

**VIETNAM OIL AND GAS GROUP
HOLDING COMPANY - PETROVIETNAM GAS CORPORATION**

(Incorporated in the Socialist Republic of Vietnam)

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

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STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of the Holding Company - PetroVietnam Gas Corporation (“the Company”) presents this report together with the Company’s audited financial statements for the year ended 31 December 2008.

BOARD OF DIRECTORS

The members of the Board of Directors of the Company who held office during the year and at the date of this report are as follows:

Mr. Tran Van Vinh	General Director (appointed on 19 August 2008)
Mr. Nguyen Trung Dan	Deputy General Director
Mrs. Nguyen Thi Lan	Deputy General Director (resigned on 1 February 2009)
Mr. Bui Minh Tien	Deputy General Director
Mr. Nguyen Xuan Hoa	Deputy General Director
Mr. Tran Hung Hien	Deputy General Director
Mr. Pham Hong Linh	Deputy General Director
Mr. Pham Thanh Son	Deputy General Director (appointed on 1 February 2009)
Mr. Duong Manh Son	Deputy General Director (appointed on 1 February 2009)

BOARD OF DIRECTORS’ STATEMENT OF RESPONSIBILITY

The Board of Directors of the Company is responsible for preparing the financial statements, which give a true and fair view of the financial position of the Company as at 31 December 2008 and of its results and cash flows for the year then ended. In preparing these 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 financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- Design and implement an effective internal control system for the purpose of properly preparing and presenting the financial statements so as to minimize errors and frauds.

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

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

For and on behalf of the Board of Directors,

Nguyen Trung Dan
Deputy General Director

Ho Chi Minh City, 14 March 2009

No.: /Deloitte-AUDHN-RE

AUDITORS' REPORT

To: **The Board of Management of Vietnam Oil and Gas Group**
 The Board of Directors of PetroVietnam Gas Corporation

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

Respective Responsibilities of the Board of Directors and Auditors

As stated in the Statement of the Board of Directors on page 2, these financial statements are the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audit.

Basis of Opinion

Except for the limitations of audit scope as stated in the following paragraphs, 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 financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts, and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Limitations of audit scope

At the date of this report, the Company had not collected the report on liabilities reconciliation with Vietnam Oil and Gas Group regarding short-term and long-term inter-company payables of VND 2,232,306,304,461 which are presented in the balance sheet as at 31 December 2008. We could not conduct other alternative audit procedures to obtain sufficient evidence for the above payables. Therefore, we do not express our opinion on the value and classification of the payables in the balance sheet as well as the effect thereof on other items in the financial statements.

As stated in Note 6 of the Notes to the financial statements, the Company had not recorded the profit distributed from the joint venture with PetroVietnam Oil Corporation for finished gasoline processing and trading activity in 2008. At the date of this report, we could not obtain sufficient information on the results of this contract for the year ended 31 December 2008. Therefore, we do not express our opinion on the completeness and value of the profit that should be recorded from this business cooperation contract.

As stated in Note 11 of the Notes to the financial statements, the Company has jointly controlled assets under the Business Cooperation Contract of "Nam Con Son gas pipeline" project, the Company has recorded the cost of the fixed assets under its ownership with the amount of VND 3,505,109,131,500, equivalent to 51% of the estimated value of this works recognised as an increase in fixed assets and depreciation period of 20 years. The remaining value of VND 270,318,523,840 of this works after deduction of the above estimated value is disclosed in the item "construction in progress" (see Note 9). At the date of this report, the estimated value of this works had not been adjusted in accordance with the Report on the finalization of completed construction works and the report on investment capital (phase 1). Therefore, we do not express our opinion on the costs and accumulated depreciation of these assets as at 31 December 2008 and the effect thereof on other items presented in the Company's financial statements.

Opinion

In our opinion, except for the necessary adjustments that might have been made related to the limitations mentioned in the preceding paragraphs, the accompanying financial statements give a true and fair view of, in all material respects, the financial position of the Company 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.

We would like to draw readers' attention to the following issues:

As presented in Note 3 of the Notes to the financial statements, revenue from Nam Con Son gas sales and pipeline transportation service are recognized when VAT invoices are issued in accordance with Official Letter No. 5110-TC/TCT dated 16 May 2003 promulgated by the Ministry of Finance. Accordingly, revenue and cost of sales of Nam Con Son gas sales and pipeline transportation service incurred in November and December 2008 are recorded in 2009 with the respective amounts of VND 1,691 billion and VND 1,410 billion (VND 1,656 billion and VND 1,332 billion in 2007). The deduction of VND 245 billion from gas sales and pipeline transportation's revenue in 2008 is recorded in the income statement of 2009 (VND 159 million in 2007).

As presented in Note 18 of the Notes to the financial statements, the other long-term payables of VND 4,366,247,027,923 represent the investment funds of PM3 Ca Mau Pipeline construction project which had been completed, transferred to fixed assets and brought into use in December 2007 but had not had its finalized amount approved to account for the paid-in capital of the Company. Therefore, the value and the investment funds of the construction works may be subject to significant changes as the finalization report of the construction works is approved by the relevant authorities.

As presented in Note 19 of the Notes to the financial statements, the Company made appropriation from profit after tax of 2008 to investment and development funds, financial reserve funds, and bonus and welfare funds as regulated in Circular No. 24/2007/TT-BTC dated 27 March 2007 by the Ministry of Finance on providing financial guidelines for state-owned one member limited liability companies, political organizations, socio-political institutions and the Company's financial management regulations with the total amount of VND 1,131,009,344,724; reinvested to increase the legal capital with the amount of VND 666,110,178,421; and paid additional corporate income tax and profit after tax of Bach Ho Oilfield for year 2007 with the total amount of VND 880,501,731,627 to the State Budget. At the date of this report, there was no official decision issued by Vietnam Oil and Gas Group on distribution of the remaining profit of VND 2,176,760,017,468 and the Company recorded such profit in the account "payables to Vietnam Oil and Gas Group".

In 2008, the Company completed "low pressure gas distribution system - Phase 2" project and handed over to PetroVietnam Low Pressure Gas Distribution Joint Stock Company for operation and usage. According to the Handover Minutes dated 01 December 2008 between the Company and PetroVietnam Low Pressure Gas Distribution Joint Stock Company, the value of "low pressure gas distribution system - Phase 2" project will be regarded as the additional contributed capital of the Company to PetroVietnam Low Pressure Gas Distribution Joint Stock Company in 2009 after approval of the General Meeting of Shareholders of PetroVietnam Low Pressure Gas Distribution Joint Stock Company. At the date of this report, the value of this construction works had been recorded in the item "construction in progress" with the amount of VND 87,809,266,256.

