

GROW DEEP

ANNUAL REPORT OF 2016



PETROVIETNAM GAS
JOINT STOCK CORPORATION

05

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VISION

Developing PV GAS into a highly efficient and competitive enterprise which has the best business operating system in all sections from gathering - exporting, importing - transporting - processing/deep processing - storing - distributing, services and to trading gas and gas related products; participating in upstream investment; playing the key role in Vietnam gas industry and integrating into the global market.

MISSION

Safely and efficiently operating the whole system of gathering, importing, transporting, storing, processing and distributing gas, gas related products and gas pipelines connected to regional gas systems; meeting an increasing national demand for gas and gas related products; Successfully Integrating into the global market; contributing to Vietnam energy security.





MESSAGE

FROM PV GAS'S CHAIRMAN AND THE CEO

"Dear Valued Shareholders,

2016 is another year with lots of challenges for oil & gas industry in general and for PV GAS in particular. The world's security and politics are unstable, the global economy is showing signs of recession, the economic protection and opposition to trade agreements are rising, the exploration and exploitation of domestic gas resources have become increasingly difficult. In addition to that, the oil price has been falling and remaining low at an average price of only 45 USD compared to PV GAS' price forecast of 60 USD. All of these factors have had significant impacts on the revenue and profit of PV GAS.

In such circumstance, PV GAS and all PV GAS's employees united, promote initiatives, determined to overcome challenges and reinforce PV GAS's role and position in the oil and gas industry as well as in the national economy.



Gas and LPG output to the market reaching a new record with

> 10 billion m³ of gas

> 1.5 million tons of
LPG



Thanks to that spirit and effort, in 2016, PV GAS has completed and exceeded the targets for business and production: produce and supply 10.5 billion cubic meters of gas, 1.5 million tons of LPG, and over 70 thousand tons of condensate. Total revenue of the Corporation has reached over 59,200 billion VND, pre-tax profit approximately billion VND, and after-tax profit was over 7,200 billion VND. In 2016, PV GAS has honorably become one of the top 3 enterprises paying corporate income tax in Vietnam, ranked among 10 best listed enterprises in the stock market, top 300 leading enterprises in Asia, and top 100 sustainable Vietnamese enterprises.

One of the significant events of PV GAS in 2016 is the finalization of gas price policy and its approval by the Government. Accordingly, the Government approved the policy application which regulates the base market gas price not lower than the wellhead price. In addition, the increment in transport fee for Phu My - Ho Chi Minh pipe-line and the settlement of tariff charge difference for the period 2012-2015 were also approved by the Government.

These policies have had positive effects on the business results of PV GAS in 2016 and will form a solid guarantee of long-term business performance for the Corporation.

With the motto of "consolidating the resources, strengthening the future", in addition to maintaining the pace of development, in 2016, PV GAS has actively cooperated with major domestics and foreign investors with the aim of operation expansion and business diversification. This is an important strategy, a proper step in line with the trend to build a stable and sustainable foundation for future developments.

A typical example is the launch of PVGAZPROM NGV, established under an agreement between PVN and Gazprom Group in the cooperation and research for project of "Production and use of natural gas for transporting in Vietnamese territory". The members of Gazprom Group will support PV GAS in terms of technology and engineering during the implementation of the LNG production project with the aim of diversifying fuel for transport vehicles.

Additionally, in the context of rising demand for gas in Vietnam, in July 2016, PV GAS, Bitexco, and Tokyo Gas agreed to establish LNG VIETNAM Joint Stock Company, with the aim of becoming a pioneering company in LNG field in Vietnam, meeting the domestic demands as well as exporting LNG to other countries in the region. This is an important milestone which marks the turning point of modernization of PV GAS and opens the stage for access to global market.

Moreover, with the desire of a comprehensive and long-term development in LPG business in both wholesale and retail markets, PV GAS has adopted the LPG retail business strategy in period of 2016-2020, and orientation to 2025. In early August 2016, PV GAS South, a member company, launched a new product named "GAS Petroleum". This is a part of PV GAS's new retail strategy which has been welcome by the customers and garnered initial success.

Dear valued shareholders,

Welcoming the year of 2017, all PV GAS employees are aware and determined to take on the more challenging journey. Business and production activities of the Corporation continue to face difficulties amidst weak oil price forecast and rapid depletion of low -cost gas resources that could lead to higher-cost resources utilization, while exploration for new gas resources is still in progress.

Therefore, PV GAS has been seriously assessing limitations and analyzing challenges to cope with and provide effective solutions to overcome difficulties and improve operational capacity.

The good news is that the Corporation has the advantage of facility, finance, experience, and brand, etc. In addition, our professional management board and workforce with long-term strategic vision are highly disciplined and devoted to creating the best. Thus, PV GAS is confident that it will be able to overcome all obstacles and exceed the targets in 2017.

This year, PV GAS has set the targets: To operate and ensure the security and safety of gas work and projects, continue to invest in infrastructure of projects in class A, B, C with total disbursement amount over 5,000 billion VND; to reorganize structure towards simplification, centralization, and proper functions and tasks of the Corporation, together with enhancing the implementation of thrift and cost reduction measures, and improving of labor system, management, human resources, etc., contributing to the successful implementation of the 5-year plan of 2016-2020; development strategy to 2025, with a vision to 2035, and retail development strategy for LPG.

The traditional spirit of "Enthusiasm - Creativity - Profession

- Discipline - Sharing" which has been maintained over 26 years of PV GAS will be continued. With the attention and support of the Government, PVN, customers, partners, and particularly the companion and trust of the Shareholders, PV GAS commits to continue playing the leading role in developing Vietnam's gas industry in order to live up to the tradition of a Labor Hero enterprise, the trust of the Government, PVN, and the Shareholders.

On behalf of more than 3,000 PV GAS employees, we would like to express our sincere gratitude to the Government, PVN, our customers, partners, and especially our valued Shareholders for your constant assistance, support and cooperation with PV GAS over the past years and on the sustainable development path in the upcoming years.

CHAIRMAN

LE NHU LINH

PRESEIDENT & CEO

DUONG MANH SON



SIGNIFICANT EVENTS

1

GAS PRICE POLICY COMPLETION

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TOP 50 LISTED COMPANIES IN VIETNAM



1

GAS PRICE POLICY COMPLETION

In 2016, the Prime Minister and competent authorities issued important policies that have profound effects on the business performance and investment projects of PV GAS, highlighted by the agreement to adopt the market price of gas on the principle of not lower than the price of gas wells, the agreement on the charge for Phu My - Ho Chi Minh pipeline from 2018, and the settlement of freight charge difference from 2012-2015.

These policies have positive effects on the business results of PV GAS in 2016 and in long term, particularly:

- In 2016, PV GAS finalized and entered into amended agreements with power plants to recover the difference between the prepaid gas charge and the approved gas price policy/charge.
- In the long term, the business efficiency of PV GAS is guaranteed and there are no risks of loss selling gas to power plants when oil price drops. This is also a favorable condition for PV GAS to implement new gas projects with the estimated price that may be higher than current gas price.
- PV GAS has recovered investment costs and the financial efficiency of Phu My - Ho Chi Minh gas pipeline project was ensured because of the approved charge. This will help to increase annual revenue and profit for PV GAS.

2

LPG RETAIL STRATEGY COMPLETION AND IMPLEMENTATION

In 1999, Dinh Co Gas Processing Plant in Ba Ria - Vung Tau province was completed and launched. This marked the participation of PV GAS in production and sales market of LPG. After 17 years of participation, PV GAS has been acknowledged as the biggest wholesale company in Vietnam's market. However, with the desire to develop a comprehensive and long-term business in LPG in both wholesale and retail markets, in 2016, PV GAS hired a professional consultant to support the development of a retail LPG business strategy in period 2016-2020, with the orientation to 2025.

Basing on the advice of the consultant, the Board of Directors and the President of PV GAS approved the retail LPG business strategy in period 2016-2020 with a vision to 2025. Since July 2016, PV GAS has played a leading role in directing and supporting two subsidiaries, namely Northern Gas Trading Joint Stock Company (PV GAS North), and Southern Gas Trading Joint Stock Company (PV GAS South) in deploying the retail strategy, adopting synchronously 4 key strategies including Brand Strategy, Competitive Strategy, Distribution Channel Strategy, and Marketing Strategy. The subsidiaries are assigned to focus on implementation of Distribution Channel Strategy and Marketing Strategy. PV GAS shall deploy all resources to implement other strategies.

As soon as the strategy was approved for implementation, together with the parent company (PV GAS), PV GAS North and PV GAS South developed the distribution channels to the consumers. Great number of activities has been deployed to promote the image of PETROVIETNAM GAS brand to consumers such as TVC advertisements on TV channels, Facebook, parent forums, family forums, and cooking forums, educational video clips on how to use gas safely, and municipal Road Shows, etc.

For the highlights of 2016, on 01 August 2016, PV GAS South launched a new product with the brand of "Petroleum Gas" which was initially welcomed by consumers in Ho Chi Minh City. With the synchronous implementation of strategies, PV GAS had the following achievements in 2016:

- PETROVIETNAM GAS brand has become more popular and credible in the market while its market share has been successfully secured.
- PV GAS North opened 8 more general agents, 93 agents, 52 direct customers, and 1 owned store. Total retail sales reached 61,134 tons, increasing 12.7% compared to that of 2015 (equivalent to an increase of 6,879 tons). The output growth was higher than the target of 8.3% set out in the strategy.
- PV GAS South opened 14 more general agents, 141 agents, and 19 affiliated stores. Retail sales reached 164,691 tons, increasing 5.8% compared to that of 2015 (equivalent to an increase of 8,995 tons). The output growth was higher than the target of 4.8% set out in the strategy.

In 2017 and the following years, with the advantage of facilities, sources of goods, nationwide distribution network, and qualified and experienced staffs, PV GAS believes that the Corporation will, together with PV GAS North and PV GAS South, successfully implement the LPG retail strategy with the determination to achieve the target of 38.7% retail market share in the South and South Central regions, and 20.3% retail market share in the North and North Central regions by 2020.





KEY PARAMETERS OF NAM CON SON 2 GAS PIPELINE PROJECT - PHASE 1

Total length **151.35 km**

Diameter of pipe **26"**

(Outer diameter is 660mm, inner diameter is 618.8mm). Wall thickness is 20.6mm. The pipeline starts from Thien Ung and ends at Tie-in (KP207+500) connecting to Bach Ho (BK-4A)

Steel pipe **API 5L X65, ANSI class 1500#**

Designed pressure **160 barg,**

Designed temperature **80°C**

Designed capacity **20 billion m³ gas/ day and night**

Concrete reinforcement cover's thickness of **40mm - 110mm**, 3LPE anti-corrosion cover's thickness of 3.2mm

Allowable corrosion level of **3mm**, electrochemical corrosion resistance by anode sacrificial method

3

NAM CON SON 2 PROJECT - PHASE 1 ACCOMPLISHMENT

Nam Con Son 2 gas pipeline project - Phase 1 was invested to transport about 1.9 billion m³ of Dai Hung gas and 5.7 billion m³ of Thien Ung gas from Thien Ung rig to BK-4A rig in Bach Ho so that the gas would be brought to the shore via Bach Ho - Dinh Co pipeline by the end of 2015 and beginning of 2016. Surpassing the expectation, Nam Con Son 2 pipeline - Phase 1 was put into operation earlier and provided approx. 7.6 billion m³ of Dai Hung - Thien Ung gas to power plants and helped Dinh Co plant process more than 1.3 million tons of LPG and more than 300,000 tons of condensate for the market throughout the project life.

Initially, the Project was divided into different investment phases to effectively use the gas resources of Dai Hung field while fitting with the development progress of Thien Ung field. However, Nam Con Son 2 pipeline - Phase 1 provided the first foundation for the implementation of the Nam Con Son 2 pipeline project - Phase 2 for collection and transport to the shore of about 23 billion m³ of Su Tu Trang gas and about 17 billion m³ of Sao Vang - Dai Nguyet gas.

This will ensure the stable and long-term domestic gas supply for power plants in the Southeast region and enhance the output of condensate, LPG, and the new product Ethane for Long Son petrochemical refinery project through the capacity expansion of Dinh Co Gas Processing Plant No. 2 (GPP2).

In 2017 and the following years, with the advantages of facilities which were built from the Nam Con Son 2 Gas Pipeline Project - Phase 1, PV GAS believes that Nam Con Son 2 Gas Pipeline Project - Phase 2 will be successful and form a new gas pipeline for PV GAS. Nam Con Son 2 gas pipeline will not only transport gas from new gas fields to the shore but also stimulate the exploration to develop potential gas fields on the continental shelf of Vietnam for stable and long-term gas supply to power plants in the Southeast region and industrial manufacturers who are using gas as a source of fuel. This will ensure the sustainable development of PV GAS in the future.



4

ESTABLISHMENT OF PVGAZPROM NATURAL GAS FOR VEHICLES CO., LTD, LNG VIETNAM JSC AND CNG VIETNAM JSC

PVGAZPROM Natural Gas for Vehicles Co., Ltd (PVGAZPROM NGV)

- PVGAZPROM NGV was established following the agreement between PetroVietnam Corporation (PVN) and Gazprom Group on the cooperative research for "Production and use of natural gas for vehicles in Vietnam" project, with the following capital contribution proportions: Gazprom: 71% (Gazprom International Project B.V 35.5% and Gazprom Gas Engine Fuel LLC 35.5%), PV GAS: 29%.
- Gazprom Group is the long-term partner of PVN in the gas field; therefore, the cooperation in the use of natural gas, particularly LNG is the prerequisite which opens up opportunities for cooperation between PVN/PV GAS and Gazprom Group in the field of LNG, such as import and development of LNG infrastructures. Gazprom Group has been the world's biggest exporter of pipeline gas and one of the top 10 LNG exporters in the world. The members of Gazprom Group will assist PV GAS in terms of technology and engineering in LNG production for transport use. The goal is set towards the diversification of fuels for road vehicles in the short-term, reduction of fuel cost, and mitigation of CO₂ and NO_x emissions for environmental protection.
- PV GAZPROM NGV will focus on the implementation of projects converting gas into engine fuels for transport vehicles.
- At present, PVGAZPROM NGV is conducting a FS for the project of production and usage of natural gas for transport. The project is expected to be launched in 2018 and provide natural gas for vehicles in HCM city, Dong Nai, and Binh Duong. In the future, the development of gas supply for transport will be mobilized from both domestic gas and imported LNG.

LNG VIETNAM JSC

- With the forecast that domestic gas supply will decline, leading to a shortage of gas supply for power plants and

industrial customers, PV GAS has begun the preparation for importing LNG since 2008. In order to realize the preparation of infrastructure for importing LNG, in July 2016, with the consents of PETROVIETNAM, PV GAS, Bitexco, and Tokyo Gas agreed to establish LNG VIETNAM JSC (LNG VIETNAM).

- LNG VIETNAM with a charter capital of 100 billion VND will operate as a joint stock company, in which the parties contribute capital in the following proportions: PV GAS 51%, Bitexco 39%, Tokyo Gas 10%.
- LNG VIETNAM will focus on preparing infrastructures for importing LNG, firstly the LNG Thi Vai warehouse project with the capacity of 1 million tons, which will be put into operation in 2020 to provide gasification gas for power plants and industrial customers in the Southeast region.

CNG VIETNAM JSC

- To complete the gas value chain from upstream to downstream, implement the development strategy, and to restructure the sales and distribution of natural gas for industrial customers in the period 2015 -2025, in February 2016, PV GAS made a public purchase of 15.12 million CNG shares, equivalent to 56% of the charter capital of CNG Vietnam.
- In the early stages of its establishment, CNG Vietnam aimed to provide compressed natural gas to customers located far from the gas pipeline system in the Southeast region, including: HCM city, Dong Nai, Binh Duong, Ba Ria - Vung Tau, etc. and provided a remarkable amount of CNG for the development of transport in the Southeast region as well. Since 2015, after PV GAS completed and launched Ham Rong - Thai Binh gas system, CNG Vietnam started to supply CNG in the North. So far, the distribution system has covered Thai Nguyen, Bac Ninh, Hung Yen, and Hanoi, etc. ...
- To complete the gas value chain from upstream to downstream and to implement the development strategy and to restructure the sales and distribution of natural gas for industrial customers in the period 2015 -2025, in February 2016, PV GAS made a public purchase of 15.12 million CNG shares, equivalent to 56% of the charter capital of CNG Vietnam.
- In 2017, CNG Vietnam will continue to complete the CNG distribution system for industrial customers and aim to increase the value of using and producing environmentally friendly clean fuel for socio-economic development.



379

billion VND

TOTAL INCOME FROM THE ISSUANCE OF ESOP

19,139.5

billion VND

CHARTER CAPITAL OF PV GAS AFTER CAPITAL INCREMENT



5

CHARTER CAPITAL INCREMENT

Basis for implementation

- Resolution No. 91/NQ-ĐHĐCĐ dated 10/09/2015 of the General Shareholders on approving the plan for issuance of shares under option program for employees, and the contents that the General Shareholders authorize the Board of Management to decide.
- Document No. 7188/UBCK-QLPH dated 18/11/2015 of SSC on notice of receipt of full report from PV GAS.

Basic information

- Purpose of the issuance:
 - + Recognizing the contribution, promotion, enhancement of roles and responsibilities of each employee working at PV GAS.
 - + Attracting and retaining the key, capable, and experienced employees; enhancing the work spirit and dedication of employees to contribute to the development of PV GAS.
 - + Recognizing the individuals with significant contributions to the development of PV GAS.
 - + Adding equity capital for gas projects of PV GAS.
- Par value: 10,000 VND/share.
- Issue price: 20,000 VND/share.
- Transfer restrictions: 01 year from the date of completion of the issuance.

Implementation results

- In 2016, PV GAS completed the issuance of shares under employees' option program with the total value of 379,000,000,000 VND (PV GAS has reported the issuance results to the State Securities Commission). Accordingly, charter capital of PV GAS after the increase in capital is: 19,139,500,000,000 VND.

6

TOP 50 LISTED COMPANIES IN VIETNAM

Since its listing on the Vietnam stock market, PV GAS has always been one of the most prestige brands which is highly appreciated in the stock market and achieves high confidence in transparency and annual accomplishments.

In 2016, in spite of the ongoing difficulties, especially the sharp drop in oil price, PV GAS remained one of the most respected oil and gas companies. It strengthened the confidence of both domestic and foreign shareholders and investors by a series of achievements in the most prestigious votes in Vietnam and in the World. These achievements certify the trustworthiness of the brand based on various criteria.



- PV GAS was voted as the Top 50 Listed Companies on the Vietnamese Stock Market for the fourth time in a row in 2016 by Forbes Vietnam Magazine, certifying the contribution of PV GAS to the socio-economic development through the innovations of product, technology, creativity in service delivery, and the best business performance in the market.
- PV GAS, for the second time in a row, is one of the 5 Vietnamese enterprises listed in the 300 most dynamic companies in Asia voted by Nikkei, gathering the biggest companies with the fastest growth rate from 11 Asian countries. This proves the level of capitalization, growth potential, and geographic growth of PV GAS.
- PV GAS and its 2 affiliated companies namely CNG Vietnam JSC and PetroVietnam Low Pressure Gas Distribution JSC are listed in the "100 Top sustainable Vietnamese enterprises in 2016", for the first time co-organized by Vietnam Business Council for Sustainable Development (VBCSD), Ministry of Labor, Invalids, and Social Affairs, Ministry of Industry and Trade, Ministry of Natural Resources and Environment, General Labor Confederation of Vietnam, and State Securities Commission. This confirms the long-term development and effectiveness of the brand.

- PV GAS was awarded the National Brand in 2016 which was approved by the Prime Minister and co-organized by Ministry of Industry and Trade and VCCI, based on the criteria of the voting program such as Quality - Innovation, Creativity - Pioneering capacity.
- Vietnam Report Joint Stock Company (Vietnam Report) and VietNamNet officially announced that PV GAS was in Top 10 prestigious listed companies in 2016, ranking third in the Top 10 largest tax payers in Vietnam in 2016. These honors prove the competitive advantages of PV GAS: Financial capacity shown in the financial statement is comparable to that of other companies in the same industry, its reputation in mass media, experts' perceptions of the potential of stock price growth and the extent of the impact on the volatility of VNIndex.
- PV GAS has become one of the leading brands that have been praised, honored, and encouraged for their significant contributions to the state budget.





GENERAL INFORMATION

GENERAL INFORMATION

Transaction name

**PetroVietnam Gas Corporation –
Joint Stock Company**

**Business registration certificate No.
3500102710**

Charter capital

19,139,500,000,000 VND

(Nineteen thousand, one hundred thirty-nine billion, five hundred million dong)

Paid-in capital

40,857,507,190,029 VND

Address

PV GAS TOWER, No. 673

Nguyen Huu Tho, Phuoc Kien commune, Nha Be district, Ho Chi Minh City

Tel

(08) 3 7816777

Fax

(08) 3 7815666 – 3 7815777

Email

pvgas@pvgas.com.vn

Website

www.pvgas.com.vn

Stock code

GAS



ESTABLISHMENT AND DEVELOPMENT

On September 20th, 1990, PV GAS was established by restructuring Vung Tau Oil and Gas Project Management Board with the initial name of Fuel Gas Company, to operate in gathering, importing, transporting, storing, processing, distributing, and trading gas and gas products. Shortly after the establishment, PV GAS embarked immediately on the deployment and implementation of Bach Ho Gas System, which was the first infrastructure of Vietnam gas industry.

On February 16th, 1996, PV GAS changed its name to Gas Processing and Trading Company.

On November 17th, 2006, PV GAS became One-member Limited Liability Company under the control of PetroVietnam Corporation (PVN).

On July 18th, 2007, Vietnam Gas Corporation was established by restructuring Gas Processing and Trading One-member Limited Liability Company and some units trading gas under PVN. PV GAS then officially operated in the model of parent company-subsidary.

On September 27th, 2007, PV GAS changed its name to PetroVietnam Gas Corporation.

On April 20th, 2009, the Board of Management of PVN decided to equitize PetroVietnam Gas Corporation.

On April 17th, 2011

PV GAS completed the equitization and officially operated as a public joint stock company under the name of PetroVietnam Gas Corporation Joint Stock Company, operating under the model of parent company-subsidary with the charter capital of **18,950 Billion VND**

On January 29th, 2016

PV GAS increased the charter capital to **19,139.5 Billion VND**

LINES AND SCOPE OF BUSINESS

LINES OF BUSINESS

- Gathering, transporting, storing, processing gas and gas products;
- Distributing, trading gas and dry gas products, LNG, CNG, LPG, Condensate, etc.; bottling LPG and pumping LPG into tank trucks; trading in materials, equipment, and chemicals in the field of processing and using gas and gas products; providing ports, warehouses, and yards;
- Investing in infrastructures for dry gas and liquid gas distribution system in a uniform manner throughout the Corporation from supply to wholesale and retail domestically and internationally;
- Consuming all LPG produced by domestic refineries and other sources of PVN;
- Managing, operating, maintaining and restoring all gasworks; gas works;
- Conducting research into applications of gas industry and improving gas-related projects;
- Providing services in gas industry, renovating, maintaining, and restoring engines, installing conversion equipment for means of transport and agriculture, forestry, fishing industry that are gas-powered; transporting service of vehicles that use gas;
- Importing and exporting dry gas products, LNG, liquid gas, Condensate;
- Importing materials, equipment, and facilities for gas industry;
- Investing in upstream gas-related projects to increase the initiative and efficiency of gas-product processing and trading;
- Investing financially in external companies;
- Investing in buying, selling, transferring, negotiating, and signing gas-related contracts, projects, assets, as well as gasworks;
- Purchasing other international gas companies and turning them into member companies; selling subsidiaries when necessary.

SCOPE OF BUSINESS

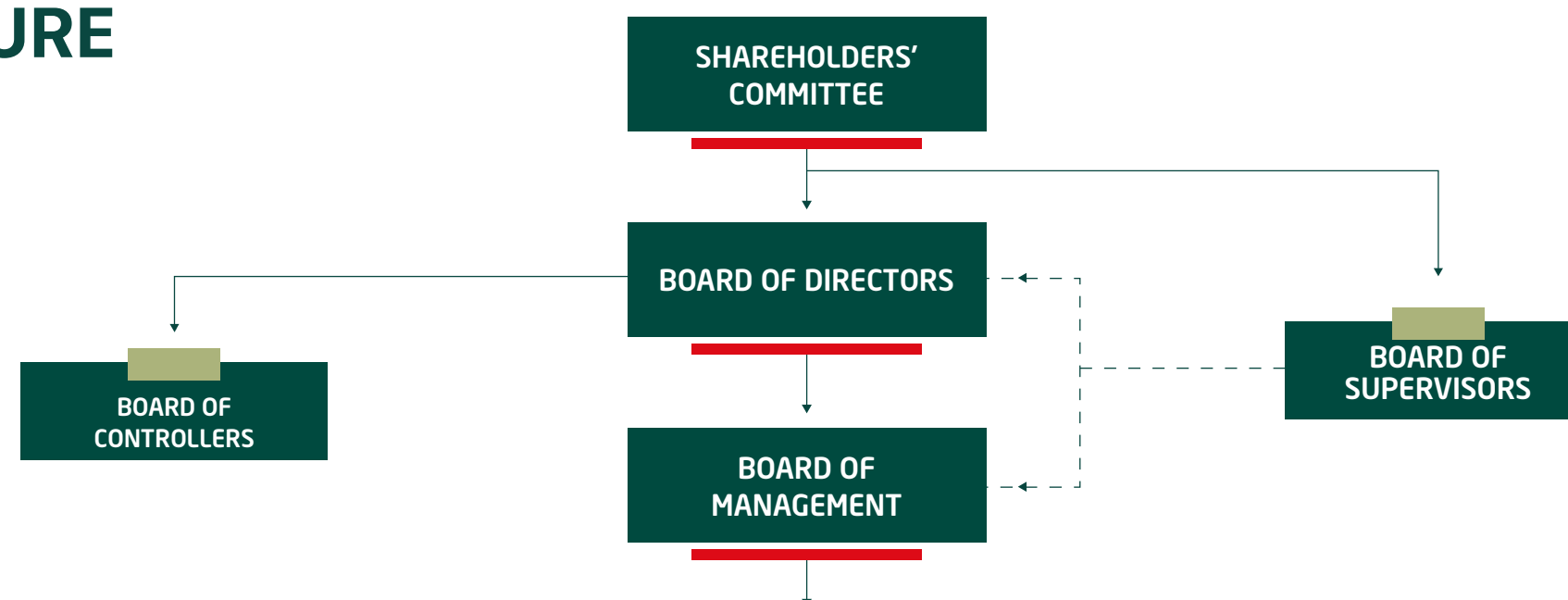
- Across the country, concentrating in Ho Chi Minh city, Vung Tau, and Ca Mau.



