

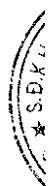
**PETROVIETNAM DRILLING AND WELL
SERVICE CORPORATION**
(Incorporated in the Socialist Republic of Vietnam)

**AUDITED CONSOLIDATED
FINANCIAL STATEMENTS**

For the year ended 31 December 2008

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STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of PetroVietnam Drilling and Well Service Corporation (“the Company”) and its subsidiaries (“the Group”) presents this report together with the Group’s audited consolidated financial statements for the year ended 31 December 2008.

THE BOARDS OF MANAGEMENT AND DIRECTORS

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

Board of Management

Mr. Do Dinh Luyen	Chairman
Mr. Do Van Khanh	Member
Mr. Tran Van Hoat	Member
Mr. Pham Tien Dung	Member
Mr. Nguyen Xuan Son	Member
Mr. Nguyen Hong Nam	Member
Mr. Dam Hai Giang	Member

Board of Directors

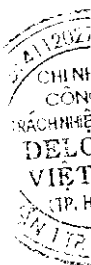
Mr. Do Van Khanh	Chief Executive Officer and President
Mr. Tran Van Hoat	Vice President
Mr. Van Duc Tong	Vice President
Mr. Luong Trong Diep	Vice President
Mr. Pham Tien Dung	Vice President
Mr. Ho Vu Hai	Vice President
Ms. Ho Ngoc Yen Phuong	Vice President

BOARD OF DIRECTORS’ STATEMENT OF RESPONSIBILITY

The Board of Directors of the Group is responsible for preparing the consolidated financial statements of each year, which give a true and fair view of the financial position of the Group and of its results and cash flows for the year. 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 Group will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing the financial statements so as to minimize errors and frauds.

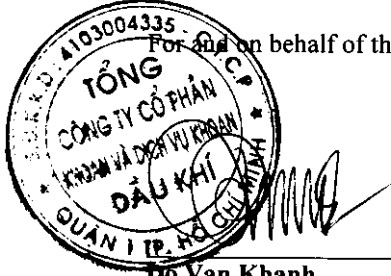
The Board of Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Group and to ensure that the consolidated financial statements comply with Vietnamese Accounting Standards, Vietnamese Accounting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



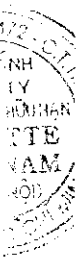
STATEMENT OF THE BOARD OF DIRECTORS (Continued)

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

For and on behalf of the Board of Directors,



Đỗ Văn Khanh
Chief Executive Officer and President
20 March 2009



No: 160 /Deloitte-AUDHCM-RE

AUDITORS' REPORT

To: The shareholders of PetroVietnam Drilling and Well Service Corporation

We have audited the accompanying consolidated balance sheet of PetroVietnam Drilling and Well Service Corporation and its subsidiaries ("the Group") as at 31 December 2008, and the related consolidated statements of income and cash flows for the year ended 31 December 2008. The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

Respective Responsibilities of the Board of Directors and Auditors

As stated in the Statement of the Board of Directors on pages 1 and 2, these consolidated financial statements are the responsibility of the Group's Board of Directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Group for the year ended 31 December 2007 were audited by another auditor whose report dated 15 March 2008, expressed an unqualified opinion on those consolidated statements.

Basis of Opinion

We have conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the accompanying consolidated financial statements give a true and fair view of, in all material respects, the financial position of the Group as at 31 December 2008 and the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam.



Phạm Văn Thịnh
Partner

CPA Certificate No. D.0028/KTV
For and on behalf of
Deloitte Vietnam Company Limited
20 March 2009
Ho Chi Minh City, S.R Vietnam

Le Dinh Tu
Auditor
CPA Certificate No. 0488/KTV

PETROVIETNAM DRILLING AND WELL SERVICE CORPORATION

2nd Floor, Office Building, 12 Nam Ky Khoi Nghia Street, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated Financial Statements
For the year ended 31 December 2008

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

FORM B 01-DN/HN

Unit: VND

ASSETS	Codes	Notes	31/12/2008	31/12/2007
A. CURRENT ASSETS	100		2,065,294,939,509	1,659,412,238,630
I. Cash and cash equivalents	110	4	687,790,226,960	521,940,969,552
1. Cash	111		195,122,511,791	216,560,814,654
2. Cash equivalents	112		492,667,715,169	305,380,154,898
II. Short-term financial investments	120		120,000,000,000	-
1. Short-term investments	121	5	120,000,000,000	-
III. Short-term receivables	130		1,056,945,202,837	1,040,549,863,371
1. Trade accounts receivable	131		1,043,280,603,366	711,618,493,896
2. Advances to suppliers	132		10,594,443,966	317,890,490,581
3. Other receivables	135		9,992,206,019	13,751,462,835
4. Provision for doubtful debts	139		(6,922,050,514)	(2,710,583,941)
IV. Inventories	140	6	174,461,359,251	45,689,923,892
1. Inventories	141		176,136,789,143	45,689,923,892
2. Provision for devaluation of inventories	149		(1,675,429,892)	-
V. Other short-term assets	150		26,098,150,461	51,231,481,815
1. Short-term prepayments	151		15,304,253,492	44,538,100,047
2. Value added tax deductibles	152		5,296,448,738	1,880,930,495
3. Other tax receivable from State budget	154		1,131,403,825	1,131,403,825
4. Other short-term assets	158		4,366,044,406	3,681,047,448
B. NON-CURRENT ASSETS	200		6,567,567,785,523	2,670,501,884,786
I. Fixed assets	220		6,272,698,419,123	2,534,750,434,064
1. Tangible fixed assets	221	7	2,012,619,597,868	2,086,943,238,148
- Cost	222		2,411,225,758,222	2,305,943,197,799
- Accumulated depreciation	223		(398,606,160,354)	(218,999,959,651)
2. Intangible assets	227	8	146,890,993,792	26,876,863,689
- Cost	228		152,853,500,592	29,594,443,669
- Accumulated amortization	229		(5,962,506,800)	(2,717,579,980)
3. Construction in progress	230	9	4,113,187,827,463	420,930,332,227
II. Long-term financial investments	250		245,120,496,730	77,522,144,578
1. Investments in joint ventures	252	11	74,976,402,570	18,983,644,578
2. Other long-term investments	258	12	172,694,670,160	58,538,500,000
3. Provision for diminution in value of long-term financial investments	259	12	(2,550,576,000)	-
III. Other non-current assets	260		46,320,363,334	54,372,236,144
1. Long-term prepayments	261		18,251,152,491	42,585,140,763
2. Deferred tax assets	262	13	10,789,332,833	50,925,160
3. Other non-current assets	268		17,279,878,010	11,736,170,221
IV. Goodwill	270	10	3,428,506,336	3,857,070,000
TOTAL ASSETS	280		8,632,862,725,032	4,329,914,123,416



The accompanying notes set out on pages 10 to 29 are an integral part of these consolidated financial statements

PETROVIETNAM DRILLING AND WELL SERVICE CORPORATION

2nd Floor, Office Building, 12 Nam Ky Khoi Nghia Street, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated Financial Statements
For the year ended 31 December 2008

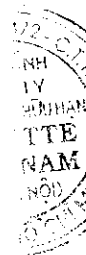
CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2008

