

**Deloitte.**

**DRILLING MUD CORPORATION**  
*(Incorporated in the Socialist Republic of Vietnam)*

**AUDITED CONSOLIDATED  
FINANCIAL STATEMENTS**

**For the year ended to 31 December 2016**



**DRILLING MUD CORPORATION**

6<sup>th</sup>-7<sup>th</sup> Floors, Vietnam Petroleum Institute Tower, 167 Trung Kinh,  
Cau Giay District, Hanoi, S.R. Vietnam

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**DRILLING MUD CORPORATION**

6<sup>th</sup>-7<sup>th</sup> Floors, Vietnam Petroleum Institute Tower, 167 Trung Kinh,  
Cau Giay District, Hanoi, S.R. Vietnam

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**STATEMENT OF THE BOARD OF DIRECTORS**

The Board of Directors of Drilling Mud Corporation (the "Corporation") presents this report together with the Corporation's consolidated financial statements for the year ended 31 December 2016.

**BOARDS OF MANAGEMENT AND DIRECTORS**

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

**Board of Management**

Mr. Nguyen Ngoc Khanh	Chairman
Mr. Ton Anh Thi	Member
Mr. Do Xuan Vinh	Member
Mr. Ha Duy Tan	Member
Mr. Nguyen Ngoc Quynh	Member

**Board of Directors**

Mr. Ton Anh Thi	General Director
Mr. Le Hai Phong	Deputy General Director
Mr. Pham Xuan Toan	Deputy General Director
Mr. Luu Quoc Phuong	Deputy General Director
Ms. Vu Hoang Hoa	Deputy General Director
Mr. Khuat Quang Tien	Deputy General Director



**BOARD OF DIRECTORS' STATEMENT OF RESPONSIBILITY**

The Board of Directors of the Corporation is responsible for preparing the consolidated financial statements, which give a true and fair view of the consolidated financial position of the Corporation as at 31 December 2016, and its consolidated financial performance and its consolidated 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 consolidated financial statements, the Board of Directors 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 consolidated financial statements;
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Corporation will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the consolidated financial statements so as to minimize errors and frauds.

**DRILLING MUD CORPORATION**

6<sup>th</sup>-7<sup>th</sup> Floors, Vietnam Petroleum Institute Tower, 167 Trung Kinh,  
Cau Giay District, Hanoi, S.R. Vietnam

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**STATEMENT OF THE BOARD OF DIRECTORS (Continued)**

The Board of Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the consolidated financial position of the Corporation and that the consolidated financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. The Board of Directors is also responsible for safeguarding the assets of the Corporation and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Board of Directors confirms that the Corporation has complied with the above requirements in preparing these consolidated financial statements.

For and on behalf of the Board of Directors, 



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**Ton Anh Thi**  
**General Director**

*Hanoi, 10 March 2017*

No.: 547 /VN1A-HN-BC

## INDEPENDENT AUDITORS' REPORT

**To: The Shareholders  
The Boards of Management and Directors  
Drilling Mud Corporation**

We have audited the accompanying consolidated financial statements of Drilling Mud Corporation (the "Corporation"), prepared on 10 March 2017 as set out from page 05 to page 39, which comprise the consolidated balance sheet as at 31 December 2016, the consolidated statement of income, the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the consolidated financial statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 management determines is necessary to enable the preparation of the consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal 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 consolidated financial statements.

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

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## INDEPENDENT AUDITORS' REPORT (Continued)

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.



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**Pham Hoa Nam**  
**Deputy General Director**  
Audit Practising Registration Certificate  
No. 0042-2013-001-1

**For and on behalf of**  
**DELOITTE VIETNAM COMPANY LIMITED**

10 March 2017  
Hanoi, S.R. Vietnam

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**Bui Thi Thu Huong**  
**Auditor**  
Audit Practising Registration Certificate  
No. 1688-2013-001-1

**CONSOLIDATED BALANCE SHEET**

As at 31 December 2016

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
<b>A. CURRENT ASSETS</b>	<b>100</b>		<b>1,667,028,060,761</b>	<b>1,706,138,850,980</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>5</b>	<b>203,305,170,183</b>	<b>311,385,554,635</b>
1. Cash	111		66,719,059,072	90,786,002,969
2. Cash equivalents	112		136,586,111,111	220,599,551,666
<b>II. Short-term financial investments</b>	<b>120</b>		<b>11,500,000,000</b>	<b>2,302,069,649</b>
1. Held-to-maturity investments	123		11,500,000,000	2,302,069,649
<b>III. Short-term receivables</b>	<b>130</b>		<b>964,992,438,750</b>	<b>633,489,728,015</b>
1. Short-term trade receivables	131	6	961,023,168,674	536,831,125,045
2. Short-term advances to suppliers	132		38,760,794,456	94,223,175,099
3. Other short-term receivables	136	7	11,328,999,950	23,311,134,449
4. Provision for short-term doubtful debts	137	8	(46,120,524,330)	(20,875,706,578)
<b>IV. Inventories</b>	<b>140</b>	<b>9</b>	<b>464,819,133,678</b>	<b>712,229,974,506</b>
1. Inventories	141		501,043,847,207	745,803,444,045
2. Provision for devaluation of inventories	149		(36,224,713,529)	(33,573,469,539)
<b>V. Other short-term assets</b>	<b>150</b>		<b>22,411,318,150</b>	<b>46,731,524,175</b>
1. Short-term prepayments	151		4,054,001,027	4,965,225,386
2. Value added tax deductibles	152		17,499,822,292	19,717,004,415
3. Taxes and other receivables from the State budget	153	11	857,494,831	22,049,294,374
<b>B. NON-CURRENT ASSETS</b>	<b>200</b>		<b>321,610,907,712</b>	<b>286,154,745,479</b>
<b>I. Long-term receivables</b>	<b>210</b>		<b>209,177,230</b>	<b>492,891,775</b>
1. Other long-term receivables	216	7	209,177,230	492,891,775
<b>II. Fixed assets</b>	<b>220</b>		<b>300,051,361,656</b>	<b>239,550,120,596</b>
1. Tangible fixed assets	221	10	274,701,624,433	215,919,240,907
- Cost	222		460,453,732,348	392,459,188,148
- Accumulated depreciation	223		(185,752,107,915)	(176,539,947,241)
2. Intangible assets	227		25,349,737,223	23,630,879,689
- Cost	228		29,626,886,814	27,121,942,841
- Accumulated amortisation	229		(4,277,149,591)	(3,491,063,152)
<b>III. Long-term assets in progress</b>	<b>240</b>		-	<b>19,030,616,643</b>
1. Construction in progress	242		-	19,030,616,643
<b>IV. Long-term financial investments</b>	<b>250</b>		<b>7,780,107,520</b>	<b>11,656,877,590</b>
1. Investments in joint-ventures	252	12	7,780,107,520	11,656,877,590
<b>V. Other long-term assets</b>	<b>260</b>		<b>13,570,261,306</b>	<b>15,424,238,875</b>
1. Long-term prepayments	261		2,185,289,786	4,870,379,664
2. Deferred tax assets	262		11,384,971,520	10,553,859,211
<b>TOTAL ASSETS (270=100 + 200)</b>	<b>270</b>		<b>1,988,638,968,473</b>	<b>1,992,293,596,459</b>

The accompanying notes are an integral part of these consolidated financial statements

**CONSOLIDATED BALANCE SHEET (Continued)**

As at 31 December 2016

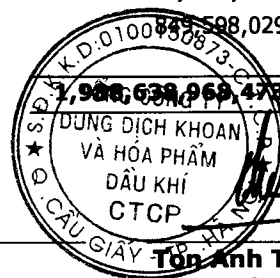
Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
<b>C. LIABILITIES</b>	<b>300</b>		<b>961,546,783,215</b>	<b>793,169,244,065</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>937,034,475,506</b>	<b>735,998,545,658</b>
1. Short-term trade payables	311	13	311,975,755,896	239,458,072,558
2. Short-term advances from customers	312		29,489,264,187	71,648,736,861
3. Taxes and amounts payable to the State budget	313	11	9,513,534,268	5,721,449,956
4. Payables to employees	314		7,209,288,677	12,578,784,318
5. Short-term accrued expenses	315		39,574,868,135	46,099,943,458
6. Short-term unearned revenue	318		885,813,140	1,025,678,373
7. Other current payables	319	14	7,587,212,579	9,820,422,679
8. Short-term loans and obligations under finance leases	320	15	505,445,181,201	330,134,443,475
9. Short-term provisions	321		5,991,494,012	1,208,167,279
10. Bonus and welfare funds	322		19,362,063,411	18,302,846,701
<b>II. Long-term liabilities</b>	<b>330</b>		<b>24,512,307,709</b>	<b>57,170,698,407</b>
1. Long-term loans and obligations under finance leases	338	16	8,986,094,201	41,539,900,982
2. Long-term provisions	342		300,725,953	-
3. Scientific and technological development fund	343		15,225,487,555	15,630,797,425
<b>D. EQUITY</b>	<b>400</b>		<b>1,027,092,185,258</b>	<b>1,199,124,352,394</b>
<b>I. Owners' equity</b>	<b>410</b>		<b>1,026,242,587,229</b>	<b>1,197,403,459,365</b>
1. Owners' contributed capital	411	17	500,000,000,000	500,000,000,000
- Ordinary shares carrying voting rights	411a		500,000,000,000	500,000,000,000
2. Share premium	412	17	18,965,245,000	18,965,245,000
3. Foreign exchange reserve	417	17	2,735,445,631	2,648,777,396
4. Investment and development fund	418	17	101,000,199,194	103,558,957,528
5. Retained earnings	421	17	217,240,717,903	357,850,340,189
- Retained earnings accumulated to the prior year end	421a		267,603,105,847	252,308,190,459
- Retained earnings of the current year	421b		(50,362,387,944)	105,542,149,730
6. Non-controlling interests	429		186,300,979,501	214,380,139,252
<b>II. Other resources and funds</b>	<b>430</b>		<b>849,598,029</b>	<b>1,720,893,029</b>
1. Subsidised funds	431		849,598,029	1,720,893,029
<b>TOTAL RESOURCES (440=300+400)</b>	<b>440</b>		<b>1,992,293,596,459</b>	<b>1,992,293,596,459</b>