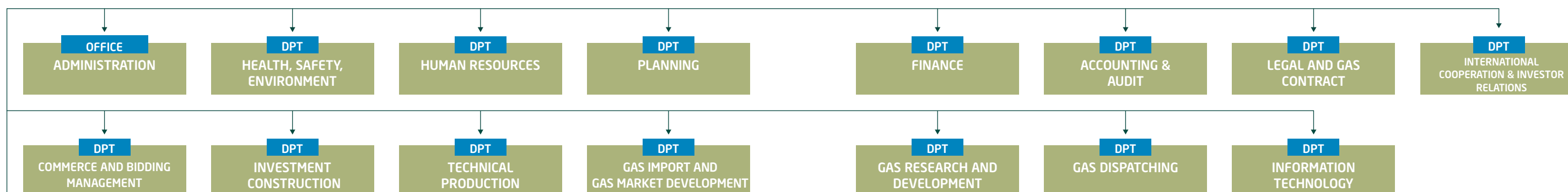
OVERVIEW ABOUT ORGANIZATIONAL AND ADMINISTRATION STRUCTURE

ORGANIZATIONAL AND ADMINISTRATION STRUCTURE

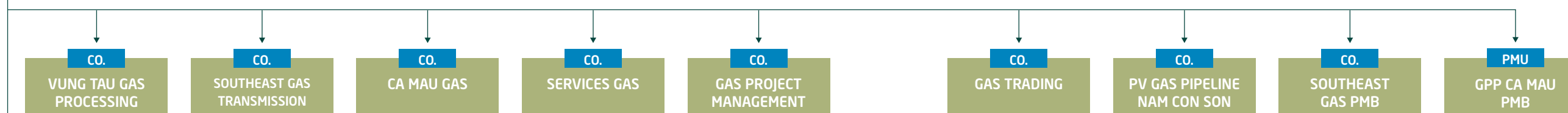
PV GAS is now operating under the model of Parent Company - Subsidiary. Apart from the parent company - PetroVietnam Gas Corporation - JSC with 15 specialized units under the management board, including 09 units as 100% owned companies, 09 subsidiaries and affiliates. Organizational structure of PV GAS is as follows:



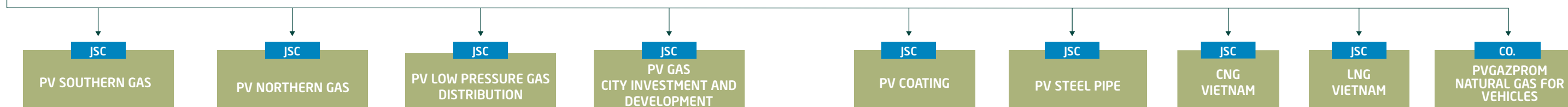
1. OFFICES AND DEPARTMENTS



2. 100% OWNED COMPANIES (9)



3. SUBSIDIARIES AND AFFILIATES (9)



OWNED, SUBSIDIARIES, AFFILIATED COMPANIES

LIST OF 100% OWNED COMPANIES
SUBJECT TO PV GAS (BRANCHES)

	UNIT NAME	RATE OF CAPITAL CONTRIBUTION	HEADQUARTER
1	PV GAS Vung Tau Processing Company	<ul style="list-style-type: none"> Transport, store and process gas; Trade in liquefied petroleum gas; Provide port, warehouse services; Invest in construction, operation management, maintenance and repair of gas related works; Study the application of gas and renovate gas works. 	No. 101 Le Loi, ward 6, Vung Tau, Ba Ria - Vung Tau Province
2	PV GAS South East Transmission Company	<ul style="list-style-type: none"> Collect, transport, store gas; Set up investment projects, investment in construction, management, operation, maintenance and repair of gas projects and works; Distribute gas products; Study the application in the field of gas. 	No. 101 Le Loi, ward 6, Vung Tau, Ba Ria - Vung Tau Province
3	PV GAS Nam Con Son Pipeline Company	<ul style="list-style-type: none"> Design, construct and operate a gas pipeline and gas processing plant; Provide transfer, gas processing and condensate services. 	7th Floor PV GAS Tower, 673 Nguyen Huu Tho, Nha Be, Ho Chi Minh city
4	GAS Trading Company	<ul style="list-style-type: none"> Transport, stockpile and trade gas products: LPG, condensate; Manage the operation of gas and gas related works and projects; Study the application in the field of gas. 	11th Floor PV GAS Tower, 673 Nguyen Huu Tho, Nha Be, Ho Chi Minh city
5	PV GAS Ca Mau Company	<ul style="list-style-type: none"> Collect, transport, store commercial wet gas and dry gas products; Distribute and trade in commercial dry gas products; Manage the operation of works, gas projects related to the system of gas collection, transportation, storage and distribution; Research and apply in the field of collecting, transporting, storing and distributing gas. 	Khanh An Commune, U Minh District, Ca Mau Province

6	GAS Services Company	<ul style="list-style-type: none"> Trade in materials and chemical equipment in the field of gas processing and gas products; Provide port services, and warehouses; Provide design consultancy services, investment projects, construction investment, operation management, maintenance and repair of gas works and projects; Study the application of the sector, design and renovation of gas works; Provide services in the field of gas, design, maintenance, repair of engines, installation of conversion equipment for transport vehicles and agro-forestry and fisheries using gas fuel. 	No. 101 Le Loi, ward 6, Vung Tau, Ba Ria - Vung Tau Province
7	GAS Project Management Company	<ul style="list-style-type: none"> Invest in the construction, management, operation, maintenance and repair of gas works and projects and related to gas; Research and apply in the field of gas, renovate gas works, supervise the construction of civil works, industrial works; 	11th Floor PV GAS Tower, 673 Nguyen Huu Tho, Nha Be, Ho Chi Minh city
8	Ca Mau Gas Processing Plant Project Management Board	<ul style="list-style-type: none"> Invest in the construction, management, operation, maintenance and repair of gas works and projects and related to gas; Research and apply in the field of gas, renovate gas works, supervise the construction of civil works, industrial works; 	12th Floor PV GAS Tower, 673 Nguyen Huu Tho, Nha Be, Ho Chi Minh city
9	South East Gas Project Management Board	<ul style="list-style-type: none"> Invest in the construction, management, operation, maintenance and repair of gas works and projects and related to gas; Research and apply in the field of gas, renovate gas works, supervise the construction of civil works, industrial works; 	5th Floor PV GAS Tower, 673 Nguyen Huu Tho, Nha Be, Ho Chi Minh city

OWNED, SUBSIDIARIES, AFFILIATED COMPANIES

LIST OF SUBSIDIARIES, AFFILIATED COMPANIES
SUBJECT TO PV GAS (BRANCHES)

UNIT NAME	Petrovietnam North-ern Gas Joint Stock Company - PV GAS North	Petrovietnam Southern Gas Joint Stock Company - PV GAS South	Petrovietnam Low Pressure Gas Distri-bution Jsc - PV GAS D	Petrovietnam Gas City Investment And Development Jsc - PV GAS City
	1	2	3	4
RATE OF CAPITAL CONTRIBUTION	35.88%	35.26%	50.5%	35.51 %
HEADQUARTER	11th Floor, Petroleum Institute Building, 173 Trung Kinh, Cau Giay District, Hanoi	4th floor, Petrol Vietnam Tower, No. 1-5 Le Duan, Ben Nghe, District 1, Ho Chi Minh city	7th Floor PV GAS Tower, 673 Nguyen Huu Tho, Nha Be, Ho Chi Minh city	4th Floor, Petroleum Institute Building, 173 Trung Kinh, Cau Giay District, Hanoi

UNIT NAME	Petrovietnam Gas City Investment And Development Jsc - PV GAS City	Petrovietnam Pipe Manufacturing JSC	CNG Vietnam Joint Stock Company	LNG VIETNAM Joint Stock Company	PVGAZPROM Natural Gas For Vehicles Limited Company
	5	6	7	8	9
RATE OF CAPITAL CONTRIBUTION	52.94%	99.99%	56%	51 %	29%
HEADQUARTER	Road No. 2B, Phu My I industrial zone, Phu My town, Tan Thanh district, Ba Ria - Vung Tau province	Soai Rap Oil and Gas Industrial Park, Vam Lang Town, Go Cong Dong District, Tien Giang Province	CNG Vietnam Joint Stock Company - 7th Floor, Gas tower Building, 61B, 30/4 street, Vung Tau	6th Floor PV GAS Tower, 673 Nguyen Huu Tho, Nha Be, Ho Chi Minh city	8th Floor PV GAS Tower, 673 Nguyen Huu Tho, Nha Be, Ho Chi Minh city

DEVELOPMENT ORIENTATION

THE MAIN GOAL

Develop PetroVietnam Gas Corporation into a strong, effective and highly competitive gas enterprise, operating in all stages of collecting - importing - exporting - transporting - processing/deep processing - storing - services - trading gas and gas products. Play a main role in gas industry nation-wide, strive to become a leading gas enterprise in ASEAN and a strong gas enterprise of Asia.

MEDIUM AND LONG TERM DEVELOPMENT STRATEGY

Continue the role and mission of making gas industry an important part of the technical economics, with a secured, modern, state-of-the-art industrial gas infrastructure that is capable of supplying maximum amount of gas possible to households, and play a part in maintaining national security of energy, food, environment and resources, and defense.

Develop PV GAS on the principle of continuous improvement of corporate governance, ensure safety, quality, efficiency and sustainability of advanced technology, bring real benefits for the country, shareholders, employees, partners and the social community. In which Safety and Efficiency are the guiding factors throughout the development process

Develop PV GAS with greater focus on deep processing, diversification of gas resources, diversification of products. The focus is on production - import - trading in gas, gas products and related gas services.

Maximize internal resources, leverage outside resources and strengthen international cooperation to help PV GAS grow stronger in the domestic and international markets.

Consider human resource as the key factor that forms a qualified and industrious staffs and strict discipline team. Build and develop the brand of prestige, quality and popularity PV GAS.



SUSTAINABLE DEVELOPMENT TARGETS

(Regarding environment, society, community, and major short-term and medium-term plans of the Corporation).

Short-term environmental program:

- Better manage risks, including environmental risks;
- Implement the law in the field of environmental protection;
- Reduce greenhouse gas emissions by reducing energy consumption, saving stationery, minimizing waste;
- Minimize waste from production, increase waste recycling.

Long-term environmental program:

- Green your way of life and promote sustainable consumption;
- Save energy with energy efficiency initiatives;
- Operate the plant with 100% clean energy;
- No toxic gas or fossil CO₂;
- The quality of the discharge water must be equal to or even better than that of the input water without increasing water scarcity;
- Develop an environmental audit program.



TYPES OF RISK	RECOGNITION	SOLUTION
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1 RISK OF ACTIVITIES

Operation

- Gas and gas products are flammable products and potential causes of damage to human, properties, environment. In addition, if incidents occur on gas works and gas pipeline systems, they may interrupt PV GAS' business activities. Some risks may affect the business activities or objectives of PV GAS, specifically:
 - Technical problems of reducing / stopping gas supply, gas burning;
 - Poor quality of gas;
 - Production plan (quantity plan, maintenance plan, gas stop, etc.) is not reasonable.

- To put objectives of safe, qualified and eco-friendly operation as top priority;
- To frequently check compliance with Safety - Quality - Environment management processes according to international standards such as OHSAS 18001:2007, ISO 9001:2008, ISO 14001:2004;
- To fully develop plans of firefighting, emergency response and annual drill;
- To carry out regular and unscheduled preventive maintenance and repair; to deploy verification, calibration and pigging according to plans, processes, quality and guarantee that systems/constructions/plants operate stably and constantly
- Fully develop and disclose compliance procedures for gas products; update the process of quality control, product volume; assign responsibilities in control, quality control, product volume; build a reporting, inspection and supervision system; train, re-train the operation, maintenance and repair team;
- Develop collaborative processes / procedures, exchange information internally, coordinate with stakeholders; production plans must have firm grounds and basis.

Human resources

- To develop the distinct gas industry requiring high technology and engineering, the labor force in lack of qualifications and key personnel will not be a lever to boost PV GAS' development.

- To always facilitate employees in promoting their personal capacities;
- To develop and apply appropriate labor policies.

Process, regulations

- Shortages or mistakes of Processes, Regulations of internal governance will cause inconsistency in enterprise.

- To regularly issue/revise and re-issue Regulations, Processes in accordance with actual situation: Charter, Financial Regulation, Regulation on low pressure gas business, Dinh Co LPG Auction Process, Investment Supervision and Evaluation Program, etc.

RISK ASSESSMENT

As the leading and decisive enterprise in Vietnam gas industry, PV GAS has received more and more opportunities and new challenges requiring innovation, improvement of corporate governance capability, in which corporate governance plays an important role in achievement of sustainable development, working as the principle contributing to effectiveness of corporate governance.

The Board of Directors always recognize the importance of risk management throughout business operations. Therefore, all risk factors are regularly evaluated and analyzed to be identified and put under control, in order to achieve the highest production and business efficiency.

Business activities of PV GAS are mainly affected by following risks:

Information Technology	<ul style="list-style-type: none"> As a joint stock company, PV GAS has paid more attention to information technology, which is the important bridge helping to improve effectiveness of business activities, establish relations with clients, investors, partners, shareholders. Inappropriate, interruptive, misleading and insecure information technology system will affect PV GAS' activities. 	<ul style="list-style-type: none"> To improve information technology system supporting PV GAS' business activities: applying ERP management system in financial and accounting management; expanding Maximo software in maintenance, repair; setting up Kpoint Online Project Collaboration software in project management, etc. To gradually improve PV GAS' website, strengthening relations with shareholders; To enhance secure information system.
Information release	<ul style="list-style-type: none"> Releasing information lately and incorrectly will affect the trust of shareholders, investors, partners as well as reputation, business activities of PV GAS. 	<ul style="list-style-type: none"> Improving corporate management, ensuring evidence, publicity, and efficiency. Building the Investor Relations team, ensuring updating information, information releasing transparently and quickly.

TYPES OF RISK	RECOGNITION	SOLUTION
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2 FINANCIAL RISK

Interest rate	<ul style="list-style-type: none"> Interest risk arises when PV GAS borrows loans at floating interest rates and fixed interest rates. 	<ul style="list-style-type: none"> To maintain loans at floating interest rates and fixed interest rates to reasonable extent.
Exchange rate	<ul style="list-style-type: none"> Some PV GAS' activities are influenced by exchange rate fluctuations: trading activities of natural gas and liquid products; loans in foreign currency for project investment. 	<ul style="list-style-type: none"> For trading activities of gas and gas products: PV GAS signs contracts to sell gas and LPG to clients at current exchange rate; For long-term foreign currency loans: PV GAS has actively worked with commercial banks to locate sources of foreign currency at the most competitive rate, avoiding additional expenses in exchange rate variance.
Price fluctuation	<ul style="list-style-type: none"> Oil price and CP price influence input and output gas, LPG price of PV GAS => influence financial situation of PV GAS. 	<ul style="list-style-type: none"> To establish a specialized team to monitor the market and forecast Oil, LPG price to effectively prepare dry gas, LPG business plan. To implement investment projects, to build a business plan propre to changes of oil price and LPG price; To bulid different solutions of Oil price and CP price to promptly response to situation.
Liquidity	<ul style="list-style-type: none"> PV GAS' operation has been maintained at very stable level and in constant growth over the past years. Thus, liquidity indices are reasonable, ensuring capital sources and satisfying financial obligations of PV GAS. 	<ul style="list-style-type: none"> To frequently monitor current and expected liquidity to ensure sufficient cash reserve, loans and adequate capital committed by owners in order to satisfy regulations on short-term and long-term liquidity.

Credit	<ul style="list-style-type: none"> Credit risk occurs when a client or partner fails to fulfill payment obligations in contracts, resulting in PV GAS' financial loss. At present, PV GAS has no major credit risk with its clients or partners as receivables come from large number of clients operating in different fields and allocated in various geographical regions. 	<ul style="list-style-type: none"> To maintain suitable credit policy; To regularly monitor situation to assess whether PV GAS has any credit risks or not.
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TYPES OF RISK	RECOGNITION	SOLUTION
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3 CLIMATE RISK

	<ul style="list-style-type: none"> Climate and season changes affect consumption of gas and gas products, balance between gas supply and demand of PV GAS. 	<ul style="list-style-type: none"> To strengthen forecast activities of gas demand in order to efficiently, thoroughly exploit gas resources and products.
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TYPES OF RISK	RECOGNITION	SOLUTION
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4 LEGISLATION RISK

	<ul style="list-style-type: none"> PV GAS' operation is governed by Law on Enterprises, Securities Law, Petroleum Law and Stock market Law, etc. Any changes in Laws, Sub-law documents and fluctuations of stock market will more or less affect PV GAS' business activities. 	<ul style="list-style-type: none"> To frequently update Law and Sub-law documents; To widely publicize Regulations, Law documents relating to PV GAS personnel.
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PV GAS RISK MANAGEMENT SYSTEM INCLUDES

- Daily risk management: Managers and staffs at oil and gas projects identify risks and manage them from daily operations to ensure taking timely remedies and precautions, contributing to the promotion of safe, reliable, and high-availability operations; especially in identifying dangerous work and unusual situations that might cause a stop or decline in gas supply to closely and control and limit risks.
- Risk management in business and strategy: Risks are considered in key processes such as strategy, plan, effective management, resources, construction investment, project evaluation, production.... according to ISO 9001, 14001, DIS 45001 versions in 2015, 2016. This review is based on the use of a standard process from risk data collection, assessment of risk management, improvement process and planning of new activities.

- Monitoring and Governance: Membership Council, Board of Directors, functional departments and related departments to jointly supervise in order to identifying the main risks. PV GAS also identifies management and control actions to minimize risk to acceptable level.

Risk management measures:

- + Identify hazards and risks associated with PV GAS's strategy, context, operation and requirements;
- + Develop a risk rating matrix and conduct risk assessment: High, medium and low. For medium and high risks, take measures to reduce risk and periodically review the effectiveness of these measures;
- + Train, raise awareness for risk control in workers;
- + Purchase project risk insurance, fire and explosion insurance, environmental liability insurance and human insurance.



PERFORMANCE

THE OUTSTANDING TITLES AWARDED IN 2016

NATIONAL BRAND 2016

(AWARDED BY MINISTRY OF INDUSTRY AND TRADE & PCCI)

NO. **1**
IN PVN GROUP WITH THE INDEX OF
AFTER-TAX PROFIT/EQUITY
RATIO OF MORE THAN 17%

TOP **50**
BEST LISTED VIETNAMESE
COMPANIES
(VOTED BY FORBES)

RANKED NO. **3**
INCOME TAX PAYING
ENTERPRISES IN VIETNAM
(RANKED BY VIETNAM REPORT AND TAX
MAGAZINE - GENERAL DEPARTMENT OF TAXATION)

TOP **10**
BEST LISTED
COMPANIES IN 2016
(VOTED BY VIETNAM REPORT)

TOP **300**
LEADING ASIAN COMPANIES
(NIKKEI ASIAN REVIEW MAGAZINE)

TOP **100**
SUSTAINABLE VIETNAMESE
COMPANIES IN 2016
(HELD BY VIETNAM BUSINESS COUNCIL FOR SUSTAINABLE
DEVELOPMENT - VBCSD WITH MINISTRY OF LABOR,
INVALIDS & SOCIAL AFFAIRS, MINISTRY
OF INDUSTRY & TRADE, MINISTRY OF NATURAL RESOURCES &
ENVIRONMENT AND VIETNAM GENERAL CONFEDERATION
OF LABOUR AND STATE SECURITY COMMISSION OF VIETNAM)

BUSINESS AND PRODUCTION ACTIVITIES

Summary of business environment characteristics of PV GAS

In 2016, business activities of PV GAS were in very difficult condition, that is fluctuations in oil price and the oil price is low (average \$45/barrel, only by 75% of the planned price) led to the prices of gas products (dry gas, LPG, CNG, low pressure) were affected, too.

Many systems have been put into operation for a long time, the cost of its maintenance and repair is growing.

Some fields/lots/frames of four gas systems are unstable, time of stopping/ reducing gas supply for maintenance/ repair/ troubleshooting/ replacement of equipment is prolonged causing many difficulties and passive in the gas work.

Some large projects have been deployed under unfavorable conditions; with changed input information which prolongs the investment decision.

Gas has been purchased at fixed price, but sold at floating price under the price of oil (Thai Binh gas); tube production, coating have no large project to do...

With anticipation of these difficulties, at the beginning of the year, PV GAS actively implemented drastically synchronized effective solutions, enhanced cost reduction, increased debt collection, prepayment of some credit contracts, take initiative / coordination in identifying input data to promote the project review and approval process, ... with the best efforts of PV GAS leaders in directing, operating, unity of all employees, smooth coordination, active support from partners, especially the support and guidance of Petrovietnam group, PV GAS has successfully implemented the task assigned by the PVN. Safe operation of the gas system, the gas production target plan has reached 2 to 3 months early, shortened the time to stop gas for maintenance and repair, significant contributed to the state budget and PVN (contributed about 14% of revenue and 25% of PVN's profit, ranked Top 1 in PVN in term of after-tax/equity ratio which is more than 17%), contributing to an important part in ensuring energy security, stabilizing LPG market price (supplied gas to produce nearly 30% of electricity production, 70% of fertilizer, nearly 65% of LPG market share in the country), top 10 best listed companies in 2016 (voted by Vietnam report), ranked No. 3 the highest income taxpayer in Vietnam (ranked by Vietnam Report and Tax magazine - General Department of Taxation), top 300 leading Asian companies (Nikkei Asian Review magazine) top 100 sustainable Vietnamese companies in 2016 (held by Vietnam Business Council for Sustainable development - VBCSD with Ministry of Labor, Invalids & Social Affairs, Ministry of Industry & Trade, Ministry of Natural resources & Environment and Vietnam General Confederation of Labor and State Securities Commission of Vietnam), awarded National Brand (by Ministry of Industry and Trade in association with PCCI).



PERSONNEL ORGANIZATION

List of Executive Board

	FULL NAME	POSITION	PROPERTY RATE
1	LE NHU LINH	Chairman of BOD	26.45%
2	DUONG MANH SON	Member of BOD, CEO	19.80%
3	VO THI THANH NGOC	Member of BOD	14.85%
4	NGUYEN MANH TUONG	Member of BOD	19.80%
5	PHAN QUOC NGHIA	Member of BOD	14.85%
TOTAL			95.76%

Changes in the executive board in 2016

	FULL NAME	POSITION	CHANGE	VALIDITY
1	NGUYEN ANH TUAN	Head of Supervisory Board	Dismissed	22/01/2016
2	MAI HUU NGAN	Chief accountant	Appointed to position of Head of Supervisory Board	22/01/2016

NUMBER OF EMPLOYEES IN 2016

As of 31/12/2016, the total number of employees at the PV GAS including subsidiaries and affiliated companies is

3,953

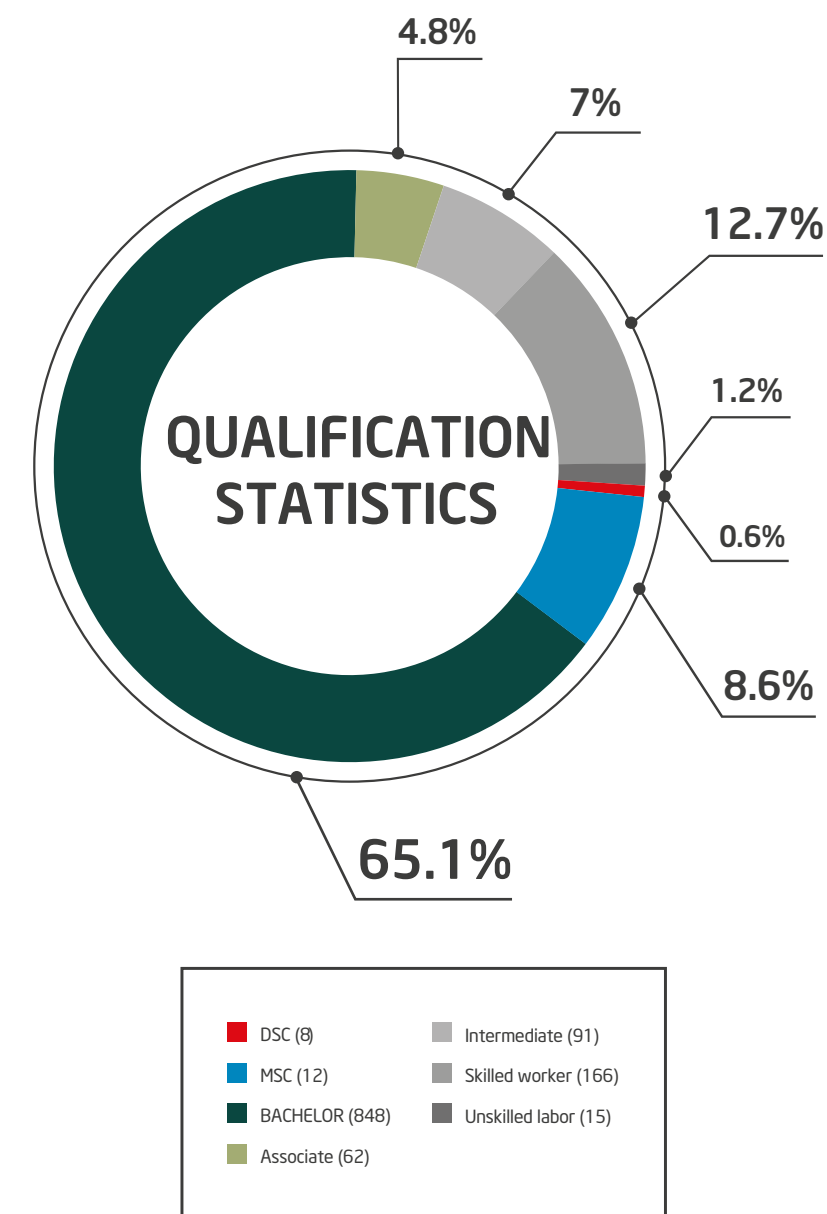
persons

Of which, total number of employees at the PV GAS Company, including 100% owned companies is

1,302

persons

and allocated in accordance with qualifications as shown in the following chart:



About **80%** of them are men, working in operating, maintaining, repairing, taking part in gas project constructions

20 different occupational groups
>60% of them are focused on technical area. This is due to the characteristics of the gas industry

74.3% Highly skilled workers account for a large proportion. Most are senior, middle managers and professional technical experts.

Highly adept Management team With ability to handle all aspects of development, integration, production and business operation effectively.

BOARD OF DIRECTORS

BOARD OF DIRECTORS' PROFILES



Mr. LE NHU LINH
Chairman of BOD

Working process:

10/1990 - 02/1994 Lecturer in Geology Economics, Hanoi University of Mining and Geology;
03/1994 - 10/2006 Specialist of PetroVietnam Oil Corporation;
10/2006 - 12/2007 Vice Chief of Planning - Investment, PetroVietnam Oil Corporation;
12/2007 - 07/2009 Chief of Investment, Planning Division, Vietnam National Oil and Gas Group;
08/2009 - 03/2010 PetroVietnam Oil Corporation; Chairman of BOD of PetroVietnam Drilling and Well Service Corporation (PV Drilling);
04/2010 - 11/2013 Chairman of Member Council, PetroVietnam Oil Corporation (PV Oil);
12/2013 to present Chairman of BOD, PV GAS.

Qualification:

PhD in Oil and Gas Geological Economics



Mr. DUONG MANH SON
Member of BOD, President & CEO

Working process:

05/1992 - 03/1994 Worked at Pha Rung Ship Repair Plant, Hai Phong;
03/1994 - 05/1995 Worked at Petroleum Engineering Associated Enterprise;
05/1995 - 06/1999 Worked at Petroleum Construction and Design Company
06/1999 - 04/2002 Worked at Lloyd's Register of Shipping, UK;
04/2002 - 10/2006 Served as Deputy Head, Manager, Head of Technical and Production Department, PV GAS;
10/2006 - 06/2007 Director of Low Pressure Gas Trading Enterprise (currently PetroVietnam Low Pressure Gas Distribution JSC), PV GAS;
10/2007 - 02/2009 Head of Construction Division, PV GAS;
02/2009 - 08/2013 Vice President, PV GAS;
08/2013 - 05/2015 Permanent Vice President of PV GAS;
05/2015 to present Member of BOD, President, PV GAS.

Qualification:

Mechanical Engineer in Manufacturing - Engineering - Welding Technology;
Master of Business Administration.



Mr. PHAN QUOC NGHIA
Member of BOD

Working process:

06/1990 - 04/1999 Worked at Coats Total Phong Phu JMC;
04/1999 - 12/2000 Admitted and appointed by Vietnam Oil & Gas Corporation to follow a training course at a Asian Institute of Technology (AIT), Thailand;
04/2001 - 11/2007 Engineer; Vice Chief; Chief of Nam Con Son Division, PV GAS;
11/2007 - 02/2009 Chief of Market Economy Division, PV GAS;
02/2009 - 04/2011 Member Council member, PV GAS;
04/2011 to present Member of BOD, PV GAS;

Qualification:

Mechanical Engineer; Bachelor in English;
Master of Business Administration;
Master of Industrial Engineering (in Thailand).