FORM B 01-DN/HN

Unit: VND

RESOURCES	Codes	Notes	31/12/2008	31/12/2007
A. LIABILITIES	300		6,008,458,297,364	1,968,627,891,788
I. Current liabilities	310		3,892,009,691,143	672,053,506,293
1. Short-term borrowings and liabilities	311	14	1,983,809,569,154	109,174,332,022
2. Trade accounts payable	312		1,027,989,526,309	289,795,227,982
3. Advances from customers	313		263,742,121,539	8,757,884,541
4. Taxes and amounts payable to State budget	314	15	52,764,831,015	28,473,913,608
5. Payables to employees	315		29,827,800,836	11,853,166,660
6. Accrued expenses	316		232,344,501,167	163,535,827,594
7. Other current payables	319		301,531,341,123	60,463,153,886
II. Long-term liabilities	330		2,116,448,606,221	1,296,574,385,495
1. Other long-term payables	333		212,198,276,591	-
2. Long-term loans and liabilities	334	16	1,878,918,456,000	1,294,047,113,324
3. Provision for severance allowance	336		25,331,873,630	2,527,272,171
B. EQUITY	400	17	2,133,443,696,017	1,864,223,187,039
I. Shareholders' equity	410		2,113,823,567,404	1,830,445,769,483
1. Charter capital	411		1,321,675,040,000	1,101,397,300,000
2. Share premium	412		201,153,600,000	201,153,600,000
3. Foreign exchange reserve	416		5,974,444,429	9,872,495,037
4. Investment and development funds	417		149,576,096,366	58,751,471,235
5. Financial reserve funds	418		79,911,387,199	34,554,623,567
6. Retained earnings	420		355,532,999,410	424,716,279,644
II. Other resources and funds	430		19,620,128,613	33,777,417,556
1. Bonus and welfare funds	431		19,620,128,613	33,777,417,556
C. MINORITY INTEREST	500	18	490,960,731,651	497,063,044,589
TOTAL RESOURCES	600		8,632,862,725,032	4,329,914,123,416



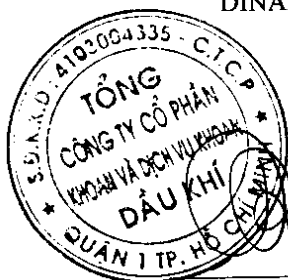
The accompanying notes set out on pages 10 to 29 are an integral part of these consolidated financial statements

PETROVIETNAM DRILLING AND WELL SERVICE CORPORATION2nd Floor, Office Building, 12 Nam Ky Khoi Nghia Street, District 1
Ho Chi Minh City, S.R. Vietnam**Consolidated Financial Statements**
For the year ended 31 December 2008**CONSOLIDATED BALANCE SHEET (Continued)**
As at 31 December 2008

FORM B 01-DN/HN

OFF BALANCE SHEET ITEMS

	<u>31/12/2008</u>	<u>31/12/2007</u>
1. Goods held under trust or for processing (VND)	-	385,975,000
2. Foreign currencies	-	-
USD	7,451,168	1,974,709
EUR	16,497	11,263
GBP	560	560
DINARS	39,418,953	7,108,546



Do Van Khanh
Chief Executive Officer and President
20 March 2009

Doan Duc Tung
Chief Accountant

The accompanying notes set out on pages 10 to 29 are an integral part of these consolidated financial statements

PETROVIETNAM DRILLING AND WELL SERVICE CORPORATION

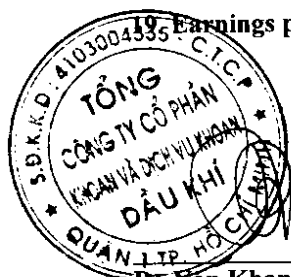
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Consolidated Financial Statements
For the year ended 31 December 2008

CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2008

FORM B 02-DN/HN
Unit: VND

ITEMS	Codes	Notes	2008	2007
1. Gross sales	01	19	3,728,745,990,771	2,738,605,347,000
2. Less deductions	02		-	-
3. Net sales	10		3,728,745,990,771	2,738,605,347,000
4. Cost of goods sold	11	20	(2,520,350,855,424)	(2,031,930,050,000)
5. Gross profit	20		1,208,395,135,347	706,675,297,000
6. Financial income	21	21	134,722,761,616	31,935,296,000
7. Financial expenses	22	22	(229,046,603,811)	(85,302,968,000)
8. Selling expenses	24		(2,569,526,528)	-
9. General and administration expenses	25		(233,633,166,666)	(111,023,714,000)
10. Operating profit	30		877,868,599,958	542,283,911,000
11. Other income	31		18,547,726,680	6,897,459,000
12. Other expenses	32		(21,783,874,626)	(1,804,342,000)
13. (Loss)/Profit from other activities	40		(3,236,147,946)	5,093,117,000
14. Income from investment in joint ventures	50	11	54,115,856,630	32,498,277,000
15. Profit before tax	60		928,748,308,642	579,875,305,000
16. Current tax expense	61	23	(6,410,872,603)	(3,541,205,000)
17. Deferred tax income	62	13	10,738,407,833	50,925,000
18. Profit after tax	70		933,075,843,872	576,385,025,000
<i>Attributable to:</i>				
- Minority interest		18	10,817,239,081	4,483,860,207
- The Group's shareholders		17	922,258,604,791	571,901,164,793
19. Earnings per share	80	24	7,431	6,192



Đỗ Văn Khanh
Chief Executive Officer and President
20 March 2009

Doan Duc Tung
Chief Accountant



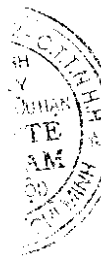
The accompanying notes set out on pages 10 to 29 are an integral part of these consolidated financial statements

CONSOLIDATED CASH FLOW STATEMENT
 For the year ended 31 December 2008

FORM B 03-DN/HN
 Unit: VND

ITEMS	Codes	2008	2007
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	928,748,308,642	579,875,305,000
2. Adjustments for:			
Depreciation and amortization	02	184,828,166,672	145,302,469,000
Provisions	03	8,437,472,465	2,138,564,000
Unrealized exchange losses/(gains)	04	71,131,901,609	(177,371,000)
Gains from investing activities	05	(127,655,819,245)	(55,963,145,000)
Interest expense	06	78,731,366,518	76,857,114,000
3. Operating profit before movements in working capital	08	1,144,221,396,661	748,032,936,000
Increase in receivables	09	(19,239,343,144)	(301,745,567,000)
(Increase)/Decrease in inventories	10	(130,446,865,251)	18,904,742,000
Increase/(Decrease) in accounts payable	11	951,605,571,545	(110,504,531,000)
Decrease/(Increase) in prepaid expenses	12	53,567,834,827	(56,692,609,000)
Interest paid	13	(83,494,260,164)	(66,784,762,000)
Corporate income tax paid	14	(7,838,107,729)	(15,961,613,000)
Other cash outflows	16	(121,204,945,459)	(35,915,065,000)
Net cash from operating activities	20	1,787,171,281,286	179,333,531,000
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition of fixed assets and other long - term assets	21	(3,424,336,178,517)	(1,495,497,086,000)
2. Investments in other entities	25	(288,334,569,325)	(72,196,579,000)
3. Interest income and dividends received	27	122,775,262,896	43,329,741,000
Net cash used in investing activities	30	(3,589,895,484,946)	(1,524,363,924,000)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from issuing stocks	31	7,817,040,913	1,017,353,600,000
2. Proceeds from borrowings	33	2,832,685,796,353	972,345,972,000
3. Repayments of borrowings	34	(504,049,558,528)	(275,321,404,000)
4. Dividends paid	36	(367,521,865,001)	-
Net cash from financing activities	40	1,968,931,413,737	1,714,378,168,000
Net increase in cash and cash equivalents	50	166,207,210,077	369,347,775,000
Cash and cash equivalents at beginning of year	60	521,940,969,552	152,593,194,552
Effect of changes in foreign exchange rates	61	(357,952,669)	-
Cash and cash equivalents at end of year	70	687,790,226,960	521,940,969,552