Ta Dinh Khang  
Preparer

10 March 2017

Bui Tuan Ngoc  
Chief Accountant



Ton Anh Thi  
General Director

The accompanying notes are an integral part of these consolidated financial statements



**CONSOLIDATED INCOME STATEMENT**

For the year ended 31 December 2016

Unit: VND

ITEMS	Codes	Notes	Current year	Prior year
<b>1. Gross revenue from goods sold and services rendered</b>	<b>01</b>	<b>20</b>	<b>3,063,050,094,059</b>	<b>3,606,337,266,331</b>
2. Deductions	02	20	2,482,506,429	2,048,322,570
<b>3. Net revenue from goods sold and services rendered (10=01-02)</b>	<b>10</b>		<b>3,060,567,587,630</b>	<b>3,604,288,943,761</b>
4. Cost of sales	11		2,819,355,469,429	3,089,356,149,553
<b>5. Gross profit from revenue from goods sold and services rendered (20=10-11)</b>	<b>20</b>		<b>241,212,118,201</b>	<b>514,932,794,208</b>
6. Financial income	21	22	15,039,771,278	19,871,232,766
7. Financial expenses	22	23	37,866,613,376	41,437,312,158
- In which: Interest expense	23		19,845,246,814	18,180,642,361
8. Share of (loss) from joint ventures and associates	24		(3,963,438,305)	(1,693,276,604)
9. Selling expenses	25	24	65,819,358,209	75,850,808,455
10. General and administration expenses	26	24	172,074,563,978	204,047,905,701
<b>11. Operating (loss)/profit (30=20+(21-22)+24-(25+26))</b>	<b>30</b>		<b>(23,472,084,389)</b>	<b>211,774,724,056</b>
12. Other income	31		16,680,856,342	52,971,836,140
13. Other expenses	32		11,479,306,093	12,302,086,348
<b>14. Profit from other activities (40=31-32)</b>	<b>40</b>		<b>5,201,550,249</b>	<b>40,669,749,792</b>
<b>15. Accounting (loss)/profit before tax (50=30+40)</b>	<b>50</b>		<b>(18,270,534,140)</b>	<b>252,444,473,848</b>
16. Current corporate income tax expense	51		15,999,756,907	43,880,578,810
17. Deferred corporate tax (income)/expense	52		(831,112,309)	9,220,654,192
<b>18. Net (loss)/profit after corporate income tax (60=50-51-52)</b>	<b>60</b>		<b>(33,439,178,738)</b>	<b>199,343,240,846</b>
18.1. Equity holders of the Holding Company	61		(50,362,387,944)	105,542,149,730
18.2. Non-controlling interests	62		16,923,209,206	93,801,091,116
<b>19. Basic (loss)/earnings per share</b>	<b>70</b>	<b>25</b>	<b>(1,866)</b>	<b>1,788</b>

Ta Dinh Khang  
Preparer

10 March 2017

Bui Tuan Ngoc  
Chief Accountant

Fon Anh Thi  
General Director

The accompanying notes are an integral part of these consolidated financial statements

**CONSOLIDATED CASH FLOW STATEMENT**

*For the year ended 31 December 2016*

*Unit: VND*

ITEMS	Codes	Current year	Prior year
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>1. (Loss)/Profit before tax</b>	<b>01</b>	<b>(18,270,534,140)</b>	<b>252,444,473,848</b>
<b>2. Adjustments for:</b>			
Depreciation and amortisation of fixed assets	02	35,402,077,538	31,858,006,963
Provisions	03	32,679,388,475	14,733,354,130
Foreign exchange loss arising from translating foreign currency items	04	1,369,975,077	1,021,466,007
(Gain) from investing activities	05	(7,157,361,585)	(9,477,558,578)
Interest expense	06	19,845,246,814	18,180,642,361
Other adjustments	07	-	3,900,000,000
<b>3. Operating profit before movements in working capital</b>	<b>08</b>	<b>63,868,792,179</b>	<b>312,660,384,731</b>
Increase, decrease in receivables	09	(325,650,686,339)	95,517,306,237
Increase, decrease in inventories	10	244,759,596,838	121,646,084,398
Increase, decrease in payables (excluding accrued loan interest and corporate income tax payable)	11	(111,715,778,935)	(356,937,104,282)
Increase, decrease in prepaid expenses	12	3,172,297,795	13,500,107,133
Interest paid	14	(18,309,088,709)	(19,461,923,615)
Corporate income tax paid	15	(7,373,740,890)	(80,395,144,606)
Other cash inflows	16	1,157,705,000	1,928,000,000
Other cash outflows	17	(28,480,655,037)	(36,501,932,677)
<b>Net cash (used in)/generated by operating activities</b>	<b>20</b>	<b>(178,571,558,098)</b>	<b>51,955,777,319</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition and construction of fixed assets and other long-term assets	21	(13,079,110,021)	(33,871,305,807)
2. Proceeds from sale, disposal of fixed assets and other long-term assets	22	801,809,093	159,272,729
3. Cash outflow for lending, buying debt instruments of other entities	23	(11,500,000,000)	(5,013,517,649)
4. Cash recovered from lending, selling debt instruments of other entities	24	2,302,069,649	2,711,448,000
5. Cash recovered from investments in other entities	26	15,083,000,000	1,344,501,548
6. Interest earned, dividends and profits received	27	11,792,923,657	13,298,880,847
<b>Net cash generated by/(used in) investing activities</b>	<b>30</b>	<b>5,400,692,378</b>	<b>(21,370,720,332)</b>

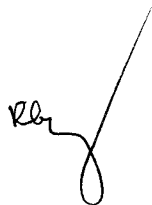
*The accompanying notes are an integral part of these consolidated financial statements*

**CONSOLIDATED CASH FLOW STATEMENT (Continued)**

For the year ended 31 December 2016

Unit: VND

ITEMS	Codes	Current year	Prior year
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Proceeds from borrowings	33	1,339,951,637,405	1,341,982,146,029
2. Repayment of borrowings	34	(1,204,901,385,407)	(1,497,509,726,391)
3. Dividends and profits paid	36	(69,959,770,730)	(59,984,700,340)
<b>Net cash generated by/(used in) financing activities</b>	<b>40</b>	<b>65,090,481,268</b>	<b>(215,512,280,702)</b>
<b>Net (decrease) in cash (50=20+30+40)</b>	<b>50</b>	<b>(108,080,384,452)</b>	<b>(184,927,223,715)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60</b>	<b>311,385,554,635</b>	<b>496,312,778,350</b>
<b>Cash and cash equivalents at the end of the year (70=50+60)</b>	<b>70</b>	<b>203,305,170,183</b>	<b>311,385,554,635</b>



**Ta Dinh Khang**  
Preparer

10 March 2017



**Bui Tuan Ngoc**  
Chief Accountant



**Top Anh Thi**  
General Director

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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

**1. GENERAL INFORMATION**

**Structure of ownership**

Drilling Mud Corporation (the "Corporation"), formerly known as Drilling Mud Joint Stock Company, was established and operates under Decision No. 1544/QĐ-TCCB dated 28 April 2005 issued by the Minister of Industry (currently known as the Ministry of Industry and Trade) on the basis of equitization of Drilling Mud Company which was a State-owned enterprise and an independent accounting member of Vietnam Oil and Gas Group. The Corporation was granted Business Registration Certificate for Joint Stock Company No. 0103009579 dated 18 October 2005 by Hanoi Authority for Planning and Investment.

The Corporation's Parent company is Vietnam Oil and Gas Group.

Shares of the Corporation are listed and traded on Hanoi Stock Exchange (HNX) with stock symbol of PVC.

The Corporation was granted the 18<sup>th</sup> Amendment dated 27 January 2015 issued by Hanoi Authority for Planning and Investment in respect of Business Registration Certificate for Joint Stock Company No. 0103009579 dated 18 October 2005, under which the Corporation's charter capital is VND 500,000,000,000, equivalent to 50,000,000 shares.

**Operating industry and principal activities**

- Conducting technology transfer research, providing drilling fluid service, oil wells completion and repair service, near wellbore zone treatment service, oil recovery enhancing service and other oil and gas engineering services;
- Producing drilling fluid and petrochemical, cement for drilling wells and other substances used for exploration drilling, exploitation, paper industry, steel rolling industry;
- Collecting, processing and recycling scrap and waste materials from oil and gas industry;
- Environmental treatment and environmental treatment technologies transfer;
- Trading chemicals (except for kinds prohibited by the State), chemical products, materials and equipment for oil and gas exploration, exploitation, transportation, storage, processing and other industries;
- Importing and exporting chemicals (except for kinds prohibited by the State), chemical products, equipment, raw materials for oil and gas industry, environmental treatment and pollution prevention service and other industries;
- Trading materials for industries;
- Trading gas and gas products, biofuels;
- Trading plastics in primary forms; wholesale of silk, fibers, textile fibers; wholesale of raw cotton fibers, dyes, auxiliary materials, packaging for textile industry;
- Trading additives for drilling fluid;
- Mining for bentonite, industrial sand, dolomite, kaolin, etc.

**Normal production and business cycle**

The Corporation's normal production and business cycle takes 12 months or less.