Mr. NGUYEN MANH TUONG
Member of BOD

Working process:

06/1998 - 10/2000 Engineer of Gas Project Management Board, PV GAS;
11/2000 - 05/2003 Mechanical Team Leader of Technical Department, Ca Mau Electricity, Urea and Gas Project Management Board, Vietnam National Oil and Gas Group;
06/2003 - 09/2007 Vice Chief, Vice Manager, Chief of Gas Project Department, Ca Mau Electricity Urea and Gas Project Management Board, Vietnam National Oil and Gas Group;
10/2007 - 02/2009 Vice Director of Gas Project Management Board of Southwestern Vietnam, PV Gas
03/2009 - 04/2010 Vice Director of Gas Project Management Board of Southwestern Vietnam, Vietnam National Oil and Gas Group;
05/2010 - 04/2012 Vice Director of Block B-O Mon Pipeline Management Company, PV Gas;
05/2012 - 11/2015 Manager, Head of Investment - Construction Division, PV GAS;
12/2015 to present Member of BOD of PV GAS;

Qualification:

Mechanical Engineer;
PhD in Business Administration.



Ms. VO THI THANH NGOC
Member of BOD

Working process:

07/1997 - 10/2002 Teacher, PetroVietnam Manpower Training College (PVTMC);
11/2002 - 07/2006 Specialist, Commercial Department, PetroVietnam Technical Services Corporation (PTSC);
08/2006 - 06/2007 Coordinator, Truong Son JOC, PetroVietnam Exploration and Production Corporation (PVEP);
07/2007 - 12/2007 Specialist, Petroleum Processing Division, Vietnam National Oil and Gas Group;
01/2008 - 11/2010 Deputy Chief of Petroleum Processing Division, Vietnam National Oil and Gas Group;
11/2010 - 10/2015 Vice Director, Nghi Son Refinery & Petrochemical LLC;
10/2015 to present Member of BOD, PV GAS;

Qualification:

Master in Petrochemical Refining;
Master of Business Administration.

BOARD OF SUPERVISORS



Mr. **MAI HUU NGAN**
Head of Board of Supervisors

Working process:

05/1988 - 10/1991 General Accounting, Mechanical Construction Enterprise, Petroleum Design and Construction Company (today as Petrovietnam Construction Joint Stock Company);

11/1991 - 12/2002 General Accountant, in charge of Accounting, Service Enterprise providing materials and goods, Petroleum Tourism Service Company (today as Petrovietnam General Services Corporation);

12/2002 - 07/2007 Chief Accountant of Gas Transportation Enterprise (today as South East Gas Transmission Company), PV GAS;

08/2007 - 01/2016 Chief Accountant of PV GAS;

01/2016 to present Head of Supervisory Board of PV GAS.

Qualification:

Bachelor of Economics - Accounting.



Mr. **NGUYEN CONG MINH**
Supervisor

Working process:

08/1985 - 08/1988 Student officer, C56A, D2, Financial Officer School, Ministry of National Defense;

09/1988 - 04/2003 Assistant Finance Committee, Head of Administration - Business - Services, Head of Finance Department of Defense Sport Center II, General Staff of Zone 7;

05/2003 - 03/2005 Head of Finance Division of Vocational Training School No. 7;

04/2005 - 11/2009 Director of Thai Son Vocational Training Center, Official of the Political division, Thai Son Company / Viet-Russian Tropical Center, Ministry of National Defense;

12/2009 - 07/2011 Deputy General Director of Sai Gon-Cao Lanh Seafood Joint Stock Company, Viet-Russian Tropical Center, Ministry of National Defense;

08/2011 - 03/2016 Deputy, Head of Accounting division, Project Management Unit of Ca Mau Gas Processing Plant, PV GAS;

04/2016 to present Supervisor at PV GAS.

Qualification:

Bachelor in Financial - accounting.



Ms. **HO THI AI THANH**
Supervisor

Working process:

04/1999 - 08/2007 Finance & Accounting Department Specialist, PV GAS;

09/2007 - 04/2011 Specialized Supervisor, PV GAS;

04/2011 to present Member of Board of Supervisors, PV GAS.

Qualification:

Bachelor in Corporate Finance;
Master of Business Administration

BOARD OF MANAGEMENT



Mr. **DUONG MANH SON**
Member of BOD, President & CEO

Working process:

Please refer to the Board of Directors on page 40



Mr. **NGUYEN QUOC HUY**
Vice President

Working process:

09/1994 - 01/1997 Specialist of Gas Technology and Gas Operation Center, PV GAS;

01/1997 - 12/2001 Chief of Technical Department - Gas Operation Center, PV GAS;

12/2001 - 08/2002 Chief of Technical Department - Operation Center, Deputy Manager of Thi Vai Terminal Warehouse, PV GAS;

08/2002 - 10/2002 Vice Director of Operation Center, Deputy Manager of Thi Vai Terminal Warehouse, PV GAS;

10/2002 - 10/2006 Vice Director of Gas Processing Enterprise, Manager of Thi Vai Terminal Warehouse, PV GAS;

10/2006 - 03/2008 Vice Director of Vung Tau Gas Processing Company, PV GAS;

03/2008 - 01/2010 Director of Vung Tau Gas Processing Company, PV GAS;

01/2010 to present Vice President, PV GAS.

Qualification:

Bachelor of Science in Computing
Master of Business Administration



Mr. **NGUYEN MAU DUNG**
Vice President

Working process:

12/1991 - 12/1994 Worked at Vung Tau Petroleum Construction Enterprise;

01/1995 - 01/2005 Worked at Petroleum Construction and Design Company;

01/2005 - 12/2006 Graduate student at University of Economics HCMC;

01/2007 - 12/2007 Head of Technical Department of PetroVietnam Engineering Consultancy Joint Stock Company;

01/2008 - 02/2009 BOD Member, Vice Director of Hanoi Petroleum Construction Co., Ltd.;

03/2009 - 04/2011 BOD member, Director of PetroVietnam Coating Joint Stock Company (PV Coating);

04/2011 - 05/2011 BOD Chairman of PVID; Director of PetroVietnam Steel Pipe Joint Stock Company (PV Pipe);

05/2011 - 04/2012 Vice President of PV GAS, BOD Chairman of PVID, Director of PV Pipe.

05/2012 to present Vice President, PV GAS.

Qualification:

Mechanical Engineer;
Master of Business Administration.

BOARD OF MANAGEMENT



Mr. **HO TUNG VU**
Vice President

Working process:

- 07/1983 - 03/1994** Employee; Deputy Manager of Petroleum Technical Equipment Import - Export Company (Petechim);
- 04/1994 - 10/1994** Manager of Petroleum Equipment Import - Export Company;
- 11/1994 - 06/2001** Manager of Petroleum Trading Company (now known as PetroVietnam Oil Corporation);
- 07/2001 - 06/2008** Vice President of Petroleum Trading Corporation (now known as PetroVietnam Oil Corporation);
- 06/2008 - 12/2010** Vice President of PetroVietnam Oil Corporation;
- 01/2011 to present** Vice President, PV GAS.

Qualification:

Engineer in Petroleum Economics;
Master of Business Administration.



Mr. **PHAM DANG NAM**
Vice President

Working process:

- 07/1993 - 10/1999** Bachelor in Economics, Finance - Accounting Department of Vietnamese-Russian Joint Venture Vietsovpetro;
- 11/1999 - 03/2003** Deputy Chief of Finance - Credit Department, Vietnamese Russian Joint Venture Re nery (Vietross); Deputy Head, in charge of
- 03/2003 - 11/2003** Commercial Department, Dung Quat Oil Re nery Project Management Board, Vietnam National Oil and Gas Group (PVN);
- 11/2003 - 04/2004** Specialist, Finance - Accounting Division, Vietnam National Oil and Gas Group (PVN);
- 04/2004 - 03/2009** Deputy Head; Head of Commercial - Market Division, PetroVietnam Fertilizer and Chemicals Corporation (PVFCCo); PVFCCo BOD member;
- 04/2009 - 02/2010** Concurrently Chairman of PVFCCo North (a subsidiary of PVFCCo);
- 09/2008 - 03/2010**
- 03/2010 - 01/2011** BOD member of PVFCCo, Chairman of PVFCCo South West (a subsidiary of PVFCCo);
- 02/2011 - 02/2014** Vice Chairman of Member Council, Binh Son Re nery and Petrochemical Company Limited;
- 02/2014 - 09/2014** BOD Chairman, PetroVietnam Transportation Corporation (PV Trans);
- 10/2014 to present** Vice President, PV GAS.

Qualification:

Bachelor in Industrial Economics;
Master of Business Administration.



Mr. **TRAN HUNG HIEN**
Vice President

Working process:

- 03/1982 - 04/1984** Engineer of Technical Department, Vung Tau Petroleum Construction Management Unit (the predecessor of PV GAS);
- 05/1984 - 03/1994** Engineer, Head of Planning - Engineering Department, Vice Director of Steel Structure Enterprise of Petroleum Construction Enterprise;
- 04/1994 - 04/1998** Deputy Head, Economic and Technical Department, Oil and Gas Design and Construction Company;
- 05/1998 - 02/2004** Deputy of the project management board; Head of investment project management, Petroleum Trading Company;
- 03/2004 - 09/2006** Head of Phu My Gas Pipeline Management Project - Ho Chi Minh City, Vietnam Oil and Gas Group;
- 10/2006 - 12/2007** Deputy General Director of PV GAS and head of Phu My Gas Pipeline Project Management Board - Ho Chi Minh;
- 12/2007 - to present** Deputy General Director of PV GAS.

Qualification:

Bachelor of Industrial Management;
Master in pipeline construction, oil and gas tank (in Russia)



Mr. **NGUYEN THANH NGHI**
Vice President

Working process:

- 12/1979 - 03/1980** Worked at Training College, Air Force High Command;
- 03/1980 - 04/1982** Student at Economic Secondary School, Ministry of Machine and Metallurgy;
- 04/1982 - 07/1993** Worked at A41 Factory of the Air Force, Tan Son Nhat Airport;
- 07/1993 - 05/1996** Employee at Ba Ria - Vung Tau Insurance Company, Vietnam Insurance Corporation (Bao Viet);
- 05/1996 - 06/2008** Employee at a number of units in PetroVietnam Insurance Joint Stock Corporation (PVI);
- 06/2008 - 07/2009** Vice President, PVI;
- 07/2009 to present** Vice President, PV GAS.

Qualification:

Bachelor of Economics in Planning;
Master degree in Business Administration.



Mr. **PHAM HONG LINH**
Vice President

Working process:

- 1983 - 1995** Vice Director of Transportation Material Supplying Enterprise; Vice Director of Construction Enterprise No. 1; Deputy Head of Material & Equipment Department; Head of Technical - Economy Department of Petroleum Engineering Associated Enterprise;
- 1995 - 1998** Vice Director of PetroVietnam General Services Joint Stock Corporation;
- 1998 - 2001** Vice Director of PetroVietnam Investment Consultancy and Engineering Joint Stock Company;
- 2001 - 2007** General Manager of 1-5 Le Duan Tower Project Management Board, Vietnam National Oil and Gas Group;
- 2007 - 02/2009** Vice President of PV GAS, Head of Gas Project Management Board of Southwestern Vietnam;
- 02/2009 - 03/2010** Head of Gas Project Management Board of Southwestern Vietnam, Vietnam National Oil and Gas Group;
- 04/2010 - 11/2011** Vice President of PV GAS and Director of Block B - O Mon Pipeline Operating Company;
- 11/2011 to present** Vice President, PV GAS;

Qualification:

Construction Engineer;
Master degree in Business Administration;
PhD in EPC Energy Project Management (Asian Institute of Technology).



Mr. **BUI NGOC QUANG**
Vice President

Working process:

- 03/1983 - 07/1989** Drilling Engineer, Thai Binh Petroleum I Company;
- 08/1989 - 10/1991** Technical Department, Hanoi Drilling Solution and Petrochemical Products Company;
- 11/1991 - 10/1995** Head of Contract Department, ADF - Vietnam JVC;
- 11/1995 - 08/2006** First Vice Director, BOD Chairman and First Vice Director of M-I-Vietnam;
- 09/2006 - 04/2009** General Director, BOD Chairman of Drilling Mud Corporation;
- 04/2009 - 08/2009** Deputy Head of Planning Division, Vietnam National Oil and Gas Group.
- 08/2009 - 12/2010** General Manager of Southeast Gas Project Management Board, Vietnam National Oil and Gas Group;
- 01/2011 - 05/2016** Vice President of PV GAS, and General Manager of Southeast Gas Project Management Board; Deputy General Director of PV GAS.

Qualification:

Engineer in Oil and Gas Drilling and Exploitation.



Mr. **VO TRONG HAI**
Chief Accountant

Working process:

- 01/1993 - 06/1998** General Accountant - Hai Au Tourism Service Company - VCB;
- 07/1998 - 12/1998** Chief Accountant - Hai Au Tourism Service Company - VCB;
- 01/1999 - 02/2001** Consultant - ASIA Inspection;
- 03/2001 - 07/2002** Accounting Manager - Consultancy Center for Development of Technology and Environment, Department of Science and Technology of Ba Ria - Vung Tau Province;
- 07/2002 - 05/2003** General Accountant, Ca Mau Electricity, Urea and Gas Project Management Board;
- 05/2003 - 03/2007** Deputy Head of Financial - Accounting Department/In charge of monitoring PM3 Gas Pipeline Project - In charge of accounting/Ca Mau Electricity, Urea and Gas Project Management Board;
- 03/2007 - 07/2008** Chief Accountant - PetroVietnam Ca Mau Power Company;
- 08/2008 - 04/2009** Deputy Head of Finance - Accounting & Auditing Division - PetroVietnam Power Corporation;
- 04/2009 - 06/2010** Chief Accountant of PetroVietnam Ca Mau Power Company;
- 06/2010 - 06/2011** Head of General Accounting Department - PetroVietnam Oil Corporation;
- 06/2011 - 12/2014** Vice Director, Financial - Accounting Division - PetroVietnam Oil Corporation;
- 12/2014 - 11/2015** Chief Accountant - PetroVietnam Oil Corporation;
- 12/2015 to present** Chief Supervisor - PetroVietnam Oil Corporation;

Qualification:

Bachelor in Corporate Accounting;
Master degree in Business Administration.

CHIEF ACCOUNTANT

INVESTMENT AND IMPLEMENTATION OF PROJECTS

INVESTMENT IN CONSTRUCTION

Construction investments of PV GAS are purely for the purpose of investing in development, including development of gas supplies from domestic mines and gas import, development of infrastructure to increase production capacity, deep processing to increase product values, which are assigned to companies, project management units (including Gas Project Management Company, South East Gas Project Management Unit, Project Management Unit of Ca Mau Gas Processing Plant) with a team of experts, engineers, specialists who have been working since PV GAS invested to build the first gas plant up to now. All construction investment processes are in compliance with current regulations and subject to inspection, supervision as well as support and guidance by PV GAS, PVN and State management agencies. Therefore, the quality, objectives and capital resources of the projects are always ensured.

In 2016, PV GAS has prepared, executed and settled its final investments in 14 projects in Group A, 8 projects in Group B and projects in Group C, procurement of equipment and financial investments; disbursed 4,838 billion dong, equal to 102% of its planned. This shows that investments in construction have been actively implemented and monitored according to the disbursement progress of the project; Phase 1 (Thien Ung mine) has been completed, put into operation, contributed to the addition of Cuu Long gas; Nam Con Son hydropower project for GPP Dinh Co was completed, contributed to increase in value of of Nam Con Son gas and ensured the performance of GPP Dinh Co.



The values of some disbursed major projects in 2016

	NAME OF PROJECT	DISBURSED VALUE (BILLION VND)
	Total	4,838
I	Gas collection	1,106
1	Block B - O Mon gas pipeline	144
2	Nam Con Son 2 gas pipeline, Phase 1	905
3	Nam Con Son 2 gas pipeline, Phase 2	2
4	Ca Rong Do gas pipeline	55
II	Strengthening processing and storage capacity of gas and gas products	2,820
1	Ca Mau Gas Processing Plant	2,764
2	Offset moisture from Nam Con Son to GPP Dinh Co	40
3	Improve the LPG recovery system at Dinh Co	11
4	Separate Ethane from Cuu Long and Nam Con Son gas source	1
5	Polypropylene production plant	4
III	Final settlement: Preparation, execution of investments in other investment projects; procurement of equipment and financial investments	912



IMPLEMENTATION OF MAJOR PROJECTS IN 2016

Collecting gas: Building new pipelines to collect gas at new mines, supplement the supply of gas to the consumer market.

Block B - O Mon gas pipeline

Invested in pipelines to transport gas from B & 52 field mines, in supply to power plants and other gas consumers in the South West region.

Performance in 2016: Completed the transfer of project management from PV GAS to PVN from 06/06/2016, the rights and obligations corresponding to the 51% of capital contribution to the BCC have been fulfilled.

Nam Con Son 2 gas pipeline, Phase 1

Invested in a 151-km long pipeline from Thien Ung to Bach Ho to collect, transport gas from Thien Ung mine, Dai Hung mine with a total investment amount of 402.6 million USD.

Performance in 2016: Coordinated with VSP to carry out the remaining work after the bypass period (connecting/receiving to bring Thien Ung gas into the pipeline, completed the payment and settlement).

Nam Con Son 2 gas pipeline, Phase 2

Invested in the remaining pipeline items, gas works of Nam Con Son 2 gas pipeline after completing Phase 1 to collect gas in the Su Tu Trang, Dai Nguyet, ... on the shore.

Performance in 2016: Completed the update FS for submitting PVN; prepared / implemented compensation for land clearance.

White Lion Gas Pipeline

Invested in a pipeline to transport Su Tu Trang's gas to shore, supply gas to consumers in the South East.

Performance in 2016: Finalized Pre-FS approval, scope of work, cost estimate and plan for selection of FS contractor.

Ca Rong Do gas pipeline

Invested in the pipelines to transport gas from the Ca Rong Do mines block 07/03 to shore, supply gas to consumers in the South East.

Performance in 2016: Completed Pre-FS; Surveyed sea supplement for pipeline options; approved the scope of work, cost estimate, bidding documents; held a bidding for FS; negotiated a Rosneft trust agreement for a connection at Lan Tay Lantern.

Sao Vang - Dai Nguyet Gas Pipeline

Invested in pipelines to transport gas to Sao Vang, to supply gas to consumers in Southeast regions..

Performance in 2016: Completed and submitted for approval of Fre-FS; set up scope of work, cost estimate, plan for contractor selection and selected the bidders for FS package, assessed the environmental impact, and surveyed the sea.

Import of LNG: Build the infrastructure to import LNG, supplementing the supply of gas to the consumer market..

LNG Thi Vai

Invested in Phu My storage facility to import LNG to gas consumers in the South East.

Performance in 2016: Updated information about customers, signed memorandum of understanding for LNG usage with Nhon Trach 3 electricity project, Hiep Phuoc electricity plant and signed HOA with EVN; Completed the assessment of reception capacity, navigation channels, frequencies, safe areas of imported vessels and ports of LNG Thi Vai.

LNG Son My

Invested in storage and export ports in Son My to import LNG for electricity supply to Son My customers for gas consumption and supply to Southeast regions.

Performance in 2016: Study and evaluation the overall LNG project chain is in progress.

South West LNG

Invested in port warehouses or floating storage (FSRU) to import LNG to customers for gas consumption.

Performance in 2016: Completed the preparation of Pre-FS, prepared the steps to set up FS.

Strengthening capacity of processing and storage of gas and gas products

Ca Mau Gas Processing Plant

Invested in and upgraded pipelines, gas processing plant, storage and export port in Ca Mau province to produce LPG and condensate from PM3, 46-CN mines and adjacent areas with a total investment of 494.6 million USD.

Performance in 2016: Completed 100% construction drawing design, procurement of materials and equipment.



Offset moisture from Nam Con Son to GPP Dinh Co

Invested in pipelines and equipment to transport part of Nam Con Son gas output to Dinh Co GPP to produce LPG and condensate, to increase the value of Nam Con Son gas and ensure the performance of GPP Dinh Co with a total investment of 177 billion VND.

Performance in 2016: Completed the commissioning, and preparing to put into use.

Improve the LPG recovery system at Dinh Co

Invested with equipment to improve the recovery coefficient of Dinh Co GPP to increase the value of gas processing.

Performance in 2016: Approved FS, scope of work, cost estimate, contractor selection plan.

Separate Ethane from Cuu Long and Nam Con Son gas source

Invested in and converted equipment at Dinh Co GPP to separate ethane from Cuu Long and Nam Con Son gas, supplying to Long Son Petrochemical Complex.

Performance in 2016: Calculated and re-evaluated the economic efficiency under the integration of Ethane separation project into GPP2; coordinated the negotiation between PVN and LSP to amend terms and conditions of Ethane supply contract's renewal.

Polypropylene production plant

Used imported propane from domestic gas processing plants to create higher value products that is polypropylene, extending the value chain of natural gas, in line with the orientation of intensive deepening to increase gas value.

Performance in 2016: Completed Pre-FS and submitted survey, evaluation of Polypropylene Market report to PVN, to establish the FS Project.

Completed, finalized projects

- Completed the approval of the investment capital settlement report for the project of LPG storage capacity increase in Dinh Vu, IT system; liquidated the contracts, completed data with auditors of the gas collection and distribution project at Ham Rong and Thai Binh mines, Block 102 and 106.

Financial investment

- Completed the capital contribution to NGV PVGAZPROM, equivalent to 29% of regulatory capital; And contributed capital to LNG Vietnam, equivalent to 51% of regulatory capital.

ACTIVITIES OF MEMBER COMPANIES

Thanks to practical and prompt supports from PV GAS – parent company, major shareholders, and efforts in 2015, PV GAS’ subsidiaries achieved quite good operating results. The most remarkable companies were PV GAS D, PV GAS South and PV Coating, who together contributed to the development of Vietnam gas industry.



PV GAS D has actively sought new customers, supplying over 845 million m3 of gas to industrial and CNG customers in Ba Ria - Vung Tau, Dong Nai, HCM City and some provinces in the North. Output increased by nearly 30% compared to 2015, earned over 4,704 billion VND in revenues and 219 billion VND after tax profit, yielding a high return on equity (24%).

PV GAS South with 7 brands of PetroVietnam, Petroleum Gas, VTG, A Gas, Dang Phuoc, Dak Gas, PV Gas South provided nearly 280,000 tons of LPG to households, restaurants, hotels and industrial customers. Owning a good infrastructure system with full stockpile, LPG filling stations, paint testing stations allocated at commercial areas, and supported by PV GAS in goods source- parent company, PV GAS South is currently the leading LPG (retail) company in the South and South Central markets in terms of volume. For CNG business, PV GAS South and CNG Vietnam still dominated the market in the South East, providing about 105 million m3 of CNG for industrial customers and transportation vehicles. In 2016, PV GAS South launched a new product called “Petroleum Gas”, which has been highly valued by the market, bringing 5,176 billion VND revenues and 342 billion VND after tax profit (including profit from divestment in CNG Vietnam), achieving after-tax profit / chartered capital of 68%. PV GAS North with two PetroVietnam, Hascom brands supplied over 200,000 tons of LPG to homes, restaurants, hotels and

industrial customers. Owning a good infrastructure system with full stockpile, LPG filling stations, paint testing stations distributed in commercial areas, with goods sourcing support from PV GAS, PV GAS North is currently the leading LPG (retail) company in the North and North Central markets in terms of volume. From June 2016, the project of Da Nang petroleum products warehouse was completed and put into use, helping PV GAS North increase the volume of LPG supplied to customers. Revenue reached 2,525 billion VND and profit after tax reached 0.61 billion VND.

The business results of PV GAS City are not significantly higher than in previous years: supplied over 45,000 tons of LPG to market, reached 484 billion VND in sales and 158 million VND in net profit due to the facts that the real estate market has not fully recovered, and reluctance of urban residents who have yet to fully understand benefits of central gas system, affecting the progress of PV Gas City’s deployment and exploitation of investment and business projects in central gas system for urban and apartment areas. Currently, PV GAS and its stakeholders are considering restructuring GAS City, to ensure the efficiency of investment capital in PV GAS City.

CNG Vietnam became a subsidiary of PV GAS in March 2016. With stable business activities, the company has supplied to Southern and Northern markets about 119 million m3 CNG; turnover reached 891 billion VND, profit after tax reached 120 billion VND, regulatory capital reached 44%.

PV Pipe’s tube production has been difficult due to speed adjustment of major projects in the sector (a direct impact of falling oil price). PV Pipe has proactively looked for external orders and earned some contracts, but their values were not high. The company produced and supplied 2,400 tons of tubes to customers (Intamin Ltd, Toyota Tsusho Vietnam Co., Nhat Truong Vinh, Tuyet Mai Private Enterprise, Petrosteel). Revenue reached over 55 billion VND. The company’s business was a loss.

Pipe coating operation: Same as PV Pipe, due to speed adjustment of major projects in the sector, PV Coating focused on final settlement and debt recovery from completed projects; the external purchase orders were only small orders. PV Coating’s revenue was slightly over 6 billion VND (from contract of coating paint for Nippon Steel, and trading activities); making it a loss.

In order to ensure and diversify the supply of gas and gas products for the domestic market, LNG VIETNAM Joint Stock Company was established in July 2016 with the parties of PV GAS, Tokyo Gas Asia and Bitexco to invest and trade in LNG. LPG VIETNAM JSC is currently in process of stabilizing the organizational structure, regulations and procedures to manage the business and be ready for investment preparation, investment implementation and trade in LNG.

With the goal of promoting use of natural gas for domestic transportation, in January 2016, PV GAS contributed 58 billion VND (29% of regulatory capital) to establish PVGAZPROM NGV with partners having financial potential and high experiences in the field of natural gas, which are Gazprom International Projects B.V and Gazprom Gas-Engine Fuel LLC. In 2016, PVGAZPROM NGV has been in preparation for investment in project of Production and Usage of natural gas for transportation.

FINANCIAL SITUATION

Financial situation

ITEM	IN 2015 (BILLION DONG)	IN 2016 (BILLION DONG)	% UP/DOWN
Total value of asset	56,715	56,754	0%
Net revenue	64,300	59,076	-8%
Profit from operating activities	11,119	9,102	-18%
Other income	80	51	-36%
Profit before tax	11,199	9,152	-18%
Profit after tax	8,832	7,172	-18%
Margin for dividend	35%	30%	-14%

The key financial indicators

ITEM	2015	2016
1. Solvency indicators		
* Current ratio (Current assets/current liabilities)	3.76	3.62
* Quick ratio	3.62	3.48
2. Capital structure		
* Liabilities/total resource ratio	0.24	0.28
* Debt/Equity ratio	0.32	0.39
3. Activity indicators		
* Inventory turnover (Cost of sales/inventory)	33.13	37.97
* Net revenue/ Total assets	1.13	1.04
4. Profitability		
* Ratio of Profit after tax/net revenue	0.23	0.16
* Ratio of Profit after tax/owner's equity	0.34	0.23
* Ratio of Profit after tax/total asset	0.26	0.16
* Ratio of Profit from operating activities/net revenue	0.17	0.16

STRUCTURE OF SHAREHOLDERS

Share

As at 31/12/2016.

Total number of outstanding shares of PV GAS is:

1,913,950,000 SHARES

Of which, Number of shares restricted for transfer

19,000,000 SHARES

(In which **18,950,000** shares were issued to the employees of PV GAS under the issuance of optional share program for employees in the company)

In 2016, PV GAS has raised up the regulatory capital by issuing shares to PV GAS's employees under the issuance of optional share program for employees.

Whereby, in 2016, PV GAS's regulatory capital was:

RAISED UP FROM

18,950,000,000,000 VND

TO

19,139,950,000,000 VND

Treasury stock: In 2016, PV GAS has no transaction in treasury stock.