The audit work are performed based on the normal audit procedures in order to express an opinion on the Company's financial statements rather than the value of the construction works completed and put into use, whose finalization amount has not been approved and that are presented in the Company's financial statements. The recorded value of construction works at the end of the period might vary significantly when the finalization reports of those construction works are approved by the relevant authorities.

Dang Chi Dung
Deputy General Director
CPA Certificate No D.0030/KTV

Tran Huy Cong
Auditor
CPA Certificate No. 0891/KTV

For and on behalf of
DELOITTE VIETNAM COMPANY LIMITED

Hanoi, 14 March 2009

BALANCE SHEET
As at 31 December 2008

FORM B 01 - DN
Unit: VND

ASSETS	Codes	Notes	31/12/2008	31/12/2007
A. CURRENT ASSETS (100=110+120+130+140+150)	100		7,015,597,989,748	5,700,994,347,465
I. Cash	110		4,192,312,620,263	3,556,187,860,612
1. Cash	111	4	4,192,312,620,263	3,556,187,860,612
II. Short-term financial investments	120		200,000,000,000	205,000,000,000
1. Short-term investments	121	5	200,000,000,000	205,000,000,000
III. Short-term receivables	130		2,296,215,009,023	1,549,402,368,518
1. Trade accounts receivable	131		2,036,496,393,679	1,274,199,891,452
2. Advances to suppliers	132		106,644,289,328	82,978,308,389
3. Other receivables	135	6	153,900,935,801	193,847,314,324
4. Provision for doubtful debts	139		(826,609,785)	(1,623,145,647)
IV. Inventories	140	7	235,541,429,919	198,682,929,037
1. Inventories	141		243,708,012,173	205,147,837,168
2. Provision for devaluation of inventories	149		(8,166,582,254)	(6,464,908,131)
V. Other short-term assets	150		91,528,930,543	191,721,189,298
1. Short-term prepayments	151		62,424,490,168	61,216,934,054
2. VAT deductibles	152		5,001,943,649	109,176,241,385
3. Other short-term assets	158		24,102,496,726	21,328,013,859
B. NON-CURRENT ASSETS (200=220+250+260)	200		9,492,264,802,270	8,819,736,990,030
I. Fixed assets	220		8,713,547,379,124	8,057,201,994,316
1. Tangible fixed assets	221	8	6,284,460,887,275	6,958,088,356,074
- Cost	222		13,590,912,179,934	13,651,900,569,306
- Accumulated depreciation	223		(7,306,451,292,659)	(6,693,812,213,232)
2. Intangible fixed assets	227		1,929,404,428	201,132,949
- Cost	228		5,310,032,655	2,579,953,932
- Accumulated amortization	229		(3,380,628,227)	(2,378,820,983)
3. Construction in progress	230	9	2,427,157,087,421	1,098,912,505,293
II. Long-term financial investments	250		710,486,253,460	749,313,671,678
1. Investment in subsidiaries	251	10	372,717,843,411	250,466,187,851
2. Investments in associates, joint ventures	252	11	172,998,810,000	107,829,877,517
3. Other long-term investments	258	12	404,535,400,000	391,017,606,310
4. Provision for diminution in value of long-term investments	259		(239,765,799,951)	-
III. Other non-current assets	260		68,231,169,686	13,221,324,036
1. Long-term prepayments	261		11,030,824,686	13,205,376,861
2. Deferred tax assets	262		57,187,500,000	-
3. Other non-current assets	268		12,845,000	15,947,175
TOTAL ASSETS (270=100+200)	270		16,507,862,792,018	14,520,731,337,495

The notes set out on pages 9 to 25 are an integral part of these financial statements

BALANCE SHEET (Continued)
As at 31 December 2008

FORM B 01 - DN
Unit: VND

RESOURCES	Codes	Notes	31/12/2008	31/12/2007
A. LIABILITIES (300=310+330)	300		10,920,871,976,703	8,038,976,969,080
I. Current liabilities	310		2,210,417,026,564	1,730,523,065,708
1. Short-term loans and liabilities	311	13	341,800,210,035	319,916,139,651
2. Trade accounts payable	312		281,280,805,908	88,851,374,780
3. Advances from customers	313		567,307,130,214	374,949,422,132
4. Taxes and amounts payable to the State budget	314	14	460,370,995,095	402,256,861,691
5. Payables to employees	315		32,808,608,756	25,037,009,139
6. Accrued expenses	316	15	268,035,150,635	70,117,123,776
7. Inter-company payables	317	16	120,557,729,652	379,728,876,707
8. Other current payables	319		138,256,396,269	69,666,257,832
II. Long-term liabilities	330		8,710,454,950,139	6,308,453,903,372
1. Long-term inter-company liabilities	332	16	2,111,748,574,809	-
2. Long-term loans and liabilities	334	17	2,213,557,892,874	1,923,924,226,682
3. Provision for severance allowance	336		18,901,454,533	18,282,648,767
4. Other long-term payables	337	18	4,366,247,027,923	4,366,247,027,923
B. EQUITY (400=410+430)	400		5,586,990,815,315	6,481,754,368,415
I. Owners' equity	410		5,555,192,035,272	6,459,746,248,358
1. Legal capital	411	19	3,412,698,437,112	801,810,757,319
2. Foreign exchange reserve	416	19	-	13,318,546,133
3. Investment and development funds	417	19	929,993,598,160	1,534,114,901,445
4. Financial reserve funds	418	19	1,212,500,000,000	1,052,292,467,687
5. Retained earnings	420	19	-	812,325,801,965
6. Construction funds	421	19	-	2,245,883,773,809
II. Other resources and funds	430		31,798,780,043	22,008,120,057
1. Bonus and welfare funds	431	19	29,043,291,712	18,419,092,490
2. Funds for fixed assets acquisition	433		2,755,488,331	3,589,027,567
TOTAL RESOURCES (440=300+400)	440		16,507,862,792,018	14,520,731,337,495

Ho Chi Minh City, 14 March 2009

Preparer

Chief accountant

Deputy General Director

Dang Thi Hong Yen

Mai Huu Ngan

Nguyen Trung Dan

The notes set out on pages 9 to 25 are an integral part of these financial statements