The accompanying notes set out on pages 10 to 29 are an integral part of these consolidated financial statements



PETROVIETNAM DRILLING AND WELL SERVICE CORPORATION

2nd Floor, Office Building, 12 Nam Ky Khoi Nghia Street, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated Financial Statements
For the year ended 31 December 2008

CONSOLIDATED CASH FLOW STATEMENT (Continued)
For the year ended 31 December 2008

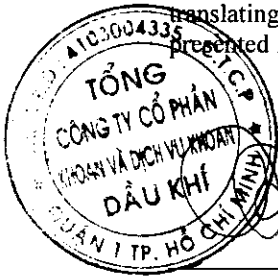
FORM B 03-DN/HN

Supplemental non-cash disclosures

Cash outflows for purchases of fixed assets and other long-term assets during the year exclude an amount of VND 498,735,992,806 (2007: VND 296,019,592), representing an addition in fixed assets during the year that has not yet been paid. Consequently, changes in accounts payable have been adjusted by the same amount.

Dividends paid during the year exclude an amount of VND 166,767,247,229 (2007: Nil), representing a dividend declared during the year that has not yet been paid. Consequently, changes in accounts payable have been adjusted by the same amount.

During the year 2008, the Group has declared dividends to its shareholders of VND 220,277,740,000 by translating to shares capital. This transaction did not constitute movement of cash and, accordingly, was not presented in the above statement.



Do Van Khanh
Chief Executive Officer and President
20 March 2009

Doan Duc Tung
Chief Accountant

PETROVIETNAM DRILLING AND WELL SERVICE CORPORATION

2nd Floor, Office Building, 12 Nam Ky Khoi Nghia Street, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated Financial Statements
For the year ended 31 December 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FORM B 09-DN/HN

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

1. GENERAL INFORMATION

Structure of ownership

The Group consisted of PetroVietnam Drilling & Well Service Corporation (the "Company") and its six (6) subsidiaries and three (3) joint ventures as follows:

The Company

The Company is a joint stock company established in Vietnam in accordance with the Business Registration Certificates No. 4103004335 dated 15 February 2006 and amendment on 18 June 2008 issued by the Department of Planning and Investment ("DPI") of Ho Chi Minh City. The Company has emerged from the equitization of PetroVietnam Drilling and Well Service Company, a wholly-owned subsidiary of Vietnam Oil and Gas Corporation (hereinafter referred as "PetroVietnam").

Majority of the Company's shares are held by PetroVietnam, who currently holds 50.38% of the Company's shares. The remaining 49.62% is held by other shareholders.

The Company's registered head office is located at 2nd Floor, 12 Nam Ky Khoi Nghia Street, District 1, Ho Chi Minh City, Vietnam.

The Subsidiaries

PetroVietnam Drilling Investment Corporation ("PVD Invest"), initially named Pacific Drilling Investment Corporation, is a joint stock company established in Vietnam in accordance with the Business Registration Certificate No. 4103006510 issued by the DPI of Ho Chi Minh City on 24 April 2007, as amended. PVD Invest's office is located at 8 Nguyen Hue Street, Nguyen Thai Binh Ward, District 1, Ho Chi Minh City, Vietnam.

PVD Offshore Services Company Limited ("PVD Offshore") is a one member limited liabilities company established in Vietnam in accordance with Business Registration Certificate No. 4904000114 issued by the DPI of Ba Ria Vung Tau Province on 29 June 2007. PVD Offshore's registered office is located at 8 Hoang Dieu Street, Ward 1, Vung Tau City, Ba Ria Vung Tau Province, Vietnam.

Well Services Company Limited ("PVD Well") is a one member limited liabilities company established in Vietnam in accordance with Business Registration Certificate No. 4104001468 issued by the DPI of Ho Chi Minh City on 1 August 2007. PVD Well Services's registered office is located at 37 Ton Duc Thang Street, Ben Nghe District, Ho Chi Minh City, Vietnam.

Petroleum Well Logging Company Limited ("PVD Logging") is a one member limited liabilities company established in Vietnam in accordance with Business Registration Certificate No. 4104001513 issued by the DPI of Ho Chi Minh City on 7 August 2007. PVD Logging's registered office is located at 37 Ton Duc Thang Street, Ben Nghe District, Ho Chi Minh City, Vietnam.

Petroleum Trading and Technical Services Company Limited ("PVD Tech") is a one member limited liabilities company established in Vietnam in accordance with Business Registration Certificate No. 4104001532 issued by the DPI of Ho Chi Minh City on 9 August 2007. PVD TECH's registered office is located at 21 Nguyen Trung Ngan Street, Ben Nghe District, Ho Chi Minh City, Vietnam.

PVD Technical Training & Certification Joint Stock Company Limited ("PVD Training"), formerly Cuu Long Company Limited, is a joint stock company established in Vietnam in accordance with Business Registration Certificate No. 4903000441 issued by the DPI of Ba Ria Vung Tau Province on 12 October 2007, as amended. PVD Training's registered office is located at Dong Xuyen Industrial Zone, 30/4 Street, Rach Dua Ward, Vung Tau City, Ba Ria Vung Tau Province, Vietnam.

The percentage of the Group's ownership and the subsidiaries' chartered capital and their capital contribution status are further disclosed in note 10 of the notes to the consolidated financial statements.



PETROVIETNAM DRILLING AND WELL SERVICE CORPORATION

2nd Floor, Office Building, 12 Nam Ky Khoi Nghia Street, District 1
Ho Chi Minh City, S.R. Vietnam

Consolidated Financial Statements
For the year ended 31 December 2008

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09-DN/HN

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

The Joint Ventures

BJ Services-PV Drilling Joint Venture Company Limited ("BJ-PVD") is a joint venture company established in Vietnam in accordance with Investment Certificate No. 49202100003 issued by the People's Committee of Ba Ria Vung Tau Province on 28 September 2006. BJ-PVD's registered office is located at 65A 30/4 Street, Thang Nhat Ward, Vung Tau City, Ba Ria Vung Tau Province, Vietnam.

PV Drilling Production Testers International Company Limited ("PVD-PTI") is a joint venture company established in Vietnam in accordance with Investment Certificate No. 491022000098 issued by the People's Committee of Ba Ria Vung Tau Province on 25 April 2008. PVD-PTI's registered office is located at 65A 30/4 Street, Thang Nhat Ward, Vung Tau City, Ba Ria Vung Tau Province, Vietnam.

PetroVietnam Drilling Tubulars Management Company Ltd. ("PVD Tubulars") is a joint venture company established in Vietnam in accordance with Investment Certificate No. 492022000134 dated 07 October 2008 issued by Ba Ria-Vung Tau Industrial Zone Department. PVD Tubulars's registered office is located in Phu My 1 Industrial Zone, Tan Thanh District, Ba Ria - Vung Tau province, Vietnam.

Principal activities

The Group, through the parent company and its subsidiaries and joint ventures, is principally engaged in providing drilling services, well services, drilling rig, equipment, manpower, oil spill control service and other related services in the oil and gas industry.