OWNERSHIP STRUCTURE (recorded at 23/12/2016)

	SHAREHOLDERS	SHARE VOLUME	RATIO	SHAREHOLDER AMOUNT	OWNERSHIP STRUCTURE	
					ORGANIZATION	INDIVIDUAL
1	State	1,832,835,900	95.8%	1	1	
2	Trade Union	80,000	0%	1	1	
3	Treasury share	601,930	0%	1	1	
4	Others:	80,432,170	4.2%	4,372	118	4,254
	- Domestic	28,926,462	1.5%	3,012	18	3,994
	- Oversea	51,505,708	2.7%	360	100	260
	TOTAL	1,913,950,000	100%	4,375	121	4,254

SOCIAL AND ENVIRONMENTAL RESPONSIBILITIES



MANAGEMENT OF MATERIALS

- TOTAL MATERIALS USED FOR PRODUCTION AND PACKAGING OF MAJOR PRODUCTS AND SERVICES OF PV GAS IN 2016

Because the oil and gas industry is characterized by the production and transportation of products by pipelines, natural gas shall be used as a raw material:

Input gas:
10.503 billion m³ of gas

Natural gas used as a raw material
38.01 million m³

DO
1,122 tons

Chemicals
242 tons
(Helium, Ethylmercaptan, Hydrogen, chemical used to inhibit erosion in pipes, nitrogen, lubricants, chemicals handling wastewater...)

- 98% RECYCLED MATERIALS ARE USED FOR MANUFACTURE OF MAJOR PRODUCTS AND SERVICES

Commercial dry gas
10.301 billion m³ of gas

Gas is a clean energy source and increasingly accounts for a large share of Vietnam's primary energy structure. PV GAS has been operating and deploying large scale gas projects to meet the gas demand of large consumers such as power plants, fertilizer plants, industrial plants consuming low pressure gas, meet the gas demand for chemical industry, fertilizer, transportation and civil activities; Ready to connect with South East Asia gas pipeline serving the needs of gas export and import.

- In terms of gas transportation from offshore rigs to ashore in 2016, the total volume of gas transported ashore is 10.503 billion m³.
- For dry gas products in 2016, PV GAS produced 10.301 billion m³ for customers.
- In terms of product delivery, in 2016, gas pipeline systems provided 10.301 billion m³ of dry gas, 71.6 thousand tons of condensate and 1,637 tons of LPG for domestic plants and consumers.



ENERGY CONSUMPTION

Direct and indirect energy consumption

Electricity: **41.24** million kWh.

Energy saved through initiatives of efficient use of energy

In production and business, PV GAS focused on converting the energy system from using diesel generators to using concentrated gas in the central rigs, compressors and generators, which has significantly reduced emissions and saved energy costs.

In addition, PV GAS and Tokyo Gas Co. Ltd signed a Memorandum of Understanding concerning the implementation of feasibility studies on energy saving solutions in the use of natural gas, namely providing energy saving services in industrial households with consumption of natural gas and trading LNG through the system of receiving stations, gasification and distribution of LNG satellites.

Initiatives report of energy saving

As the sole supplier of gas to the Vietnamese market, ensuring national energy security and efficient use of resources, PV GAS has focused on developing a gas collection system from most oil fields, connected to the gas extraction and transportation system to ensure stable supply of 10 billion m3 annually for power plants, fertilizer plants and low pressure gas plants for some industrial consumers. With many useful initiatives such as improving production, saving raw materials, fuels, energy, annually, PV GAS has reduced approx. 200 billion VND in operation and product costs.



Initiative reports of energy saving implemented by PV GAS include

Application of technology on converting gasoline engines to use compressed natural gas (CNG) on taxis.

The solution to use CNG conversion kit of OMVL - Italia installed on cars, taxis (Electronic Fuel Injection motor) to use CNG fuel to replace gasoline according to European standard ECE R110. When using CNG as a substitute fuel, the advantages are as follow:

- In terms of economics: Minimize fuel costs (approx. 30%) because the CNG price is cheaper than other traditional fuels such as LPG, gasoline, oil. On the other hand, vehicles and equipment using CNG reduce the maintenance costs of motor vehicles because CNG is a clean fuel, reducing the elements harmful to the engine. In addition, on a macro level, the application of CNG in transportation also helps the State reduce petroleum imports, while ensuring the country's energy security (Vietnam is active in the supply of natural gas).
- In terms of safety: CNG is the basic fuel that ensures more safety compared to other liquid fuels, manufactured equipment is strictly controlled in terms of fire safety.
- In terms of environment: The use of CNG as a substitute for all currently used types of fuel will reduce the amount of toxic substances causing environmental pollution and greenhouse effects..

Liquid discharge collection system through the CNG compressor and ventilating system at CNG loading.

Collection of liquid substances such as lubricating oil, condensate is causing environmental pollution and greenhouse effects.

Collection of considerable exhaust gas for re-use helped to limit the discharge of gas into the environment and a risk of fire and explosion and environmental pollution.

For economic benefits, it can save the Corporation billions of VND each year (depending on operating capacity); Promptly address the solutions to preventive measures to environmental violations. If oil spills out into the area through storm water flowing into rivers and streams, the Corporation may be fined by environmental regulators and must compensate for environmental impacts with cost of billions of Vietnam dong.

Change of operation mode of Pressure relief valve assembly at LFS station reduces the amount of fuel gas used by compressors.

The high consumption (over 280 Ksm3/h) and two PCV branches at LFS open 100%, operations of the third PCV branch opens 100% in Auto mode (same setpoint settings with the other 2 PCV branches) Reduction in amount of fuel gas used saved about 420 million VND/year (when Ca Mau GPP



was not in operation) and about 1.3 billion VND/year (when Ca Mau GPP was put into operation). Operations of 3 PCV branches reduced the pressure drop across PCVs, leading to an increase in compressor input pressure, which reduced the compression ratio. Decrease in the compression ratio led to:

- Reducing compressor operation at high power, increasing compressor life and reducing maintenance.
- Reducing energy supply to auxiliary systems: Reducing power for gas cooler fans (due to reduction of temperature of input gas), reducing the power energy for oil cooler fans, (due to reduction of lubricating oil), reducing the heating power energy for heater fuel gas (by reducing fuel gas).

The oil cooler online cleaning ensures the capacity of the booster compressor on the Dragon rig.

Rehabilitated the liquid discharge system at Gas Scrubber GDC Ca Mau.

- According to statistics, Gas Scrubber was inundated and caused the compressor shutdown once a year.
- The initiative saved 148,644,000 VND per year and 2,972,900,000 VND for the remaining life of the project.
- The initiative increased operational reliability of compressor auxiliary equipment, as well as ensured continuous supply of gas to consumers.

WATER CONSUMPTION

Water supply and water use:

- Water supply: 433,006 m3, including water for rehearsal of fire prevention and fighting, watering, living and production.
- *Underground water: 1,887 m3. Percentage and total water recycled and reused:
- Percentage of water recycled: 0%
- Percentage of water reused: 0%

LAW COMPLIANCE ON ENVIRONMENTAL PROTECTION

The purpose of complying with the law requirement on environment is to regulate activities, products and services of enterprises to ensure that the operation and production are not detrimental to the community and the impacts on the environment are minimized.

PV GAS always disseminates changes in environmental legislation to each unit and annually monitors the compliance in units. On the other hand, PV GAS has collected database and legal documents on environment. During the process of actual inspection and evaluation and through the results of database system, some points in the legal document system have been found inappropriate for the actual activities of the gas industry, accordingly, a proposal of changes is to be submitted to competent authorities for suitable adjustment.



In 2016, PV GAS implemented the following environmental protection regulations:

Fully comply with regulations on environmental protection such as the preparation and approval of environmental protection commitments, environmental impact assessment, environmental protection planning, environmental monitoring, waste management (especially hazardous waste), response plan for oil spill incidents, etc.

Set up plans of oil spill response and chemical incident prevention for activities related to oil and chemical spill.
Register the waste generator, hazardous waste management (collection, transportation and treatment) and submit periodic reports to the management bodies in due time as required by the regulations.

The registration of the waste generator, hazardous waste management (collection, transportation, treatment) and periodic reports to the regulatory authorities shall be made in accordance with regulations.

Carry out inspections of units at least once a year, on a quarterly basis (company level), on a monthly basis (factory level) and on a shift basis.

Issue the environmental management process, the process of assigning responsibilities to concretize the requirements of the law into regulations and guidelines for the implementation of units/ individuals.

Regularly announce, update and evaluate compliance with the Law on Environmental Protection as well as relevant decrees and circulars to ensure compliance with environmental legislation.

Invite experts from the Department of Natural Resources and Environment to train new regulations in the field of environmental protection.

Organize activities to respond to World Environment Day, World Cleanup Campaign, Earth Hour, etc.

Number of fines due to non-compliance with environmental laws and regulations:

- In 2016, PV GAS has no violations on non-compliance with environmental laws and regulations.
- The total amount of money fined due to non-compliance with environmental regulations = VND 0.



EMPLOYEE POLICIES



PV GAS has developed and issued employee policies in accordance with the regulations of the State, PVN and the characteristics of PV GAS with flexible and competitive payment mechanism under the market mechanism to keep and attract local and foreign talents to work long term in PV GAS, as follows:



Ensure high and stable salary, income so as to motivate employees to work wholeheartedly. The payment of wages, bonuses and other benefits is based on the true capacity and efficiency of each individual employee.



Organize periodic health check-ups and follow-up; provide financial support for international and domestic travel; give allowances and present gifts to employees on special occasions. on special events of workers.



Give bonuses to periodic and irregular achievements of individuals and units; reward innovative ideas and safe operation of gasworks; present bonuses on National holidays and special events of PVN, PV GAS.



Regularly organize cultural, artistic and sports activities for employees.



Special allowances for gas industry are applied in accordance with the working conditions and environment of each job position.



Respect and comply with safety, health and environmental standards. PV GAS offers professional working environment, continuously update advanced technology and modern facilities.



Social insurance, health insurance and unemployment insurance strictly follow the regulations of the State; voluntary insurance schemes are highly beneficial for employees (Life Insurance, Voluntary Pension Insurance, Accident Insurance, Life and Hospital Surgery).



Employees are trained, and fostered as required by the State's law so that they can improve their knowledge, perfect their skills in terms of both expertise and safety. In 2016, 11,119 people were trained with the total cost of VND 35.99 billion.

REMUNERATION OF THE EXECUTIVE BOARD

PV GAS has developed and applied the payroll and bonus system to the Executive Board in accordance with the laws and regulations of the Vietnam Oil and Gas Group on salaries, bonuses and remuneration for the representative of Vietnam Oil and Gas Group at PV GAS according to the job title and the performance of each member without violating the staff policy of PV GAS. The payroll and bonus system of PV GAS's Executive Board has been approved by the General Meeting of Shareholders.

SOCIAL SECURITY AND COMMUNITY ACTIVITIES IN 2016

Not only undertaking business and production tasks assigned by the Party and State, PV GAS has actively responded and participated in social security programs throughout the country.

In 2016, PV GAS donated more than VND 122 billion to implement 42 social welfare programs in many provinces and cities nationwide, most of which were for difficult, remote areas, mountainous regions and isolated islands. Specifically:

- Fund about VND 96 billion for 27 education programs (building schools, scholarship funds, etc.).
- Fund more than VND 21 billion for 5 health programs (Building clinics, donation of medical equipment, medical examination for the poor).
- Sponsor over VND 5 billion to build the community houses, gratitude houses, support in disaster recovery, gratitude activities and other social security activities.

Since 2009, PV GAS has provided over VND 800 billion for social security. The social security activities of PV GAS have been of deeply social-political significance in recent years, contributing to the socioeconomic development of the country.





BOARD OF MANAGEMENT'S REPORT



EVALUATION OF BUSINESS



In 2016, PV GAS excellently accomplished most missions and action plans, including safe and continuous operation of gas system; not allowed any damage to human and harming PV GAS' reputation; fulfilled and exceeded most of the targeted plans duly approved by General Meeting of Shareholders which achieved higher growth as compared to 2014, with some targets have been achieved 2 months ahead of schedule; supplied over 10 billion m³ of gas; completed investment in Nam Con Son project for Dinh Co GPP, Nam Con Son 2 pipeline project - phase 1 (Thien Ung gas).

SECURITY AND SAFETY

Safety work is always given priority to and put on top in PV GAS. PV GAS has developed and published programs, directives, specific implementation plans for safety work across PV GAS, set a completion date, responsibilities of each unit/individual, strengthen the inspection and supervision.

Maintaining safety conferences at units; Practising Fire prevention and firefighting with participation of multiple forces; Communicating in local areas related to gas works/ gas pipelines. Actively and proactively handle issues related to the violation of gas pipeline corridor of Ham Rong - Thai Binh; Cooperate with PVN to work with the authorities of Ba Ria - Vung Tau Province to thoroughly handle the illegal sand mining on the Mo Tat River, causing unsafety to the gas pipelines. Always coordinate closely with security officers at sea and on shore, police force, the functional agencies in patrolling, ensuring security and safety, preventing smuggling, fraud/fake goods.

By strictly carrying out the programs and plans, observing regulations as well as cooperating with relevant parties, PV GAS' manufacturing and trading units operated safely, without any violation of environment regulations, nor any incident affected human being, assets as well as PV GAS' reputation.



OPERATION AND PRODUCTION

The production and operation of PV GAS started when the first gas current came in 1995 and since then, has continuously been keeping on a basis of year-round and 24/24 hours; from the gas fields offshore Vietnam and to gas and gas products delivery points to end users; directly connected to gas field owners, gas sellers, gas pipeline owners, power plants, fertilizer plants, condensate processing plants, LPG companies, carriers and contractors, PV GAS D, etc.

Cuu Long gas system: Wet gas from Bach Ho, Vom Bac, Rong, Doi Moi, Rang Dong, Phuong Dong, Su Tu Den, Su Tu Vang, Su Tu Trang, Te Giac Trang, Hai Su Den, Hai Su Trang, Ca Ngu Vang, Dai Hung fields, etc. is transported ashore via Cuu Long gas pipeline, through Long Hai to Dinh Co GPP in Ba Ria - Vung Tau province for the production of three different gas products: dry gas, LPG and condensate. Dry gas is then transported via pipeline from Dinh Co GPP to Ba Ria, Phu My for delivering to end customers. LPG and Condensate are transported via pipeline to Thi Vai storage, stored in tanks and delivered to LPG trading companies by means of vessels or tank trucks and to PV Oil's Condensate Processing Plant via pipeline. In addition, from the end of November, 2014, wet gas from Su Tu Den, Su Tu Vang, Te Giac Trang, Hai Su Den, Hai Su Trang fields has been also transported and delivered to Japan Vietnam Petroleum Co., Ltd (JVPC) right at the platforms offshore for JVPC's EOR (Enhanced Oil Recovery).

Nam Con Son gas system: Gas from lots, fields 06.1, 11.2, Chim Sao, Hai Thach, and Moc Tinh was transported ashore via Nam Con Son gas pipeline, through Long Hai to Nam Con Son GPP in Ba Ria - Vung Tau province for the production of two kinds of gas product: dry gas and condensate. Dry gas is then transported via gas pipeline from Nam Con Son GPP to Phu My, Nhon Trach, Hiep Phuoc for delivery to end customers. Condensate is transported via Cuu Long gas pipeline system to Thi Vai Storage, stored in tanks and carried to purchasers by ship or pipeline.

Gas from Cuu Long and Nam Con Son can be supplied in case of shortage via Phu My Gas Distribution Center.

PM3 gas system: Gas from PM3-CAA, 46 Cai Nuoc fields is transported ashore via PM3 gas pipeline, through Mui Tram to Ca Mau Gas Distribution Center and delivered to end customers.

Ham Rong - Thai Binh gas system: gas from Thai Binh field is transported ashore via Ham Rong - Thai Binh gas pipeline, through Tien Hai to Gas Distribution Center in Tien Hai Industrial Park, delivered to PV GAS D in order to produce low-pressure gas and CNG, and then exported to end customers.

In addition, PV GAS also procures LPG from Dung Quat and imports LPG from overseas, stores LPG in storage systems in the North, Central and South and delivers it to LPG trading companies with vessels or tank trucks.

Since 2016, PV GAS has maintained safe, stable and continuous operation and production for 4 gas systems: Cuu Long, Nam Con Son, PM3 and Ham Rong - Thai Binh including pipelines, plants, gas distribution centers, storages and terminals, etc. As a result, the total wet gas output reached 10,503 million m3, dry gas output 10,301 million m3, LPG 310,8 thousand tons, and condensate 70.4 thousand tons, all of which exceeded the 2016 plan, including:

- Cuu Long Gas System: Complete the maintenance during the downtime of gas system (from 25-28 September 2016), safely put the system back to operation, supplying gas 2 days before the plan; the compressor system of the CCP Vietsovpetro is operating stably and continuously 05 machines. Although a number of gas fields have been stopped/ reduced supply at certain planned or unexpected times for maintenance/troubleshoot outside the plan, VSP still increased the gas output for gaslight in the last months of the year with the guarantee of continuous operation, and high stability. In 2016, with the completion of the connection with the Thien Ung drilling, the new gas from the Thien Ung gas field to the Cuu Long gas system in the Southeast, PV GAS produced and supplied 1,524 million m3 of dry gas to power plants, fertilizer plants, industrial customers (low pressure gas and CNG), accounting for 117% of the plan and reaching the target ahead of schedule in 02 months.
- Nam Con Son gas system: Complete overhaul of gas system (every 5 years, from 9-12 September 2016), put the system into safe operation, supplying gas 4 days ahead of plan; Upstream, some blocks had to stop/reduce the gas output ashore at certain times to perform maintenance/

troubleshooting beyond the plan. 6,642 million m3 of gas was processed, transported and distributed to customers including power plants, fertilizer plants, industries (low pressure gas and CNG), which was equal to 104% of the annual plan.

- PM3 gas system: Completed the maintenance and repair work during the downtime of gas system (from 1-18 September 2016), put the system into safe operation, late delivery of gas 02 days compared to the plan (because of bad seawater damage to the maintenance plan of the drilling); total time of stopping/reduction of gas output to the shore for maintenance/troubleshooting work was 251 hours. 1,993 million m3 of gas was transported and distributed to customers, which was equal to 111% of the annual plan.
- Ham Rong - Thai Binh Gas system: PCOSB stopped the gas supply 12 hours on 02 September 2016 to perform maintenance of the power system. More than 142.7 m3 of gas was supplied to industries (low pressure and CNG), which was equal to 204% of the plan.

The shortening of maintenance time during the downtime compared to commitments and early gas supply has saved the State hundreds of billions of Vietnam Dong by reducing the time spent on fuel oil for power generation.

Wet gas and production

	Unit	2012	2013	2014	2015	KH 2016	TH 2016
Wet gas	Million m3	9,347	9,669	10,137	10,613	9,850	10,503
Cuu Long gas	Million m3	1,255	1,422	1,479	1,476	1,408	1,749
Nam Con Son Gas	Million m3	6,189	6,263	6,812	7,144	6,572	6,618
MP3 gas	Million m3	1,902	1,984	1,846	1,972	1,800	1,993
Ham Rong - Thai Binh Gas	Million m3	9,175	9,469	9,969	20	70	143
Production							
Dry gas	Million m3	1,056	1,198	1,263	10,445	9,584	10,301
Cuu Long gas	Million m3	6,216	6,287	6,812	1,283	1,302	1,524
Nam Con Son Gas	Million m3	1,902	1,984	1,846	7,169	6,412	6,642
MP3 gas	Million m3				1,972	1,800	1,993
Ham Rong - Thai Binh Gas	Million m3				20	70	143
Condensate	1,000T	60	61	60	60	57	70
LPG (Dinh Co)	1,000T	267	299	303	289	261	311

*Wet gas volume according to gas system**Unit: Million m3*

Cuu Long gas	1,749	Nam Con Son	6,618	MP3 Gas	1,993	HR-TB Gas	143
Bach Ho, Vom Bac, Rong, Doi Moi	745	06.1	3,203				
Rang Dong, Phuong Dong	3	11.2	1,062				
Su Tu Den, Su Tu Vang, Su Tu Trang	576	12W	318				
Te Gia Trang, Hai Su Den, Hai Su Trang	169	Hai Thach, Moc Tinh	2,035				
Ca Ngu Vang	114						
Thien Dung, Hai Hung	142						

**MAINTENANCE AND REPAIR**

PV GAS' maintenance and repair operations is carried on for the purpose of maintaining continuous operation status, stability and efficiency of the gas projects; prevent and quickly remedy problems that interrupt the operation and production. And above all it serves safety goals - quality - effectiveness; decentralized implementation to affiliated companies - the unit directly manage and operate the gas projects (including the Southeast Gas Transport Company, Ca Mau Gas Company, Southern Con Son Pipelines Gas Company, Vung Tau Gas Processing Company, Gas Services Company) to execute regular maintenance and repair, calibration; maintenance and repair to prevent; and unscheduled maintenance. The good implementation of maintenance and repair work on the workload, schedule and quality plays an important role, helping operating activities, production, sales of PV GAS safe, ensures no serious accidents happened during the past 26 years.

In 2016, PV GAS has done more than 3,000 regular tasks, prevented, calibrated equipment/system of gas projects. Some great work has been done include:

- Complete maintenance and repair in downtime (01-18 August 2016), put the PM3-Ca Mau gas system into safe operation and gas supply.
- Complete the overhaul of NCS gas system (every 5 years, 09-12 September 2016), put the gas system into operation and supply gas 04 days earlier than the plan.
- Complete the gas stop for maintenance within 12 hours of Ham Rong - Thai Binh gas system (on 02 September 2016).
- Complete maintenance during the downtime (from 25-28 September 2016), putting the Cuu Long gas system into operation and supply gas 02 days earlier than the plan.
- And a lot of regular maintenance, repairs, calibration, prevention and other unexpected tasks.

BUSINESS ACTIVITIES

Dry gas

2016 is a significantly difficult year, the low oil price compared to 2015 has affected the gas price for power plants, fertilizer plants, low pressure gas plants, CNG plants, and thus directly affected business results of PV GAS. To reduce the impact of low oil price on business activities, PV GAS has implemented many proactive measures such as planning on the basis of balancing the priority of mobilizing gas from mines/ lots with low input cost after ensuring contractual obligations under the commitment with customers, implementation of the reasonable moderation/ fixation, especially strictly controlling and ensuring the stable operation of PV GAS' gas system, allowing no incident to occur and lead to downtime/decrease of gas supply. As a result, PV GAS has exceeded the gas supply plan without affecting the contractual terms signed with customers, reduced the impact on revenue and profit due to low oil price, despite unstable operation of some field gas supply due to incident/ maintenance. Total gas supply volume for customer is 10,301 million m³, equivalent to 107% of the year plan, in which, power plants represent 82% of gas consumption, fertilizer plants represent 10%, other industrial customers represent 8%.



Structure of Gas Consumption by Customers

Unit: Million m³

YEAR	2012	2013	2014	2015	2016 plan	2016 resul	Percentage 2016
Total output	9,175	9,469	9,969	10,451	9,771	10,301	100%
Power plants	7,580	7,845	8,298	8,767	7,916	8,429	82%
Fertilizer plants	982	1,011	1,034	1,029	1,044	1,030	10%
Low pressure gas	613	613	635	649	580	841	8%
JVPC			2	6	231	0	

In 2016, with new gas source from Thien Ung fields, PV GAS will satisfy maximum domestic demands for gas consumption, efficient exploitation of national natural resources and bring maximum profit for PV GAS in gas production and trading activities.

Condensate output

Unit: Thousand tons

Condensate

Condensate sold to the Condensate Processing Plants of PV Oil under the long-term contract was 71.6 thousand tons in 2016.

YEAR	2012	2013	2014	2015	2016 plan	2016 resul
Output	61	59	58	69	57	71

LPG

Overview of LPG global market

International LPG market in 2016 is relatively consistent to the oil price, with fluctuations of CP price. The CP average price in 2016 was only USD 339.6/ton, a decrease of 20% compared to 2015 (USD 426.5/ton) and decrease of over 50% compared to 2014 (USD 800.6/ton). The main reason of the decrease in 2016 is the drop of oil price (average price of Brent oil in 2016 was USD 45/bbl. compared to USD 52/bbl. in 2015).

Unit: USD/ton

CP price (according to Saudi Aramco)	1	2	3	4	5	6	7	8	9	10	11	12	Aver.
2012	880	1,025	1,205	992.5	852.5	722.5	597.5	775.0	950.0	995.0	1,020.0	980.0	916.3
2013	955	910	895	812.5	755.0	757.5	792.5	820.5	862.5	835.0	895.0	1,162.0	871.0
2014	1,105	970	862.5	807.5	817.5	835.0	830.5	790.0	765.0	750.0	605.0	560.0	800.6
2015	447.5	465	480	465.0	470.0	422.5	410.0	382.5	330.0	362.5	415.0	467.5	426.5
2016	367.5	300	305	335.0	352.5	347.5	302.5	287.5	307.5	355.0	415.0	400.0	339.6

PV GAS's LPG business

In 2016, PV GAS completed effectively at high level of planned output with the supply of 1,352 million tons of LPG to the market. The total output of PV GAS including member companies was approximately 1,637 million ton LPG (after deducting overlapping amounts).

With the advantages in facilities, commodity sources, human resources, and business partners have helped PV GAS maintain its position as Vietnam's Number 1 LPG producer and trader and the only importer in Vietnam with the capability to import refrigerated LPG from the Middle East.

Structure of LPG output by LPG source

Unit: Thousand tons

YEAR	2012	2013	2014	2015	2016 plan	2016 resul	Percentage 2016
Output of the parent	1,027	1,003	1,044	1,325	864	1,263	100%
Dinh Co source	258	284	301	282	261	307	21%
Dung Quat source	105	66	75	72	84	74	6%
Imports and international trade	664	6530	669	971	519	882	73%

Transportation

A key service provided by PV GAS: transporting gas and gas products, including transporting gas and condensate from Nam Con Son tank and gas from PM3 mine to the mine owners and sellers.

In 2016, PV GAS transported 6,618 million m³ of Nam Con Son gas, 117 thousand tons of Nam Con Son, Hai Thach - Moc Tinh Condensate and 1,993 million m³ of PM3 gas, fully satisfying the leasing party.



SCIENTIFIC RESEARCH AND TECHNICAL INNOVATIONS

Research activities and technical innovations activities are getting more and more practical, generating practical and instant economic benefits as well as preparing for new PV GAS' production and business activities in the coming years such as: completing research reports on "Evaluation and proposed solutions for expanding LNG market of PV GAS"; Examining the Polypropylene market in Vietnam, in the region and in the world with an evaluation of PV GAS's competition; evaluating the potentials of Ethane production from Southeast region gas source, calculation and proposed Ethane price based on the duty to supply to LSP and the deployment possibility of deep processing of ethane source of PV GAS"; planning the supply of CNG for transportation in Northern provinces; research on options to improve the capacity of LNG Thi Vai Storage; figuring out ways to supply imported LNG for Southwest areas (LNG Hoan Khoai Storage, FSRU, East – West Connection pipelines), research on overall solutions for development of storages in the Southern.

As in previous years, the movements in promoting initiatives, technical innovation and production rationalization were launched from the beginning of the year to each member company, department, and were actively and practically supported by the entire staff of PV GAS, yielding hundreds of billion VND in profit for PV GAS.

CORPORATE INNOVATION AND RESTRUCTURING

PV GAS has kept carrying out the corporate innovation and restructure to make proper adjustments on structure, organization, functions, duties throughout PV GAS, aiming at further strengthening and focusing on PV GAS' major business lines and other business lines directly supporting PV GAS.