INCOME STATEMENT
For the year ended 31 December 2008

FORM B 02-DN
Unit: VND

ITEMS	Codes	Notes	2008	2007
1. Gross sales	01	20	23,573,200,009,560	17,012,055,459,351
2. Less deductions	02		20,119,049,059	24,300,352,539
3. Net sales (10=01-02)	10		23,553,080,960,501	16,987,755,106,812
4. Cost of sales	11	21	17,889,794,000,721	11,434,828,967,527
5. Gross profit from sales	20		5,663,286,959,780	5,552,926,139,285
6. Financial income	21	22	446,227,163,004	292,102,004,684
7. Financial expenses	22	23	613,132,859,160	123,414,124,874
- Including: Interest expense	23		76,976,777,170	108,997,646,988
8. Selling expenses	24		168,720,192,716	119,077,501,615
9. General and administration expenses	25		191,928,395,296	172,398,545,145
10. Operating profit (30=20+(21-22)-(24+25))	30		5,135,732,675,612	5,430,137,972,335
11. Other income	31	24	138,846,224,805	1,330,739,944
12. Other expenses	32		1,394,502,604	1,067,290,665
13. Profit from other activities (40=31-32)	40		137,451,722,201	263,449,279
14. Accounting profit before tax (50=30+40)	50		5,273,184,397,813	5,430,401,421,614
15. Current tax expense	51		1,288,316,427,538	1,280,872,083,954
16. Deferred tax income	52		(57,187,500,000)	-
17. Net profit after tax (60=50-51-52)	60		4,042,055,470,275	4,149,529,337,660

Ho Chi Minh City, 14 March 2009

Preparer

Chief accountant

Deputy General Director

Dang Thi Hong Yen

Mai Huu Ngan

Nguyen Trung Dan

CASH FLOW STATEMENT
For the year ended 31 December 2008

FORM B 03-DN
Unit: VND

ITEMS	Codes	2008	2007
I. CASH FLOWS FROM OPERATING ACTIVITIES			
<i>1. Profit before tax</i>	<i>01</i>	<i>5,273,184,397,813</i>	<i>5,430,401,421,614</i>
<i>2. Adjustments for:</i>			
Depreciation and amortization	02	621,405,193,128	688,736,123,965
Provisions	03	241,289,743,978	5,911,570,540
Unrealized foreign exchange difference	04	93,859,106,799	3,884,675
(Gain) from investing activities	05	(377,733,936,729)	(285,103,560,226)
Interest expense	06	76,976,777,170	108,997,646,988
<i>3. Operating profit before movements in working capital</i>	<i>08</i>	<i>5,928,981,282,159</i>	<i>5,948,947,087,556</i>
(Increase)/Decrease in receivables	09	(713,522,533,313)	1,658,809,602,503
(Increase) in inventories	10	(38,560,175,005)	(26,668,340,760)
Decrease in accounts payable (not including accrued interest and business income tax payable)	11	(2,644,579,272,388)	(3,983,764,550,043)
Decrease/ (Increase) in prepaid expenses and other short-term assets	12	102,369,913,105	(108,750,137,463)
Interest paid	13	(76,976,777,170)	(108,997,646,988)
Corporate income tax paid	14	(1,113,353,051,383)	(1,108,595,322,015)
Other cash inflows	15	-	8,059,710,763
Other cash outflows	16	(31,017,554,265)	(25,968,339,798)
<i>Net cash from operating activities</i>	<i>20</i>	<i>1,413,341,831,740</i>	<i>2,253,072,063,755</i>
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition of fixed assets and other long-term assets	21	(1,323,000,752,483)	(1,027,491,474,128)
2. Net difference in short-term investments	23	5,000,000,000	(100,000,000,000)
3. Investments in other entities	25	(245,622,261,560)	(422,420,500,000)
4. Cash recovered from investments in other entities	26	44,683,879,827	16,730,125,215
5. Proceeds from loan interest, dividends and profit received	27	347,360,632,529	292,102,004,684
<i>Net cash (used in) investing activities</i>	<i>30</i>	<i>(1,171,578,501,687)</i>	<i>(1,241,079,844,229)</i>
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Capital contribution from the Group	31	176,198,623,391	196,629,690,997
2. Proceeds from borrowings	33	668,071,143,606	844,012,934,641
3. Repayments of borrowings	34	(474,508,805,295)	(404,106,321,362)
<i>Net cash from financing activities</i>	<i>40</i>	<i>369,760,961,702</i>	<i>636,536,304,276</i>
Net increase in cash	50	611,524,291,755	1,648,528,523,802
Cash at the beginning of the year	60	3,556,187,860,612	1,907,659,336,810
Effect of changes in foreign exchange rates	61	24,600,467,896	-
Cash at the end of the year	70	4,192,312,620,263	3,556,187,860,612

Ho Chi Minh City, 14 March 2009

Preparer

Chief accountant

Deputy General Director

Dang Thi Hong Yen

Mai Huu Ngan

Nguyen Trung Dan

The notes set out on pages 9 to 25 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FORM B 09 - DN

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

1. GENERAL INFORMATION

Structure of ownership

The Holding Company - PetroVietnam Gas Corporation ("the Company"), formerly known as PetroVietnam Gas Processing and Trading Company, is a subsidiary of Vietnam Oil and Gas Group, which was incorporated under Decision No. 2232/QĐ-DKVN dated 18 July 2007 by Vietnam Oil and Gas Group.

The number of employees of the Company as at 31 December 2008 was 1,087 (2007: 1,232).

Operating industry and principal activities

The principal activities of the Company are to collect, transport, store and process gas; distribute and trade dry gas related products, LNG, CNG, LPG and Condensate, etc.; trade materials, equipment and chemicals that are used in processing gas and gas-related products; provide port and warehouse services; invest in infrastructure, synchronous system for distributing dry and wet gas products, purchase LPG from oil refinery plants and other subsidiaries of the Group; provide consulting services in designing and preparing construction projects; manage, operate and provide repair and maintenance services of gas and gas related projects; perform feasibility study in gas industry, design and rehabilitation of gas works; provide services in gas industry, rehabilitation, maintenance and repair of engines and installation of converted facilities that are used in motor vehicles and gas-powered equipment and agriculture, forestry and aquaculture sectors; import and export products of block gas, LNG, LPG and condensate; import materials, equipment and motor vehicles that are used in gas industry; take part in upper reaches gas investment projects to raise the pro-activity and effectiveness of trading and processing gas products; invest in outsiders, trade and transfer investment, negotiate and sign contracts, projects, and assets, gas works; acquire international gas companies which will then become the members of the Company, sell the subsidiaries when necessary; and do business in other sectors in accordance with the regulations of law.