**The Corporation's structure**

Details of the Company's subsidiaries/joint venture and branches as at 31 December 2016 are as follows:

<b>Name</b>	<b>Place of incorporation and operation</b>	<b>Proportion of ownership interest %</b>	<b>Proportion of voting power held %</b>	<b>Principal activities</b>
<b>Subsidiaries</b>				
DMC - Northern Petroleum Chemicals Joint Stock Company	Hanoi	84.71	84.71	Manufacturing and trading drilling fluids and chemical products
DMC - Southern Petroleum Chemicals Joint Stock Company	Vung Tau	51.00	51.00	
DMC - Middle Land Petroleum Chemicals Joint Stock Company	Quang Ngai	75.42	75.42	
M-I Vietnam Drilling Fluids Company Limited	Vung Tau	51.00	51.00	Trading drilling fluids and providing drilling service
<b>Joint-ventures</b>				
DMC - VTS Joint Venture Co., Ltd.	Lao	38.61	38.61	Exploiting, processing and trading Barite

**Name of branches****Relationship**

Drilling Mud Corporation - Hanoi Branch	Dependent unit
Drilling Mud Corporation - Ho Chi Minh city Branch	Dependent unit
Branch of Research and Development and Technical Services Center	Dependent unit
Branch of Corporation - Drilling Fluids and Well Services Company (i)	Dependent unit

- (i) Branch of Corporation - Drilling Fluids and Well Services Company is established based on the dissolution of the Drilling Fluids and Well Services One Member Limited Liability Company according to Decision No. 2588/QĐ-DMC dated 28 December 2015. As at 01 January 2016, the Corporation has consolidated the outstanding data in the financial statements of the subsidiary at the time of dissolution, on as-is basis and, at the same time, taken over all rights and obligations related to this subsidiary.

**Disclosure of information comparability in the consolidated financial statements**

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

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

The accompanying consolidated 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.

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

**Financial year**

The Corporation's financial year begins on 01 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 No. 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. Accordingly, the Board of Directors has adopted Circular 53 in the preparation and presentation of the Corporation's consolidated financial statements for the year ended 31 December 2016.

**4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies, which have been adopted by the Corporation and its subsidiaries in the preparation of these consolidated financial statements, are as follows:

**Estimates**

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

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Corporation and enterprises controlled by the Corporation (its subsidiaries) up to 31 December each year. Control is achieved where the Corporation has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Corporation.

All significant intragroup transactions and balances between group enterprises are eliminated on consolidation.

Non-controlling interests consist of the amount of those non-controlling interests at the date of the original business combination and the non-controlling interests' share of changes in equity since the date of the combination. Losses in subsidiaries are respectively attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**Interests in joint ventures**

A joint venture is a contractual arrangement whereby the Corporation and other parties undertake an economic activity that is subject to joint control, i.e., the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Corporation reports its interests in jointly controlled entities using the equity method of accounting.

**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.

**Receivables**

Receivables represent the amount recoverable from customers or other debtors that 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 realizable value. Cost comprises direct materials and where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable 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 the 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 realizable 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 condition and location for their intended use.

The costs of self-constructed or manufactured assets are the actual construction or manufacturing cost plus installation and test running costs.

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

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	<u>Current year</u> (Years)
Buildings and structures	6 - 25
Machinery and equipment	5 - 12
Office equipment	3 - 5
Motor vehicles	6 - 8
Others	5 - 10

#### **Intangible assets and amortisation**

Intangible assets represent land use rights, international measurement units converter and accounting software. Land use rights are stated at cost less accumulated amortisation. Land use rights are amortized using the straight-line method over the duration of the right to use the land. International measurement unit converter and accounting software are amortized using the straight-line method over the period 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 costs that are necessary to form the assets in accordance with the Corporation's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

#### **Revenue recognition**

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

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

Revenue of a transaction involving the rendering of services is recognized 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 recognized 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 Corporation;
- (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.

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

Dividend income from investment is recognised when the Corporation's rights to receive payment has been established.



**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.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of DMC-VTS Joint Venture Company (including comparative figures) are translated to the reporting currency of the consolidated financial statements using the exchange rate prevailing on the balance sheet date. Income and expense items (including comparative figures) are translated to the reporting currency at the exchange rate ruling on transaction date. Foreign exchange differences arising, if any, are classified as equity and transferred to the Corporation's foreign exchange difference.

**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 No. 16 "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.

**Payable provisions**

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

**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 year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognized on significant differences between carrying amounts of assets and liabilities in the consolidated 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 recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realized. 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 tax authority and the Corporation 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> VND	<u>Opening balance</u> VND
Cash on hand	1,341,036,508	5,716,199,614
Bank demand deposits (i)	65,378,022,564	85,069,803,355
Cash equivalents (ii)	136,586,111,111	220,599,551,666
	<u>203,305,170,183</u>	<u>311,385,554,635</u>

(i) The outstanding balance as at 31 December 2016 of cash in bank includes the amount of VND 8,916,996,152 deposited at Ocean Commercial One Member Limited Liability Bank, which has been subject to restricted use. The Board of Directors evaluated that this amount will be used normally in the future upon availability of specific decisions/guidelines issued by the State Bank.

(ii) Cash equivalents represent time deposits at commercial banks with original terms up to 3 months with interest rates from 4.3% to 5%.

## 6. SHORT-TERM TRADE RECEIVABLES

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
<b>Short-term trade receivables</b>		
OPEC Plastics Joint Stock Company	573,682,505,602	187,051,197,082
Vietnam-Russia Vietsovetro Joint Venture	154,077,928,717	37,307,511,571
Hoang Long Company	34,180,108,291	-
Bien Dong POC	31,309,050,359	76,630,662,174
PetroVietnam Exploration Production Corporation (Block 102/10, 106/10)	26,111,502,210	26,111,502,210
Cuu Long Joint Operating Company	23,712,320,038	20,916,801,596
PetroVietnam Domestic Exploration Production Operating Company Limited (Block 09-2/09)	14,879,263,065	21,530,062,483
Khang Minh Development Investment Joint Stock Company	8,140,367,815	8,140,367,815
PC Vietnam Company Limited	4,909,262,160	13,936,438,019
Binh Son Refining and Petrochemical Company Limited (BSR)	5,242,337,718	21,498,400,740
Others	84,778,522,699	123,708,181,355
	<b><u>961,023,168,674</u></b>	<b><u>536,831,125,045</u></b>
<b>In which: Trade receivables from related parties (as presented in Note 27)</b>	<b><u>24,902,171,054</u></b>	<b><u>39,328,872,459</u></b>

## 7. OTHER RECEIVABLES

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
<b>a. Short-term</b>		
Receivable from employees	2,724,765,818	2,363,361,329
Petrowaco Property Joint Stock Company (Petrowaco)	1,911,373,000	1,996,800,000
EPP Vietnam Company Limited	1,738,445,215	-
Thanh Hoa Iron and Steel Joint Stock Company	1,433,519,972	1,433,519,972
Short-term deposits	498,674,223	1,078,232,911
Binh Son Refining and Petrochemical Company Limited (BSR)	-	7,199,636,364
Others	3,022,221,722	9,239,583,873
	<b><u>11,328,999,950</u></b>	<b><u>23,311,134,449</u></b>
<b>In which: Trade receivables from related parties (as presented in Note 27)</b>	<b><u>911,137,340</u></b>	<b><u>7,797,273,704</u></b>
<b>b. Long-term</b>		
Deposits	194,031,775	492,891,775
Others	15,145,455	-
	<b><u>209,177,230</u></b>	<b><u>492,891,775</u></b>

**DRILLING MUD CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**FORM B 09-DN/HN**

**8. BAD DEBTS**

Debtors	Closing balance			Opening balance		
	Cost	Recoverable amount (i)	Overdue	Cost	Recoverable amount (i)	Overdue
	VND	VND		VND	VND	
<b>Impaired receivables</b>	<b>142,832,267,974</b>	<b>96,711,743,644</b>		<b>61,245,354,537</b>	<b>40,369,647,959</b>	
Vietnam-Russia Joint Venture Vietsovetro	32,689,055,677	32,689,055,677	under 6 months	-	-	Not past due
Vietnam-Russia Joint Venture Vietsovetro	10,931,007,359	7,980,611,289	6 - 12 months	-	-	Not past due
PetroVietnam Exploration Production Corporation (Block 102/10, 106/10)	26,111,502,210	18,278,051,547	6 - 12 months	-	-	Not past due
DMC - VTS Joint Venture Company Limited	70,186,174	70,186,174	under 6 months	-	-	Not past due
DMC - VTS Joint Venture Company Limited	13,374,713,948	9,362,299,764	6 - 12 months	-	-	Not past due
DMC - VTS Joint Venture Company Limited	6,138,858,288	3,069,429,144	1 - 2 years	-	-	Not past due
PetroVietnam Domestic Exploration Production Operating Company Limited (Block 09-2/09)	2,120,173,483	2,120,173,483	under 6 months	-	-	Not past due
PetroVietnam Domestic Exploration Production Operating Company Limited (Block 09-2/09)	2,021,357,960	1,414,950,572	6 - 12 months	-	-	Not past due
PetroVietnam Domestic Exploration Production Operating Company Limited (Block 09-2/09)	10,737,731,622	5,368,865,811	1 - 2 years	10,737,731,622	10,737,731,622	under 6 months
Khang Minh Development and Investment Joint Stock Company	533,195,764	266,597,882	1 - 2 years	-	-	Not past due
Khang Minh Development and Investment Joint Stock Company	6,563,153,100	3,467,699,653	1 - 2 years	6,190,906,895	4,333,634,827	6 - 12 months
Khang Minh Development and Investment Joint Stock Company	-	-	1 - 2 years	9,206,875	4,603,438	1 - 2 years
Khang Minh Development and Investment Joint Stock Company	1,044,018,951	313,205,685	2 - 3 years	1,128,568,689	338,570,605	2 - 3 years
Phuc An Petroleum Services and Trading Company	5,749,338,314	1,724,801,494	2 - 3 years	5,749,338,314	2,874,669,157	1 - 2 years
Hanoi Petroleum Construction Joint Stock Company	2,737,079,920	-	more than 3 years	2,737,079,920	-	more than 3 years
Petroleum Real Estate Joint Stock Company	1,872,000,000	-	more than 3 years	1,872,000,000	-	more than 3 years
Petroleum Real Estate Joint Stock Company	124,800,000	-	more than 3 years	124,800,000	37,440,000	2 - 3 years
Thanh Hoa Iron and Steel Joint Stock Company	1,433,519,972	-	more than 3 years	1,433,519,972	-	more than 3 years
Others	18,580,575,232	10,585,815,469		31,262,202,250	22,042,998,310	

(i) Recoverable amount is determined at cost less provision for bad debts, which was made.