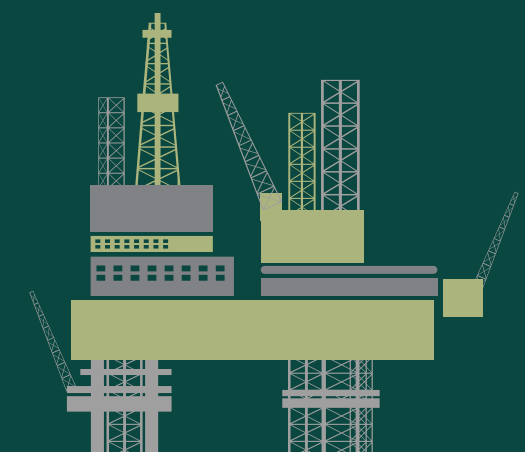
In 2016, PV GAS kept performing the corporate innovation and restructuring according to PV GAS' restructuring plan for 2012-2016; with specific results as follows:

- For PV GAS - Parent Company:
Complete increase in charter capital of PV GAS to VND 19,139 billion;
Complete purchase of shares in CNG Vietnam (PV GAS holds 56% of charter capital in CNG Vietnam and convert CNG Vietnam to become a member of PV GAS;
Complete the arrangement to have no longer enterprises of level 4 (transfer 5 enterprises of level 4 under PV GAS South, PV GAS North to branches);
Develop and submit to PVN the plan to restructure PV GAS in the period of 2016-2020, supplement the staff planning for 2016-2020;
Perform rotation/appointment of staff in accordance with the regulations in accordance with development requirements of PV GAS.
- For PV GAS South, PV GAS North, PV GAS D: PV GAS retains the capital contribution of 3 companies: PV GAS South (35.3%), PV GAS North (35.9%), PV GAS D (50.5%).
- For PV GAS City: PV GAS is considering a plan to sell all its shares in PV GAS City.
- For PV Coating, PV Pipe: Arrange, organize, staff, review and cut labor in line with production and business activities. PV GAS is seeking domestic and foreign partners with sufficient financial and professional capabilities to manufacture steel pipes to reduce the capital of PV GAS at PV Pipe.
- For LNG VIETNAM and PVGAZPROM NGV: Complete capital contribution to PVGAZPROM NGV, equivalent to 29% of charter capital; Capital contribution to LNG VIETNAM is equivalent to 51% of charter capital.

In 2016

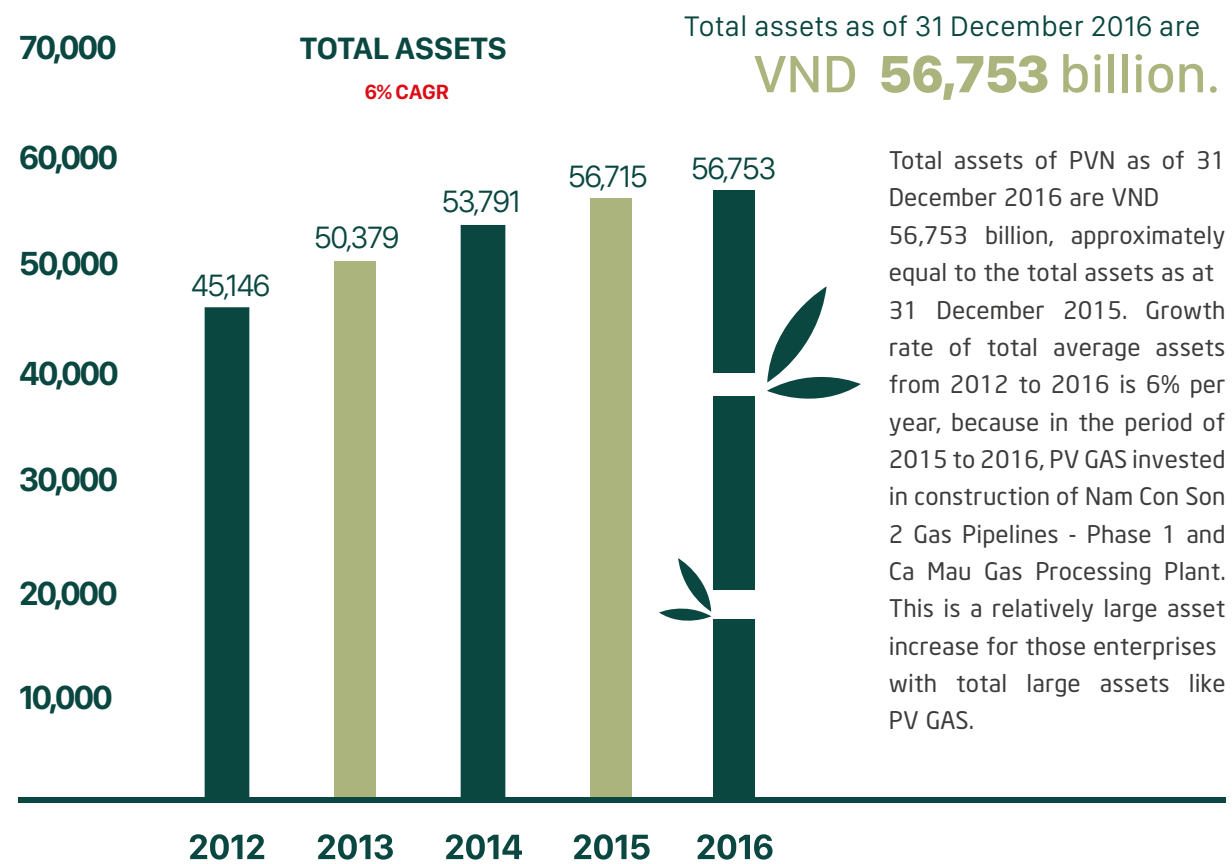
CHARTER CAPITAL

19,139
BILLION VND



FINANCIAL SITUATION

ASSET ANALYSIS



Asset structure

OTHER FINANCIAL INDICATORS	2012	2013	2014	2015	2016
Asset structure					
Short term assets/Total assets	0.45	0.56	0.62	0.60	0.59
Long term assets/Total assets	0.54	0.43	0.37	0.40	0.41

As a manufacturing enterprise, the proportion of long term assets accounted for more than 40% of total assets, which is a safe and suitable proportion for the enterprises specializing in production and business.

SITUATION OF CAPITAL SOURCES

As of 31 December 2016, liabilities amounted to VND 15,910 billion, accounting for 28% of total funds, mainly short term liabilities. Debt to equity ratio is currently only 0.18 times. The low use of debt reduces the risk of interest expense and principal repayment pressure. In addition, low debt to equity ratio also shows the ability to easily mobilize future loans for investment projects of PV GAS when necessary.

Compared with 2015, the ratio of liabilities/total capital increased to 15% mainly due to the PV GAS's increase in long term loans to continue investing in two large projects including Nam Con Son 2 gas pipelines - Phase 1 and Ca Mau Gas Processing Plant Project.

Capital structure

OTHER FINANCIAL INDICATORS	2012	2013	2014	2015	2016
Liabilities/Total resource	0.36	0.36	0.36	0.24	0.28
Owner's equity/Total resource	0.60	0.66	0.67	0.76	0.72
Debt/Equity ratio	0.34	0.24	0.21	0.14	0.18

Owner's equity: Even though it is a manufacturing unit with high infrastructure costs, the share of equity in total capital is always above 50%, this ratio will gradually increase from 2012 to reach 72% at the end of 2016, because in this period, PV GAS has repaid many credit contracts, reducing the loan balance at the end of the year. The debt-to-equity ratio of PV GAS gradually reduced from 47% to 18% in 2016. This ratio represents the return on investment of PV GAS and the high level of autonomy in capital for investment of PV GAS. With the business operation and financial autonomy as mentioned above, PV GAS is a business highly rated by credit institutions. This is a great advantage of PV GAS in arranging funding to carry out major projects in the future.

EFFICIENCY OF ASSETS AND CAPITAL USE

In the period from 2012 to 2016, the financial situation of the domestic economy was still difficult resulting in the fact that many enterprises had to restructure (consolidate, merge with others) or even dissolved or announced bankruptcy. Especially in the period from 2015 to 2016, when the world oil price and domestic oil price decreased deeply, as the key member of the Vietnam Oil and Gas Group, the leading company in the gas industry, PV GAS still achieved growth over the years in terms of business sales and profits. Being highly economical and environment-friendly, this product promises to become the main source of fuel for more factories and industrial households, opening up the potential for development for PV GAS in the future.

Profitability

YEAR	2012	2013	2014	2015	2016
Pre-tax profit/Total revenue	18%	24%	25%	17%	15%
After-tax profit/Total revenue	15%	19%	20%	14%	12%
Return on Total Assets	22%	26%	28%	16%	13%
(RReOtArn) on Equity (ROE)	40%	42%	41%	22%	17%

Profitability ratios decreased in 2016 compared to 2015 because the revenue and profit in 2016 decreased due to oil price drop, leading to gas products price drop compared to 2015.

Solvency ratio

YEAR	2012	2013	2014	2015	2016
Current Ratio (times) = Current Assets/ Current Liabilities	2.53	2.87	3.14	3.76	3.62
Quick ratio (times) = (Current assets - Inventories) /Current liabilities	2.33	2.62	2.96	3.62	3.48

Although business results of 2016 decreased as compared to 2015 due to the impact from oil price, PV GAS' liquidity was at a high rate. Current ratio and quick ratio in the period from 2012 to 2016 increased steadily. The solvency ratio above shows a good financial capability and a good liquidity ratio of PV GAS, moreover, there is no financial difficulty in maturing liabilities. Beside Debt/Equity Ratio, this is one of important ratios used by credit organization for reviewing and ranking companies. The above ratio is an advantage for PV GAS in loan arrangement in domestic and international financial market.

PERFORMANCE INDICATORS OF 2016

Receivables and Inventory Turnover

YEAR	2012	2013	2014	2015	2016
Receivables turnover	11.08	11.54	13.37	9.72	5.88
Receivables turnover (days)	32.93	31.63	27.30	37.55	62.06
Inventory turnover (days)	39.96	23.64	24.64	31.13	37.97
Inventory turnover	9.13	15.44	14.81	11.02	9.61



Receivables turnover in 2016 reached 5.88 cycles (equivalent to 62 days/cycle), compared to 2015, the Receivables turnover decreased and in 2016 the turnover increased due to main reasons as follows:

Short term receivables in 2016 were higher than those in 2015 because at the end of 2016, PV GAS recognized revenue due to an increase in gas transporting and gas price differences while these receivables were not due.

PV GAS's revenue in 2016 is lower than that of 2015 due to the impact of the fall in oil prices leading to lower prices for gas products compared to 2015.

In order to achieve efficiency of debt collection, PV GAS always improves debt management and collection task, issues a strict

regulation of debt management, debt term analysis and customer choice to limit bad debt.

Inventory turnovers in 2016 are 38 cycles. PV GAS' inventory turnovers fluctuated without any specific trends due to PV GAS' LPG trading nature. PV GAS' LPG trading activity is a commercial activity; in case PV GAS imports LPG in the end of the fiscal year, yearend inventory count will be high (because PV GAS has insufficient time to sell much LPG); in case PV GAS imports LPG 20-30 days before the year ends, LPG inventory count will be low.

As for LPG trading activity, PV GAS established an LPG task force for regular observation of LPG price as well as determination of monthly market supply-demand to ensure LPG import and consumption are efficient, avoiding inventory backlog.

ORGANIZATIONAL STRUCTURE, POLICIES, MANAGEMENT

In 2016, PV GAS has updated, revised and promulgated the new regulations of salary and bonus payment, including the following improvements:

- In line with the new regulations of the State on regional minimum wage increase and supplement of social insurance allowances;
- Increase the level of equity and incentives for employees, in particular: Higher paid positions will be entitled to higher social premiums and will enjoy higher safety bonuses;
- Ensure the flexible and convenient distribution mechanism, can be adjusted according to the production and business of the Corporation.



FUTURE DEVELOPMENT PLAN



FUTURE DEVELOPMENT PLAN

Overall objectives

- Develop PV GAS into a strong, efficient and highly competitive gas enterprise, operating in all stages of collection - import & export - transportation - processing and deep processing - storage - services - trading gas and gas products, participation in upstream investment activities. Play a leading role in the gas industry nationwide, strive to develop into a leading gas industry enterprise in the ASEAN region and be get recognized as one of the enterprises in the global gas industry.

Specific objectives

- Keep the leading role in gas collection activities. Engage in upstream operations domestically and internationally to supply actively source gas, as well as enhance the position of PV GAS.
- Build, operate and trade in sync, safely, efficiently, optimizing gas systems nationwide; build pipelines to connect regions and step by step form national and regional gas systems. All ashore gas is fed through GPP, diversifying and increasing gas production. Enhance deep processing of gas and gas products. Quickly deploy investment to import LNG, ensure maximum consumption, contributing to energy security. Increase the supply of gas according to the demand of the consumers.
- Trading gas products: Maintain the leading role in the LPG trading market. Strive to maintain 60 -70% of national LPG market share, of which at least 50% of LPG for wholesaling market share and 27-30% of LPG for commercial and civil market. Develop the PV GAS brand and participate strongly in the international LPG market on the principle of ensuring efficiency. Strengthen the development of CNG, LNG, Gas City, Auto gas, ES market ... nationwide.
- Service activities: Promote the leading role in the domestic gas service market; actively participate in the international market.

2017's PLAN

(According to the Brent oil price of \$50 per barrel, this will be submitted to the General Meeting of Shareholders (AGM) for approval in 2017)

Objectives, tasks

- Operate safely and ensure the safety and security of existing gas works.
- Ensure efficiency in production and business; Maximize the supply of gas and gas products to customers, along with the member units to meet more than 70% of the national LPG demand.
- Control, ensure the progress of preparation projects and make investment; Make payment and settlement of completed projects within the prescribed time limit.
- Manage/exploit effectively contracts of gas sales and transportation; Develop the gas consumption market, intensify deep processing and diversify products; strongly deploy LPG retail, increase market share.
- Strengthen the research, search and development of new gas sources at home and abroad; Pay attention to deep processing and diversification of products; Invest upstream when conditions permit; Prepare the options to be ready for the high gas market in the future.
- Develop and implement an appropriate governance system with production and business activities; Enhance the implementation of solutions to save money, reduce costs, lower production costs, improve labor productivity, improve production and business efficiency; Build, develop brand and culture of PV GAS.
- Re-structure, review, rearrange staff effectively in line with business activities of PV GAS; Prepare the conditions to ensure successful operation of GPP Ca Mau when completing the construction work; Strictly implement social security.

PV GAS's 2017 plan that will be submitted to the Annual General Meeting of Shareholders 2017 for approval as follows:

Basis

- Documents of Government, PVN on unit price of gas, gas supply; Gas sales contracts signed with customers of PV GAS; PV GAS's five-year plan in the period of 2016 - 2020 submitted to PVN; Plans of gas supply/ use, maintenance/ repair of miners / customers in upstream/downstream; Actual situation of PV GAS in the last 3 years.
- Demands/ availability:
 - + In the South-East region: In addition to existing customers using gas to produce power, fertilizers, and industries, there are no new customers registering for gas consumption in the year. Existing customers have no plans to expand production scale.
 - + In the West region: Ca Mau GPP project came into operation, besides dry gas supplied to existing customers to produce electricity and fertilizers, PV GAS will have more LPG and Condensate products to be marketed from GPP Ca Mau.
 - + In the North: In addition to existing gas consumers, PV GAS considers and balances to expand some new gas consumers in Thai Binh Province (in case of effectiveness).
- Gas output and gas products: Recovery rate of dry gas and the liquid product is equal to the actual average recovery rate.
- Supply and consumption of gas, gas products of power plants, fertilizer plants, low pressure gas and industrial enterprises, LPG trading companies, condensate processing plant.
- Brent oil price of 50 USD/barrel.
- Selling price, freight for gas and gas products as regulated by the Government/PVN and regulations of signed contracts.



	Item	Unit	Plan 2017
I	Output		
1	Wet gas ashore	Million m3	9,636
	Cuu Long Gas	Million m3	1,359
	Nam Con Son Gas	Million m3	6,307
	MP3 Gas	Million m3	1,900
	Tien Hai – Thai Binh Gas	Million m3	70
2	2 Consumption gas	Million m3	9,244
3	Consumption condensate	1,000 tons	56
4	Consumption LPG (parent company) tons	1,000 tons	1,050
II	Finance		
1	Revenue	VND billion	51,479
-	In which, the parent company	VND billion	47,842
2	Profit before tax	VND billion	6,297
-	In which, the parent company	VND billion	6,165
3	Profit after tax	VND billion	5,257
-	In which, the parent company	VND billion	5,152
4	Ratio of profit after tax/charter capital	%	27
5	Dividend payment ratio	%	30
6	Charter capital	VND billion	19,139
7	Payment to the budget	VND billion	2,231
-	In which, the parent company	VND billion	2,136
8	Disbursement of construction investment (parentcompany)		3,783
-	Equity VND billion 1,957	VND billion	1,957
-	Loans + Others	VND billion	1,825
9	Ending labor (parent company)	People	1,370
10	Social welfare	VND billion	130

Construction investment plan

In 2017, PV GAS plans to implement investment preparation, investment execution, payment and settlement: 12 group projects; 4 projects of Group B and Group C projects, procurement of equipment and financial investment with total disbursed capital of VND 3,782 billion; Focus on developing gas supply from domestic mines and importing gas from abroad, developing infrastructure to increase production capacity, and product value, etc.

	Project name	Disbursement value (VND billion)
	Total	3,783
I	Gas collection	294
1	Lot B – O Mon gas pipelines	12
2	Nam Con Son 2 gas pipelines, Phase 2	202
3	Su Tu Trang gas pipelines	34
4	Ca Rong Do gas pipelines	23
5	Sao Vang – Dai Nguyet gas pipelines	23
II	Import of LNG (Thi Vai, Son My, Southwest)	23
III	Improvement of processing, storage of gas and gas products	1,792
1	Ca Mau Gas Processing Plant	1,548
2	Increase of LPG recovery rate at Dinh Co GPP	221
3	Polypropylene factory	23
IV	Final settlement; investment preparation, investments in other projects; procurement of equipment and financial investment	1,673

Implementation of some large projects in 2017

Gas Procurement

FS reports of Nam Con Son 2 gas pipelines - Phase 2, Su Tu Trang, Ca Rong Do, Sao Vang - Dai Nguyet gas pipelines were approved and next tasks have been implemented.

LNG imports

- LNG Thi Vai: PV GAS/Unit members restart the project.
- LNG Son My: Select partners for investment cooperation; study on synchronous development of the project.
- LNG South West: Prepares Pre-FS.

Strengthening the capacity of gas and gas product processing and storage

- PV GAS Ca Mau Processing Company: Be completed, put into use in the 1st Quarter 2017; make payment of investment capital.
- Improve LPG recovery rate at Dinh Co GPP: Complete 90% of KLCV.
- Separate Ethane from the Mekong and Nam Con Son gas source: in accordance with the progress of the LSP.
- Polypropylene Factory: Approve FS and deploy the next steps.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITIES



ASSESSMENT RELATED TO ENVIRONMENTAL INDICATORS

Environmental protection work is emphasized to by PV GAS right from the beginning of every project. All activities of PV GAS are studied and elaborated EIA report or environmental protection commitment as required by law. Activities related to condensate and chemicals and plans of incident response have been developed. Environmental monitoring is carried out in accordance with the legal requirements, commitments in the EIA and Guidelines of PVN, PV GAS including water, air and sediment. Waste monitoring is carried out regularly and extraordinarily. Monitoring results are documented and reported according to regulations. Solid wastes and hazardous wastes are classified at sources, stored, transported and treated in accordance with law.

The inspection of compliance with the law on environmental protection is also carried out regularly and seriously. PV GAS maintains a four-level inspection regime: Shift, Team, Company, and Corporation. In addition to examinations by state management agencies, independent certifying companies, PV GAS partners maintain annual audits of all subsidiaries.

Training of full time or part time environmental employees is also given due consideration on the basis of an annual needs assessment. Training includes: Initial training and retraining for all staff, in-depth training for full-time staff in charge of sanitation, advanced training for key staff and training to provide knowledge on environmental protection for leaders.

In addition, PV GAS exchanges experience updates new scientific and technological information, evaluates the results of environmental protection activities conducted through the Annual Conference on Environmental Protection.

In the field of energy, PV GAS organizes the recovery of the gas source to supply to the economy, limiting the burning of crude oil and natural gas in the surveying and exploitation, expansion of natural gas supply to Industrial parks instead of oil, supply and organize modes of transport by LPG and CNG.

In the past few years, PV GAS has clearly demonstrated its role and efforts to participate in the implementation of environmental protection goals. By attaching environmental protection to the production process, units of PV GAS must develop and submit solutions for environmental protection. With effective environmental protection solutions, PV GAS and its have been certified the international environmental standard ISO 14001.

PV GAS has been constantly researching and investing in expanding offshore gas exploration projects, associating with environmental protection, emission reduction, waste control, cleaner production to achieve the objective of strong economic development on the basis of environmental protection aimed at sustainable development.

ASSESSMENT RELATED TO LABOR

Although production and business activities in 2016 encountered many difficulties, PV GAS still ensured employment for employees, most of whom were arranged to work in accordance with professional level and ability. There was no case of stopping or losing a job.

Full and timely payment of social insurance, health insurance, unemployment insurance and trade union fund for employees are submitted accordance with the provisions of law.

Although sales and profits fell in 2016 compared to 2015, wages, incomes and other policy regimes for employees were still guaranteed, only 4% lower than income in 2015.

In 2016, there were 81 recommendations made by employees at periodic dialogues. All proposals are reviewed and handled by the Corporation and its subsidiaries and affiliates.

ASSESSMENT RELATED TO THE CORPORATE RESPONSIBILITY TO THE LOCAL COMMUNITY

In addition to the excellent completion of business tasks assigned by the State and the Vietnam Oil and Gas Corporation, especially in contributing to ensuring national energy security and food security, PV GAS has highly valued, actively responded to and participated in social security programs, gratitude activities, community health programs such as financing the purchase of equipment for hospitals, supporting treatment for poor patients, establishing schools/educational centers, aiding flood victims, building solidarity houses, houses of gratitude, love and giving savings books to war families, heroic martyrs, Vietnamese heroic mothers, supporting to compatriots and soldiers who are on duty in borders and islands, supporting Funds for Agent Orange victims and many other social security activities. PV GAS implements social security programs throughout the country, in all areas, with priority given to difficult, remote and mountainous areas and islands.





BOARD OF DIRECTORS' REPORT



EVALUATION OF THE BOD ON COMPANY'S ACTIVITIES

PV GAS implements its business plan in the context of volatile and low oil prices (averagely USD 45/barrel, only 75% of the planned price); many gas systems have been put into operation for a long time, the cost of maintenance and repair has increased some mines/lots/rigs under four gas systems operate unstably, the period of downtime/reduction of gas supply to perform maintenance/repair/troubleshooting/replacement is prolonged, causing difficulties in gas regulation; some large projects are under unfavorable conditions; input information changes; investment decisions are often delayed; Thai Binh gas trading is not under the same mechanism, buying at fixed prices, selling out with the floating prices, proved to be inefficient when oil prices are low; there are no big projects to carry for pipe production, pipe wrapping.

Having predicted the difficulties, right at the beginning of the year, PV GAS actively implemented drastically synchronized effective solutions, enhanced cost reduction, debt recovery; controlled and sped up the implementation of projects with high efficiency; arrange and use capital effectively, etc, together with endless efforts of PV GAS leaders in guiding, operating, solidarity of all employees, the close guidance of PVN, PV GAS has successfully carried out the task assigned by PVN. The gas system is operated safely, ensuring no human loss or damaged property, most of the tasks, targets completed and exceeded the plan. Results of the implementation of some key indicators are:

	Item	Unit	Result 2016	Result 2016/ plan 2016
1	Wet gas	Million m3	10,503	107%
2	Consumption gas	Million m3	10,301	105%
3	Consumption condensate	1,000 tons	70	123%
4	Consumption LPG (parent company)	1,000 tons	1,352	137%
5	Total revenue	VND billion	60,525	121%
6	Pre-tax profit	VND billion	9,152	141%
7	After-tax profit	VND billion	7,172	138%
8	After-tax profit/Charter capital ratio	%	37	137%
9	Dividend payment/charter capital ratio	%	23(*)	
10	Payment to State budget	VND billion	3,526	147%
11	Capital disbursement for investment and construction	VND billion	4,838	102%

(*) tạm ứng cổ tức năm 2016, tính đến 31/12/2016, thực hiện cổ tức năm 2016 sẽ được ĐHCĐ thường niên năm 2017 thông qua.

Beside safely and continuously operating gas works in 2016; completing significant maintenance and repair works during downtime of PM3 - Ca Mau, Cuu Long, Nam Con Son systems in August and September 2016, and commissioning these systems safely on schedule; PV GAS strived to perform gas and gas products manufacture and trading activities with flexible solutions on operation, fixation, moderation, gas sources, LPG sources, etc. to ensure supply of gas, LPG, Condensate as stipulated in the terms of the signed contracts with customers, significantly reduced adverse impact of low oil prices on revenue and profit; completed the negotiation and sign contracts/appendices with customers on the application of new gas prices and freight as well as identified debts with dry gas trading customers; completed the formulation and promulgation of the regulation on trading in gas products, contributed to increasing the activeness and reducing the overlap in the business fields of PV GAS; completed development and active implemented the retail strategy of LPG.

The construction investment has been implemented positively with investment preparation, investment execution, settlement of 14 projects Group A, 8 projects of Group B and Group C projects, procurement of equipment and financial investment. PV GAS actively/closely cooperated with Ministries, PVN, Owners, Contractors during project implementation; In close collaboration with PVN in addition of 4 projects of gas gathering, import and export into the planning/plan (Su Tu Trang, Ca Rong Do, Sao Vang/Dai Nguyet, and LNG Southwest gas pipelines). As a result, the construction investment was closely followed with progress, in accordance with the regulations, timely and effective arrangement of capital and disbursed amount of VND 4,838 billion, equal to 102% of the plan (focus on projects: Lot B - O Mon gas pipelines, Nam Con Son 2, phase 1, Ca Rong Do, Ham Rong - Thai Binh, Ca Mau Gas Processing Plant, Nam Con Son wet gas humidifier for Dinh Co GPP, etc.).

In addition to directing and executing to carry out the task of production and business, environmental and social responsibility is one of the priorities that PV GAS puts on the top, always strictly obey the rules and law of environment, shows high environmental and social responsibility, as well as instructs contractors and service providers to comply with the provisions of the law on the environment.

PV GAS has made many efforts, in actively implementing environmental protection in the practical operation of the gas industry from very early stages, integrated the construction of management system on Safety - Quality - Environment under the International standards ISO 9001, ISO 14001, OHSAS 18001 (ISO DIS 45001) and was one the pioneers in the field of safety and environment, gradually improved and updated the regulations and procedures on management of safety, environment, responded to specific problems of gas industry. This is an ongoing effort of PV GAS in recent years, as PV GAS has recognized Safety - Environment as the vital issue of the gas business/ PV GAS, to be a guideline through the formation and development of PV GAS. This integrated management system is based on the process "Plan - do - check - act" and is applied synchronously to subsidiaries, members of PV GAS to ensure that PV GAS fully invested human resources and equipment for environmental protection.

In addition, PV GAS has also actively responded, participated in social security programs across the country. In 2016, PV GAS has donated over VND 122 billion to 42 social welfare programs (programs on education, health, houses of solidarity, gratitude, disaster recovery, Gratitude activities, etc.) in many provinces and cities throughout the country, with much focus on difficult, remote, mountainous and island areas. From 2009 until now, PV GAS has provided social security over VND 800 billion. The active social security activities of PV GAS in recent years have a deep social-political significance, making a real contribution to the socio-economic development of the country.

In addition to the successes in the main business activities, awareness and good implementation of environmental and social responsibility, restructuring, scientific research, promotion of innovation, cost reduction, investment cooperation, labor, salary, social security, etc. have also achieved good results, contributing to the overall success of PV GAS in 2016 in terms of business efficiency of the enterprise as well as contributions to the community.

With the results achieved in 2016, PV GAS has become one of the leading units of PVN in terms of revenue and profit contribution; Top-ranked units in PVN with the ratio of after-tax profit/equity over 17%, contributing an important part in ensuring energy security, stabilizing the market price of LPG (supplying gas for production 30% of electricity output, 70% of fertilizers, 70% of national LPG market). Top 10 prestigious listing companies in 2016 (voted by Vietnam Report); Top 50 largest listed companies in Vietnam stock market (voted Forbes Magazine); Ranked third among enterprises paying the largest enterprise income tax in Vietnam (voted by Vietnam Report and Tax Magazine - General Department of Taxation); Top 300 leading companies in Asia (Nikkei Asian Review), Top 100 sustainable Vietnamese enterprises in 2016 (Business Council for Sustainable Development - VBCSD in collaboration with the Ministry of Labor, Invalids and Social Affairs, the Ministry of Industry and Trade, the Ministry of Natural Resources and Environment, the Vietnam General Confederation of Labor and the SSC); Award of the National Brand 2016 (organized by the Ministry of Industry and Trade).