2. ACCOUNTING CONVENTION AND ACCOUNTING PERIOD

Accounting convention

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

Accounting period

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the financial year. Actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FORM B 09 - DN

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Short-term financial investments

Short-term financial investments are recognized at cost, including time deposits due within twelve months and a capital management trust that enables the trustor to earn interest corresponding to the result of trust activities.

Receivables and 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, 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 current prevailing accounting regulations, which allow provisions to be 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.

Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives in accordance with Decision No. 206/2003/QĐ-BTC issued by the Ministry of Finance promulgating regime of management, utilisation and depreciation of fixed assets, details are as follows:

	<u>Years</u>
Gas works	5 – 10
Buildings and structures	4 – 15
Machinery and equipment	3 – 7
Motor vehicles	2 – 7
Office equipment	3 – 5
Other fixed assets	3 – 7

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FORM B 09 - DN

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Tangible fixed assets and depreciation (Continued)

Cost of gas works are increased based on the approved estimates to temporarily calculate their depreciation expenses when such gas works have been put into use. Upon approval of the finalized amount, cost and depreciation of those gas works will be readjusted. Gas works are depreciated in accordance with Official Letter No. 927-TC/TCDN dated 15 March 2000 issued by the Ministry of Finance, accordingly, the gas pipeline works are depreciated over the period of 7 years. Particularly for Bach Ho – Thu Duc gas work, the portion of fixed assets invested by borrowing capital is depreciated over the period of 5 years.

Expenses incurred from repair, maintenance and small replacement to maintain normal working conditions of assets are charged to the income statement during the year. Expenses incurred from overhaul or replacement which changes the features and capacity of the assets are as added to the cost of relevant assets.

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 Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Long-term financial investments

Investments in subsidiaries are stated at cost. Therefore, investments are initially recorded at historical cost and then not adjusted by the changes of the Company's portion in the net assets of the investees. The Company's income statement presents only dividends received out of the accumulated profit of the investees arising after the investment date.

Investments in joint-ventures are contractual whereby the Company 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 directly undertakes its activities under joint-venture arrangement, the Company'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 sales or use of the Company's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Company and their amount can be measured reliably.

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Investments in associates are stated in the balance sheet at cost less the provision for diminution in value (if any).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FORM B 09 - DN

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term financial investments (Continued)

Other long-term investments including education treasury notes, government bonds, oil and gas bonds, stocks and other long-term investments are stated at cost less the provision for diminution in value (if any).

The provision for diminution in value of long-term investments is made in accordance with current prevailing accounting regulations. Therefore, the Company is allowed to make provision for long-term investment which has book value is higher than net realisable value as at the balance sheet date.

Foreign currencies

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. Foreign exchange differences arising from these transactions are recognized in the income statement. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rates of exchange prevailing on the balance sheet date. Exchange differences arising from the translation of these accounts are recognized in the income statement. Unrealized exchange gains at the balance sheet date are not treated as part of distributable profit to owners.

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 Company. Sales of goods are recognized when goods are delivered and title has passed.

For Nam Con Son gas sales and pipeline transportation services provided to consumers of Vietnam Electricity (EVN), Phu My 2 and Phu My 3 BOT power plans under Nam Con Son Gas Sales Agreements (GSA), the consumers are responsible for purchasing and paying for a minimum volume of gas (defined in GSA); the minimum volume of gas which has not yet used by customers is recorded in unearned revenue and will be allocated to sales when actual consumed volume exceeds the minimum volume of gas.

In accordance with Circular No.5110-TC/TCT dated 16 May 2003 issued by the Ministry of Finance, the Company defined revenue from gas sales to Vietnam Electricity and from gas transportation services rendered to the owners of Block 06.1 when value added tax invoices are issued. Therefore, revenue and cost of sales from the above activities include the amounts incurred from December 2007 to October 2008. Revenue and cost of sales of Nam Con Son gas sales and pipeline transportation activity arising in November and December of 2008 are recorded in 2009 with the respective amounts of VND1,691 billion and VND 1,410 billion (VND1,656 billion and VND 1,332 billion respectively in 2007). The deduction of VND245 billion (2007: VND159 billion) from gas transportation's revenue in 2008 is recorded in the income statement of 2009.

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 Company's right to receive payment has been established.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 recognized in the income statement when incurred.

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 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.

For *Phu My Gas Distribution Center Project*, the Company enjoys domestic favorable investment conditions in accordance with Investment Preferential Certificate No. 8898-BKH/DN issued by the Ministry of Planning and Investment on 31 December 2001. Accordingly, the Company is subject to corporate income tax rate of 20%.

For *Nam Con Son Condensate Transportation Project*, the Company enjoys domestic favorable investment conditions in accordance with Investment Preferential Certificate No. 3399 - BKH/DN issued by the Ministry of Planning and Investment on 28 May 2002. Accordingly, the Company is subject to corporate income tax rate of 20%.

For *Nam Con Son Gas Transportation Pipelines Project*, the Company enjoys domestic favorable investment conditions in accordance with Investment Preferential Certificate No. 6011- BKH/DN issued by the Ministry of Planning and Investment on 18 September 2002. Accordingly, the Company is subject to corporate income tax rate of 20%. The Corporation is entitled to tax exemption for the first 3 years and a 50% reduction in tax payable in the 7 years thereafter, since the Company has taxable income.

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.

Deferred tax is recognized on significant differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and are 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FORM B 09 - DN

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

4. CASH

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5. SHORT-TERM FINANCIAL INVESTMENTS

	31/12/2008	31/12/2007
	VND	VND
Time deposit due within 12 months	-	5,000,000,000
Capital management trust at PVFC	200,000,000,000	200,000,000,000
	200,000,000,000	205,000,000,000

Short-term investments represent capital management trust at PetroVietnam Finance Corporation (PVFC) under capital management contracts which enable the trustor to earn interest corresponding to the result of trust activities and time deposits due within 12 months.

6. OTHER RECEIVABLES

	31/12/2008	31/12/2007
	VND	VND
PetroVietnam Oil Corporation (*)	28,783,615,215	120,304,713,332
PetroVietnam Southern Gas Joint Stock Company	18,493,304,200	-
PetroVietnam Low Pressure Gas Distribution Joint Stock Company	11,880,000,000	32,427,346,193
PetroVietnam Finance Joint stock Corporation	15,644,048,694	10,842,474,639
Thang Long LPG Company Limited	8,012,982,039	8,301,398,674
Joint-venture of the 2 LPG tankers	1,034,710,720	6,767,234,989
Expenses of Tan Thanh Petro building	10,143,457,593	5,443,457,593
PetroVietnam Transportation Corporation	31,565,000,000	-
Others	28,343,817,340	9,760,688,904
	153,900,935,801	193,847,314,324

6. OTHER RECEIVABLES (Continued)

(*) Represent the value of condensate which the Company transferred to PetroVietnam Oil Corporation in accordance with the contract signed between the 2 parties on establishment of a joint-venture to produce and trade finished gasoline processed from condensate with the unit price of USD 193/MT as specified in Decision No. 544/QD-DKVN dated 25 January 2007 issued by Vietnam Oil and Gas Group. In 2008, the Company has not estimated and accounted for profit received from this joint-venture.

