by the Company and designed control policies and procedures to manage those risks at an acceptable level. Risk management system is reviewed on a regular basis to reflect changes in market conditions and the Company's operations.

Financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates, interest rates and prices. The Company does not hedge these risk exposures due to the lack of any market to purchase financial instruments.

Foreign currency risk management

The Company undertakes certain transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise.

The carrying amounts of the Company's foreign currency denominated monetary assets and monetary liabilities at the end of the period are as follows:

	Assets		Liabilities	
	Closing balance	Opening balance	Closing balance	Opening balance
	VND	VND	VND	VND
United States Dollar (USD)	320,055,937,043	149,459,780,823	813,447,923,827	812,074,087,935
Singapore Dollar (SGD)	-	-	15,493,438	25,745,753
British Pound (GBP)	-	-	1,935,763,867	5,380,048,481
Euro (EUR)	<u>58,565,268</u>	<u>7,684,916,299</u>	<u>-</u>	<u>-</u>

Foreign currency sensitivity

The Company is mainly exposed to United States Dollar, Euro, British Pound and Singapore Dollar.

The following table details the Company's sensitivity to a 2% (2015: 5%) increase/decrease in Vietnam Dong against the relevant foreign currencies. 2% (2015: 5%) is the sensitivity rate used when reporting foreign currency risk internally to the Board of Executive Officers and represents the Board of Executive Officers assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 2% (2015: 5%) change in foreign currency rates. For a 2% (2015: 5%) increase/decrease in the following foreign currencies against Vietnam Dong, the company's loss before tax in the year would increase/decrease by the following amount:

	Current year		Prior year	
	VND		VND	
	2% increase	2% decrease	5% increase	5% decrease
United States Dollar (USD)	(9,867,839,736)	9,867,839,736	(33,130,715,356)	33,130,715,356
Singapore Dollar (SGD)	(309,869)	309,869	(1,287,288)	1,287,288
British Pound (GBP)	(38,715,277)	38,715,277	(269,002,424)	269,002,424
Euro (EUR)	<u>1,171,305</u>	<u>(1,171,305)</u>	<u>384,245,815</u>	<u>(384,245,815)</u>

Interest rate risk management

The Company has significant interest rate risks arising from interest bearing loans from commercial banks. The risk is managed by the Company by maintaining an appropriate level of borrowings and analyzing market competition to enjoy favorable interest rates from appropriate lenders.

Interest rate sensitivity

The loan's sensitivity to interest rate changes which may arise at an appropriate level is presented in the following table. Assuming all other variables were held constant, if interest rates applicable to floating interest bearing loans had been 100 basis points higher/lower, the Company's loss before tax for the year ended 31 December 2016 would have increased/decreased by the following amount:

	Increase/(decrease) in basis points	Impact on loss before tax
		VND
Current year	100	12,757,198,467
	(100)	(12,757,198,467)
Prior year	100	13,418,318,629
	(100)	(13,418,318,629)

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. The Company does not have any significant credit risk exposure to any counterparty.

Liquidity risk management

The purpose of liquidity risk management is to ensure the availability of funds to meet present and future financial obligations. Liquidity is also managed by ensuring that the excess of maturing liabilities over maturing assets in any year is kept to manageable levels relative to the amount of funds that the Company believes can generate within that year. The Company policy is to regularly monitor current and expected liquidity requirements to ensure that the Company maintains sufficient reserves of cash, borrowings and adequate committed funding from its owners to meet its liquidity requirements in the short and longer term.

The following table details the Company's remaining contractual maturity for its non-derivative financial assets and financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial assets and undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The inclusion of information on non-derivative financial assets is necessary in order to understand the Company's liquidity risk management as the liquidity is managed on a net asset and liability basis.