ACTIVITIES OF BOARD OF MANAGEMENT

The Board of Management has successfully completed its management and administration tasks in 2016, namely:

- Implementing, directing units and departments to coordinate the implementation of the BOD resolutions/directives and to overcome difficulties. Implemented strict control measures and exceeded the production target in 2016.
- Managing and operating production and business activities in accordance with the decentralization between the Board of Directors and the Board of Management.
- Regularly reporting adequately in the implementation of and seeking for directions of the BOD when there is a problem beyond the authority of the Board.
- Regularly reviewing investment projects to ensure safe, high quality and consistent implementation of the projects.
- Regularly working with units to make timely adjustments to production and business activities in line with the general orientation, solving difficulties and problems in production, business and investment of each unit.
- Managing and running business activities in a professional, honest, prudent manner, accompanied with a high sense of responsibility to overcome difficulties, constantly improving professional and modern management ability to complete the tasks assigned for the legitimate and maximum interests of PV GAS and shareholders.
- Having a long-term strategic vision and plan for flexible schemes and solutions that are ready to cope with disadvantages and risks

PLANS AND ORIENTATION OF THE BOARD OF DIRECTORS

In 2017, according to the forecast, the world economy is still difficult and challenging, the prospects for global growth are uncertain due to unpredictable political variables. The general context will continue to have great impact on the operation of Vietnamese businesses in general and PV GAS in particular.

Internally, PV GAS faces difficulties in forecasting volatile oil prices and remains low; The rapidly declining in gas supply of low price is forced to mobilize more than the gas supply of high price; In the upstream more and more gas fields are put into the system, gas moderation is more and more complex; Maintenance costs are increasing; Many new projects require large capital, close progress, need to focus and mobilize large resources to ensure under the schedule.

Given the domestic and international situation in general, as well as PV GAS's in particular, in order to ensure the fulfillment of the tasks of the 2017 Plan, the Board of Directors has identified the following main areas of action:

- Continue to organize the Board of Directors to work professionally with high sense of responsibility, good implementation of the direction and supervision activities of the Executive Board.
- Maintain regular meetings in accordance with regulations and organize extraordinary meetings when necessary to handle the work under the authority of the Board of Directors, attend meetings of the Executive Board to timely handle works
- Urge and closely monitor the implementation of the Resolutions/ Decision/Directive of the Board of Directors and competent authorities.
- Direction: Implement PV GAS's development strategy until 2025 and orientation to 2035, and the five-year plan in the period of 2016- 2020 for the sustainable development of PV GAS.

Implement 2017 plan with flexible and sensitive solutions to complete and exceed the 2017 plan, contributing to the successful implementation of the 2016-2020 Five Year Plan. Concentrate

on controlling, ensuring preparation and implementation of investments, and finalize settlement for the completed projects according to regulations; to prioritize resources for implementation of key projects with efficiency.

Effectively exploit the contracts of gas sales and transportation; constantly promote the development of gas consumption market; strongly deploy LPG retail, increase market share.

Strengthen research, the searching for and development of new domestic and foreign gas sources; Pay attention to deep processing and diversification of products; Invest upstream when conditions permit; Prepare the options to be ready for the high gas market in the future.

Develop and apply the management system with production and business activities accordingly; Enhance the implementation of savings solutions, reduce costs; Build brand development and culture of PV GAS.

Implement actively Human Resource Management System and Restructuring Plan for the period of 2016 - 2020 to improve the efficiency of production and business activities.

Objectives in 2017: Ensure safe and efficient operation and security of gas works; ensure the progress and quality of investment projects; supply over 9.2 billion m3 of gas to households, total revenue of PV GAS reached over VND 51 thousand billion, continue to be the key unit of Vietnam National Oil and Gas Group and achieve shareholders' expectation of PV GAS.

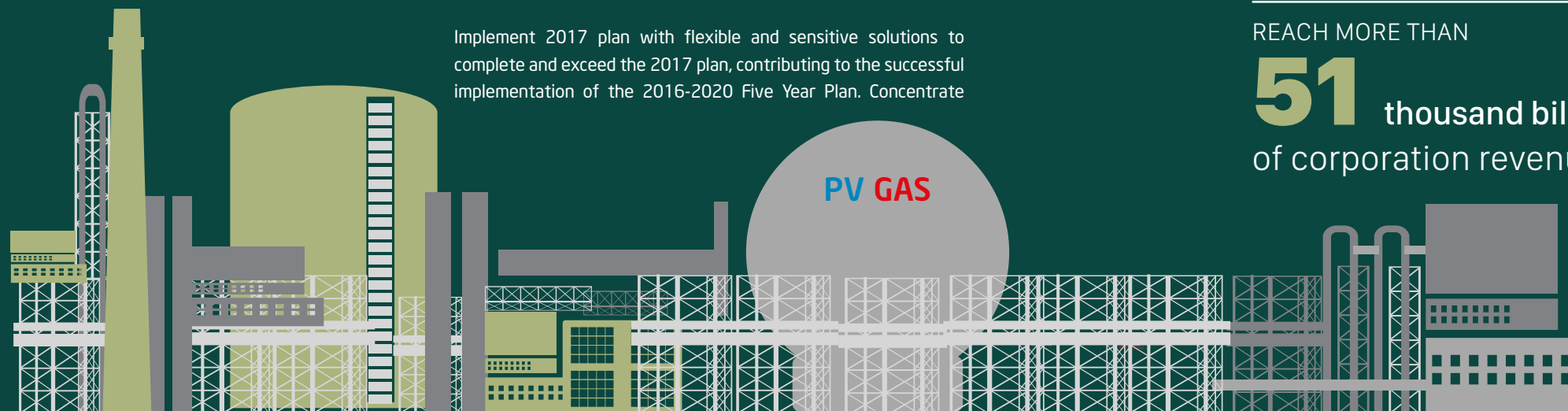
OBJECTIVES IN 2017:

SUPPLY OVER

9.2 billion m3 of gas to consumers

REACH MORE THAN

51 thousand billion vnd of corporation revenue





CORPORATE MANAGEMENT

MEMBERS AND STRUCTURE OF THE BOARD OF DIRECTORS (BOD)

PERSONNEL AND STRUCTURE OF THE BOARD OF DIRECTORS

	Member of the BOD	Position	Appointment date	Ownership rate of voting shares
1	Mr. Le Nhu Linh	BOD Chairman	23/4/2015	26.45502%
2	Mr. Duong Manh Son	BOD member, concurrently CFO	09/05/2015	20%
3	Mr. Phan Quoc Nghia	BOD member	15/04/2016	15%
4	Ms. Vo Thi Thanh Ngoc	BOD member	20/10/2015	15%
5	Mr. Nguyen Manh Tuong	BOD member	01/12/2015	20%

ACTIVITIES OF THE GENERAL MEETING OF SHAREHOLDERS

	Resolution/ Decision No.	Date	Contents
1	18/NQ-ĐHĐCĐ	22/01/2016	Approve the contents in the extraordinary General Meeting of Shareholders 2016 of PV GAS
2	62/NQ-ĐHĐCĐ	15/04/2016	Approve the contents in the annual General Meeting of Shareholders 2016 of PV GAS

Information on meetings and Resolutions/Decisions of the General Meeting of Shareholders (including the Resolutions of the General Meeting of Shareholders approved by written consultation)

THE BOARD OF DIRECTORS (YEARLY REPORTING)

Information on personnel of the BOD

	Member of the BOD	Position	Attended BOD meetings	Rate of attendance	Reason for absence
1	Mr. Le Nhu Linh	BOD Chairman	14	100%	
2	Mr. Duong Manh Son	BOD member, concurrently CFO	13	93%	Business trip
3	Mr. Phan Quoc Nghia	BOD member	14	100%	
4	Ms. Vo Thi Thanh Ngoc	BOD member	13	93%	Business trip
5	Mr. Nguyen Manh Tuong	BOD member	13	93%	Business trip



PV GAS only issues one type of securities. BOD members are not concurrently holding the position of BOD members at other companies.



Supervisory activities of the Board of Directors for the Board of Management

The Board of Directors has completed successfully direction and supervision for the Chief Executive Officer in management and running of PV GAS through the activities as follows:

- Regularly organize, chair, co-chair, attend the meetings of the Board of Directors and Board of Management, specially: Organized 14 the BOD's meetings on 07 January 2016, 25 February 2016, 11 April 2016, 29 April 2016, 23 May 2016, 17 June 2016, 21 July 2016, 10 August 2016, 23 August 2016, 16 September 2016, 06 October 2016; 31 October 2016, 02 November 2016 and 07 December 2016. 100% BOD members attend directly the meetings. Hold an extraordinary General Meeting of Shareholders on 22 January 2016 and Annual General Meeting of Shareholders 2016 on 15 April 2016. 100% of the BOD members directly participate in the meeting Chair and co-chair many important meetings related to production, business, investment, construction, finance, organization, human resources, restructuring ... of PV GAS. Attend regular meetings of the Board of Management
- Refer to the reports and assessments of the Supervisory Board on the operation of PV GAS and its member units.
- Exchange, question the CEO about the implementation of the resolutions, decisions and directions of the General Meeting of Shareholders, the Board of Directors.

Activities of subcommittees under the Board of Directors

Pursuant to the provisions of Circular 121/2012/TT-BTC dated 26 July 2012 on corporate governance, PV GAS Charter and PV GAS management regulations, the establishment of subcommittees under the Board of Directors is optional. Therefore, up to this time, the BOD has not set up its sub-committees.

The Board of Directors established an Internal Control Board to assist the Board of Directors in warning, inspecting and supervising business operations and management in PV GAS; Assist the Supervisory Board in performing the duties of the Supervisory Board in accordance with the Enterprise Law and PV GAS Charter. The Internal Control Board operates independently of PV GAS's operating units and operating units. Always ensure the objectivity, honesty and fairness for control work.

Resolutions/Decision of the Board of Directors (yearly reporting)

In 2016, the Board of Directors issued 168 PV GAS BOD's resolutions and decisions for management and direction, in which some typical ones are as follows:

	Resolution/ Decision No.	Date	Contents
1	12/NQ-KVN	12/01/2016	Extend the period of paying for purchase of ESOP shares 2015
2	22/NQ-KVN	29/01/2016	Public offer of shares of CNG Vietnam JSC
3	23/NQ-KVN	29/01/2016	Approve the result of share issuance under the PV GAS's ESOP
4	26/NQ-KVN	05/02/2016	Approve the contents of information disclosure of share issuance under the PV GAS's ESOP
5	27/NQ-KVN	16/02/2016	Approve the contents of information disclosure of financial statements 2015 of the parent company – PV GAS
6	28/NQ-KVN	16/02/2016	Approve the contents of information disclosure of consolidated financial statements 2015 of PV GAS
7	29/NQ-KVN	17/02/2016	Approve the contents of information disclosure of the certificate of business registration for the joint stock company – the 16th change registration
8	40/NQ-KVN	01/03/2016	Approve the last day of registration to attend the Annual General Meeting of Shareholders 2016 and advance the dividend in the 2 phase in 2015 by cash
9	42/NQ-KVN	01/03/2016	Approve the contents of information disclosure of the plan on closing the shareholder list to attend the Annual General Meeting of Shareholders 2016 and advance the dividend in the 2 phase in 2015 by cash of PV GAS
10	47/NQ-KVN	17/03/2016	Approve the contents of information disclosure on the date of PV GAS becoming the large shareholder in CNG Vietnam
11	48/NQ-KVN	25/03/2016	Approve the contents of information disclosure of the audited separate financial statements and audited consolidated financial statements 2015 of PV GAS
12	63/NQ-KVN	15/04/2016	Approve the contents of information disclosure on annual report 2015 of PV GAS
13	66/NQ-KVN	20/04/2016	Approve the contents of information disclosure on financial statements of the 1st quarter 2016 of the parent company – PV GAS
14	67/NQ-KVN	20/04/2016	Approve the contents of information disclosure on consolidated financial statements of the 1st quarter 2016 of PV GAS
15	93/NQ-KVN	12/7/2016	Approve the plan of establishment of LNG VIETNAM JSC
16	100/NQ-KVN	12/8/2016	Regulations for management of gas product trading
17	1122/QĐ-KVN	29/8/2016	Update, modify the auctioning process of LPG Dinh Co (the 6th time)
18	1513/QĐ-KVN	17/11/2016	Regulations for management of losses for liquid products of PV GAS
19	128/NQ-KVN	30/12/2016	Salary plan 2016 of member units

Training certificates on corporate governance

List of BOD members is issued the certificates of corporate governance

	BOD personnel	Position	Certificate No.	Training unit
1	Mr. Duong Manh Son	Member currently CEO	No. 41QTCT246/QD-TTNC Date of issue: 19/09/2013	Securities Research and Training Center
2	Mr. Phan Quoc Nghia	Member	No. 34QTCT246/QD-TTNC Date of issue: 19/09/2013	Securities Research and Training Center

Board of Supervisors

Activities of the Board of Supervisors in 2016

Performing the functions and duties of the Board of Supervisors in accordance with the provisions of the PV GAS Charter and the Board of Supervisors' operation regulations, in 2016 the Board of Supervisors carried out the monitoring of the activities of PV GAS as follows:

Inspection and audit work

- The Board of Supervisors performs the inspection and audit as scheduled in early 2016 for PV GAS's units (including subsidiaries and joint stock companies with contribution of PV GAS), which reflect the achievements, shortcomings in production and business activities of the units and offer recommendations and solutions. After each inspection, the Board of Supervisors informed the Board of Directors/ CEO of PV GAS for issuance of instructions for each unit;
- Monitoring is also carried out by reviewing the periodical and ad hoc reports of the units, and through the results of inspection and auditing by the State management agencies and the higher level on the situation of production and business activities, the situation of management of the use of capital, investment and trading activities, cost reduction and restructuring;
- Quarterly/yearly, prepare reports on monitoring and supervising the organization of production and business activities and financial management of PV GAS; in which, reflects the advantages, difficulties, achievements and uncompleted tasks to report to higher authorities (PVN).

Evaluation of Financial statements 2016

Carry out evaluation of quarterly and yearly financial statements, ensure the correctness and transparency of the statements. Evaluation results show that:

Meetings of the Board of Supervisors and decisions of the Board of Supervisors

Review and evaluate the activities of the Board of Supervisors for the period 2011 - 2015 and hold the election of members of the Board of Supervisors in the new term. According to the results at the General Meeting of Shareholders 2016, Mr. Nguyen Cong Minh and Ms. Ho Thi Thanh were elected as members of the Board of Supervisors in new term.

Meetings of the Board of Supervisors and decisions of the Board of Supervisors(Continued)

During the year, the Board of Supervisors has organized meetings to assign tasks to members, approve the inspection and supervision plans in units, agree on the contents of the financial report evaluation and evaluate the supervision and inspection results, and summarize the performance of the duties of individuals and the Board of Supervisors.

The Board of Supervisors regularly hold meetings to draw experience and exchange issues arising related to the functions and duties of the Board in accordance with the regulations of the Board of Supervisors.

The Board of Supervisors has participated and commented at the meetings of the Board of Directors, the meetings of the Board of Management, participated in the leadership meetings of the Corporation with the departments, units.

Transactions, remuneration and benefits of the Board of Management, Board of Directors, and Board of Supervisors

Ownership of internal shareholders

NO.	FULL NAME	POSITION	NO. OF SHARES HELD (31/12/2016)	% TOTAL SHARES (31/12/2016)
Board of Management				
1	Mr. Le Nhu Linh Representing PVN's capital share	Chairman of BOD	80.000 506.335.900	0,00 26,46
2	Mr. Duong Manh Son Representing PVN's capital share	Member of BOD President & CEO	80.000 379.000.000	0,00 19,80
3	Mr. Phan Quoc Nghia Representing PVN's capital share	Member of BOD	85.900 284.250.000	0,00 14,85
4	Ms. Vo Thi Thanh Ngoc Representing PVN's capital share	Member of BOD	20000 284.250.000	0,00 14,85
5	Mr. Nguyen Manh Tuong Representing PVN's capital share	Member of BOD	49.000 379.000.000	0,00 19,80
Board of Supervisors				
1	Mr. Mai Huu Ngan	Head of Board of Supervisors	51.300	0,00
2	Mr. Nguyen Cong Minh	Supervisor	29.000	0,00
3	Ms. Ho Thi Ai Thanh	Supervisor	53.000	0,00
Board of Directors				
1	Mr. Duong Manh Son	Member of BOD President & CEO	As shown above	
2	Mr. Nguyen Quoc Huy	Vice President	70.000	0,00
3	Mr. Tran Hung Hien	Vice President	86.400	0,00
4	Mr. Nguyen Thanh Nghi	Vice President	70.000	0,00
5	Mr. Pham Hong Linh	Vice President	70.000	0,00
6	Mr. Bui Ngoc Quang	Vice President	70.000	0,00
7	Mr. Ho Tung Vu	Vice President	70.000	0,00
8	Mr. Nguyen Mau Dung	Vice President	70.000	0,00
9	Mr. Pham Dang Nam	Vice President	70.000	0,00
Authorized person for information disclosure				
1	Mr. Vu Trong Hai	Chief Accountant	0	0,00
Kế toán trưởng				
1	Ms. Chu Thi Trung	Head of International Cooperation & Investor Relations Department	0	0,00

Share transactions of internal shareholders and related persons:

Ms. Ho Thi Ai Thanh sold 2,100 shares

Contracts or transactions with internal shareholders

There was no transaction between PV GAS and members of the BOM, BOD, BOS, and management staff in 2016.

Dividend payment, advance payment

a.Second cash dividend payment in 2015

Last registration date: 18 March 2016

Realization ratio: 20%/share (2,000VND dividend per share)

Payment date: 13 April 2016

b.Third cash dividend in advance in 2015:

Last registration date: 03 October 2016

Realization ratio: 5%/share (500VND dividend per share)

Payment date: 14 October 2016

c.First cash dividend in advance in 2016:

Last registration date: 23 December 2016

Realization ratio: 23%/share (2,300VND dividend per share)

Payment date: 13 January 2017





PETROVIETNAM GAS JOINT STOCK CORPORATION
(Incorporated in the Socialist Republic of Vietnam)

AUDITED SEPARATE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2016

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STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of PetroVietnam Gas Joint Stock Corporation (the "Corporation") presents this report together with the Corporation's separate financial statements for the year ended 31 December 2016.

THE BOARD OF MANAGEMENT AND DIRECTORS

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

Board of Management

Mr. Le Nhu Linh	Chairman
Mr. Duong Manh Son	Member
Mr. Phan Quoc Nghia	Member
Mr. Nguyen Manh Tuong	Member
Mr. Vo Thi Thanh Ngoc	Member

Board of Directors

Mr. Duong Manh Son	President and CEO
Mr. Tran Hung Hien	Vice President
Mr. Pham Hong Linh	Vice President
Ms. Nguyen Thanh Nghi	Vice President
Mr. Bui Ngoc Quang	Vice President
Mr. Nguyen Quoc Huy	Vice President
Mr. Ho Tung Vu	Vice President
Mr. Nguyen Mau Dung	Vice President
Mr. Pham Dang Nam	Vice President

BOARD OF DIRECTOR'S STATEMENT OF RESPONSIBILITY

The Board of Directors of the Company is responsible for preparing the separate financial statements, which give a true and fair view of the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. In preparing these separate financial statements, the Board of Directors is required to:

STATEMENT OF THE BOARD OF DIRECTORS (Continued)

BOARD OF DIRECTORS'S STATEMENT OF RESPONSIBILITY (Continued)

- 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 separate financial statements;
- Prepare the separate financial statements on the going concern basis unless it is inappropriate to presume that the Corporation will continue in business; and
- Design and implement an effective internal control system for purpose of properly preparing and presenting the separate 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 Corporation and that the separate financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. The Board of Directors is also responsible for safeguarding the assets of the Corporation and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

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

For and on behalf of the Board of Directors,

Pham Dang Nam
Vice President
22 March 2017

INDEPENDENT AUDITOR’S REPORT

No.: /718/VN1A-HN-BC

To: The Shareholders
 The Board of Management and Directors board of
 PetroVietnam Gas Joint Stock Corporation

We have audited the accompanying separate financial statements of PetroVietnam Gas Joint Stock Corporation (the “Corporation”), prepared on 22 March 2017, as set out from page 05 to page 45, which comprise the balance sheet as at 31 December 2016, the statement of income, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management’s Responsibility for the separate financial statements

Management is responsible for the preparation and fair presentation of these separate financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

Auditors’ Responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT (Continued)

Opinion

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



DANG CHI DUNG
Deputy General Director
Auditor Practising Registration Certificate No.:
0030-2013-001-1

For and on behalf of
DELOITTEE VIETNAM COMPANY LIMITED

22 March 2017
Hanoi, S.R. Vietnam

VU MANH HUNG
Auditor
Auditor Practising Registration Certificate No.: 2737-
2013-001-1

BALANCE SHEET

As at 31 December 2016

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
A. CURRENT ASSETS	100		30,371,661,109,865	31,225,256,810,828
I. Cash and cash equivalents	110	5	11,125,088,883,415	15,836,775,089,507
1. Cash	111		648,923,747,684	1,517,972,794,353
2. Cash equivalents	112		10,476,165,135,731	14,318,802,295,154
II. Short-term financial investments	120	6	5,750,000,000,000	6,070,320,000,000
1. Held-to-maturity investments	123		5,750,000,000,000	6,070,320,000,000
III. Short-term receivables	130		12,194,247,959,342	8,072,936,012,316
1. Short-term trade receivables	131	7	5,786,940,160,159	3,353,706,171,087
2. Short-term advances to suppliers	132	8	250,779,273,089	790,903,638,755
3. Other short-term receivables	136	9	6,215,555,006,083	3,980,119,307,079
4. Provision for short-term doubtful debts	137	10	(59,026,479,989)	(51,793,104,605)
IV. Inventories	140	11	876,386,309,519	853,724,405,494
1. Inventories	141		942,345,817,347	933,340,923,807
2. Provision for devaluation of inventories	149		(65,959,507,828)	(79,616,518,313)
V. Other short-term assets	150		425,937,957,589	391,501,303,511
1. Short-term prepayments	151	12	37,398,794,156	78,324,210,108
2. Value added tax deductibles	152		350,869,983,465	249,235,778,950
3. Taxes and other receivables from the State budget	153	17	27,669,179,968	63,941,314,453
B. NON-CURRENT ASSETS	200		22,196,670,793,606	20,863,647,727,937
I. Long-term receivables	210		102,653,153,177	119,265,528,523
1. Long-term advances to suppliers	212	8	64,113,269,122	63,635,199,667
2. Other long-term receivables	216	9	38,539,884,055	55,630,328,856
II. Fixed assets	220		13,901,247,482,645	11,087,071,813,522
1. Tangible fixed assets	221	13	13,587,666,664,691	10,821,292,207,966
- Cost	222		37,025,681,132,762	31,534,984,797,161
- Accumulated depreciation	223		(23,438,014,468,071)	(20,713,692,589,195)
2. Intangible assets	227	14	313,580,817,954	265,779,605,556
- Cost	228		370,727,151,840	310,222,570,850
- Accumulated amortisation	229		(57,146,333,886)	(44,442,965,294)
III. Long-term assets in progress	240		4,710,221,409,715	6,606,946,880,836
1. Construction in progress	242	15	4,710,221,409,715	6,606,946,880,836
IV. Long-term financial investments	250	6	3,429,927,177,661	3,012,747,367,641
1. Investment in subsidiaries	251		3,707,202,749,121	3,168,708,749,121
2. Investments in joint-ventures, associates	252		106,240,000,000	48,240,000,000
3. Provision for impairment of long-term financial investments	254		(383,515,571,460)	(204,201,381,480)
V. Other long-term assets	260		52,621,570,408	37,616,137,415
1. Long-term prepayments	261	12	52,621,570,408	37,616,137,415
TOTAL ASSETS (270=100 + 200)	270		52,568,331,903,471	52,088,904,538,765

The a

BALANCE SHEET (Continued)

As at 31 December 2016

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
C. LIABILITIES	300		13,296,623,479,484	10,956,340,564,041
I. Current liabilities	310		7,320,711,107,857	6,728,792,289,221
1. Short-term trade payables	311	16	1,700,654,448,468	1,289,277,752,019
2. Short-term advances from customers	312		17,732,364,203	23,055,160,191
3. Taxes and amounts payable to the State budget	313	17	810,977,559,060	349,476,090,741
4. Payables to employees	314		88,966,613,675	105,925,394,118
5. Short-term accrued expenses	315	18	3,261,945,113,970	3,745,729,891,694
6. Other current payables	319	19	796,530,006,188	560,808,629,817
7. Short-term loans	320	21	489,334,272,000	478,048,400,334
8. Short-term provisions	321		410,300,000	-
9. Bonus and welfare funds	322		154,160,430,293	176,470,970,307
II. Long-term liabilities	330		5,975,912,371,627	4,227,548,274,820
1. Other long-term payables	337	19	3,574,371,215	11,977,161,652
2. Long-term loans	338	21	5,948,177,864,431	4,215,571,113,168
3. Long-term provisions	342		6,239,135,981	-
4. Scientific and technological development fund	343		17,921,000,000	-
D. EQUITY	400		39,271,708,423,987	41,132,563,974,724
I. Owner's equity	410	22	39,271,708,423,987	41,132,563,974,724
1. Owner's contributed capital	411		19,139,500,000,000	18,950,000,000,000
- Ordinary shares carrying voting rights	411a		19,139,500,000,000	18,950,000,000,000
2. Share premium	412		189,746,727,266	421,727,266
3. Treasury shares	415		(40,111,223,937)	(40,111,223,937)
4. Investment and development fund	418		13,096,253,148,710	11,266,595,401,157
5. Other reserves	420		-	128,657,747,553
6. Retained earnings	421		6,886,319,771,948	10,827,000,322,685
- Retained earnings accumulated to the prior year end	421a		577,896,944,428	4,175,668,192,546
- Retained earnings of the current year	421b		6,308,422,827,520	6,651,332,130,139
TOTAL RESOURCES (440=300+400)	440		52,568,331,903,471	52,088,904,538,765

Dang Thi Hong Yen
Preparer

22 March 2017

Vu Trong Hai
Chief Accountant

INCOME STATEMENT

For the year ended 31 December 2016

Unit: VND

1. Gross revenue from goods sold and services rendered	01	24	51,896,616,201,983	57,474,075,835,727
2. Deductions	02		-	-
3. Net revenue from goods sold and services rendered (10=01-02)	10		51,896,616,201,983	57,474,075,835,727
4. Cost of sales	11	25	42,615,221,964,269	46,274,846,064,608
5. Gross profit from goods sold and services rendered (20=10-11)	20		9,281,394,237,714	11,199,229,771,119
6. Financial income	21	27	1,231,426,444,188	1,289,498,045,218
7. Financial expenses	22	28	562,592,899,110	516,923,207,825
- In which: Interest expense	23		256,489,223,429	119,506,794,356
8. Selling expenses	25	29	560,306,427,526	538,474,446,611
9. General and administration expense	26	29	505,947,110,310	549,630,330,529
10. Operating profit (30=20+(21-22)-(25+26))	30		8,883,974,244,956	10,883,699,831,372
11. Other income	31	30	10,090,493,631	85,363,639,450
12. Other expenses	32	31	3,507,417,619	48,604,289,926
13. Profit from other activities (40=31-32)	40		6,583,076,012	36,759,349,524
14. Accounting profit before tax (50=30+40)	50		8,890,557,320,968	10,920,459,180,896
15. Current corporate income tax expense	51	32	1,780,064,070,021	2,200,332,046,441
16. Net profit after corporate income tax (60=50-51)	60		7,110,493,250,947	8,720,127,134,455
17. Basic earnings per share	70	33	3,609	4,483

Dang Thi Hong Yen
Preparer

22 March 2017

Vu Trong Hai
Chief Accountant

Pham Dang Nam
Vice President

The notes set out on pages 114 to 159 are an integral part of these consolidated financial statements.