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7. INVENTORIES

	31/12/2008	31/12/2007
	VND	VND
Goods in transit	-	1,945,799,867
Raw materials	192,333,365,211	170,172,996,292
Tools and supplies	3,474,009,712	2,434,070,278
Work in progress	825,366,850	1,018,960,176
Finished goods	30,384,751,133	10,147,066,527
Merchandise	16,690,519,267	17,518,615,170
Goods on consignment	-	1,910,328,858
	243,708,012,173	205,147,837,168
Less: Provision for devaluation of inventories	(8,166,582,254)	(6,464,908,131)
Net realisable value	235,541,429,919	198,682,929,037

Raw materials mainly consist of material and tools of PetroVietnam Gas Services Company being used for repairing and maintaining gas works.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

8. TANGIBLE FIXED ASSETS

	Gas works VND	Buildings and structures VND	Machinery and equipments VND	Motor vehicles VND	Office equipment VND	Others VND	Total VND
COST							
As at 1/1/2008	13,495,758,224,455	25,768,847,030	67,047,004,217	31,995,248,376	23,227,558,547	8,103,686,681	13,651,900,569,306
Additions							
Purchasing	-	6,879,388,096	4,432,675,407	8,816,447,750	8,259,036,559	520,650,000	28,908,197,812
Transfers from construction in progress	-	7,158,073,493	-	584,635,697	4,413,780,999	-	12,156,490,189
Reclassification	-	-	-	1,544,292,387	2,070,557,809	-	3,614,850,196
Finalization adjustment (*)	94,512,461,850	-	-	-	-	-	94,512,461,850
Others	-	188,092,884	98,698,055	10,498,000	4,128,752,538	-	4,426,041,477
Decreases							
Disposals	-	(661,384,268)	(1,805,619,977)	(1,121,854,376)	(573,314,617)	-	(4,162,173,238)
Finalization adjustment (*)	(190,977,862,478)	-	-	-	-	-	(190,977,862,478)
Reclassification	-	-	(695,545,642)	(1,995,627,809)	(923,676,745)	-	(3,614,850,196)
Others	-	(574,433,444)	(510,356,442)	(995,182,207)	(3,722,711,891)	(48,861,000)	(5,851,544,984)
As at 31/12/2008	13,399,292,823,827	38,758,583,791	68,566,855,618	38,838,457,818	36,879,983,199	8,575,475,681	13,590,912,179,934
ACCUMULATED DEPRECIATION							
As at 1/1/2008	6,585,824,200,557	18,304,839,090	48,443,483,152	22,206,226,656	12,905,421,989	6,128,041,788	6,693,812,213,232
Charge for the year	689,505,247,043	6,708,545,717	8,452,676,288	4,497,519,465	6,874,363,380	830,434,619	716,868,786,512
Finalization adjustment (*)	94,512,461,850	-	-	-	-	-	94,512,461,850
Reclassification	-	-	-	868,614,117	-	-	868,614,117
Others	-	231,651,646	-	-	324,725,413	-	556,377,059
Decreases							
Disposals	-	(661,384,268)	(1,672,304,102)	(1,090,104,500)	(2,275,885,353)	-	(5,699,678,223)
Reclassification	-	-	(450,204,930)	-	(418,409,187)	-	(868,614,117)
Finalization adjustment (*)	(190,977,862,478)	-	-	-	-	-	(190,977,862,478)
Others	-	(608,965,751)	(445,416,289)	(897,185,506)	(620,576,759)	(48,860,988)	(2,621,005,293)
As at 31/12/2008	7,178,864,046,972	23,974,686,434	54,328,234,119	25,585,070,232	16,789,639,483	6,909,615,419	7,306,451,292,659
NET BOOK VALUE							
As at 31/12/2008	6,220,428,776,855	14,783,897,357	14,238,621,499	13,253,387,586	20,090,343,716	1,665,860,262	6,284,460,887,275
As at 31/12/2007	6,909,934,023,898	7,464,007,940	18,603,521,065	9,789,021,720	10,322,136,558	1,975,644,893	6,958,088,356,074

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

8. TANGIBLE FIXED ASSETS (Continued)

As at 31 December 2008, the cost of tangible fixed assets includes fully depreciated assets with the amount of VND 5,173,872,863,726 (31 December 2007: VND 3,596,914,626,614), in which, tangible fixed assets with the cost of VND 6,956,823,497 (31 December 2007: VND 3,663,416,522) were waiting for disposals. Others are still in use.

(*) In 2008, the Company had finalized the construction of transportation pipeline, stores and LPG export port, the offshore work that ensures to provide 2-3 million m3 of gas per day. Finalization adjustments are the differences between the initial temporary value and finalization value of the costs and accumulated depreciation of these construction works.

9. CONSTRUCTION IN PROGRESS

	2008	2007
	VND	VND
As at 1 January	3,528,115,863,160	3,712,082,711,969
Increase from purchasing	1,333,874,982,012	1,009,660,620,591
Increase from transferring	-	19,088,470,523
Other increases	-	1,594,726,771
Completed and transferred to tangible fixed assets	(14,872,510,912)	(1,527,623,264)
Allocate to expenses during the year	(13,759,593,676)	(10,252,911,876)
Temporary assets to be drawn the balance	(2,385,279,696,513)	(985,956,361,482)
Decrease due to adjustment of the value of Nam Con Son gas pipeline project	-	(202,036,919,547)
Other decreases	(20,921,956,650)	(14,536,850,525)
As at 31 December (before offsetting)	<u>2,427,157,087,421</u>	<u>3,528,115,863,160</u>
Offset against temporarily allocated resources on preparing financial statements	-	(2,429,203,357,867)
As at 31 December	<u>2,427,157,087,421</u>	<u>1,098,912,505,293</u>
In which, the details of construction as at 31 December are as below :		