2. ACCOUNTING CONVENTION AND FISCAL 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, Vietnamese Accounting System and prevailing accounting regulations in Vietnam.

Fiscal year

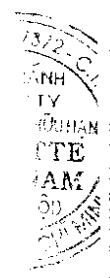
The Group's fiscal year begins on 1 January and ends on 31 December.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Estimates

The preparation of consolidated financial statements in conformity with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam 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 reporting period. Actual results could differ from those estimates.



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Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Group up to 31 December each year. Control is achieved where the Group 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 Group.

All inter-company transactions and balances between group enterprises are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Business combinations

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to profit and loss in the period of acquisition.

The interest of minority shareholders is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Interests in joint ventures

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

Where a group entity undertakes its activities under joint venture arrangements directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

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

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

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Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is recognized as an asset and is amortized on the straight-line basis over 10 years.

Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries and jointly controlled entities is presented separately as intangible asset in the balance sheet.

On disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortized goodwill is included in the determination of the profit or loss on disposal.

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.

Provision for doubtful debts

Provision for doubtful debts is made for receivables that are overdue for three months or more, or when the debtor is in dissolution, bankruptcy, or in similar difficulties.

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 provision for devaluation of inventories is made for obsolete, damaged, or sub-standard inventories which have a book value higher than net realizable value as at the balance sheet date.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. The cost of purchased tangible fixed assets comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its 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 their estimated useful lives as follows:

	2008 Years	2007 Years
Buildings and structures	6 - 10	6 - 10
Machinery and equipment	5 - 8	5 - 8
Other equipment	3 - 4	4 - 6
Motor vehicles	5 - 7	5 - 10
Drilling rigs	10 - 15	7 - 12

With effect from 1 January 2008, the Group's management decided to change the Group's depreciation rate applied for drilling rigs, from 7 years to 10 years for the land-rig and from 12 years to 15 years for the jack-up rig, respectively.



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Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Intangible assets and amortization

Intangible assets represent land use rights, goodwill upon equitization and computer software, that are stated at cost less accumulated amortization.

The Group's land use right pertain to land for 1,322.8 square meter, located at No. 143 Tran Nao Street, District 2, Ho Chi Minh City where the Company can use for indefinite time. Land use rights with indefinite time are not amortized.

Goodwill upon equitization was recognized from the business revaluation of the Group's business value upon equitization. Goodwill is recognized as an asset and is amortized on a straight-line basis over 20 years.

Software is amortized on a straight-line basis over 5 years.

Construction in progress

Properties in the course of construction for production, rental or administrative purposes, or for the purposes not yet determined, are carried at cost. Cost includes professional fees, and for qualifying assets, borrowing costs dealt with in accordance with the Group'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.

Investments in securities

Investments in securities are recognized on a trade date basis and are initially measured at cost including directly attributable transaction costs. At the subsequent reporting dates, investments in securities are measured at cost, less the amount of diminution in value of investments in securities.

Provision for diminution in value of investments in security investments is made for freely traded securities whose book value is higher than market price as at the balance sheet date.

Long-term prepayments

Long-term prepayments comprise small tools, spare parts, incurred during year which are expected to provide future economic benefits to the Group for more than one year. These expenditures have been capitalized as long-term prepayments and are amortized on a straight-line basis over 3 years.



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Revenue recognition

Revenue is recognized when the outcome of such transactions can be measured reliably and it is probable that the economic benefits associated with the transactions will flow to the Group. Sales of goods are recognized when goods are delivered and title has passed. Sales of services are recognized by reference to the percentage of completion of the transaction at the balance sheet date.

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

Dividend income from investments is recognized when the Group's right to receive payment has been established.

Foreign currencies

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing on the balance sheet date. Exchange differences are recognized in the income statement.

Exchange differences arising from the translation of monetary assets and liabilities denominated in foreign currencies, including realized and unrealized, during the construction stage of drilling rigs of PVD Invest, one of the Group's subsidiary, are recorded in the balance sheet under the account "foreign exchange differences" in the owner's equity section. Once the drilling rigs are completed, the accumulated realized exchange differences will be charged to the income statement immediately while the accumulated unrealized exchange differences will be amortized over 5 years.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in the local currency using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognized in the income statement in the period in which the foreign operation is disposed of.

Borrowing costs

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.

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

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group 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.

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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 net profit as reported in the 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. The Group's liability for current tax is calculated using tax rates that have been enacted by the balance sheet date.

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 period 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 taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable and deferred tax 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.

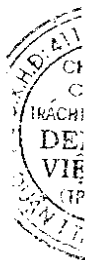
Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

4. CASH AND CASH EQUIVALENTS

	31/12/2008	31/12/2007
	<u>VND</u>	<u>VND</u>
Cash on hand	1,325,160,265	997,324,244
Cash in bank	193,785,462,026	214,599,438,188
Cash in transit	11,889,500	964,052,120
Cash equivalents	492,667,715,169	305,380,155,000
	<u>687,790,226,960</u>	<u>521,940,969,552</u>

5. SHORT-TERM INVESTMENTS

Short-term investments represent the bank deposit by VND with recoverability term of one year or less.



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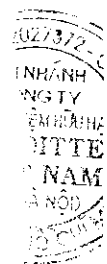
6. INVENTORIES

	31/12/2008	31/12/2007
	<u>VND</u>	<u>VND</u>
Goods in transit	7,333,502,107	6,989,274,000
Raw materials	70,763,705,102	21,127,565,000
Tools and supplies	1,594,368,301	9,122,179,000
Work in progress	93,594,244,636	8,173,423,892
Merchandise	2,023,885,718	277,482,000
Goods on consignment	827,083,279	-
	176,136,789,143	45,689,923,892
Provision for devaluation of inventories	<u>(1,675,429,892)</u>	-
	174,461,359,251	45,689,923,892

7. TANGIBLE FIXED ASSETS

	Buildings and structures <u>VND</u>	Machinery and equipment <u>VND</u>	Office Equipment <u>VND</u>	Motor Vehicles <u>VND</u>	Others <u>VND</u>	Total <u>VND</u>
COST						
As at 1/1/2008	21,687,230,934	166,212,381,965	18,010,855,938	18,310,870,999	2,081,721,857,963	2,305,943,197,799
Additions	857,934,873	67,140,027,890	7,636,473,153	2,404,345,436	15,083,776,824	93,122,558,176
Transfer from construction in progress	14,026,605,067	-	-	-	-	14,026,605,067
Others increase	849,310,532	-	370,977,966	6,073,932	-	1,226,362,430
Disposals	(297,532,856)	(276,050,565)	(859,360,815)	(568,926,886)	-	(2,001,871,122)
Other decrease	-	(720,116,662)	(78,832,421)	(292,145,045)	-	(1,091,094,128)
As at 31/12/2008	<u>37,123,548,550</u>	<u>232,356,242,628</u>	<u>25,080,113,821</u>	<u>19,860,218,436</u>	<u>2,096,805,634,787</u>	<u>2,411,225,758,222</u>
ACCUMULATED DEPRECIATION						
As at 1/1/2008	3,357,289,084	73,414,068,600	7,934,451,603	8,283,348,013	126,010,802,351	218,999,959,651
Charge for the year	5,031,294,683	21,127,928,172	3,713,765,505	2,046,278,082	149,658,417,854	181,577,684,296
Eliminated from disposals	(258,411,224)	(276,050,565)	(795,874,465)	(568,926,886)	-	(1,899,263,140)
Other decrease	-	(72,220,453)	-	-	-	(72,220,453)
As at 31/12/2008	<u>8,130,172,543</u>	<u>94,193,725,754</u>	<u>10,852,342,643</u>	<u>9,760,699,209</u>	<u>275,669,220,205</u>	<u>398,606,160,354</u>
NET BOOK VALUE						
As at 31/12/2008	<u>28,993,376,007</u>	<u>138,162,516,874</u>	<u>14,227,771,178</u>	<u>10,099,519,227</u>	<u>1,821,136,414,582</u>	<u>2,012,619,597,868</u>
As at 31/12/2007	<u>18,329,941,850</u>	<u>92,798,313,365</u>	<u>10,376,419,396</u>	<u>9,727,507,925</u>	<u>1,955,711,055,612</u>	<u>2,086,943,238,148</u>