## 9. INVENTORIES

	Closing balance		Opening balance	
	Cost	Provision	Cost	Provision
	VND	VND	VND	VND
Goods in transit	2,892,236,260	-	28,377,663,591	-
Raw materials	22,128,325,318	-	24,934,433,906	-
Tools and supplies	1,365,849,123	-	2,371,183,145	-
Work in progress (i)	69,414,968,755	-	38,274,278,866	-
Finished goods	25,583,915,405	-	19,425,906,119	-
Merchandise (ii)	338,357,424,152	(36,224,713,529)	530,826,714,803	(33,573,469,539)
Goods on consignment (iii)	41,301,128,194	-	101,593,263,615	-
<b>Total</b>	<b>501,043,847,207</b>	<b>(36,224,713,529)</b>	<b>745,803,444,045</b>	<b>(33,573,469,539)</b>

(i) The balance of Work in progress as at 31 December 2016 consists of VND 13,194,865,784, which is the expense incurred corresponding to the excessive amount of revenue from contract No. CNT-6495-SCA-3 dated 30 October 2014 signed with JGCS Consortium on construction and installation of scaffolds at Nghi Son. The Corporation is in the process of negotiating a unit price for the excessive amount with the investor, therefore, the Board of Directors of the Corporation decided not to record the excessive revenue during the year and collect the incurred expenses to record in the item "Work in progress" on the consolidated balance sheet as at 31 December 2016. The Board of Directors believes that the excessive value of the contract will be approved by the investors higher than the amount of work in progress as at 31 December 2016.

(ii) Merchandise as at 31 December 2016 mainly includes KCL salt, Barite ore and chemicals use to make drilling mud. The Board of Directors of the Corporation firmly believes that the Corporation will sign a contract to sell the unsold goods with a higher amount than the book value as at 31 December 2016.

During the year, the Corporation made provision for devaluation of inventories with the amount of VND 2,651,243,990 (In 2015: provision of VND 12,589,830,819) because the net realizable value of merchandise was lower than its cost as at 31 December 2016.

(iii) The goods on consignment reflect the value of raw materials and goods that the Corporation has issued to the rig of the customer.

As at 31 December 2016, the Corporation has issued a number of goods to customers to use in their rigs to carry out the drilling work at a block under Petroleum Contract with the value of VND 6,268,207,328. At the date of preparing these consolidated financial statements, the Corporation is negotiating with customers on certain terms relating to the aforementioned transaction to formally sign the contract. The Board of Directors of the Corporation confirms that these goods existed as at 31 December 2016, owned by the Corporation and that the sale price of these goods is definitely greater than the cost.

**DRILLING MUD CORPORATION**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**FORM B 09-DN/HN**

**10. INCREASES, DECREASES IN TANGIBLE FIXED ASSETS**

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Others VND	Total VND
<b>COST</b>						
<b>Opening balance</b>	<b>151,811,376,945</b>	<b>144,125,896,548</b>	<b>52,249,976,644</b>	<b>7,474,505,874</b>	<b>36,797,432,137</b>	<b>392,459,188,148</b>
Transfer from construction in progress	1,808,627,819	82,736,404,690	-	-	-	84,545,032,509
Purchases	3,865,955,544	4,503,305,600	2,230,318,182	77,715,000	-	10,677,294,326
Disposals	-	(1,020,071,427)	(4,925,078,902)	-	-	(5,945,150,329)
Other decreases	(14,970,350)	(12,206,728,972)	(957,895,060)	(384,636,026)	(7,718,401,898)	(21,282,632,306)
<b>Closing balance</b>	<b>157,470,989,958</b>	<b>218,138,806,439</b>	<b>48,597,320,864</b>	<b>7,167,584,848</b>	<b>29,079,030,239</b>	<b>460,453,732,348</b>
<b>ACCUMULATED DEPRECIATION</b>						
<b>Opening balance</b>	<b>61,982,039,045</b>	<b>68,563,393,968</b>	<b>32,809,518,553</b>	<b>5,372,052,097</b>	<b>7,812,943,578</b>	<b>176,539,947,241</b>
Charge for the year	8,620,768,871	19,149,265,137	3,873,271,506	514,125,895	2,195,304,424	34,352,735,833
Disposals	-	(1,020,071,427)	(3,959,632,153)	-	-	(4,979,703,580)
Other decreases	(14,970,350)	(11,106,551,678)	(957,895,060)	(363,052,593)	(7,718,401,898)	(20,160,871,579)
<b>Closing balance</b>	<b>70,587,837,566</b>	<b>75,586,036,000</b>	<b>31,765,262,846</b>	<b>5,523,125,399</b>	<b>2,289,846,104</b>	<b>185,752,107,915</b>
<b>NET BOOK VALUE</b>						
<b>Opening balance</b>	<b>89,829,337,900</b>	<b>75,562,502,580</b>	<b>19,440,458,091</b>	<b>2,102,453,777</b>	<b>28,984,488,559</b>	<b>215,919,240,907</b>
<b>Closing balance</b>	<b>86,883,152,392</b>	<b>142,552,770,439</b>	<b>16,832,058,018</b>	<b>1,644,459,449</b>	<b>26,789,184,135</b>	<b>274,701,624,433</b>

The cost of the Corporation's tangible fixed assets which have been fully depreciated but are still in use as at 31 December 2016 was VND 80,020,725,506 (as at 31 December 2015: VND 66,130,821,849).

As presented in Note 16, the Corporation used its fixed assets of Petroleum Chemical Plant in Cai Mep with the carrying amount as at 31 December 2016 of VND 95,833,566,668 (31 December 2015: VND 103,312,551,152) as collateral for the long-term loans granted by Vietnam Joint Stock Commercial Bank for Industry and Trade - Ba Dinh branch.

As presented in Note 16, the Corporation used its fixed assets under the project "Base for providing DMC services at Vietsovpetro port" with the carrying amount as at 31 December 2016 of VND 26,665,660,615 as collateral for the long-term loans granted by Vietnam Joint Stock Commercial Bank for Industry and Trade - Vung Tau branch.

As presented in Note 16, the Corporation used its fixed assets under the project "Additional repair and construction of office at No. 319 Nguyen Cong Phuong, Quang Ngai City" with the carrying amount as at 31 December 2016 of VND 1,125,522,593 (31 December 2015: VND 1,245,973,841) as collateral for the long-term loans granted by Joint Stock Commercial Bank for Foreign Trade of Vietnam - Quang Ngai Branch.

**11. TAX AND OTHER RECEIVABLES FROM AND PAYABLES TO THE STATE BUDGET**

Items	Opening balance	Movement in year		Closing balance
		Payable	Amount paid	
	VND	VND	VND	VND
<b>a) Receivables</b>				
Output VAT	13,429,578,415	13,429,578,415	19,293,055	19,293,055
- Output VAT	13,429,578,415	13,429,578,415	19,293,055	19,293,055
Corporate income tax	8,139,902,953	7,805,616,338	111,873,614	446,160,229
Land rental fee	479,813,006	479,813,006	72,793,900	72,793,900
Other taxes	-	-	319,247,647	319,247,647
Personal income tax	-	-	319,247,647	319,247,647
<b>Total</b>	<b>22,049,294,374</b>	<b>21,715,007,759</b>	<b>523,208,216</b>	<b>857,494,831</b>
<b>b) Payables</b>				
VAT	659,245,466	113,755,285,684	109,259,072,869	5,155,458,281
- Output VAT	659,245,466	29,220,767,631	24,724,554,816	5,155,458,281
- VAT on imports	-	84,534,518,053	84,534,518,053	-
Import/export duties	-	6,376,988,956	6,376,988,956	-
Corporate income tax	1,188,651,329	8,260,930,941	7,261,867,276	2,187,714,994
Natural resources tax	188,460	2,016,360	2,075,940	128,880
Land rental fee	-	1,356,320,995	1,356,320,995	-
Other taxes	3,873,364,701	14,212,184,527	15,915,317,115	2,170,232,113
Business license tax	-	22,000,000	22,000,000	-
Personal income tax	2,775,452,593	11,745,104,968	13,051,160,820	1,469,396,741
Other taxes	1,097,912,108	2,445,079,559	2,842,156,295	700,835,372
Other payables	-	3,909,939,812	3,909,939,812	-
Others	-	3,909,939,812	3,909,939,812	-
<b>Total</b>	<b>5,721,449,956</b>	<b>147,873,667,275</b>	<b>144,081,582,963</b>	<b>9,513,534,268</b>

**12. INVESTMENTS IN JOINT VENTURE**

Investments in joint venture as at 31 December 2016 represent the value of capital contributed to DMC-VTS Joint Venture Company in accordance with Joint Venture Agreement No. 02/HDL/D/DMC-VTS dated 12 December 2009 with the duration of 15 years. The Joint Venture Company was established in Lao People's Democratic Republic on the basis of joint control between Vietnamese parties including Drilling Mud Corporation and Northeast Coal Corporation currently known as Quang Binh Import and Export Joint Stock Company, represented by the Corporation, and VTS Group. The Corporation holds 38.61% of the paid-in capital (as at 31 December 2015: 38.61%).

The figures of the joint venture's financial statements that were used for the preparation of the consolidated financial statements of the Corporation for the year ended 31 December 2016 were translated from the LAK denominated figures using the transfer exchange rates regulated by the State Bank of Vietnam. The translated figures are the ones as at 31 December 2016 and 31 December 2015.