CASH FLOW STATEMENT

For the year ended 31 December 2016

Unit: VND

ITEMS	Codes	Current year	Prior year
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	8,890,557,320,968	10,920,459,180,896
2. Adjustments for:			
Depreciation and amortisation of fixed assets	02	2,744,092,793,265	2,495,092,057,072
Provisions	03	179,539,990,860	10,039,648,652
Foreign exchange loss arising from translating foreign currency items	04	79,307,003,409	147,319,781,768
(Gain) from investing activities	05	(1,168,717,717,225)	(1,031,695,014,273)
Interest expense	06	256,489,223,429	119,506,794,356
Other adjustments	07	17,921,000,000	-
3. Operating profit before movements in working capital	08	10,999,189,614,706	12,660,722,448,471
Change in receivables	09	(4,518,769,178,401)	(2,892,608,336,158)
Change in inventories	10	(9,004,893,540)	124,013,802,780
Change in payables (excluding accrued loan interest and corporate income tax payable)	11	(459,608,396,355)	3,479,760,021,846
Change in prepaid expenses	12	25,919,982,959	49,527,065,918
Interest paid	14	(222,420,613,587)	(113,645,985,829)
Corporate income tax paid	15	(1,319,778,037,687)	(3,150,306,122,929)
Other cash outflows	17	(188,588,605,698)	(263,022,822,627)
Net cash generated by operating activities	20	4,306,939,872,397	9,894,440,071,472
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and other long-term assets	21	(3,064,324,723,612)	(4,469,648,011,347)
2. Proceeds from sale, disposal of fixed assets and other long-term assets	22	591,409,213	545,455
3. Cash outflow for lending, buying debt instruments of other entities	23	(2,450,000,000,000)	(4,970,320,000,000)
4. Cash recovered from lending, selling debt instruments of other entities	24	2,770,320,000,000	200,000,000,000
5. Equity investments in other entities	25	(596,494,000,000)	-
6. Cash recovered from investments in other entities	26	83,638,401,486	198,771,911,435
7. Interest earned, dividends and profits received	27	1,186,661,591,862	1,175,859,659,567
Net cash (used in) investing activities	30	(2,069,607,321,051)	(7,865,335,894,890)

CASH FLOW STATEMENT (Continued)

For the year ended 31 December 2016

Unit: VND

ITEMS	Codes	Current year	Prior year
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from share issue and owners' contributed capital	31	379,000,000,000	-
2. Capital withdrawals, buy-back of issued shares	32	-	(40,111,223,937)
3. Proceeds from borrowings	33	4,594,814,912,879	802,293,050,005
4. Repayment of borrowings	34	(2,923,852,538,921)	(2,416,933,950,149)
5. Dividends and profits paid	36	(8,999,514,572,611)	(5,519,637,734,500)
Net cash used in financing activities	40	(6,949,552,198,653)	(7,174,389,858,581)
Net decrease in cash (50=20+30+40)	50	(4,712,219,647,307)	(5,145,285,681,999)
Cash and cash equivalents at the beginning of the year	60	15,836,775,089,507	20,982,219,958,289
Effect of changes in foreign exchange rate	61	533,441,215	(159,186,783)
Cash and cash equivalents at the end of the year (70=50+60+61)	70	11,125,088,883,415	15,836,775,089,507

Dang Thi Hong Yen
Preparer

22 March 2017

Vu Trong Hai
Chief Accountant



Pham Dang Nam
Vice President

The notes set out on pages 114 to 159 are an integral part of these consolidated financial statements.

The notes set out on pages 114 to 159 are an integral part of these consolidated financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Form B 09-DN/HN

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

GENERAL INFORMATION

Structure of ownership

PetroVietnam Gas Joint Stock Corporation (the “Corporation”), formerly known as PetroVietnam Gas Corporation - One Member Company Limited, is a subsidiary of Vietnam Oil and Gas Group which was established in accordance with Decision No. 2232/QĐ-DKVN dated 18 July 2007 issued by Vietnam Oil and Gas Group and the first Business Registration Certificate No. 3500102710 dated 17 January 2007.

PetroVietnam Gas Corporation - One Member Company Limited was officially transformed into PetroVietnam Gas Joint Stock Corporation in accordance with Enterprise Registration Certificate dated 16 May 2011 issued by the Department of Planning and Investment of Ho Chi Minh City and amended Business Registration Certificates with the charter capital of VND 19,139.5 billion.

The Corporation’s head office is located at PVGAS Tower, No. 673 Nguyen Huu Tho Street, Phuoc Kien Commune, Nha Be District, Ho Chi Minh City, Vietnam.

The number of employees as at 31 December 2016 was 1,242 (31 December 2015: 1,240).

Operating industry and principal activities

The operating industry of the Corporation includes: collecting, transporting, storing gas and gas products; producing fuel gas, distributing gaseous fuel through pipelines, i.e. processing gas and gas products; wholesaling solid, liquid and gaseous fuel and other relevant products, i.e. distributing and trading dry gas, LNG, CNG, LPG and Condensate; importing and exporting dry gas, LNG, LPG and Condensate; performing architectural activities and relevant technical consultancy, i.e. providing consulting services in investment, design and construction of mechanical engineering works; supervising construction and completion of industrial and civil works; performing other relevant construction activities i.e. investing, constructing, managing, maintaining, repairing gas and gas related construction works and projects; wholesaling and trading in other fields, i.e. trading materials, equipment, chemicals in gas and gas product processing and utilizing fields, importing materials, equipment and means used for gas industry; trading in real estate, land use rights attached to owners, users or for lease, i.e. warehouses, port, real estate business; investing in infrastructure for distribution systems of dry and liquid gas from supply to wholesale and retail distribution; researching and developing technical and scientific fields i.e. researching and applying in gas industry and renovate gas works; providing gas related services, renovating, repairing engines, installing conversion equipment of vehicles and used in agriculture, forestry and fishery; transporting cargo by road i.e. providing transport services and means of transport using gas, transporting gas products (doing business in gas product transportation).

The principal activities of the Corporation are to collect, import, transport, store, process, distribute, trade gas and gas products.

Normal production and business cycle

The Corporation’s normal production and business cycle is carried out for a time period of 12 months or less.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

Form B 09-DN/HN

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

GENERAL INFORMATION (Continued)

The Corporation’s structure

The units directly under the Corporation are:

- PetroVietnam Gas South East Transmission Company;
- PetroVietnam Gas Vung Tau Processing Company;
- PetroVietnam Gas Trading Company;
- PetroVietnam Gas Services Company;
- PetroVietnam Gas Projects Management Company;
- PetroVietnam South East Gas Project Management Board;
- PetroVietnam Gas Ca Mau Company;
- Nam Con Son Pipeline Company;
- PetroVietnam Gas Ca Mau GPP Project Management Board.

The Corporation has 07 subsidiaries, 01 joint venture and 01 associate. General information of the Corporation’s subsidiaries, joint venture and associate is as follows:

Name of company	Place of incorporation	Proportion of ownership interest	Proportion of voting right power	Principal activity
Subsidiaries				
PetroVietnam Southern Gas JSC (*)	HCM City	35.26%	35.26%	Distributing LPG
PetroVietnam Northern Gas JSC (*)	Hanoi	35.88%	35.88%	Distributing LPG
PetroVietnam Low Pressure Gas Distribution JSC	HCM City	50.50%	50.50%	Distributing low pressure gas
PetroVietnam Coating JSC	Vung Tau	52.94%	52.94%	Providing pipe coating service
PetroVietnam Steel Pipe JSC	Tien Giang	99.99%	99.99%	Manufacturing steel pipe
CNG Vietnam Joint Stock Company	HCM City	56.00%	56.00%	Manufacturing natural gas
LNG Vietnam Joint Stock Company	HCM City	51.00%	51.00%	Manufacturing natural gas
Joint Venture				
PVGAZPROM Natural Gas for Vehicles Company Limited	HCM City	29.00%	50.00%	Trading gas
Associate				
Gas City Investment and Development JSC	Hanoi	35.51%	35.51%	Trading gas

(*) Although the Corporation does not hold more than 50% of PetroVietnam Southern Gas JSC and PetroVietnam Northern Gas JSC’s contributed capital, and therefore, holds less than 50% of the voting power in such investees, the Corporation remains its rights to appoint and dismiss most of the members of the Board of Directors and Management of these companies. Accordingly, PetroVietnam Southern Gas JSC and PetroVietnam Northern Gas JSC are still under the control of the Corporation and the investments in PetroVietnam Southern Gas JSC and PetroVietnam Northern Gas JSC are recognised as investments in subsidiaries in its separate financial statements and the PetroVietnam Southern Gas JSC and PetroVietnam Northern Gas JSC’s financial statements are consolidated into these financial statements.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Continued)

Form B 09-DN/HN

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

GENERAL INFORMATION (Continued)

Disclosure of information comparability in the separate financial statements

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

Certain figures of Balance sheet as at 31 December 2015 are restated to enhance their comparability with the current year’s figures. Details are presented as below:

No.	Items	Reported	Restatement	Restated
		opening balance		opening balance
		VND	VND	VND
1	Short-term advances to suppliers	854,538,838,422	(63,635,199,667)	790,903,638,755
2	Other short-term receivables	4,034,475,985,935	(54,356,678,856)	3,980,119,307,079
3	Long-term advances to suppliers	-	63,635,199,667	63,635,199,667
4	Other long-term receivables	1,273,650,000	54,356,678,856	55,630,328,856

ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

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

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

Financial year

The Corporation’s financial year begins on 01 January and ends on 31 December.

NEW GUIDANCE ON ACCOUNTING REGIME FOR ENTERPRISES

On 21 March 2016, the Ministry of Finance issued Circular No. 53/2016/TT-BTC (“Circular 53”) amending and supplementing certain articles of Circular No. 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance guiding the accounting regime for enterprises. Circular 53 is effective for the financial years beginning on or after 01 January 2016. The Board of Directors has adopted Circular 53 in the preparation and presentation of the Company’s financial statements for the year ended 31 December 2016.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Continued)

Form B 09-DN/HN

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Estimates

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

Cash and cash equivalents

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

Financial investments

Held-to-maturity investments

Held-to-maturity investments comprise investments that the Corporation has the positive intent or ability to hold to maturity, including term deposits and held to maturity to earn periodic interest.

Held-to-maturity investments are recognised on a trade date basis and are initially measured at acquisition price plus directly attributable transaction costs. Post-acquisition interest income from held-to-maturity investments is recognised in the income statement on accrual basis. Pre-acquisition interest is deducted from the cost of such investments at the acquisition date.

Held-to-maturity investments are measured at cost less provision for doubtful debts.

Provision for doubtful debts relating to held-to-maturity investments is made in accordance with prevailing accounting regulations.

Investment in subsidiaries

A subsidiary is an entity over which the Corporation has control. Control is achieved where the Corporation has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Interests in joint ventures

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

Joint venture arrangements that involve the establishment of a separate entity in which each venture has an interest are referred to as jointly controlled entities.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Continued)

Form B 09-DN/HN

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

An associate is an entity over which the Corporation 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.

Interests in subsidiaries, joint ventures and associates are initially recognised at cost. The Corporation’s share of the net profit of the investee after acquisition is recognised in the income statement. Other distributions received other than such profit share are deducted from the cost of the investments as recoverable amounts.

Investments in subsidiaries, joint venture and associates are carried in the balance sheet at cost less provision for impairment of such investments (if any). Provisions for impairment of investments in subsidiaries, and associates are made in accordance with Circular No. 228/2009/TT-BTC dated 07 December 2009 issued by the Ministry of Finance on “Guiding the appropriation and use of provisions for devaluation of inventories, loss of financial investments, bad debts and warranty for products, goods and construction works at enterprises”, Circular No. 89/2013/TT-BTC dated 28 June 2013 issued by the Ministry of Finance amending and supplementing Circular No. 228/2009/TT-BTC and prevailing accounting regulations.

Receivables

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

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

Inventories

Inventories are stated at the lower of cost and net 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 or FIFO 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 and for those which have costs higher than net realizable values as at the balance sheet date.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working conditions and locations for their intended use. The costs of tangible fixed assets formed from construction investment by contractual mode or self-construction or self-generating process are the settled costs of the invested construction projects in accordance with the prevailing State’s regulations on investment and construction management, directly-related expenses and registration fee (if any).

Tangible fixed assets and depreciation

In the event the construction project has been completed and put into use but the settled costs thereof have not been approved, the cost of tangible fixed assets is recognized at the estimated cost based on the actual cost incurred. The estimated cost will be adjusted according to the settled costs approved by competent authorities. Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives as follows:

	Current year Years
Buildings, structures	4 - 25
Machinery, equipment	3 - 10
Motor vehicles and transmission equipment	5 - 10
Office equipment	3 - 10
Other fixed assets (including gas facilities)	3 - 20

The Corporation’s tangible fixed assets were revaluated when the Corporation, as a State-owned enterprise, was equitized. The cost and accumulated depreciation of tangible fixed assets are adjusted based on the revaluation value approved by competent authorities as regulated.

Loss or gain resulting from sales and disposals of tangible fixed assets is the difference between profit from sales or disposals of assets and their residual values and is recognized in the income statement.

Intangible assets and amortization

Intangible assets represent land use rights and computer software which are stated at cost less accumulated amortization. Land use rights with definite term are amortized using the straight-line method over their granted time of use. Land use rights with indefinite term are not amortized. Computer software is amortized using the straight-line method over its estimated useful lives of three years.

Intangible assets were revaluated when the State-owned enterprise was equitized. The cost and accumulated amortization of intangible assets are adjusted based on the revaluation value approved by competent authorities as regulated.

Construction in progress

Properties in the course of construction for production, rental and administrative purposes or for other purposes are carried at cost. The cost includes any costs that are necessary to form the asset including construction cost, equipment cost, other costs and related borrowing costs in accordance with the Corporation’s accounting policy. Such costs will be included in the estimated costs of the fixed assets (if settled costs have not been approved) when they are put into use.

According to the State’s regulations on investments and construction management, the settled costs of completed construction projects are subject to approval by appropriate level of competent authorities. The final costs of these completed construction projects may vary depending on the final approval by competent authorities.

NOTES TO THE SEPARATE 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Prepayments

Prepayments are expenses which have already been paid but relate to results of operations of multiple financial years. The prepayments of the Corporation comprise land rentals and other prepayments.

Land rentals represent rentals that have been paid in advance. Prepaid land rentals are charged to the income statement using the straight-line method over the lease term.

Other types of prepayments comprise costs of small tools, supplies and spare parts issued for consumption, cost of office furniture and insurance costs for gas pipelines system. These expenditures have been capitalised as prepayments, and are allocated to the income statement using the straight-line method in accordance with the current prevailing accounting regulations.

Payable provisions

Payable provisions are recognized when the Corporation has a present obligation as a result of a past event, and it is probable that the Corporation will be required to settle that obligation. The Corporation recognized the payable provision based on the budget for decommissioning, abandonment and site restoration expense of Phu My Pipeline which was approved by Ministry of Industry and Trade under Official Letter No. 3754/QD-BCT dated 19 September 2016.

Scientific and technological development fund

Scientific and technological development fund was established to finance the science and technology activities of the Corporation. The fund was established based on the needs for science and technology development and innovation and was recognised in the income statement for the year as prescribed in Joint Circular No. 12/2016/TTLT-BKHCHN-BTC dated 28 June 2016, under which: based on the capital needed for the science and technology activities, the Corporation made distribution on the maximum allowable rate of 10% of corporate assessable income to Scientific and technological development fund.

Revenue recognition

Sale of goods

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

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

Sale of services

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction will flow to the Corporation;
- (c) the percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Sales from leasing office building space are recorded to the income statement using the straight-line method over the lease term.

Foreign currencies

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

In accordance with Official Letter No. 4360/DKVN-TCKT dated 30 June 2015 and Official Letter No. 3124/DKVN-TCKT dated 13 May 2015 issued by Vietnam Oil and Gas Group, the Corporation applies the buying exchange rate of Joint Stock Commercial Bank for Foreign Trade of Vietnam for converting monetary items denominated in foreign currencies as at 31 December 2016. The afore-mentioned exchange rate is different from the exchange rate as regulated in Circular No. 200/2014/TT-BTC dated 22 December 2014 issued by Ministry of Finance ("Circular 200") guiding the accounting regime for enterprises. However, according to the evaluation of the Board of Management, the above difference does not significantly affect the separate financial statements for the year ended 31 December 2016 of the Corporation.

Borrowing costs

Borrowing costs are recognised in the income statement in the year when incurred unless they are capitalised in accordance with Vietnamese Accounting Standard No. 16 "Borrowing costs". Accordingly, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. For specific borrowings for the purpose of construction of fixed assets and investment properties, borrowing costs are capitalised even when the construction period is under 12 months.

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

NOTES TO THE SEPARATE 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

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

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

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

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

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

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

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

CASH AND CASH EQUIVALENTS

	Closing balance VND	Opening balance VND
Cash on hand	1,165,335,751	2,003,959,391
Bank demand deposits	647,758,411,933	1,515,968,834,962
Cash equivalents	10,476,165,135,731	14,318,802,295,154
	11,125,088,883,415	15,836,775,089,507

Cash equivalents represent term deposits with original term of 3 months or less at commercial banks.

The bank demand deposits and cash equivalents are deposited at the commercial banks in Vietnam.

The Corporation regularly evaluates and believes that all the deposits have no risk on liquidity or recoverability.

FINANCIAL INVESTMENTS

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

	Cost VND	Closing balance Provision VND	Fair value VND	Cost VND	Opening balance Provision VND	Fair value VND
Investments in subsidiaries	3,707,202,749,121	(383,515,571,460)	4,393,426,978,540	3,168,708,749,121	(204,201,381,480)	4,008,736,652,680
PetroVietnam Steel Pipe Joint Stock Company (I)	1,858,375,690,000	(383,515,571,460)	1,474,860,118,540	1,858,375,690,000	(204,201,381,480)	1,654,174,308,520
PetroVietnam Low Pressure Gas Distribution Joint Stock Company	837,605,785,000	-	1,781,640,000,000	837,605,785,000	-	1,645,290,000,000
CNG Vietnam Joint Stock Compar	487,494,000,000	-	616,896,000,000	-	-	-
PetroVietnam Southern Gas Joint Stock Company	226,460,000,000	-	280,342,106,100	226,460,000,000	-	308,552,633,060
PetroVietnam Coating Joint Stock Company	127,902,365,221	-	120,057,000,000	127,902,365,221	-	320,152,000,000
PetroVietnam Northern Gas Joint Stock Company	118,364,908,900	-	68,631,753,900	118,364,908,900	-	80,567,711,100
LNG Vietnam Joint Stock Company	51,000,000,000	-	51,000,000,000	-	-	-
Investments in joint venture and associate	106,240,000,000	-	115,620,000,000	48,240,000,000	-	33,500,000,000
Gas City Investment and Development Joint Stock Company	48,240,000,000	-	57,620,000,000	48,240,000,000	-	33,500,000,000
PVGAZPROM Natural Gas for Vehicles Company Limited	58,000,000,000	-	58,000,000,000	-	-	-
Total	3,813,442,749,121	(383,515,571,460)	4,509,046,978,540	3,216,948,749,121	(204,201,381,480)	4,042,236,652,680

(I) In accordance with Circular No. 200/2014/TT-BTC dated 22 December 2014, fair value of investments in subsidiaries, joint ventures and associates as at 31 December 2016 should be presented and disclosed. The Corporation has determined the fair value of these investments on the basis of listed prices of shares on stock markets as at the reporting date and the number of shares held by the Corporation. However, because the shares of PetroVietnam Steel Pipe Joint Stock Company, LNG Vietnam Joint Stock Company and PVGAZPROM Natural Gas for Vehicles Company Limited have not been listed on stock markets, the fair value of the Corporation's investment in the aforementioned companies as at 31 December 2016 was calculated by its cost less the provision made.

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.

FINANCIAL INVESTMENTS (Continued)

The results of operations of the Corporation's subsidiaries, joint venture and associate for the financial year ended 31 December 2016 are as follows:

	<u>Current year</u>	<u>Prior year</u>
Subsidiaries		
PetroVietnam Southern Gas Joint Stock Company	Made profit	Made profit
PetroVietnam Northern Gas Joint Stock Company	Made profit	Made profit
PetroVietnam Low Pressure Gas Distribution Joint Stock Company	Made profit	Made profit
PetroVietnam Coating Joint Stock Company	Made loss	Made profit
PetroVietnam Steel Pipe Joint Stock Company	Made loss	Made profit
CNG Vietnam Joint Stock Company	Made profit	Made profit
LNG Vietnam Joint Stock Company	Made loss	Not established yet
Joint Venture and Associate		
Gas City Investment and Development Joint Stock Company	Made profit	Made profit
PVGAZPROM Natural Gas for Vehicles Company Limited	Made profit	Not established yet

During the year, the significant transactions between the Corporation and its subsidiaries, joint venture and associate are disclosed in Note 35.

SHORT-TERM TRADE RECEIVABLES

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>VND</u>	<u>VND</u>
PetroVietnam Power Corporation	1,793,797,384,201	-
PetroVietnam Low Pressure Gas Distribution Joint Stock Company	916,553,377,478	929,923,985,702
Power Generation Corporation 3	540,774,465,207	-
Astomos Energy Corporation	420,839,833,600	-
Vietnam Oil and Gas Group	300,993,564,258	322,091,491,561
PetroVietnam Southern Gas Joint stock company	293,523,547,738	449,018,563,348
Others	1,520,457,987,677	1,652,672,130,476
	5,786,940,160,159	3,353,706,171,087
Receivables from related parties (Details presented in Note 35)	3,913,413,527,139	2,249,726,758,548

ADVANCES TO SUPPLIERS

a. Short-term

	<u>Closing balance</u>	<u>Opening balance</u>
	<u>VND</u>	<u>VND</u>
Posco Engineering Company Limited	105,806,462,500	393,659,491,963
PetroVietnam Technical Services Corporation	104,785,414,771	257,896,000,568
Joint Venture Vietnam-Russia "Vietsovpetro"	5,612,456,597	45,520,606,145
Others	34,574,939,221	93,827,540,079
	250,779,273,089	790,903,638,755

b. Long-term

Nam Con Son Pipelines Company	64,113,269,122	63,635,199,667
	64,113,269,122	63,635,199,667

c. Advances to related parties (details presented in Note 35)

	183,536,170,515	403,196,479,468
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OTHER RECEIVABLES

	Closing balance	Opening balance
	VND	VND
a. Current		
Accrued revenue from sale of gas in November and December	3,744,648,952,203	3,659,715,842,656
Accrued differences in gas transportation charges through Phu My-Ho Chi Minh pipelines system for the period 2012-2015 (i)	2,130,831,716,084	-
Receivables from PVPIPE (ii)	119,128,294,084	-
Accrued interest income from term deposits	102,521,734,586	120,465,609,223
Receivables from PVC - Mekong for construction contract of office for lease in Bac Lieu province	50,000,000,000	50,000,000,000
Receivable from Phu Long Real Estate Joint Stock Company	13,843,599,844	13,843,599,844
Accrued revenue of Condensate transportation service	5,801,408,117	5,333,528,742
Deposits and mortgages (iii)	9,211,630,494	35,816,648,219
Advances	1,822,895,558	3,588,190,163
Receivables relating to disposal of shares of Seabank	-	83,638,401,486
Other receivables	37,744,775,113	7,717,486,746
	6,215,555,006,083	3,980,119,307,079
b. Non-current		
Contributed capital under joint venture agreement on the construction of Block B - O Mon pipeline system	37,926,884,055	54,356,678,856
Deposits and mortgages	613,000,000	1,273,650,000
	38,539,884,055	55,630,328,856
Other receivables to related parties (details presented in Note 35)	3,621,159,924,038	1,102,077,925,018

OTHER RECEIVABLES (Continued)

(i) Representing the receivables from Nhon Trach 1 Power Plant and Nhon Trach 2 Power Plant which related to the differences in gas transportation charges through Phu My-Ho Chi Minh pipelines system for the period from 01 January 2012 to 31 December 2015 with the total amount of USD 85.5 million. According to Official Letter No.2819/BCT-TCNL dated 31 March 2016, the Ministry of Industry and Trade approved the revised transportation charges through Phu My-Ho Chi Minh pipelines system for the period from 01 January 2012 which is USD 0.52/MBTU (VAT exclusive) with the inflation rate of 2% per annum as proposed by Vietnam Oil and Gas Group in Official Letter No. 8645/DKVN-DTPT dated 01 December 2015. On 23 December 2016, the Ministry of Industry and Trade issued Official Letter No.12464/BCT-DTDL, in which requiring Vietnam Electricity, Vietnam Oil and Gas Group and related parties to settle the obligation related to the differences in gas transportation charges through Phu My-Ho Chi Minh pipelines system for the period of 2012-2015 within December 2016 and 2017. Up to the date of these separate financial statements, the Corporation had signed the Appendices and Minutes on finalization for the differences in freight charge through Phu My-Ho Chi Minh pipelines system for the period of 2012-2015 with Nhon Trach 1 Power Plant and Nhon Trach 2 Power Plant. Accordingly, the receivables on transportation charges differences shall be settled by the first installment before 31 January 2017 and by the second installment before 30 June 2017. In addition, the Corporation and Nhon Trach 2 Power Plant had signed Minutes No. 37/BB-KVN dated 24 January 2017. According to the minutes, Nhon Trach 2 Power Plant will settle the obligation after receiving the corresponding payment from Vietnam Electricity Group.

Board of Directors believes that the Corporation will receive the aforementioned amount related to difference in gas transportation charges in full, and decide to recognize this amount in the income statement for the year 2016.

(ii) Receivables from PetroVietnam Steel Pipe Joint Stock Company ("PVPipe") as at 31 December 2016 represents the payment in accordance with Guarantee Certificate No. 1183/KVN-TC dated 06 June 2014 for PVPIPE's loan with Vietnam Public Joint Stock Commercial Bank - Ho Chi Minh Branch (details presented in Note 36).

As at 31 December 2016, according to the judgement of the Board of Directors, the above receivable is not due yet, therefore, the Corporation did not make provision for doubtful debt for this amount.

Besides, the Corporation had supported PVPIPE in making salary payment to employees with the total amount of approximately VND 2.5 billion (the amount was temporarily advanced from Bonus and Welfare Funds).

(iii) Short-term deposits and collaterals mainly represent the deposit and mortgage balances of PetroVietnam Gas Trading Company (the unit directly under the Corporation) at commercial banks to pay for export and import transactions.

NOTES TO THE SEPARATE 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.

BAD DEBT

Items	Closing balance		Opening balance	
	Cost VND	Recoverable amount VND	Cost VND	Recoverable amount VND
Doubtful debts	62,963,965,987	6,055,978,336	51,015,038,296	-
Petrovietnam Urban Development Joint-Stock Company	50,000,000,000	-	50,000,000,000	-
Others	852,009,314	-	1,015,038,296	-
	12,111,956,673	6,055,978,336	-	-
	7,061,641,125	4,943,148,787	2,593,554,362	1,815,488,053
				From 6 months to one year
				Over 3 years
				From 1 year to 2 years
				Over 3 years
				Over 3 years

Recoverable amount is measured at cost of trade receivables less provision for doubtful debts which were recorded as at the date of consolidated financial statements.

NOTES TO THE SEPARATE 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.

INVENTORIES

	Closing balance		Opening balance	
	Cost VND	Provision VND	Cost VND	Provision VND
Raw materials	488,911,014,052	(65,959,507,828)	482,345,811,000	(66,113,117,241)
Tools and supplies	10,532,060,812	-	8,764,654,966	-
Work in progress	4,928,583,986	-	4,086,763,970	-
Finished goods	74,687,665,674	-	200,109,276,142	-
Merchandise	363,286,492,823	-	238,034,417,729	(13,503,401,072)
Total	942,345,817,347	(65,959,507,828)	933,340,923,807	(79,616,518,313)

As at 31 December 2016, the Corporation made a provision for devaluation of inventories for some unsold, damaged, or sub-standard inventories with the amount of VND 65,959,507,828 (as at 31 December 2015: VND 79,616,518,313).