As described in note 3 above, with effect from 1 January 2008, the Group's management decided to change the Group's depreciation rate applied for drilling rigs, from 7 years to 10 years for the land-rig and from 12 years to 15 years for the jack-up rig, respectively. The Group's management believes that the application of new depreciation rates reflect more accurately the operation of the business as well as the utilization rate of these rigs. Had the old depreciation rate been applied, depreciation charge for these rigs for the year ended 31 December 2008 would have increased by approximately VND 46 billion and the profit for the year ended would have decreased by the same amount.



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8. INTANGIBLE ASSETS

	Land use rights VND	Others VND	Total VND
COST			
As at 1/1/2008	-	29,594,443,669	29,594,443,669
Additions	109,833,329,400	13,436,315,800	123,269,645,200
Others increase	-	9,411,723	9,411,723
Others decrease	-	(20,000,000)	(20,000,000)
As at 31/12/2008	<u>109,833,329,400</u>	<u>43,020,171,192</u>	<u>152,853,500,592</u>
ACCUMULATED AMORTIZATION			
As at 1/1/2008	-	2,717,579,980	2,717,579,980
Charge for the year	-	3,250,482,376	3,250,482,376
Other decrease	-	(5,555,556)	(5,555,556)
As at 31/12/2008	-	<u>5,962,506,800</u>	<u>5,962,506,800</u>
NET BOOK VALUE			
As at 31/12/2008	<u>109,833,329,400</u>	<u>37,057,664,392</u>	<u>146,890,993,792</u>
As at 31/12/2007	-	<u>26,876,863,689</u>	<u>26,876,863,689</u>

9. CONSTRUCTION IN PROGRESS

	31/12/2008 VND	31/12/2007 VND
Drilling Jack-up rig II	1,400,442,580,427	404,389,840,014
Drilling Jack-up rig III	2,689,476,352,614	-
Others	23,268,894,422	16,540,492,213
	<u>4,113,187,827,463</u>	<u>420,930,332,227</u>

During the year, the Group has capitalized borrowing costs amounting to VND 68,132,958,892 (2007: VND 21,532,510,000). These are costs in connection with the loans that have been entered to finance for constructing the Group's drilling rigs.

10. INVESTMENTS IN SUBSIDIARIES

Details of the Group's subsidiaries at 31 December 2008 are as follows:

Name of subsidiaries	Registered charter capital		Contributed charter capital		Percent of interest %
	31/12/2008 VND	31/12/2007 VND	31/12/2008 VND	31/12/2007 VND	
PVD Invest	1,000,000,000,000	1,000,000,000,000	510,000,000,000	510,000,000,000	51
PVD Offshore	80,000,000,000	80,000,000,000	57,640,139,096	53,942,337,123	100
PVD Well Services	50,000,000,000	50,000,000,000	804,342,798	804,342,798	100
PVD Logging	50,000,000,000	50,000,000,000	50,000,000,000	30,930,540,265	100
PVD Tech	50,000,000,000	50,000,000,000	50,000,000,000	50,000,000,000	100
PVD Training	<u>22,334,500,000</u>	<u>11,755,000,000</u>	<u>15,962,691,000</u>	<u>6,970,091,000</u>	<u>51</u>

The Group has a plan to merge PVD Invest, its subsidiary, into the Company. The general shareholders meeting of the Company has approved the plan. The merger transaction is expected to be completed in the 2nd quarter of 2009.

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On 12 August 2007, the Group acquired 51% interest of PVD Training, formerly Cuu Long Company Limited, for a consideration of VND 6,970,091,000. The acquisition generated a positive goodwill for the Group amounting to VND 4,285,636,640. The movement in goodwill during the year is as follows:

	Goodwill VND
COST	
As at 1/1/2008	4,285,636,640
As at 31/12/2008	<u>4,285,636,640</u>
ACCUMULATED AMORTIZATION	
As at 1/1/2008	428,566,640
Charge for the year	428,563,664
As at 31/12/2008	<u>857,130,304</u>
NET BOOK VALUE	
As at 31/12/2008	<u>3,428,506,336</u>
As at 31/12/2007	<u>3,857,070,000</u>

11. INVESTMENTS IN JOINT VENTURES

Summarized financial information in respect of the Group's joint ventures is set out below:

Name of joint ventures	Registered charter	Contributed charter	Percent of interest %
	capital USD	capital VND	
BJ-PVD	1,000,000	7,880,670,000	49
PVD-PTI	4,000,000	34,238,560,029	51
PVD Tubulars	3,500,000	20,271,435,771	51

The Group's share of joint ventures' profit and investment value:

	Cost of investment as at 31/12/2008 VND	Share's profit/(loss) in 2008 VND	Profit received in 2008 VND	As at 31/12/2008 VND
BJ-PVD	7,880,670,000	55,767,447,964	(41,530,119,860)	22,117,998,104
PVD-PTI	34,238,560,029	(1,651,591,334)	-	32,586,968,695
PVD Tubulars	20,271,435,771	-	-	20,271,435,771
	<u>62,390,665,800</u>	<u>54,115,856,630</u>	<u>(41,530,119,860)</u>	<u>74,976,402,570</u>

12. OTHER LONG-TERM FINANCIAL INVESTMENTS

	31/12/2008 VND	31/12/2007 VND
Government bonds	44,538,500,160	44,538,500,000
Investment certificates - Vietnam blue-chips fund (VFMVF4)	4,738,170,000	-
Shares of PV Shipyard	8,000,000,000	8,000,000,000
Shares of Petro Land	20,000,000,000	6,000,000,000
Shares of Sao Mai - Ben Dinh	95,418,000,000	-
Provision for diminution in value of long-term investments	(2,550,576,000)	-
	<u>170,144,094,160</u>	<u>58,538,500,000</u>



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The provision represents the diminution in value of listed investments certificate of VFMVF4. For other long-term investment, the Group's management believes that the market price of these investments has exceeded its cost; hence, no provision for diminution in value of these investments is considered necessary.

13. DEFERRED TAX ASSETS

The following are the major deferred tax assets recognized by the Group, and the movements thereon, during the current and prior reporting periods.