	31/12/2008	31/12/2007
	VND	VND
Phu My - Ho Chi Minh City gas pipeline	1,153,816,604,474	724,608,702,985
Su tu Vang - Rang Dong gas pipeline	725,957,907,071	243,819,087,730
Nam Con Son pipeline	270,318,523,840	13,440,529,278
Low pressure gas distribution system - Phrase 2	87,809,266,256	36,001,327,697
Block B O Mon gas pipeline	64,619,747,859	26,370,323,267
Thi Vai liquified gas loading station	34,749,997,393	16,724,101,177
Others	89,885,040,528	37,948,433,159
	<u>2,427,157,087,421</u>	<u>1,098,912,505,293</u>

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10. INVESTMENTS IN SUBSIDIARIES

The Company's subsidiaries are as follows:

	31/12/2008	31/12/2007
	VND	VND
PetroVietnam Southern Gas Joint Stock Company	118,699,000,000	118,699,000,000
PetroVietnam Northern Gas Joint Stock Company	210,880,560,000	99,923,591,000
Vietnam LPG Company Limited	43,138,283,411	31,843,596,851
	372,717,843,411	250,466,187,851

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

Name of Subsidiaries	Place of incorporation and operation	Proportion of voting power held (%)	Principal activities
PetroVietnam Southern Gas Joint Stock Company	Vietnam	79,13 %	LPG distribution
PetroVietnam Northern Gas Joint Stock Company	Vietnam	73,75%	LPG distribution
Vietnam LPG Company Limited	Vietnam	55,00%	LPG distribution

11. INVESTMENTS IN ASSOCIATES, JOINT VENTURES

Details of the Company's associates, joint ventures as at 31 December 2008 are as follows:

	31/12/2008	31/12/2007
	VND	VND
Business cooperation contract - Purchasing Viet Gas Oil Vessel	-	5,247,937,057
Business cooperation contract - Purchasing Cuu Long Oil Vessel	-	6,002,130,460
Thang Long LPG Company Limited	19,734,310,000	19,734,310,000
Hoa Cam Industrial Zone Investment Joint Stock Company	17,500,000,000	15,585,500,000
Petro Vietnam Low Pressure Gas Distribution Joint Stock Company	59,400,000,000	59,400,000,000
Gas Shipping Joint Stock Company	40,000,000,000	-
CNG Vietnam Joint Stock Company	22,864,500,000	-
VT Gas Joint Stock Company	6,000,000,000	1,860,000,000
PVGas City Joint Stock Company	7,500,000,000	-
	172,998,810,000	107,829,877,517

In addition, the Company has jointly controlled fixed assets under the Business Cooperation Contract of "Nam Con Son gas pipeline" project. The Company has recorded the amount of fixed assets of VND 3,505,109,131,500 which belongs to the Company (51%) and depreciated over 20 years.

In 2008, 2 oil vessels namely Cuu Long and Vietgas of Business Cooperation Contract with Petroleum Technical Services Company were disposed. Income from disposal of the 2 oil vessels are stated and disclosed as other income (Note 24).

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11. INVESTMENTS IN ASSOCIATES, JOINT VENTURES (Continued)

Details of the Company's associates as at 31 December 2008 are as follows:

Name of Associates	Place of incorporation and operation	Proportion of voting power held (%)	Principal activities
Thang Long LPG Company Limited	Vietnam	24,17%	LPG distribution
Hoa Cam Industrial Zone Investment Joint Stock Company	Vietnam	35,00%	Leasing infrastructure
PetroVietnam Low Pressure Gas Distribution Joint Stock Company	Vietnam	50,00%	Low pressure gas distribution
Gas Shipping Joint Stock Company	Vietnam	20,00%	Transporting gas
CNG Vietnam Joint Stock Company	Vietnam	34,00%	CNG gas trading
VT Gas Joint Stock Company	Vietnam	30,00%	LPG distribution
PV Gas City Joint Stock Company	Vietnam	28,45%	Gas trading

12. OTHER LONG-TERM INVESTMENTS

	31/12/2008	31/12/2007
	VND	VND
Investments in shares (i)	375,270,000,000	360,575,000,000
Investments in bonds	29,265,400,000	25,588,000,000
Other long-term investments	-	4,854,606,310
	404,535,400,000	391,017,606,310
(i) Investments in shares include investment in Southeast Asia Commercial Joint Stock Bank (SeA Bank) with the amount of VND 311,250,000,000. As at 31 December 2008, the Company had made provision for diminution in the value of this investment with the amount of VND 228,750,000,000.		

13. SHORT-TERM LOANS AND LIABILITIES

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14. TAXES AND AMOUNTS PAYABLE TO THE STATE BUDGET

	31/12/2008	31/12/2007
	VND	VND
Value added tax	50,973,389,806	165,839,063,719
Import/export duties	2,754,228,363	-
Corporate income tax	399,628,992,607	207,252,405,534
Other taxes	6,995,034,333	1,812,066,281
Gas royalty fee	-	26,925,908,044
Fees, charges and other payables	19,349,986	427,418,113
	460,370,995,095	402,256,861,691

15. ACCRUED EXPENSES

	31/12/2008	31/12/2007
	VND	VND
Nam Con Son operation expenditures	63,107,406,958	30,942,030,305
Accrual of gas costs	141,653,025,531	38,860,177,944
Other accrued expenses	5,186,526,087	314,915,527
Gas royalty fee	58,088,192,059	-
	268,035,150,635	70,117,123,776

16. SHORT-TERM AND LONG-TERM INTERNAL PAYABLES

Internal payables as at 31 December 2008 include payables related to funds granted for projects, gas works, profit and management fee, etc, to PetroVietnam.

17. LONG-TERM LOANS AND LIABILITIES

	31/12/2008	31/12/2007
	VND	VND
Bank for Foreign Trade of Vietnam (Vietcombank) - Vung Tau branch(1)	469,678,346,753	653,451,543,028
Bank for Investment and Development of Vietnam - Vung Tau branch	-	14,211,526,676
European Investment Bank (2)	667,767,804,040	724,027,352,336
Petro Vietnam Finance Corporation (PVFC) (3)	865,780,124,211	503,886,239,714
Southeast Asia Commercial Joint Stock Bank (4)	552,131,827,905	215,673,447,716
Vietnam Technological and Commercial Joint Stock Bank	-	132,541,503,663
Total	2,555,358,102,909	2,243,791,613,133
Less: Current portion of long-term loans (Note 13)	(341,800,210,035)	(319,867,386,451)
Long-term loans	2,213,557,892,874	1,923,924,226,682

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17. LONG-TERM LOANS AND LIABILITIES (Continued)