Summarized financial information in respect of the Corporation's joint venture is set out follows:

	Closing balance	Opening balance	Closing balance	Opening balance
	LAK	LAK	VND equivalent	VND equivalent
Total assets	23,466,262,813.17	28,073,647,172.98	63,593,572,224	75,518,110,895
Total liabilities	16,030,274,168.98	16,849,525,505.35	43,442,042,998	45,325,223,609
Net assets	<u>7,435,988,644.19</u>	<u>11,224,121,667.63</u>	<u>20,151,529,226</u>	<u>30,192,887,286</u>
Exchange rates			2.71	2.69
The Corporation's share of joint venture's net assets	<u>2,870,888,383.82</u>	<u>4,333,411,743.36</u>	<u>7,780,107,520</u>	<u>11,656,877,590</u>

### 13. SHORT-TERM TRADE PAYABLES

	Closing balance	Opening balance
	VND	VND
	Amount/Amount likely to be paid off	Amount/Amount likely to be paid off
<b>Short-term trade payables</b>		
Trade payable related to purchasing goods from Vinomig Singapore Pte, Ltd (*)	116,381,806,950	-
Binh Son Refining and Petrochemical Company Limited (BSR)	47,853,678,451	105,330,945,335
Vietnam-Japan Technology and Science Equipment Company Limited	31,306,008,278	-
Boilermaster Vietnam Company Limited	24,262,731,945	25,732,811,772
PTSC Supply Base - Branch of PetroVietnam Technical Services Corporation	20,447,049,925	8,773,555,255
M-I Holdings L.L.C	3,457,556,060	12,130,605,375
Phu Thinh Manufacturing and Import Export Joint Stock Company	1,958,848,000	11,148,043,800
Schlumberger Drilling (Singapore) Pte. Ltd	-	24,561,674,585
Others	66,308,076,287	51,780,436,436
	<u>311,975,755,896</u>	<u>239,458,072,558</u>
<b>In which: Trade payables to related parties (as presented in Note 27)</b>	<u>59,798,312,080</u>	<u>115,847,801,510</u>

(\*) Trade payables related to contracts of purchasing PP plastic grain of Vinomig Singapore Pte, Ltd. based on UPAS L/C - Usance payable at sight Letter of credit method of Vietnam Public Joint Stock Commercial Bank ("PVCombank"). In according to these contracts, Vinomig Singapore Pte, Ltd could be paid immediately by bank and the Corporation could make payment in arrears within 6 months.



## 14. OTHER SHORT-TERM PAYABLES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
	Amount/Amount likely to be paid off	Amount/Amount likely to be paid off
Dividends payable	1,346,943,847	1,306,714,577
Surpluses in assets awaiting solution	-	5,825,680,896
Social insurance	54,584,731	-
Trade union fee	171,542,340	116,342,382
Health insurance	87,257,191	-
Unemployment insurance	15,422,132	-
Others	5,911,462,338	2,571,684,824
	<b><u>7,587,212,579</u></b>	<b><u>9,820,422,679</u></b>
<b>Trade payables to related parties (as presented in Note 27)</b>	<b>-</b>	<b><u>1,000,000,000</u></b>

## 15. SHORT-TERM LOANS AND OBLIGATIONS UNDER FINANCIAL LEASES

Items	Opening balance		In the year		Closing balance	
	Amount	Amount likely to be repaid	Increases	Decreases	Amount	Amount likely to be repaid
	VND	VND	VND	VND	VND	VND
Short-term loans (*)	310,815,895,501	310,815,895,501	1,339,951,637,405	1,177,876,158,486	472,891,374,420	472,891,374,420
Current portion of long-term loans (see Note 16)	19,318,547,974	19,318,547,974	32,553,806,781	19,318,547,974	32,553,806,781	32,553,806,781
<b>Total</b>	<b><u>330,134,443,475</u></b>	<b><u>330,134,443,475</u></b>	<b><u>1,372,505,444,186</u></b>	<b><u>1,197,194,706,460</u></b>	<b><u>505,445,181,201</u></b>	<b><u>505,445,181,201</u></b>

(\*) Short-term borrowings include the loans obtained from the banks and financial institutions as follows:

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
<b>Short-term loans</b>	<b>472,891,374,420</b>	<b>310,815,895,501</b>
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Ha Tay Branch (i)	170,757,064,019	148,323,906,348
Citibank. N.A - Hanoi Branch (ii)	131,478,535,695	5,072,100,490
Tien Phong Joint Stock Commercial Bank (iii)	120,428,427,838	-
HSBC Bank (Vietnam) Limited - Hanoi Branch (iv)	27,404,633,150	-
Joint Stock Commercial Bank for Investment and Development of Vietnam - Operation Centre 3 (v)	17,767,600,868	2,671,550,000
Shinhan Bank Vietnam Limited - Hanoi Branch	3,055,112,850	-
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Quang Ngai Branch	2,000,000,000	-
Military Commercial Joint Stock Bank - Thang Long Branch	-	49,471,924,604
Vietnam International Joint Stock Commercial Bank - Ly Thuong Kiet Branch	-	51,910,686,000
Vietnam Joint Stock Commercial Bank for Industry and Trade - Vung Tau Branch	-	15,000,000,000
Vietnam Public Joint Stock Commercial Bank	-	16,786,236,099
Vietnam Joint Stock Commercial Bank for Industry and Trade - Vung Tau Branch	-	15,000,000,000
Vietnam International Joint Stock Commercial Bank - Vung Tau Branch	-	6,579,491,960
<b>Current portion of long-term loans</b>	<b>32,553,806,781</b>	<b>19,318,547,974</b>
	<b>505,445,181,201</b>	<b>330,134,443,475</b>

- (i) Unsecured short-term loans obtained from Joint Stock Commercial Bank for Foreign Trade of Vietnam - Ha Tay Branch under Credit Contract No. 44/CTD/16/KHDN/VCBHT-DMC dated 29 June 2016 with the credit limit of VND 200 billion for 12 months. The loan term is specified in each debenture but not exceeding 6 months from the drawdown date. The loan purpose is to supplement working capital for the Corporation's business activities. Interest is payable from the 26<sup>th</sup> day to the last day of each month.
- (ii) Unsecured short-term loans obtained from Citibank, N.A - Hanoi Branch under Credit Letter dated 31 August 2016 with the credit limit of USD 10,000,000 and the loan term is specified in each debenture but not exceeding 6 months from the drawdown date. The loan purpose is to supplement working capital for the Corporation's business activities.
- (iii) Unsecured short-term loans obtained from Tien Phong Joint Stock Commercial Bank under Credit Contract No. 06-28.16.1/HDTD/TPBANK dated 11 July 2016 with the credit limit of VND 150 billion for 12 months. The loan term is specified in each debenture but not exceeding 6 months from the drawdown date. The loan purpose is to supplement working capital for the Corporation's business activities.

- (iv) Unsecured short-term loans obtained from HSBC Bank (Vietnam) Limited - Hanoi branch under General Agreement on Credit of HSBC Bank (Vietnam) Limited - Hanoi Branch dated 24 August 2016 with the credit limit of USD 10,000,000 and the loan term is specified in each debenture but not exceeding 6 months from the drawdown date. The loan purpose is to supplement working capital for the Corporation's business activities.
- (v) Unsecured short-term loans obtained from Joint Stock Commercial Bank for Investment and Development of Vietnam - Operation Centre 3 under Credit Contract No. 01/2016/2436791/HDTD dated 18 July 2016 with the credit limit of VND 100 billion for 12 months. The loan term is specified in each debenture. The loan purpose is to supplement working capital, issue guarantee letter, open L/C for the Corporation's business activities.

#### 16. LONG-TERM LOANS AND OBLIGATIONS UNDER FINANCIAL LEASES

Items	Opening balance		In the year		Closing balance	
	Amount	Amount likely to be repaid	Increases	Decreases	Amount	Amount likely to be repaid
	VND	VND	VND	VND	VND	VND
Long-term loans	60,858,448,956	60,858,448,956	-	19,318,547,974	41,539,900,982	41,539,900,982
<b>Total</b>	<b>60,858,448,956</b>	<b>60,858,448,956</b>	<b>-</b>	<b>19,318,547,974</b>	<b>41,539,900,982</b>	<b>41,539,900,982</b>

##### In which:

Amount due for settlement within 12 months	19,318,547,974	32,553,806,781
Amount due for settlement after 12 months	41,539,900,982	8,986,094,201

	Closing balance	Opening balance
	VND	VND
<b>Long-term loans</b>		
Vietnam Joint Stock Commercial Bank for Industry and Trade - Ba Dinh branch (i)	-	26,470,517,613
Vietnam Joint Stock Commercial Bank for Industry and Trade - Vung Tau branch (ii)	8,483,767,901	14,413,057,069
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Quang Ngai branch (iii)	502,326,300	656,326,300
	<b>8,986,094,201</b>	<b>41,539,900,982</b>

- (i) Representing the long-term loan obtained from Vietnam Joint Stock Commercial Bank for Industry and Trade - Ba Dinh Branch under Credit Contract No. 02-2011/HDTD dated 27 October 2011 with the credit limit of VND 104 billion. The loan term is 84 months and the grace period for loan principal is 12 months from the first disbursement date. The interest rate is adjusted once per month and is calculated at the VND saving interest rate (with interest paid in arrears) plus (+) the margin specified for each period (the margin at the signing date is 4.5% per annum). Overdue interest rate is equal to 150% of the due interest rate. The loan is used to pay for the expenses incurred by Cai Mep Petrochemical Plant Project. The loan is secured by fixed assets formed from the Project, regular deposits at Vietnam Joint Stock Commercial Bank for Industry and Trade - Ba Dinh Branch and leased-land use rights related to the land located at Cai Mep Industrial Zone. The Corporation has made early repayment for all this loan balance as at 31 December 2016 on 05 January 2017.
- (ii) Represents the long-term loans obtained from Vietnam Joint Stock Commercial Bank for Industry and Trade - Vung Tau Branch under Credit Contract No. 7053/2013-HDDTDDDDA/NHCT880-DMCWS dated 14 November 2013 with the credit limit of VND 31,680,000,000. The loan is used to pay for the expenses incurred from the Project "Base for providing DMC Services at Vietsopetro Port". The interest is calculated at the base rate plus (+) the margin of 5% per annum and is adjusted every three months. Interest is paid on the 25<sup>th</sup> day every month. The loan is secured by assets formed from the loan.
- (iii) Represents the long-term loans obtained from Joint Stock Commercial Bank for Foreign Trade of Vietnam - Quang Ngai Branch under Credit Contract No. 340/13/NHNT.QNg dated 16 October 2013 with the credit limit of VND 1,120,730,000. The loan is used to pay for the legal and reasonable expenses incurred from the Project "Additional repair and construction of Office at No. 391 Nguyen Cong Phuong Street, Quang Ngai city". The loan term is 84 months from the first disbursement date. The withdrawal period is maximum of 6 months from the effective date of the contract. The interest is adjusted every 3 months and applies medium and long-term interest rate for small and medium-sized enterprises for their business activities. The collateral are all of the constructions on the land of the project.