	Accruals and other provisions VND	Unrealized foreign exchange losses VND	Total VND
Credit to profit for the year	50,925,000	-	50,925,160
As at 31 December 2007	50,925,000	-	50,925,160
Credit to profit for the year	4,643,582,340	6,094,825,493	10,738,407,833
As at 31 December 2008	4,694,507,340	6,094,825,493	10,789,332,833

14. SHORT-TERM BORROWINGS AND LIABILITIES

	31/12/2008 VND	31/12/2007 VND
Short-term loans	1,762,464,258,050	-
Current portion of long-term loans (note 16)	221,345,311,104	109,174,332,022
	1,983,809,569,154	109,174,332,022

Details of short-term loans are follows:

	31/12/2008 VND	31/12/2007 VND
JP Morgan	408,296,850,000	-
DBS Bank Limited	471,111,750,000	-
BIDV	513,299,595,000	-
Vietcombank	55,681,563,050	-
ABN AMRO N.V. Bank ("ABN-AMRO")	314,074,500,000	-
	1,762,464,258,050	-

Short-term loan from JP Morgan represents a short term credit facility with total amount of USD 24,050,000 received by PVD Invest to finance for the payments to the Contractor, Keppel Fels Limited. The principal had been fully repaid on 20 January 2009. The loan bears interest at the rate of LIBOR three-month plus a marginal interest rate.

Short-term loan from DBS Bank Limited represents a short term bridging loan of up to USD 27,750,000 received by PVD Invest to finance for the payments to the Contractor, Keppel Fels. This loan had been partially repaid with amount of USD 18,500,000 on 13 March 2009, the outstanding balance is expected to be paid on 30 March 2009. The loan bears interest at the rate of SIBOR six-month plus a marginal interest rate.

Short-term loan from BIDV represents the short-term loans with total amount of USD 30,235,000 received by PVD Invest to finance for the payments to the Contractor, Keppel Fels Limited. This loan is secured by a guarantee letter issued by the Group.



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Short-term loans from Vietcombank represent a short-term credit facility in the form of letter of credit in supplement working capital for PVD Tech, which is guaranteed by the Group, the loan bears interest at fixed rate and had been fully repaid on 13 January 2009.

Short-term loan from ABN-AMRO bank represents the short-term credit facility with total amount of USD 18,500,000 received by the Group in supplement working capital. The loan bears interest at the fixed rate and had been fully repaid on 24 February 2009.

15. TAXES AND AMOUNTS PAYABLE TO STATE BUDGET

	31/12/2008	31/12/2007
	<u>VND</u>	<u>VND</u>
Value added tax	33,198,049,613	16,377,812,202
Import tax	1,543,772	-
Corporate income tax	1,632,225,298	3,059,460,424
Personal income tax	12,615,945,880	5,218,664,112
Withholding tax	5,317,066,452	3,720,646,426
Other taxes	-	97,330,444
	<u>52,764,831,015</u>	<u>28,473,913,608</u>

16. LONG-TERM LOANS AND LIABILITIES

	31/12/2008	31/12/2007
	<u>VND</u>	<u>VND</u>
Long-term loans	2,100,263,767,104	1,403,221,445,346
Current portion of long-term loans (note 14)	<u>(221,345,311,104)</u>	<u>(109,174,332,022)</u>
	<u>1,878,918,456,000</u>	<u>1,294,047,113,324</u>

Details of long-term loans are as follows:

	31/12/2008	31/12/2007
	<u>VND</u>	<u>VND</u>
Vietcombank	1,043,892,165,924	1,155,965,409,396
PVFC	213,134,775,525	247,256,035,950
BIDV	843,236,825,655	-
	<u>2,100,263,767,104</u>	<u>1,403,221,445,346</u>

The Group had entered into a long-term loan agreement with Vietcombank for USD 80,237,605 to finance its Mobile Offshore Self-elevating Cantilever Drilling Jack-up Rig 90 meter water depth Project. The duration of the loan is 109.5 months (amended from the original duration of 146.5 months) from the first drawdown date including a grace period of 25.5 months. This loan will be repayable on semi-annual installments for 84 months after the grace period. This loan is guaranteed by PetroVietnam, the Group's major shareholder, and bears interest at the rate of SIBOR six-month plus a marginal interest rate. Interest shall be accrued to the principal every six-month during the grace period.

On 13 November 2006, the Group also entered into a long-term loan agreement with PVFC, a related party, for USD 18,599,000 to finance its acquisition of land drilling rig. The duration of the loan is 84 months from the first drawdown date, including a grace period of 12 months for both principal and interest. This loan is secured by the assets acquired from the loan at cost of VND 336,081,823,970 and carrying amount as at 31 December 2008 of VND 336,081,823,970 (2007: VND

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336,081,823,970). This loan bears interest at SIBOR six-month plus a marginal interest rate. Interest applies every three-month for outstanding amount in arrears. This loan is repayable on 12 semi-annual installments starting from 13 May 2008.

On 31 December 2007, the Group also entered into a long-term syndicated loan agreement with BIDV, PVFC and Eximbank for USD 155,000,000 to finance its Mobile Offshore Self-elevating Cantilever Drilling Jack-up Rig II Project. The duration of the loan is 132 months from the first drawdown date, including a grace period of 24 months for both principal and interest. This loan is secured by the assets acquired from the loan with a carrying value of VND 1,400,442,580,427 (2007: VND 404,389,840,014). This loan bears interest at the interest rate of deposit of 12 months by USD which is calculated on average interest rates of syndicated credit institutions plus a marginal interest rate and it is not exceeding a fixed rate which has been agreed with these credit institutions. Interest applies every three-month for outstanding amount in arrears. This loan is repayable on 18 semi-annual installments starting from 10 July 2011. As at 31 December 2008, unused balance of this loan which is available for withdrawn was USD 107,059,000.

On 8 December, 2008, the Group entered into a syndicated long-term loan with ABN AMRO Bank N.V., Australia and New Zealand Banking Group Limited, and The Hong Kong and Shanghai Banking Corporation Limited which were subsequently joined by Oversea-Chinese Banking Corporation Limited; First Commercial Bank; Far East National Bank and Land Bank of Taiwan for USD 115 millions to finance for the repayment of short-term bridging loans and payments to the Contractor Keppel Fels related to constructing the Drilling Jack-up Rig III Project. This loan is guaranteed by PetroVietnam. As at the balance sheet date, the Group has not withdrawn from this loan.

Long-term loans are repayable as follows:

	31/12/2008	31/12/2007
	<u>VND</u>	<u>VND</u>
On demand or within one year	221,345,311,104	109,174,332,022
In the second year	513,349,711,104	109,174,332,022
In the third to fifth years inclusive	1,191,586,717,242	327,522,996,066
After five years	<u>173,982,027,654</u>	<u>857,349,785,236</u>
	2,100,263,767,104	1,403,221,445,346
Less: Amount due for settlement within 12 months (shown under current liabilities)	<u>(221,345,311,104)</u>	<u>(109,174,332,022)</u>
Amount due for settlement after twelve months	<u>1,878,918,456,000</u>	<u>1,294,047,113,324</u>

17. EQUITY

According to the Group's amended Business Registration Certificate, the charter capital is VND 1,321,675,040,000 (2007: VND 1,101,397,300,000).

The Group's share par value and number of shares as follows:

	31/12/2008	31/12/2007
Authorized	132,167,504	110,139,730
Shares issued and fully contributed	132,167,504	110,139,730
Par value (VND)	<u>10,000</u>	<u>10,000</u>

The Group has one class of ordinary share which carry no right to fixed income. 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 Group's shareholders meetings. All shares rank equally with regard to the Company's residual assets.