- (1) Loan from Vietcombank – Vung Tau Branch with the balance as at 31 December 2008 of USD 27,700,000 bears an interest rate of 6-month LIBOR plus 1.85% per annum. The loan has duration of 10 years; principal and interest are paid on a 6-month basis, from the 36th month from the first withdrawal and used for investment in Nam Con Son transportation pipeline project. The loan is guaranteed by the Ministry of Finance.
- (2) Loan from European Investment Bank with the amount of USD 39,333,975 as at 31 December 2008 bears an interest rate of 4.48% per annum on the outstanding amount. This loan has duration of 10 years and is used for investment in Nam Con Son transportation pipeline project. The principal and interest are paid on a 6-month basis under the payment schedule from June 2004. This loan is secured by the Ministry of Finance.
- (3) Loans from PVFC includes:
 - The contract No. HD 01/TDUT/PVFC 01 dated 12/4/2001 with the amount of VND 4,161,967,812 and bears the interest of basis interest plus 0,15%/month.
 - The contract No. HD 01/TDUT/PVFC 01 dated 12/4/2001 with the amount of USD 44,696.40 and bears the interest of Sibor 6 months plus 1.3 % per annum.
 - The contract No. 39/TDUT-TH/PVFC/06 dated 27/10/2006 with the amount of VND 11,299,418,998 and bears the interest of average 12 month interest of four national commercial banks plus 0.15% per annum.
 - The contract No. 02/2007/HDTDDH-TCDK dated 15/1/2007 with the amount of USD 39,014,093 and bears the interest of Sibor 6 months plus 1.65% per annum.
 - The contract No. 03/2007/HDTDDH-TCDK dated 15/1/2007 with the amount of VND 130,000,000,000 and bears the interest of average 12-month, interest payable in arrear, of four commercial banks in Vung Tau province plus 3.4% per annum.
 - The contract No. 12/2007/HDTDDH-TCDK-15.14 with the amount of VND 57,262,008,591 and bears the interest of average 12-month interest of four commercial banks plus 3.4% per annum.
- (4) Loans under trust from SeA Bank with the amounts of USD 6,000,000 and VND 119,343,447,716 as at 31 December 2008 and bear interest rate of 6-month Sibor plus 1.95% per annum and 11.4% per annum respectively. These loans have durations of 7 years and are used for construction investment. The principal and interest are paid on a 6-month basis after 24- month grace period from the first withdrawal.

Long-term loans are repayable as follows:

	31/12/2008	31/12/2007
	VND	VND
On demand or within one year	341,800,210,035	319,867,386,451
In the second year	455,995,829,470	383,310,905,162
In the third to fifth year inclusive	1,101,824,364,159	1,100,961,228,522
After five years	655,737,699,245	439,652,092,998
	2,555,358,102,909	2,243,791,613,133

18. OTHER LONG-TERM PAYABLES

Other long-term payables represent investment funds for construction in progress “PM3 Ca Mau pipeline construction project” which had been completed, temporarily transferred to fixed assets and brought into use in December 2007 but had not had its finalized amount approved.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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

19. OWNER'S EQUITY

	Legal capital	Construction fund	Investment and development funds	Financial reserve funds	Foreign exchange reserve	Retained earning	Total
	VND	VND	VND	VND	VND	VND	VND
Balance as at 01/01/2008	801,810,757,319	2,245,883,773,809	1,534,114,901,445	1,052,292,467,687	13,318,546,133	812,325,801,965	6,459,746,248,358
Increase	2,611,777,557,241	178,953,149,056	929,993,598,160	160,207,532,313	-	4,042,055,470,275	7,922,987,307,045
Petro Vietnam granting	411,008,541,905	176,248,623,391	-	-	-	-	587,257,165,296
Profit for the year	-	-	-	-	-	4,042,055,470,275	4,042,055,470,275
Profit distribution	666,110,178,421	-	929,993,598,160	160,207,532,313	-	-	1,756,311,308,894
Adjustment among funds	1,534,658,836,915	-	-	-	-	-	1,534,658,836,915
Others and adjustments	-	2,704,525,665	-	-	-	-	2,704,525,665
Decrease	889,877,448	2,424,836,922,865	1,534,114,901,445	-	13,318,546,133	4,854,381,272,240	8,827,541,520,131
Distributed to Petro Vietnam	-	-	939,021,823,102	-	-	2,176,760,017,468	3,115,781,840,570
Profit distribution (i)	-	-	-	-	-	1,797,119,523,145	1,797,119,523,145
Payment to the State budget	-	-	181,663,176,289	-	-	880,501,731,627	1,062,164,907,916
Payable to PetroVietnam (ii)	-	1,316,890,634,471	-	-	-	-	1,316,890,634,471
Adjustment among funds	-	1,107,910,388,728	413,429,902,054	-	13,318,546,133	-	1,534,658,836,915
Others and adjustments	889,877,448	35,899,666	-	-	-	-	925,777,114
Balance as at 31/12/2008	3,412,698,437,112	-	929,993,598,160	1,212,500,000,000	-	-	5,555,192,035,272

(i) The Company made appropriation from profit after tax of 2008 to investment and development funds, financial reserve funds, and bonus and welfare funds as regulated in Circular No. 24/2007/TT-BTC dated 27 March 2007 by the Ministry of Finance on providing financial guidelines for state-owned one member limited liability companies, political organizations, socio-political institutions and the Company's financial management regulations with the total amount of VND 1,131,009,344,724; reinvested to increase the legal capital with the amount of VND 666,110,178,421; and paid additional corporate income tax and profit after tax of Bach Ho Oilfield for year 2007 with the total amount of VND 880,501,731,627 to the State Budget. The remaining of VND 2,176,760,017,468 is temporarily recorded as payables to Vietnam Oil and Gas Group. There had been no official decisions from Vietnam Oil and Gas Group with regard to distribution of this profit.

(ii) This is the amount contributed to Nam Con Son gas transportation pipeline project as per equity tranfer minutes dated 5 September 2008 between PetroVietnam and the Company.

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20. REVENUES

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21. COST OF SALES

	2008	2007
	VND	VND
Cost of goods sold	17,570,679,359,321	11,109,908,893,632
Cost of services supplied	319,114,641,400	324,920,073,895
	17,889,794,000,721	11,434,828,967,527

22. FINANCIAL INCOME

	2008	2007
	VND	VND
Deposit and loan interests	305,346,912,822	191,039,273,923
Realised foreign exchange gain	35,920,768,583	1,031,248,540
Unrealised foreign exchange gain	31,136,111,465	-
Dividend and profit distributed and interest from bonds	72,387,023,907	93,438,510,044
Other financial income	1,436,346,227	6,592,972,177
	446,227,163,004	292,102,004,684

23. FINANCIAL EXPENSES

	2008	2007
	VND	VND
Interest expense	76,976,777,170	108,997,646,988
Realized foreign exchange loss	147,012,979,156	6,496,656,226
Unrealized foreign exchange loss	149,337,427,883	-
Provision expenses	239,765,799,951	2,723,153,675
Other financial expenses	39,875,000	5,196,667,985
	613,132,859,160	123,414,124,874

24. OTHER INCOME

Other income includes the differences due to revaluation of the construction of Phu My – My Xuan Industrial zone's low pressure gas distribution system phase 2 which was handed over to PetroVietnam Low Pressure Gas Distribution Joint Stock Company and income from selling 2 oil vessels namely Cuu Long and Vietgas with the amount of VND 71,415,810,934 and VND 40,865,985,043 respectively.