Long-term loans are repayable as follows:

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Within one year	32,553,806,781	19,318,547,974
In the second year	6,083,289,168	19,318,547,974
In the third to fifth year inclusive	2,902,805,033	22,027,026,708
After five years	-	194,326,300
<b>Total</b>	<b><u>41,539,900,982</u></b>	<b><u>60,858,448,956</u></b>
Less: Amount due for settlement within 12 months (shown under short-term loans and obligations under finance lease - Note 15)	32,553,806,781	19,318,547,974
<b>Amount due for settlement after 12 months</b>	<b><u>8,986,094,201</u></b>	<b><u>41,539,900,982</u></b>

17. OWNERS' EQUITY

Movement in owners' equity

	Owners' contributed capital VND	Share premium VND	Foreign exchange reserve VND	Investment and development fund VND	Retained earnings VND	Total VND
<b>Prior year's opening balance</b>	<b>500,000,000,000</b>	<b>18,965,245,000</b>	<b>2,949,256,345</b>	<b>96,518,418,222</b>	<b>351,889,423,040</b>	<b>970,322,342,607</b>
Profit after tax for the year	-	-	-	-	105,542,149,730	105,542,149,730
Foreign exchange difference due to effect of translation of financial statements	-	-	(300,478,949)	-	300,478,949	-
Funds distribution	-	-	-	7,553,253,309	(7,553,253,309)	-
Appropriation of bonus and welfare funds and Executive boards bonus fund	-	-	-	-	(32,297,557,118)	(32,297,557,118)
Dividends declared	-	-	-	-	(60,000,000,000)	(60,000,000,000)
Other decreases	-	-	-	(512,714,003)	(30,901,103)	(543,615,106)
<b>Current year's opening balance</b>	<b>500,000,000,000</b>	<b>18,965,245,000</b>	<b>2,648,777,396</b>	<b>103,558,957,528</b>	<b>357,850,340,189</b>	<b>983,023,320,113</b>
Profit after tax for the year	-	-	-	-	(50,362,387,944)	(50,362,387,944)
Foreign exchange difference due to effect of translation of financial statements	-	-	86,668,235	-	-	86,668,235
Appropriation of bonus and welfare funds and Executive boards bonus fund (i)	-	-	-	-	(27,593,902,862)	(27,593,902,862)
Dividends declared (i)	-	-	-	-	(70,000,000,000)	(70,000,000,000)
Other decreases	-	-	-	(2,558,758,334)	7,346,668,520	4,787,910,186
<b>Current year's closing balance</b>	<b>500,000,000,000</b>	<b>18,965,245,000</b>	<b>2,735,445,631</b>	<b>101,000,199,194</b>	<b>217,240,717,903</b>	<b>839,941,607,728</b>

(i) The Corporation distributed funds and declared dividends to its shareholders in accordance with Resolution No. 661/NQ-DMC on 25 April 2016 of 2016 Annual General Meeting of Shareholders on allocating funds and dividends from the profit of the year 2015.

	<u>Closing balance</u>	<u>Opening balance</u>
<b>Shares</b>		
Number of shares issued to the public		
+) Ordinary shares	50,000,000	50,000,000
Number of outstanding shares in circulation		
+) Ordinary shares	50,000,000	50,000,000

An ordinary share has par value of VND 10,000.

#### Charter capital and investment capital

Under the 18<sup>th</sup> amended Business Registration Certificate dated 27 January 2015, the Corporation's charter capital is VND 500,000,000,000.

As at 31 December 2016, the charter capital had been fully contributed by the shareholders as follows:

Shareholders	Per the 18th amended Business		Contributed Capital	
	Registration Certificate		Closing balance	Opening balance
	VND	%	VND	VND
Vietnam Oil and Gas Group	179,996,190,000	36.0	179,996,190,000	179,996,190,000
Halley Sicav - Halley Asian Prosperity	45,185,000,000	9.0	45,185,000,000	35,857,000,000
Others	274,818,810,000	55.0	274,818,810,000	284,146,810,000
	<b>500,000,000,000</b>	<b>100%</b>	<b>500,000,000,000</b>	<b>500,000,000,000</b>

**18. OFF-BALANCE SHEET ITEMS**

	Unit	<u>Closing balance</u>	<u>Opening balance</u>
<b>Foreign currencies</b>			
United States Dollars	USD	183,555	311,850
Japanese Yen	JPY	33,597	715,049
<b>Bad debts written off</b>		<b>4,053,407,659</b>	<b>4,053,407,659</b>
Vinh Thinh Co., Ltd. (Reason for writing-off: liquidation)	VND	644,135,000	644,135,000
Nacap BHD (Reason for writing-off: project budget ran out)	VND	3,058,294,261	3,058,294,261
Qinhdao Chemical Co., Ltd. (Reason for writing-off: liquidation)	VND	101,882,720	101,882,720
Sanh Chau - Nui Thanh Quang Nam store (Reason for writing-off: liquidation)	VND	12,977,178	12,977,178
My Thinh Co., Ltd. (Reason for writing-off: cost of debt collection may exceed amount to be collected)	VND	772,500	772,500
Delta Sai Gon Company (Reason for writing-off: liquidation)	VND	20,280,000	20,280,000
Khanh Diep bulk store (Reason for writing-off: liquidation)	VND	5,000,000	5,000,000
LICOGI (Reason for writing-off: cost of debt collection may exceed amount to be collected)	VND	78,440,000	78,440,000
Hoang My Private Company (Reason for writing-off: cost of debt collection may exceed amount to be collected)	VND	60,040,000	60,040,000
565 JSC. (Reason for writing-off: cost of debt collection may exceed amount to be collected)	VND	47,850,000	47,850,000
Yu Yee Engineering Pte Ltd. (Reason for writing-off: cost of debt collection may exceed amount to be collected)	VND	23,736,000	23,736,000

**19. BUSINESS AND GEOGRAPHICAL SEGMENTS****Business segments**

For management purposes, the Corporation is currently organized into two operating divisions - Petroleum chemical products and others, and Drilling fluid. These divisions are the basis on which the Corporation reports its primary segment information.

Business segment information is as follows:

**The year ended 31 December 2016****Consolidated Balance Sheet**

	<u>Petroleum chemical products and others</u>	<u>Drilling fluid</u>	<u>Elimination</u>	<u>Total</u>
	<u>Closing balance</u>	<u>Closing balance</u>	<u>Closing balance</u>	<u>Closing balance</u>
	VND	VND	VND	VND
<b>Assets</b>				
Segment assets	1,797,673,034,033	502,193,208,356	(306,237,725,556)	1,993,628,516,833
Share of (loss) in joint venture	(4,989,548,360)	-	-	(4,989,548,360)
<b>Total consolidated assets</b>				<b>1,988,638,968,473</b>
<b>Liabilities</b>				
Segment liabilities	1,006,917,627,864	170,308,015,587	(215,678,860,236)	961,546,783,215
<b>Total consolidated liabilities</b>				<b>961,546,783,215</b>

## Consolidated Income Statement

	Petroleum chemical products and others	Drilling fluid	Elimination	Total
	Current year	Current year	Current year	Current year
	VND	VND	VND	VND
<b>Revenue</b>				
External sales	2,570,609,175,565	489,958,412,065	-	3,060,567,587,630
Inter-segment sales	223,352,613,303	41,069,185,821	(264,421,799,124)	-
<b>Total revenue</b>	<b>2,793,961,788,868</b>	<b>531,027,597,886</b>	<b>(264,421,799,124)</b>	<b>3,060,567,587,630</b>
Operating expenses	2,662,383,409,161	418,346,221,578	(261,374,161,310)	2,819,355,469,429
<b>Segment result</b>	<b>131,578,379,707</b>	<b>112,681,376,308</b>	<b>(3,047,637,814)</b>	<b>241,212,118,201</b>
Unallocated expenses				237,893,922,187
<b>Operating profit</b>				<b>3,318,196,014</b>
Share of (loss) in joint venture				(3,963,438,305)
Other profit				5,201,550,249
Finance expenses				22,826,842,098
<b>(Loss) before tax</b>				<b>(18,270,534,140)</b>
Corporated income tax expense				15,168,644,598
<b>(Loss) for the year</b>				<b>(33,439,178,738)</b>

## The year ended 31 December 2015

## Consolidated Balance Sheet

	Petroleum chemical products and others	Drilling fluid	Elimination	Total
	Opening balance	Opening balance	Opening balance	Opening balance
	VND	VND	VND	VND
<b>Assets</b>				
Segment assets	1,756,084,633,507	600,427,448,737	(362,525,209,181)	1,993,986,873,063
Share of (loss) in joint venture	(1,693,276,604)			(1,693,276,604)
<b>Total consolidated assets</b>				<b>1,992,293,596,459</b>
<b>Liabilities</b>				
Segment liabilities	760,911,088,385	189,791,898,726	(157,533,743,046)	793,169,244,065
<b>Total consolidated liabilities</b>				<b>793,169,244,065</b>



## The year ended 31 December 2015

## Consolidated Income Statement

	<u>Petroleum chemical products and others</u>	<u>Drilling fluid</u>	<u>Elimination</u>	<u>Total</u>
	<u>Prior year</u>	<u>Prior year</u>	<u>Prior year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>	<u>VND</u>	<u>VND</u>
<b>Revenue</b>				
External sales	2,565,218,322,101	1,039,070,621,660	-	3,604,288,943,761
Inter-segment sales	459,288,960,665	115,882,521,787	(575,171,482,452)	-
<b>Total revenue</b>	<b>3,024,507,282,766</b>	<b>1,154,953,143,447</b>	<b>(575,171,482,452)</b>	<b>3,604,288,943,761</b>
Operating expenses	2,771,128,989,485	841,389,550,641	(523,162,390,573)	3,089,356,149,553
<b>Segment result</b>	<b>253,378,293,281</b>	<b>313,563,592,806</b>	<b>(52,009,091,879)</b>	<b>514,932,794,208</b>
Unallocated expenses				279,898,714,156
<b>Operating profit</b>				<b>235,034,080,052</b>
Share of (loss) in joint venture				(1,693,276,604)
Other profit				40,669,749,792
Finance expenses				21,566,079,392
<b>Profit before tax</b>				<b>252,444,473,848</b>
Corporate income tax expense				53,101,233,002
<b>Profit for the year</b>				<b>199,343,240,846</b>

## Geographical segments

The Corporation's operations are located in the North, Central and South of Vietnam. The Corporation's Petroleum chemical products and others are located in three regions, Drilling fluid is carried out in the South only.