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	31/12/2008	31/12/2007
	VND	VND
Value of shares held by Petro Vietnam	665,856,000,000	554,880,000,000
Value of shares held by other shareholders	655,819,040,000	546,517,300,000
	<u>1,321,675,040,000</u>	<u>1,101,397,300,000</u>

Movement of shareholders' equity and other funds during the year were as follows:

	Charter capital	Share premium	Retained earnings	Financial reserves fund	Investment and development fund	Foreign exchange differences	Bonus and welfare fund	Total
	VND	VND	VND	VND	VND	VND	VND	VND
As at 1/1/2007	680.000.000.000	-	86.230.063.353	5.805.723.856	11.611.447.710	-	7.944.352.478	791.591.587.397
Paid-in capital	421.397.300.000	201.153.600.000	-	-	-	-	-	622.550.900.000
Profit for the year	-	-	424.166.216.291	28.748.899.711	56.660.023.525	-	62.326.025.266	571.901.164.793
Other increases	-	-	-	-	-	9.872.495.037	-	9.872.495.037
Dividends	-	-	(85.680.000.000)	-	-	-	-	(85.680.000.000)
Other decreases	-	-	-	-	(9.520.000.000)	-	(36.492.960.188)	(46.012.960.188)
As at 31/12/2007	<u>1.101.397.300.000</u>	<u>201.153.600.000</u>	<u>424.716.279.644</u>	<u>34.554.623.567</u>	<u>58.751.471.235</u>	<u>9.872.495.037</u>	<u>33.777.417.556</u>	<u>1.864.223.187.039</u>
Stock dividends	220.277.740.000	-	(220.277.740.000)	-	-	-	-	-
Foreign exchange differences	-	-	-	-	-	(3.898.050.608)	-	(3.898.050.608)
Profit for the year	-	-	922.258.604.791	-	-	-	-	922.258.604.791
Dividends	-	-	(534.289.112.230)	-	-	-	-	(534.289.112.230)
Funds distributions	-	-	(236.875.032.795)	45.356.763.632	90.824.625.131	-	100.693.644.032	-
Bonus and welfare fund utilization	-	-	-	-	-	-	(114.850.932.975)	(114.850.932.975)
As at 31/12/2008	<u>1.321.675.040.000</u>	<u>201.153.600.000</u>	<u>355.532.999.410</u>	<u>79.911.387.199</u>	<u>149.576.096.366</u>	<u>5.974.444.429</u>	<u>19.620.128.613</u>	<u>2.133.443.696.017</u>

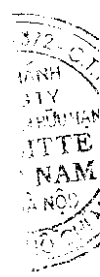
During the year, the Group's shareholders have decided to increase its charter capital from VND 1,101,397,300,000 to VND 1,321,675,040,000 by issuing additional 22,027,774 shares to existing shareholders using its retained earnings. This was subsequently approved by the Planning Investment Department of Ho Chi Minh City in its Business Registration Certificate No. 4103004335 dated 18 June 2008.

As at 31 December 2008, the Group temporarily appropriated a part of the 2008 consolidated profit after tax for three funds which are Financial Reserve Fund, Investment and Development Fund and Bonus and Welfare Fund in accordance with the Group's Charter. The final amounts of such appropriations will be determined and approved by the shareholders in the general annual shareholders meeting.

During the year, the Group declared and paid total dividends of VND 754,566,852,230 by issuing additional 22,027,774 shares and VND 534,289,112,230 by cash, of that VND 330,418,760,000 was dividends declared and paid from the profit of 2008 at 25% per share.

Details movement of foreign exchange difference:

	Exchange rate difference in translating foreign operation (Algeria Branch) VND	Exchange rate difference during construction stage (PVD Invest) VND	Total VND
As at 1 January 2007	-	-	-
Additions	9,872,495,037	-	9,872,495,037
As at 31 December 2007	<u>9,872,495,037</u>	-	<u>9,872,495,037</u>
Additions	18,395,662,657	(43,713,163,264)	(25,317,500,607)
Attributable to minority interest	-	21,419,449,999	21,419,449,999
As at 31 December 2008	<u>28,268,157,694</u>	<u>(22,293,713,265)</u>	<u>5,974,444,429</u>



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18. MINORITY INTEREST

Minority interest presents the minority's portion in net assets value and income statement of PVD Invest and PVD Training.

Rate of minority interest was calculated as follow:

	PVD Invest	PVD Training
Charter capital of subsidiaries	1,000,000,000,000	21,511,660,000
Including:		
Distributed capital of the Group	510,000,000,000	11,390,620,000
Distributed capital of Minority interest	<u>490,000,000,000</u>	<u>10,121,040,000</u>
Rate of minority interest	<u>49.00%</u>	<u>47.05%</u>

Minority interest in net asset as at 31 December 2008:

	PVD Invest VND	PVD Training VND	Total VND
Total assets	4,316,397,862,116	28,978,774,152	4,345,376,636,268
Total liabilities	<u>(3,337,366,392,387)</u>	<u>(5,098,797,327)</u>	<u>(3,342,465,189,714)</u>
Net assets	<u>979,031,469,729</u>	<u>23,879,976,825</u>	<u>1,002,911,446,554</u>
<i>Details as follow:</i>			
Charter capital	1,000,000,000,000	21,511,660,000	1,021,511,660,000
Other funds	(41,037,957,932)	323,444,771	(40,714,513,161)
Retained earnings	<u>20,069,427,661</u>	<u>2,044,872,054</u>	<u>22,114,299,715</u>
Minority interest	479,725,420,167	11,235,311,484	490,960,731,651
<i>Details as follow:</i>			
Charter capital	490,000,000,000	10,121,040,000	500,121,040,000
Other funds	(20,108,599,387)	152,177,817	(19,956,421,570)
Retained earnings	<u>9,834,019,554</u>	<u>962,093,667</u>	<u>10,796,113,221</u>

Minority interest in operating result for the year ended 31 December 2008:

	PVD Invest VND	PVD Training VND	Total VND
Profit for the year	15,757,342,990	6,580,660,964	22,338,003,954
Minority interest of operating result	<u>7,721,098,065</u>	<u>3,096,141,016</u>	<u>10,817,239,081</u>

19. GROSS SALES

	2008 VND	2007 VND
Sale of goods	706,391,540,167	795,666,626,000
Sale of drilling services	1,503,016,439,145	936,390,848,000
Sale of well services and others	<u>1,519,338,011,459</u>	<u>1,006,547,873,000</u>
	<u>3,728,745,990,771</u>	<u>2,738,605,347,000</u>

Including in the above sales is the sale of drilling services from the land-rig in Algeria with amount of VND 142,027,947,079 (2007: VND 81,910,009,240). Currently, the service contract has been temporary terminated from 25 July 2008.

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	2008	2007
	<u>VND</u>	<u>VND</u>
Profit before tax	928,748,308,642	579,875,305,000
Adjustments for taxable income		
Less: non-assessable income	(58,319,344,073)	(33,796,581,000)
Add back: non-deductible expenses	96,287,239,115	12,246,606,000
Assessable income	966,716,203,684	558,325,330,000
Current tax expense	6,410,872,603	3,541,205,000

Details current tax expense:

	PVD Training	PVD Invest	Others	Total
	<u>VND</u>	<u>VND</u>	<u>VND</u>	<u>VND</u>
Profit before tax	7,459,147,303	21,279,750,980	900,009,410,359	928,748,308,642
Adjustments for taxable income				
Less: non-assessable income		(74,160,507)	(58,245,183,566)	(58,319,344,073)
Add back: non-deductible expenses	493,293,458	-	95,793,945,657	96,287,239,115
Assessable income	7,952,440,761	21,205,590,473	937,558,172,450	966,716,203,684
Tax rate	12.4%	28%	0%	
Current tax expense	983,519,647	5,937,565,332	-	6,921,084,979
Tax deduction	(64,894,976)	(445,317,400)	-	(510,212,376)
Net current tax expense	918,624,671	5,492,247,932	-	6,410,872,603

The Group has the obligation to pay Corporate Income Tax ("CIT") at the rate of 28% of taxable profits.