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25. COMMITMENTS

i) Capital commitments

As at 31 December 2008, the commitments relating to the construction contracts which are in progress are in the amount of VND 990,820,144,609 (2007: VND 1,596,323,147,147).

ii) Other commitments

The following commitments related to Nam Con Son gas sales and transportation:

Purchasing commitments:

Nam Con Son gas purchase from gas owners of Block 06.1 under the GSPA contract dated 15 December 2000 among BP Exploration Operating Limited Company (on behalf of the gas owners), ONGC Limited Company and Vietnam Oil and Gas Group (represented by PetroVietnam Gas Corporation) within 20 years from 25 April 2003; accordingly, the Company is responsible for purchasing and paying to gas owners for a minimum volume of 2.7 billion m³ (defined in GSPA) from 01 January 2008 to 31 December 2008, until the decreased period defined by the two parties. The gas price was USD 3.262603/1 million BTU as at 01 January 2009 and this price will increase by 2% from 01 April 2009.

Nam Con Son gas purchase from gas owners of Block 11.2 under the GSPA contract dated 19 April 2005 between Korea National Oil Company (on behalf of gas owners) and Vietnam Oil and Gas Group (represented by the Company) within 23 years from 23 February 2007; accordingly, the Company is responsible for purchasing and paying to gas owners for a minimum volume of 785.425 million m³ (defined in GSPA) from 01 January 2009 to 31 December 2009. The gas price was USD 3.003174 USD/ 1 million BTU as at 25 July 2008, and will increase to USD 3.023491/1 million BTU from 01 April 2009.

According to the sale contract of PM3 CAA upper reaches gas (contract UGSA PM3 CAA) signed on 10 February 2000 among the Company and the contractors of PM3 CAA and Petronas, the Company is responsible for purchasing and paying to gas owners for an annual fixed quantity of 1.29 billion Sm³ (defined in UGSA) (total amount of 2.58 billion Sm³ are allocated on the basic 50/50 between Petronas and the Company). The gas price was identified based on the average price of FO (MFOC) of the month.

According to the gas sale contract of Plot 46 Cai Nuoc signed on 23 July 2003 among the Company and the contractors of Plot 46 Cai Nuoc, the Company is responsible for purchasing and paying to gas owners for an annual fixed quantity of 0.206 billion Sm³ (defined in PV-GSA). The gas price was identified based on the average price of FO (MFOC) of the month.

Selling commitments:

According to Nam Con Son gas sale contract dated 16 October 2001 between Vietnam Oil and Gas Group (represented by the Company) and Vietnam Electricity (EVN), in 2008, EVN committed to purchase the fixed volume of 1.85 billion m³ of gas. The gas price is specified in the GSPA plus distribution fee (fixed at USD 0.15/1 million BTU regulated in 2001).

According to Nam Con Son gas sale contract dated 22 May 2001 between Vietnam Oil and Gas Group (represented by the Company) and Phu My 3 BOT Power Plant (PM3), PM3 committed to purchase the annual fixed volume of 0.85 billion m³ of gas until 2023. The gas price is specified in the GSPA plus distribution fee (fixed at USD 0.15/1 million BTU regulated in 2001).

According to Nam Con Son gas sale contract dated 18 September 2001 between Vietnam Oil and Gas Group (represented by the Company) and MeKong Energy Company, ("PM2.2"), PM2.2 committed to purchase the annual fixed volume of 0.85 billion m³ of gas until 2023.

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25. COMMITMENTS (Continued)

According to Cuu Long gas sale and purchase contract No. 1011/2006/PVGAS/TM-BRTPC/B1 dated 26 December 2006 between the Company and Ba Ria Thermal Power Company Limited, which is effective until 31 December 2010, the gas volume sold under the contract will be paid for in accordance with Official Document No. 2067/VPCP/DK dated 24 May 2000 by the Government of Vietnam at the price of USD 2.2/MMBTU (including VAT) until there are different regulations from authorities.

According to Cuu Long gas sale and purchase contract No. 1010/2006/PVGAS/TM-PMTPC/B1 dated 26 December 2006 between the Company and Phu My Thermal Power Company Limited, which is effective until 31 December 2009, the gas volume sold under the contract will be paid for in accordance with Official Document No. 2067/VPCP/DK dated 24 May 2000 by the Government of Vietnam at the price of USD 2.2/MMBTU (including VAT) until there are different regulations from authorities. The planned gas volume to be sold in 2008 to Ba Ria Thermal Power Company Limited and Phu My Thermal Power Company Limited is 23,269 million MMBTU.

According to PM3 CAA and Plot 46 Cai Nuoc gas sale and purchase contract No. 152/2007/PVGAS/NCS-PVCMPC/B1 signed in May 2007, between Vietnam Oil and Gas Group (represented by the Company) and Ca Mau PetroVietnam Power Company, Ca Mau PetroVietnam Power Company committed to supply an annual fixed gas quantity of 1,5 billion m³. The gas price is specified in the GSPA plus distribution fee of USD 1.17/1 million BTU.

According to sale and purchase contract No. 188/2006-2007/PVGAS/TM-PVFCCO/B1 dated 31 March 2006 and appendixes signed between the Company and PetroVietnam Fertilizer and Chemicals Corporation, the gas price at Cuu Long mine in 2009 is USD 2.2/MMBTU and at Nam Con Son is USD 3.41/MMBTU to 31 March 2009 and USD 3.48/MMBTU to 31 December 2009.

26. SUBSEQUENT EVENTS

The Company are processing the procedures for equitilization in 2009. The Company is scheduled 31 March 2009 as the date of revaluation of the Company for equitilization.

27. COMPARATIVE FIGURES

Comparative figures are those presented in the financial statements for the year ended 2007 which have been audited by Deloitte Vietnam Company Limited. Certain reclassifications have been made to the prior year's figures to enhance their comparability with the current year's presentation.