The following table provides an analysis of the Corporation's sales by geographical segment, irrespective of the origin of the goods, services.

<b>Revenue by geographical segments</b>	<u>Current year</u>	<u>Prior year</u>
	<u>VND</u>	<u>VND</u>
Northern Vietnam	2,330,606,806,416	1,969,150,612,742
Central Vietnam	288,962,009,208	221,671,568,317
Southern Vietnam	705,420,571,130	1,988,638,245,154
Elimination on consolidation	(264,421,799,124)	(575,171,482,452)
	<b>3,060,567,587,630</b>	<b>3,604,288,943,761</b>

The following is an analysis of the carrying amount of segment assets, and increase in tangible assets and intangible assets, analysed by the geographical area in which the assets are located.

	Carrying amount of segment assets		Increase in tangible and intangible assets	
	Closing balance	Opening balance	Current year	Prior year
	VND	VND	VND	VND
Northern Vietnam	1,591,587,648,810	1,271,866,696,869	66,344,596,296	2,651,545,180
Central Vietnam	45,856,964,996	54,260,053,207	167,394,944	449,255,572
Southern Vietnam	662,421,628,583	1,030,385,332,168	7,145,907,485	7,780,896,215
Elimination on consolidation	(311,227,273,916)	(364,218,485,785)	-	-
	<b>1,988,638,968,473</b>	<b>1,992,293,596,459</b>	<b>73,657,898,725</b>	<b>10,881,696,967</b>

## 20. REVENUE

	Current year	Prior year
	VND	VND
<b>Sales of merchandise and services</b>		
<i>In which:</i>		
- Sales of finished goods/merchandise	2,700,967,275,913	3,050,319,190,538
- Sales of services	362,082,818,146	556,018,075,793
	<b>3,063,050,094,059</b>	<b>3,606,337,266,331</b>
<b>Deductions</b>		
- Sales discount	-	87,696,000
- Trade discount	2,133,364,844	-
- Sales return	349,141,585	1,960,626,570
	<b>2,482,506,429</b>	<b>2,048,322,570</b>
<b>In which: Revenue from related parties (as presented in Note 27)</b>	<b>101,218,558,699</b>	<b>133,257,914,861</b>

In 2016, according to the sales order and handover minutes of the customer, the Corporation has issued some goods which were used by the customers in the rigs for the drilling work in a Block under Petroleum Contract with a value of VND 21,103,916,718 (including other related costs). The Corporation is negotiating with customers on some terms related to the transaction mentioned above to formally sign the contract. The Board of Directors of the Corporation has prudently assessed and firmly believed that the selling price under the official agreement will not be lower than the book value of the goods and related expenses. Therefore, the Corporation decided to recognize sales and cost of goods sold and services rendered at the same amount of VND 21,103,916,718 in 2016.

**21. PRODUCTION COST BY NATURE**

	<u>Current year</u> VND	<u>Prior year</u> VND
Raw materials and consumables	41,577,496,746	71,169,480,438
Labour	94,195,274,125	160,928,757,741
Depreciation and amortisation	33,187,724,842	31,858,006,963
Out-sourced services	283,917,261,400	537,765,662,400
Other monetary expenses	60,841,076,826	153,088,304,302
	<b>513,718,833,939</b>	<b>954,810,211,844</b>

**22. FINANCIAL INCOME**

	<u>Current year</u> VND	<u>Prior year</u> VND
Bank interest	11,284,437,546	13,138,059,137
Foreign exchange gain	3,488,208,555	6,603,832,974
Other financial income	267,125,177	129,340,655
	<b>15,039,771,278</b>	<b>19,871,232,766</b>

**23. FINANCIAL EXPENSES**

	<u>Current year</u> VND	<u>Prior year</u> VND
Interest expense	19,845,246,814	18,180,642,361
Salary for financing activities	3,040,607,317	4,756,885,032
Foreign exchange loss	2,865,813,962	17,624,843,314
Other financial expenses	12,114,945,283	874,941,451
	<b>37,866,613,376</b>	<b>41,437,312,158</b>

**24. SELLING EXPENSES AND GENERAL AND ADMINISTRATION EXPENSES**

	<u>Current year</u> VND	<u>Prior year</u> VND
<b>General and administration expenses during the year</b>		
Labour	58,266,560,681	60,347,637,248
Out-sourced services	40,344,090,230	19,955,439,374
Provisions	27,281,281,270	1,537,679,365
Others	46,182,631,797	122,207,149,714
	<b>172,074,563,978</b>	<b>204,047,905,701</b>
<b>Selling expenses during the year</b>		
Transportation	29,093,712,924	27,049,640,676
Out-sourced services	18,711,961,698	17,326,998,793
Labour	6,197,497,780	10,269,446,736
Others	11,816,185,807	21,204,722,250
	<b>65,819,358,209</b>	<b>75,850,808,455</b>

**25. BASIC (LOSS)/EARNINGS PER SHARE**

The calculation of the basic (loss)/earnings per share possibly attributable to the ordinary equity holders of the Corporation is based on the following data:

	<u>Current year</u>	<u>Prior year</u>
<b>(Loss)/profit after tax attributable to shareholders of the parent company (VND)</b>	<b>(50,362,387,944)</b>	<b>105,542,149,730</b>
Estimated bonus and welfare funds	(8,929,251,382)	(16,165,120,403)
<b>(Loss)/earnings for the purposes of calculating basic earnings per share (VND)</b>	<b>(59,291,639,326)</b>	<b>89,377,029,327</b>
Weighted average number of ordinary shares in circulation (shares)	50,000,000	50,000,000
<b>(Loss)/earnings per share (VND/share)</b>	<b>(1,186)</b>	<b>1,788</b>

**26. OPERATING LEASE COMMITMENTS**

In 2010, the Corporation had an operating lease commitment related to its head office located at Vietnam Petroleum Institute Tower at No. 173 Trung Kinh street, Cau Giay, Hanoi (currently known as No. 167 Trung Kinh street, Cau Giay, Hanoi) under office lease Contract No. 2917/2010/HD-VDKVN dated 21 December 2010 for the term of 50 years from the date of space hand-over (10 August 2010). The leasing area is 3,060 m<sup>2</sup> at the rental charge of VND 41,000,000/m<sup>2</sup>/50 years. The total contract value of VND 125,460,000,000 (excluding VAT) will be payable for 10 years, twice a year every 01 January and 01 July. The funding cost of 10% per year is calculated on the unpaid amount.

On 24 April 2014, the Corporation and Vietnam Petroleum Institute joined a meeting discussing the reduction in the leasing area on the 7<sup>th</sup> floor, Vietnam Petroleum Institute Tower, No. 167 Trung Kinh street, Cau Giay district, Hanoi, therefore, the total leasing area is 2,680 m<sup>2</sup>.

Two parties signed Appendix No. 6 on 02 December 2015 to revise and supplement some provisions of Contract No. 2917/2010/HD-VDKVN dated 21 December 2010; therefore, from 21 September 2015 the rental charge shall be VND 251,160/m<sup>2</sup>/month, the rental charge exclude VAT, administration fee, building operating and other fees. The rental fee is paid on a quarterly basic.

**27. RELATED PARTY TRANSACTIONS AND BALANCES**

List of related parties with significant transactions and balances for the year:

<b><u>Related parties</u></b>	<b><u>Relationship</u></b>
Vietnam Oil and Gas Group	Parent Company
DMC - VTS Joint Venture Co., Ltd.	Joint Venture
PetroVietnam Fertilizer and Chemicals Corporation	Affiliate
Branch of PetroVietnam Fertilizer and Chemicals Corporation- Phu My Fertilizer Plant	Affiliate
PetroVietnam Vung Ang-Quang Trach Power Project Management Board	Affiliate
Branch of PV Oil - Mien Dong Petroleum Depot	Affiliate
Petrosetco branch - PetroVietnam Industrial Materials Distribution Company	Affiliate
Indochina Petroleum Transportation Joint Stock Company	Affiliate
PTSC Quang Ngai Petroleum Services Joint Stock Company	Affiliate
Dung Quat Shipbuilding Industry One Member Company Limited	Affiliate
Binh Son Refining and Petrochemical Company Limited (BSR)	Affiliate
PetroVietnam Ca Mau Fertilizer Joint Stock Company (PVCFC)	Affiliate
Branch of PetroVietnam Power Corporation - Ca Mau Petro Power Company	Affiliate
PetroVietnam Thai Binh Power Project No.2 Management Board	Affiliate
PetroVietnam Transportation Hanoi Joint Stock Company	Affiliate
PVI Hanoi	Affiliate
PetroVietnam Oil Hanoi Joint Stock Company	Affiliate
Petroleum Pipeline and Tank Construction Joint Stock Company	Affiliate
Vietnam Petroleum Institute	Affiliate
Southeast PetroVietnam Fertilizer and Chemicals Joint Stock Company	Affiliate
PTSC Supply Base - Branch of PetroVietnam Technical Services Corporation	Affiliate
PetroVietnam Long Phu - Song Hau Power Project Management Board	Affiliate
PetroVietnam Gas Joint Stock Corporation	Affiliate
PetroVietnam Engineering Consultancy Joint Stock Company	Affiliate
PetroVietnam Energy Technology Corporation - Hanoi Branch	Affiliate