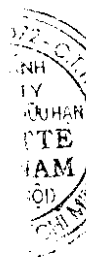
Except for PVD Training, BJ-PVD and PVD Invest as discussed below, the Group is entitled to tax exemption for two years (from 2007 to 2008) and a 50% reduction for the following five years. As it is the second year during the tax exemption, no corporate income tax was provided for.

PVD Training has the obligation to pay Corporate Income Tax ("CIT") at the rates from 0% to 28% of taxable profits for its activities. It is entitled to corporate income tax exemption for two years (from 2005 to 2006) and a 50% reduction for the following seven years for its security training activities; and three years exemption (from 2005 to 2007) and a 50% reduction for seven years for its technical training activities.

BJ-PVD is entitled to tax exemption for two years (from 2007 to 2008) and a 50% reduction for the following three years.

PVD Invest has the obligation to pay CIT at the rate of 28% in 2008 for assessable income from financial activities.

Up to the date of this report, the Group has been continuously working with Tax authorities for the tax incentive scheme for PVD Logging, PVD Well, PVD Tech and PVD Offshore. However, the Group believed that the Group's subsidiaries are also entitled the corporate income tax incentive scheme as of the Group. Had the Group's subsidiaries not be entitled CIT incentive, consolidated current tax expense and profit after tax for the year ended 31 December 2008 would have increased and decreased by VND 38,902,700,979, respectively. Accordingly, the Group's taxes and amounts payable to State budget and consolidated retained earnings as at 31 December 2008 would have increased and decreased by VND 38,902,700,979, respectively.



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The Group's tax returns are subject to examination by the tax authorities. Because the application of tax laws and regulations for many types of transactions is susceptible to varying interpretations, the amounts reported in the consolidated financial statements could be changed at a later date upon final determination by the tax authorities.

24. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to equity holders of the Group is based on the following data:

	2008 <u>VND</u>	2007 <u>VND</u>
Net profit attributable to ordinary shareholders	922,258,604,791	571,901,164,896
Less: Unrealized foreign exchange gains	(4,129,326,936)	-
Deferred tax income	<u>(10,917,622,720)</u>	<u>-</u>
Earnings for the purposes of basic earnings per share	907,211,655,135	571,901,164,896
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>122,089,043</u>	<u>92,360,384</u>
Earnings per share	<u>7,431</u>	<u>6,192</u>

25. CONTINGENT LIABILITIES

Up to the date of this report, the Group has not completed the tax finalization for its branch operation in Algeria. The tax finalization will be done by the Authorities of Algeria upon the completion of Algeria project and the tax liabilities will be determined at that time. The Group's management believes that there will be no significant additional tax liabilities.

26. COMMITMENTS**Capital commitments**

On the 28 May 2007, PVD Invest entered into a contract with Keppel Fels Limited to build a 517 feet Jack-up drilling (PV Drilling II) for USD 191,000,000. As at 31 December 2008, the contractor has completed the construction with estimated value of USD 98,365,000. The outstanding value of this contract of USD 92,635,000 will be performed and estimated to complete up to 30 October 2009 and being dealt to have an early completion on 15 September 2009.

On the 22 February 2008, PVD Invest also entered into another contract with the Contractor Keppel Fels Limited and Will Alpha to build a 517 feet Jack-up drilling (PV Drilling III) for USD 185,000,000 and USD 21,000,000, respectively. As at 31 December 2008, Keppel Fels Limited has completed the construction with estimated value of USD 98,235,000. The outstanding value of this contract will be performed and estimated to complete up to 31 December 2009.

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At the balance sheet date, the Group had outstanding commitments under non-cancelable operating leases, which fall due as follows:

	31/12/2008	31/12/2007
	<u>VND</u>	<u>VND</u>
Within one year	19,094,565,100	4,042,423,000
In the second to fifth years inclusive	54,402,896,236	6,933,471,000
After five years	18,517,343,594	5,225,432,000
	<u>92,014,804,930</u>	<u>16,201,326,000</u>

Operating lease payments represent total rental payable for leasing office premises in Ho Chi Minh City and Vung Tau City. These leases are negotiated for periods from 1 year to 8 years.

Service rendered commitment

On 20 October 2008, the Group has signed with The Joint Operating Company "Vietgazprom" to provide drilling services with estimated day rate of USD 225,900 per day. The duration of this contract shall be effective for a minimum of 60 days with commencement date from 1 June 2009 to 15 July 2009.

28. RELATED PARTY TRANSACTIONS AND BALANCES

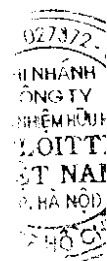
During the year, the Group entered into the following transactions with related parties:

	2008	2007
	<u>VND</u>	<u>VND</u>
Sales		
PetroVietnam Group's subsidiaries	203,645,992,732	54,097,813,000
PetroVietnam's Joint Ventures/Joint Companies/Petroleum Sharing Contracts	1,818,523,473,578	1,509,491,821,000
	<u>Operating</u>	<u>Operating</u>
Purchases		
PetroVietnam Group's subsidiaries	3,375,509,152	35,395,968,000
PetroVietnam's Joint Ventures/Joint Companies/Petroleum Sharing Contracts	295,803,054,400	30,017,749,000
	<u>Operating</u>	<u>Operating</u>
Loan from PVFC		
Withdrawn	-	140,889,154,000
Repayment	44,954,031,500	43,388,546,000

Directors' remuneration

Remuneration paid to the Group's Chairman and Board of Directors during the year was as follows:

	2008	2007
	<u>VND</u>	<u>VND</u>
Salaries	4,165,775,341	3,350,866,000
Bonus	4,900,163,737	680,015,000
Benefits in kind	168,000,000	66,277,000
	<u>9,233,939,078</u>	<u>4,097,158,000</u>



Related party balances at the balance sheet date were as follows:

	31/12/2008	31/12/2007
	<u>VND</u>	<u>VND</u>
Receivables		
PetroVietnam Group's subsidiaries	889,510,280	7,484,868,000
PetroVietnam's Joint Ventures/Joint Operating Companies/Petroleum Sharing Contracts	<u>111,379,068,171</u>	<u>326,959,746,000</u>
Payables		
PetroVietnam Group's subsidiaries	<u>9,916,738,956</u>	<u>25,496,522,000</u>
Loan payables		
PetroVietnam Group's subsidiaries (PVFC)	<u>213,134,775,525</u>	<u>247,256,035,950</u>
Dividends payables		
PetroVietnam	<u>166,464,000,000</u>	<u>-</u>

29. COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's figures to enhance their comparability with the current year's presentation.

30. APPROVAL OF ISSUANCE

The consolidated financial statements for the year ended 31 December 2008 have been approved by the Group's Board of Management on 20 March 2009.



Đỗ Văn Khanh
Chief Executive Officer and President
 20 March 2009

Doan Duc Tung
Chief Accountant