31/12/2016	Less than 1 year	From 1-5 years	More than 5 years	Total
	VND	VND	VND	VND
Cash and cash equivalents	194,601,120,979	-	-	194,601,120,979
Held-to-maturity investments	913,634,631	-	-	913,634,631
Trade and other receivables	788,332,240,529	-	-	788,332,240,529
Deposits	27,000,000	-	-	27,000,000
Total	983,873,996,139	-	-	983,873,996,139
Trade and other payables	302,837,208,734	-	-	302,837,208,734
Borrowings	767,615,397,603	312,000,000,000	196,104,449,097	1,275,719,846,700
Accrued expenses	46,946,706,598	-	-	46,946,706,598
Total	1,117,399,312,935	312,000,000,000	196,104,449,097	1,625,503,762,032
Net liquidity gap	(133,525,316,796)	(312,000,000,000)	(196,104,449,097)	(641,629,765,893)
31/12/2015	Less than 1 year	From 1-5 years	More than 5 years	Total
	VND	VND	VND	VND
Cash and cash equivalents	479,440,036,807	-	-	479,440,036,807
Trade and other receivables	27,787,979,574	-	-	27,787,979,574
Total	507,228,016,381	-	-	507,228,016,381
Trade and other payables	312,673,066,357	-	-	312,673,066,357
Borrowings	755,727,413,838	312,000,000,000	274,104,449,097	1,341,831,862,935
Accrued expenses	31,586,189,874	-	-	31,586,189,874
Total	1,099,986,670,069	312,000,000,000	274,104,449,097	1,686,091,119,166
Net liquidity gap	(592,758,653,688)	(312,000,000,000)	(274,104,449,097)	(1,178,863,102,785)

The largest amount of financial liabilities are loans arising from commercial banks to be repaid basing on cashflows generated from Tam Dao 05 project in 2016, and borrowings from Petro Vietnam Corporation through entrusted party, PVcomBank with the instalment payment schedule to 2024 basing on the Company's operating cashflows in the following years. The current status of production and business activities of the oil and gas industry has decreased significantly compared to the previous years due to the impact of the decrease of crude oil price, it has severely impacted on the Company's operating. Therefore, the Company has assessed the liquidity risk at high level.

36. RELATED PARTY TRANSACTIONS AND BALANCES

<u>Related party</u>	<u>Relationship</u>
PetroVietnam Technical Services Corporation	Shareholder
Vietsovpetro Joint Venture	Shareholder

During the year, the Company entered into the following significant transactions with its related party:

	<u>Current year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>
Sales		
Vietsovpetro Joint Venture	<u>1,352,358,081,649</u>	<u>2,225,298,758,873</u>

Remuneration paid to the Company's Boards of Management and Directors during the year are as follows:

	<u>Current year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>
Salary and bonus	<u>4,018,202,707</u>	<u>4,401,748,154</u>
	<u>4,018,202,707</u>	<u>4,401,748,154</u>

Significant related party balances as at the balance sheet date were as follows:

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>VND</u>	<u>VND</u>
Short-term trade receivables		
Vietsovpetro Joint Venture	<u>745,226,226,582</u>	<u>-</u>
Short-term advance from customer		
Vietsovpetro Joint Venture	<u>-</u>	<u>51,749,701,303</u>

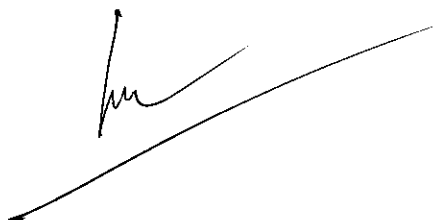
37. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

Cash outflows of winterest expense paid during the year exclude an amount of VND 21,494,018,070 (2015: VND 22,947,431,370), representing the interest expense incurred during the year but has not been paid yet. Consequently, changes in accounts payable have been adjusted by the same amounts.

Cash outflows for purchases of fixed assets during the year excluded an amount of VND 32,856,620,000, representing an addition in fixed assets during the year that was purchased by Subsidised funds.

38. APPROVAL FOR ISSUANCE OF FINANCIAL STATEMENTS

Financial statements for the year ended 31 December 2016 was approved for issuance by Board of Management on 17 March 2017.



Pham Van Dau
Preparer



Nguyen Van Quang
Chief Accountant



Le Hung
General Director
17 March 2017