<b><u>Related parties</u></b>	<b><u>Relationship</u></b>
PetroVietnam Coating Joint Stock Company	Affiliate
PetroVietnam Petrochemical and Textile Fiber Joint Stock Company	Affiliate
Branch of PetroVietnam Power Corporation - Nhon Trach Petro Power Company	Affiliate
PetroVietnam Nhon Trach 2 Power Joint Stock Company	Affiliate
Branch of PetroVietnam Transportation Corporation - PVTrans OilField Services	Affiliate
Research and Development Center for Petroleum Processing - Branch of Vietnam Petroleum Institute	Affiliate
Thai Binh II Thermal Power Plant Project Execution Board	Affiliate
Branch of PetroVietnam Fertilizer and Chemicals Corporation - Phu My Fertilizer Plant	Affiliate
PetroVietnam Security Service Corporation	Affiliate
PetroVietnam Energy Technology Corporation	Affiliate
Vietnam Public Joint Stock Commercial Bank	Affiliate
PetroVietnam Exploration Production Corporation - Vung Tau Branch	Affiliate
PetroVietnam University	Affiliate
Branch of PetroVietnam Power Corporation - Ha Tinh Petro Power Company	Affiliate
BJ Services - PV Drilling Joint Venture Company Limited	Affiliate
PetroVietnam Marine Shipyard Joint Stock Company	Affiliate
PetroVietnam Urban Development Joint Stock Company	Affiliate
Central PetroVietnam Fertilizer and Chemicals Corporation	Affiliate
North PetroVietnam Fertilizer and Chemicals Corporation	Affiliate
Branch of PetroVietnam Drilling & Well Services Corporation - PetroVietnam Drilling Investment Services Company Limited	Affiliate
Petroleum Maintenance Services Joint Stock Company	Affiliate
Hanoi Branch - PetroVietnam Technical Safety Registration Company Limited - PVEIC	Affiliate
PTSC Thanh Hoa Port Joint Stock Company	Affiliate
PetroVietnam Central Bio-fuels Joint Stock Company	Affiliate
Branch of Vietnam Petroleum Institute - Center for Technology Application and Transfer	Affiliate

During the year, the Corporation entered into the following significant transactions with its related parties:

	<u>Current year</u> VND	<u>Prior year</u> VND
<b>Sales</b>	<b>101,218,558,699</b>	<b>133,257,914,861</b>
Binh Son Refining and Petrochemical Company Limited (BSR)	52,246,585,548	61,018,391,648
PetroVietnam University	16,976,940,000	-
PetroVietnam Fertilizer and Chemicals Corporation- Phu My Fertilizer Plant	8,366,715,698	3,355,609,147
Branch of PetroVietnam Power Corporation - Ha Tinh Petro Power Company	7,914,402,215	921,434,204
BJ Services - PV Drilling Joint Venture Limited	3,673,194,707	6,577,046,788
Branch of PetroVietnam Power Corporation - Ca Mau Petro Power Company	3,285,060,368	5,236,169,273
PetroVietnam Marine Shipyard Joint Stock Company	3,165,595,000	7,715,765,000
Vietnam Petroleum Institute	1,715,700,000	-
PTSC Thanh Hoa Port Joint Stock Company	1,355,277,090	2,999,370,766
PetroVietnam Petrochemical and Textile Fiber Joint Stock Company	8,800,000	7,122,818,230
PetroVietnam Coating JSC	-	9,540,102,000
Dung Quat Shipbuilding Industry One Member Company Limited	-	8,264,412,112
Other related parties	2,510,288,073	20,506,795,693
<b>Income from other activities</b>	<b>1,723,598,284</b>	<b>5,071,031,969</b>
Vietnam Oil and Gas Group	1,723,598,284	-
DMC - VTS Joint Venture Co., Ltd.	-	5,048,408,580
PetroVietnam Exploration Production Corporation - Vung Tau Branch	-	22,623,389
<b>Purchase of goods and services</b>	<b>491,138,505,659</b>	<b>543,565,885,882</b>
Binh Son Refining and Petrochemical Company Limited (BSR)	394,827,996,519	443,886,237,296
Central PetroVietnam Fertilizer and Chemicals Joint Stock Company	33,652,875,975	47,510,330,000
PTSC Supply Base - Branch of PetroVietnam Technical Services Corporation	29,642,245,416	35,568,120,778
North PetroVietnam Fertilizer and Chemicals Company	12,724,454,360	3,820,000,000
Vietnam Petroleum Institute	9,157,395,504	3,308,000,462
Branch of PetroVietnam Drilling & Well Services Corporation - PetroVietnam Drilling Investment Services Company Limited	3,173,693,250	-
PetroVietnam Petrochemical and Textile Fiber Joint Stock Company	1,673,880,682	-
PetroVietnam Transportation Hanoi Joint Stock Company	1,396,363,638	2,948,236,364
Vietnam Oil and Gas Group	1,337,127,176	1,448,991,695
Other related parties	3,552,473,139	5,075,969,287
<b>Short-term borrowings obtained from Vietnam Public Joint Stock Commercial Bank</b>		
Proceeds from borrowings	-	65,330,008,470
Repayment of borrowings	16,653,083,454	53,330,667,098
Interest payable	47,094,305	248,079,434
Interest paid	47,094,305	247,312,438
<b>Dividends paid in cash</b>		
Vietnam Oil and Gas Group	25,199,466,600	21,599,542,800

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

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
<b>Trade receivables</b>	<b>24,902,171,054</b>	<b>39,328,872,459</b>
Branch of PetroVietnam Power Corporation - Ha Tinh Petro Power Company	8,669,343,325	684,379,546
DMC-VTS Joint Venture Company Limited	6,209,044,462	6,263,858,288
Binh Son Refining and Petrochemical Company Limited (BSR)	5,242,337,718	21,498,400,740
PetroVietnam Petrochemical and Textile Fiber Joint Stock Company	1,689,461,633	1,694,961,633
Other related parties	3,091,983,916	9,187,272,252
<b>Other receivables</b>	<b>911,137,340</b>	<b>7,797,273,704</b>
Vietnam Oil and Gas Group	597,637,340	597,637,340
Petroleum Maintenance Services Joint Stock Company	313,500,000	-
Binh Son Refining and Petrochemical Company Limited (BSR)	-	7,199,636,364
<b>Advances from customers</b>	<b>2,816,426,002</b>	<b>8,101,844,020</b>
Binh Son Refining and Petrochemical Company Limited (BSR)	1,889,118,000	-
PetroVietnam Vung Ang - Quang Trach Power Project Management Board	302,355,428	417,355,428
PetroVietnam Long Phu - Song Hau Power Project Management Board	241,980,860	241,980,860
Branch of PetroVietnam Fertilizer and Chemicals Corporation- Phu My Fertilizer Plant	199,859,262	-
PTSC Thanh Hoa Port Joint Stock Company	163,112,452	312,192,932
PetroVietnam Nhon Trach 2 Power Joint Stock Company	20,000,000	-
PetroVietnam University	-	7,130,314,800
<b>Trade payables</b>	<b>59,798,312,080</b>	<b>115,847,801,510</b>
Binh Son Refining and Petrochemical Company Limited (BSR)	47,853,678,451	105,330,945,335
PTSC Supply Base - Branch of PetroVietnam Technical Services Corporation	7,532,232,510	-
Branch of PetroVietnam Drilling & Well Services Corporation - PetroVietnam Drilling Investment Services Company Limited	2,721,007,575	-
Branch of PetroVietnam Fertilizer and Chemicals Corporation	1,049,558,400	-
PTSC Supply Base - Branch of PetroVietnam Technical Services Corporation	-	8,773,555,255
Other related parties	641,835,144	1,743,300,920
<b>Advances to suppliers</b>	<b>13,374,713,948</b>	<b>19,893,268,281</b>
DMC - VTS Joint Venture Co., Ltd.	13,374,713,948	19,772,803,681
Central PetroVietnam Fertilizer and Chemicals Corporation	-	120,464,600
<b>Other payables</b>	-	<b>1,000,000,000</b>
Vietnam Oil and Gas Group	-	1,000,000,000
<b>Short-term loans</b>		
Vietnam Public Joint Stock Commercial Bank	-	16,786,236,099



**28. SUPPLEMENTAL DISCLOSURES OF CONSOLIDATED CASH FLOW INFORMATION****Supplemental non-cash disclosures:**

Cash outflows for purchases of fixed assets and construction in progress during the year exclude VND 28,460,007,525 (2015: VND 1,638,919,675), representing an addition in fixed assets and construction in progress during the year that has not yet been paid. Consequently, changes in payables have been adjusted by the same amount.

Dividends and profits paid to the shareholders include dividends paid to the shareholders in 2016 with the amount of VND 1,306,714,577 and exclude VND 1,346,943,847 of 2015 dividend payable to the shareholders that has not yet been paid in 2016 by the Corporation.

Bank interest earned, dividends and profits received in the year exclude an amount of VND 119,291,667 (2015: VND 627,777,778).

**Cash and cash equivalents held by the Corporation but not allowed for use:**

As presented in Note 5, as at 31 December 2016, the outstanding balance of bank deposits includes the amount of VND 8,916,996,152 deposited at Ocean Commercial One Member Limited Liability Bank which has been subject to restricted use. The Board of Directors believes that this amount will be used normally in the future upon availability of specific decisions/guidelines issued by the State Bank.



**Ta Dinh Khang**  
Preparer

10 March 2017



**Bui Tuan Ngoc**  
Chief Accountant



**Ton Anh Thi**  
General Director