PREPAYMENTS

	Closing balance VND	Opening balance VND
a) Current		
Insurance cost	29,601,571,030	27,519,049,502
Media and advertising cost	1,547,155,744	41,755,113,452
Other short-term prepayments	6,250,067,382	9,050,047,154
	37,398,794,156	78,324,210,108
b) Non-current		
Computer software copyright	-	7,598,000,013
Land lease fee	29,312,433,955	9,300,000,000
Cost of office furniture	2,212,777,292	3,824,138,556
Other long-term prepayments	21,096,359,161	16,893,998,846
	52,621,570,408	37,616,137,415

NOTES TO THE SEPARATE 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.

INCREASES, DECREASES IN TANGIBLE FIXED ASSETS

	Buildings, structures	Machinery, equipment	Motor vehicles, transmission equipment	Office equipment	Others	Total
	VND	VND	VND	VND	VND	VND
COST						
Opening balance	4,684,407,222,056	735,391,479,714	124,384,430,424	219,764,878,708	25,771,036,786,259	31,534,984,797,161
Transfer from construction in progress	12,998,303,550	1,288,149,030	-	-	5,414,958,415,978	5,429,244,868,558
Purchases	4,227,648,613	15,432,414,758	215,704,127	15,960,111,885	37,974,688,125	73,810,567,508
Disposals	(4,548,605,657)	(1,302,456,014)	-	(1,634,593,339)	(139,400,000)	(7,625,055,010)
Adjustment per final account	-	-	-	(4,700,145,455)	-	(4,700,145,455)
Reclassification	(56,971,159)	56,971,159	(1,396,414,319)	1,396,414,319	-	-
Others	-	-	-	(33,900,000)	-	(33,900,000)
Closing balance	4,697,027,597,403	750,866,558,647	123,203,720,232	230,752,766,118	31,223,830,490,362	37,025,681,132,762
ACCUMULATED DEPRECIATION						
Opening balance	2,005,368,986,854	393,804,274,329	103,536,069,241	114,428,632,774	18,096,554,625,997	20,713,692,589,195
Charge for the year	339,605,663,869	62,175,454,259	6,955,945,996	43,358,959,488	2,279,293,401,061	2,731,389,424,673
Disposals	(4,041,965,253)	(1,234,791,506)	-	(1,634,593,339)	(122,295,699)	(7,033,645,797)
Reclassification	-	-	(88,439,574)	88,439,574	-	-
Others	-	-	-	(33,900,000)	-	(33,900,000)
Closing balance	2,340,932,685,470	454,744,937,082	110,403,575,663	156,207,538,497	20,375,725,731,359	23,438,014,468,071
NET BOOK VALUE						
Opening balance	2,679,038,235,202	341,587,205,385	20,848,361,183	105,336,245,934	7,674,482,160,262	10,821,292,207,966
Closing balance	2,356,094,911,933	296,121,621,565	12,800,144,569	74,545,227,621	10,848,104,759,003	13,587,666,664,691

The cost of the Corporation's tangible fixed assets as at 31 December 2016 includes use (31 December 2015: 7,908,871,751,159).

The cost of the fixed assets as at 31 December 2016 includes some facilities at cost of VND 8,077,278,504,949 of fixed assets which were fully depreciated but are still in use (31 December 2015: VND 6,868,484,515,703 (as at 31 December 2015: VND 1,577,344,993,831) which are temporarily recorded based on the actual expenses for depreciation when the facilities came into operation. The temporarily recorded cost will be adjusted for any arising differences (if any) when the final cost of such facilities is approved.

NOTES TO THE SEPARATE 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.

INCREASES, DECREASES IN INTANGIBLE ASSETS (Continued)

	Land use rights VND	Computer software VND	Total VND
COST			
Opening balance	244,583,078,000	65,639,492,850	310,222,570,850
Additions	45,780,934,000	14,723,646,990	60,504,580,990
Closing balance	290,364,012,000	80,363,139,840	370,727,151,840
ACCUMULATED AMORTISATION			
Opening balance	3,053,887,945	41,389,077,349	44,442,965,294
Charge for the year	417,061,560	12,286,307,032	12,703,368,592
Closing balance	3,470,949,505	53,675,384,381	57,146,333,886
NET BOOK VALUE			
Opening balance	241,529,190,055	24,250,415,501	265,779,605,556
Closing balance	286,893,062,495	26,687,755,459	313,580,817,954

CONSTRUCTION IN PROGRESS

	Closing balance VND	Opening balance VND
Long-term work in progress		
- Work in progress	4,710,221,409,715	6,606,946,880,836
In which:		
Ca Mau Gas Processing Plant	3,386,829,577,674	946,418,998,495
Block B - O Mon Gas Pipelines System	527,384,507,514	460,875,458,487
Nam Con Son 2 Gas Pipelines System	293,145,725,116	4,822,290,820,328
LNG Son My Import Warehouse and Port	135,596,161,325	135,596,161,325
Project on injecting moist air into Nam Con Son pipeline - Dinh Co gas processing plant	116,335,778,906	70,552,654,578
LNG Thi Vai Warehouse (1MTPA)	74,432,838,473	74,432,838,473
Project on gas collection and distribution in Ham Rong and Thai Binh fields	63,399,286,689	-
Project on gas collection in Ca Rong Do field	47,689,584,144	-
Others	65,407,949,874	96,779,949,150
	4,710,221,409,715	6,606,946,880,836

NOTES TO THE SEPARATE 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.

SHORT-TERM TRADE PAYABLES

	Closing balance		Opening balance	
	VND	VND	VND	VND
	Payable amount	Amount likely to be paid off	Payable amount	Amount likely to be paid off
Abu Dhabi National Oil Company (ADNOC)	416,575,744,000	416,575,744,000	-	-
PetroVietnam Technical Services Joint Stock Corporation	249,073,129,875	249,073,129,875	163,289,237,049	163,289,237,049
Astomos Energy Corporation	225,430,046,339	225,430,046,339	252,881,638,200	252,881,638,200
Binh Son Refinery and Petrochemical Company Limited	197,642,746,260	197,642,746,260	131,912,936,700	131,912,936,700
Vietnam Oil and Gas Group	178,006,615,026	178,006,615,026	268,570,470,013	268,570,470,013
Petredex International Pte Ltd	110,368,726,611	110,368,726,611	-	-
Shell International Eastern Trading Company	26,253,429,622	26,253,429,622	241,648,322,046	241,648,322,046
Others	297,304,010,735	297,304,010,735	230,975,148,011	230,975,148,011
	1,700,654,448,468	1,700,654,448,468	1,289,277,752,019	1,289,277,752,019
Trade payables to related parties (details presented in Note 35)	803,588,189,821	803,588,189,821	693,376,345,285	693,376,345,285

TAXES AND RECEIVABLES FROM/PAYABLES TO THE STATE BUDGET

Items	Opening balance	Movement in the year		Closing balance
		Amount payable	Amount receive/paid	
	VND	VND	VND	VND
Value added tax	42,710,332,041	1,115,722,820,486	1,122,343,526,964	36,089,625,563
- Value added tax on domestic goods	47,127,892,041	535,428,702,682	542,049,409,160	40,507,185,563
- Value added tax on imports	(4,417,560,000)	580,294,117,804	580,294,117,804	(4,417,560,000)
Special consumption tax	3,272,914,196	-	3,272,914,196	-
Import duty	(59,518,754,453)	198,443,620,497	148,893,439,765	(9,968,573,721)
Corporate income tax	290,354,679,850	1,781,423,154,348	1,319,778,037,687	751,999,796,511
Land rental fee	-	12,946,820,927	12,946,820,927	-
Personal income tax	8,705,357,566	56,893,953,295	60,769,588,635	4,829,722,226
Other taxes	10,247,088	8,914,032,076	8,566,470,651	357,808,513
Business license tax	-	18,000,000	20,500,000	(2,500,000)
Other taxes and amount payables	10,247,088	8,896,032,076	8,545,970,651	360,308,513
Total	285,534,776,288	3,174,344,401,629	2,676,570,798,825	783,308,379,092
<i>In which:</i>				
Taxes and other receivables from the State Budget	63,941,314,453			27,669,179,968
Taxes and other payables to the State Budget	349,476,090,741			810,977,559,060

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.

TAXES AND RECEIVABLES FROM/PAYABLES TO THE STATE BUDGET (Continued)

Tax and receivables from the State budget

	Closing balance VND	Opening balance VND
Value added tax	17,218,963,777	4,417,560,000
Import duty	9,968,573,721	59,518,754,453
Personal income tax	474,142,470	-
Other taxes	7,500,000	5,000,000
	27,669,179,968	63,941,314,453

Tax and payables to the State budget

	Closing balance VND	Opening balance VND
Corporate income tax	751,999,796,511	290,354,679,850
Value added tax	53,308,589,340	47,127,892,041
Personal income tax	5,303,864,696	8,705,357,566
Special consumption tax	-	3,272,914,196
Other taxes	365,308,513	15,247,088
	810,977,559,060	349,476,090,741

	Closing balance VND	Opening balance VND
Accruals for purchasing and transporting Nam Con Son gas	1,279,415,365,801	1,516,920,890,385
Accruals for purchasing Cuu Long gas	942,596,547,868	958,190,984,596
Accruals for purchasing Hai Thach - Moc Tinh gas	577,000,364,870	1,052,801,894,110
Accruals for purchasing Ham Rong Thai Binh gas	96,556,236,045	37,127,346,903
Interest payable	94,098,115,966	20,218,563,711
Accruals for purchasing and processing Dai Hung gas	75,028,978,496	20,926,716,364
Accruals for maintaining and repair expense	40,650,842,017	15,307,698,735
Expenses for Nam Con Son Project's operator	39,344,825,172	46,556,246,119
Accruals for operating Rong Doi Moi and Vom Bac - Bach Ho fields	33,502,287,229	28,346,328,592
Other accruals	83,751,550,506	49,333,222,179
	3,261,945,113,970	3,745,729,891,694
Accruals to related parties (details presented in Note 35)	1,663,334,080,854	944,745,923,253

NOTES TO THE SEPARATE 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.

OTHER CURRENT PAYABLES

	Closing balance VND	Opening balance VND
a. Current		
Dividend payables	185,177,991,000	621,827,611
PetroVietnam Engineering Consultancy Joint Stock Company (i)	184,739,076,582	179,762,707,008
Payable relating to Nam Con Son gas transportation charges in November and December	170,086,819,859	133,503,130,233
Phu Long Real Estate Joint Stock Company (i)	96,478,465,831	93,001,156,250
Vietnam Oil and Gas Group (ii)	52,039,791,576	111,678,389,356
Payable relating to discount on gas sales	32,321,000,000	-
Others	75,686,861,340	42,241,419,359
	796,530,006,188	560,808,629,817
b. Non-current		
Deposits and mortgages received	3,574,371,215	4,384,894,580
Others	-	7,592,267,072
	3,574,371,215	11,977,161,652
Other payables to related parties (details presented in Note 35)	269,088,868,158	291,441,096,364

(i) Representing the capital contributed and distributed profits of PetroVietnam Engineering Consultancy Joint Stock Company and Phu Long Real Estate Joint Stock Company regarding the investment and consumption of the project "PVGas Tower" as stated in Note 20.

(ii) Representing the management fee payable in accordance with Services contract between Vietnam Oil and Gas Group and the Corporation, accordingly, the payable annual management fee payables would be calculated at the rate from 0.05% to 0.5% for each sale type of revenue.

BUSINESS COOPERATION AGREEMENT

PetroVietnam Gas Joint Stock Corporation, PetroVietnam Engineering Consultancy Joint Stock Company and Phu Long Real Estate Joint Stock Company have jointly entered into a business cooperation agreement to construct and invest in the project "PVGas Tower" at No. 673 Nguyen Huu Tho Street, Phuoc Kien Commune, Nha Be District, Ho Chi Minh City. Under the agreement, the Corporation is in charge of managing and accounting for the results of operations and then distributing profit after tax to parties based on the capital contribution ratio.

The capital contribution ratio under the agreement is as follows:

PetroVietnam Gas Joint Stock Corporation	70%
PetroVietnam Engineering Consultancy Joint Stock Company	20%
Phu Long Real Estate Joint Stock Company	10%

NOTES TO THE SEPARATE 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.

BUSINESS COOPERATION AGREEMENT (Continued)

The financial figures related to the operation under the agreement for the year ended 31 December 2016 are as follows:

	Closing balance VND	Opening balance VND
Cost of fixed assets	726,241,790,840	726,241,790,840
Accumulated depreciation of fixed assets (i)	87,674,340,048	88,122,012,229
Net book value of fixed assets	638,567,450,792	638,119,778,611

(i) According to the conclusion of the Inspectors of the Ministry of Finance in the year, the Corporation adjusted the useful life of assets formed from the Project "PV Gas Tower" from 25 years to 50 years. Accordingly, the closing balance of accumulated depreciation of fixed assets is less than the opening balance due to this adjustment.

	Current year VND	Prior year VND
Revenue of business cooperation agreement	60,110,488,909	55,545,083,015
Cost of business cooperation agreement	26,651,725,618	50,431,583,393
Other expenses of business cooperation agreement	604,049,495	822,971,022
Corporate income tax	4,559,381,523	943,916,292
Net profit after corporate income tax	28,295,332,273	3,346,612,308
Profit distribution as per the capital contribution ratio:		
- PetroVietnam Gas Joint Stock Corporation	19,841,653,113	2,352,400,779
- PetroVietnam Engineering Consultancy Joint Stock Company	4,976,369,576	600,978,423
- Phu Long Real Estate Joint Stock Company	3,477,309,584	393,233,106

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.

LOANS AND OBLIGATIONS UNDER FINANCE LEASES

Loans of the Corporation are unsecured and disbursed in Vietnam Dong and United States Dollar to purchase and construct fixed assets of the Corporation. Details of loans by currency in which they are disbursed as follows:

Items	Opening balance		In the year		Closing balance	
	Amount	Amount able to be paid off	Increases	Decreases	Amount	Amount able to be paid off
	VND	VND	VND	VND	VND	VND
United States Dollar (i)	3,277,700,000,000	3,277,700,000,000	3,595,372,615,766	(1,428,560,000,000)	5,444,512,615,766	5,444,512,615,766
Vietnam Dong	1,415,919,513,502	1,415,919,513,502	1,072,372,546,084	(1,495,292,538,921)	992,999,520,665	992,999,520,665
Total	4,693,619,513,502	4,693,619,513,502	4,667,745,161,850	(2,923,852,538,921)	6,437,512,136,431	6,437,512,136,431
In which:						
Amount due for settlement within 12 months	478,048,400,334				489,334,272,000	
Amount due for settlement after 12 months	4,215,571,113,168				5,948,177,864,431	

(i) As at 31 December 2016, the loans in United States Dollar was USD 239,635,238 (as at 31 December 2015 was USD 146,000,000).

NOTES TO THE SEPARATE 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.

LOANS AND OBLIGATIONS UNDER FINANCE LEASES (Continued)

	Closing balance VND	Opening balance VND
Cathay United Bank	4,248,640,000,000	1,840,900,000,000
Saigon-Hanoi Joint Stock Commercial Bank	1,424,598,362,034	-
Southeast Asia Joint Stock Commercial Bank	673,317,859,081	13,669,523,865
Vietnam Joint stock Commercial Bank for Industry and Trade	90,955,915,316	-
Joint Stock Commercial Bank for Investment and Development of Vietnam	-	1,436,800,000,000
Joint Stock Commercial Bank for Foreign Trade of Vietnam	-	926,856,388,304
Ho Chi Minh City Development Joint Stock Commercial Bank	-	475,393,601,333
	6,437,512,136,431	4,693,619,513,502

In which

	Closing balance VND	Opening balance VND
United States Dollar	5,444,512,615,766	3,277,700,000,000
Vietnam Dong	992,999,520,665	1,415,919,513,502
	6,437,512,136,431	4,693,619,513,502

	Closing balance VND	Opening balance VND
Unsecured loans	6,437,512,136,431	4,693,619,513,502
	6,437,512,136,431	4,693,619,513,502

	Closing balance VND	Opening balance VND
Floating rate	6,437,512,136,431	4,693,619,513,502
	6,437,512,136,431	4,693,619,513,502

Loans of the Corporation bear floating interest rates under signed agreements. Interest rates for the year ranged from 8.5% to 10.06% per annum for VND loans, from 0.75% to 4.78% per annum for USD loans.

Long-term loans are repayable as follows:

	Closing balance VND	Opening balance VND
On demand or within one year	489,334,272,000	478,048,400,334
In the second year	978,668,544,000	1,156,069,567,172
In the third to fifth year inclusive	3,674,304,764,095	2,855,975,249,583
After five years	1,295,204,556,336	203,526,296,414
	6,437,512,136,431	4,693,619,513,502
Less: amount due for settlement within 12 months	489,334,272,000	478,048,400,334
Amount due for settlement after 12 months	5,948,177,864,431	4,215,571,113,168

NOTES TO THE SEPARATE 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.

OWNERS' EQUITY

	Owners' contributed capital	Share premium	Treasury shares	Investment and development fund	Other reserves	Retained earnings	Total
	VND	VND	VND	VND	VND	VND	VND
Prior year's opening balance as previously reported	18,950,000,000,000	1,216,727,266	-	11,266,595,401,157	128,657,747,553	5,501,746,841,546	35,848,216,717,522
Profit for the year	-	-	-	-	-	8,720,127,134,455	8,720,127,134,455
Profit distribution to bonus and welfare funds	-	-	-	-	-	(174,396,934,316)	(174,396,934,316)
Dividends declared	-	-	-	-	-	(3,220,476,719,000)	(3,220,476,719,000)
Treasury shares	-	-	(40,111,223,937)	-	-	-	(40,111,223,937)
Others	-	(795,000,000)	-	-	-	-	(795,000,000)
Current year's opening balance	18,950,000,000,000	421,727,266	(40,111,223,937)	11,266,595,401,157	128,657,747,553	10,827,000,322,685	41,132,563,974,724
Capital increase (i)	189,500,000,000	189,500,000,000	-	-	-	-	379,000,000,000
Profit for the year	-	-	-	-	-	7,110,493,250,947	7,110,493,250,947
Profit distribution to investment and development fund (ii)	-	-	-	1,701,000,000,000	-	(1,701,000,000,000)	-
Profit distribution to bonus and welfare funds (ii)	-	-	-	-	-	(166,103,065,684)	(166,103,065,684)
Dividends declared	-	-	-	-	-	(9,184,070,736,000)	(9,184,070,736,000)
Transfer of other reserves' balance	-	-	-	128,657,747,553	(128,657,747,553)	-	-
Others	-	(175,000,000)	-	-	-	-	(175,000,000)
Current year's closing balance	19,139,500,000,000	189,746,727,266	(40,111,223,937)	13,096,253,148,710	-	6,886,319,771,948	39,271,708,423,987

NOTES TO THE SEPARATE 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.

OWNERS' EQUITY (Continued)

(i) On 29 January 2016, the Board of Directors issued Resolution No. 23/NQ-KVN approving the share issue result under employee stock ownership plan (ESOP), which was approved in the Annual General Meeting of Shareholders under Resolution No. 91/NQ-DHDCD dated 10 September 2015. Accordingly, the total number of shares issued was 18,950,000 ordinary shares with issuing price of VND 20,000 per share.

(ii) The Corporation made distributions to Investment and development fund and Bonus and welfare funds from the profit after tax for the year ended 31 December 2015 with the respective amounts of VND 1,701,000,000,000 and VND 52,603,065,684, pursuant to Resolution No. 62/NQ-KVN of the Corporation's Board of Directors dated 15 April 2016 on the distribution method of 2015 retained earnings and approved at 2016 Annual General Meeting of Shareholders under Resolution No.62/NQ-DHDCD dated 15 April 2016.

(iii) Besides, the Corporation also made temporary distribution to Bonus and Welfare funds from the profit after tax for the year ended 31 December 2016 with an amount of VND 113,500,000,000 under Resolution No.62/NQ-DHDCD dated 15 April 2016. The Corporation's Board of Management believes that the above distribution from 2016 retained earnings shall be approved at 2017 Annual General Meeting of Shareholders.

(iv) On 19 October 2016, the Board of Directors issued Resolution No. 114/NQ-KVN on transferring the entire balance from Other reserve to Investment and Development Fund, with the total amount of VND 128,657,747,553. The Corporation's Board of Management believes that the above transfer from 2016 retained earnings shall be approved at 2017 Annual General Meeting of Shareholders.

Details of Owners' contributed capital are as follows:

Owners/Shareholders	Per the 16th amended Business Registration		Capital contributed Closing balance	Capital contributed Opening balance
	VND	%	VND	VND
Vietnam Oil and Gas Groi	18,328,359,000,000	95.76%	18,328,359,000,000	18,328,359,000,000
Other shareholders	811,141,000,000	4.24%	811,141,000,000	621,641,000,000
	19,139,500,000,000	100%	19,139,500,000,000	18,950,000,000,000

The number of the Corporation's shares which were registered and issued to public as at 31 December 2016 was 1,913,950,000. All of shares are common shares with par value of VND 10,000.

Shares	Closing balance VND	Opening balance VND
- Number of shares issued to public		
+ Common shares	1,913,950,000	1,895,000,000
- Number of treasury shares		
+ Common shares	601,930	601,930
- Number of outstanding shares in circulation		
+ Common shares	1,913,348,070	1,894,398,070

NOTES TO THE SEPARATE 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.

OWNERS' EQUITY (Continued)

Dividends:

Under Resolution No. 40/NQ-KVN dated 01 March 2016 of the Board of Directors on the basis of Resolution No.59/NQ-DHDCD, the Corporation declared and made the second payment of dividends from the retained earnings for the year ended 31 December 2015 with the amount of VND 3,826,696,140,000 (equivalent to VND 2,000 per share).

Under Resolution No. 62/NQ-DHDCD dated 15 April 2016 at 2016 Annual General Meeting of Shareholders, the Corporation declared the third payment of dividends from the profit after tax for the year ended 31 December 2015 with the amount of VND 956,674,035,000 (equivalent to VND 500 per share).

Under Resolution No. 125/NQ-KVN dated 08 December 2016 of the Board of Directors based on Resolution No. 62/NQ-DHDCD dated 15 April 2016, the Corporation declared the advance payment of dividends from the profit after tax for the year ended 31 December 2016 with the amount of VND 4,400,700,561,000 (equivalent to VND 2,300 per share).

OFF-BALANCE SHEET ITEMS

	<u>Closing balance</u>	<u>Opening balance</u>
Foreign currencies		
USD	3,681,658.39	7,775,316.35
EUR	28.81	28.81

REVENUE FROM GOODS SOLD AND SERVICES RENDERED

	<u>Current year</u> VND	<u>Prior year</u> VND
Gross revenue from goods sold and services rendered		
<i>In which:</i>		
Sales of dry gas	33,995,239,697,226	37,160,324,259,381
Sales of LPG	13,026,281,541,690	15,469,520,204,141
Gas and condensate transportation revenue	4,321,386,195,459	4,317,038,685,365
Sales of condensate	387,270,748,532	331,978,230,787
Revenue from leasing PV Gas Tower	42,134,102,527	39,120,432,749
Other revenue	124,303,916,549	156,094,023,304
	51,896,616,201,983	57,474,075,835,727
Revenue from related parties (details presented in Note 35)	20,885,958,095,090	20,488,544,276,246

NOTES TO THE SEPARATE 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.

COST OF SALES

	<u>Current year</u> VND	<u>Prior year</u> VND
Cost of dry gas sold	28,337,852,936,843	30,475,401,414,203
Cost of LPG sold	12,275,355,755,285	13,942,942,422,747
Cost of gas and condensate transportation	1,550,838,425,040	1,507,321,685,420
Cost of condensate sold	398,103,770,832	242,830,349,998
Cost of leasing PV Gas Tower	18,668,733,132	35,525,623,533
Others	34,402,343,137	70,824,568,707
	42,615,221,964,269	46,274,846,064,608

PRODUCTION COST BY NATURE

	<u>Current year</u> VND	<u>Prior year</u> VND
Raw materials and consumables	6,612,850,944,872	5,030,452,877,641
Expenses on gas purchased from field owner	22,002,826,244,912	25,472,441,152,473
Labour	589,846,696,254	548,561,792,400
Depreciation and amortization	2,744,092,793,265	2,495,092,057,072
Out-sourced services	2,549,759,028,374	1,998,144,883,524
Other expenses	441,265,838,835	640,663,229,426
	34,940,641,546,512	36,185,355,992,536

FINANCIAL INCOME

	<u>Current year</u> VND	<u>Prior year</u> VND
Deposit interest	1,032,716,843,725	1,025,022,118,289
Dividends and profits received	136,000,873,500	125,995,368,500
Foreign exchange gain from payment transac	62,708,726,963	36,568,593,888
Gain on disposal of investments	-	101,911,964,541
	1,231,426,444,188	1,289,498,045,218

NOTES TO THE SEPARATE 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.

FINANCIAL EXPENSES

	Current year VND	Prior year VND
Interest expense	256,489,223,429	119,506,794,356
Provision for/(Reversal of) impairment of financial investments	179,314,189,980	(7,933,844,306)
Foreign exchange loss due to year-end revaluation	79,307,003,409	147,319,781,768
Foreign exchange loss from payment transactions	38,831,345,902	36,577,696,383
Loss on disposal of held-to-maturity investments	-	221,029,365,102
Others	8,651,136,390	423,414,522
	562,592,899,110	516,923,207,825

SELLING EXPENSES AND GENERAL AND ADMINISTRATION EXPENSES

	Current year VND	Prior year VND
Selling expenses		
Transportation expenses	352,774,085,304	353,144,301,157
Expenses for promotion and advertisement	133,334,152,515	119,923,593,071
Others	74,198,189,707	65,406,552,383
	560,306,427,526	538,474,446,611
General and administration expenses		
Management fee payable to Vietnam Oil and Gas Group	194,847,038,170	214,871,026,530
Social welfare expense	73,171,982,466	102,194,778,000
Appropriation to Scientific and Technological development fund	17,921,000,000	-
Others	220,007,089,674	232,564,525,999
	505,947,110,310	549,630,330,529

OTHER INCOME

	Current year VND	Prior year VND
Penalties received	-	2,825,320,647
Insurance compensation for PM3 Gas Pipelines System	-	33,604,714,621
Income from disposal of Dai Hung Gas Collection Project	-	38,832,112,356
Others	10,090,493,631	10,101,491,826
	10,090,493,631	85,363,639,450

NOTES TO THE SEPARATE 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.

OTHER EXPENSES

	Current year VND	Prior year VND
Loss on sale, disposal of fixed assets	1,369,929,154	205,071,955
Expenses for disposal of Dai Hung Gas Collection Project	-	38,832,085,355
Others	2,137,488,465	9,567,132,616
	3,507,417,619	48,604,289,926

CORPORATE INCOME TAX EXPENSE

	Current year VND	Prior year VND
Profit before tax	8,890,557,320,968	10,920,459,180,896
Less: Non-taxable income		
- Dividends profit received	(136,000,873,500)	(125,995,368,500)
- Revenue from sale of Nam Con Son gas in November and December 2014, which corporate income tax was paid in 2016 according to the correspondence of State	(1,459,789,515,316)	-
Add back: Non-deductible expenses	56,570,908,180	87,152,671,545
Taxable profit income	7,351,337,840,332	10,881,616,483,941
Corporate income tax based on taxable profit in the current year	1,470,871,036,436	2,180,846,463,523
Adjustments for corporate income tax expenses in previous years to the current year	309,193,033,585	19,485,582,918
Current corporate income tax expense	1,780,064,070,021	2,200,332,046,441

The Corporation is obliged to pay corporate income tax at the rate of 20% of its taxable profit.

NOTES TO THE SEPARATE 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.

BASIC EARNINGS PER SHARE

	Current year	Prior year (restated)
Profit after tax (VND)	7,110,493,250,947	8,720,127,134,455
Distribution to bonus and welfare funds per Resolution of Annual General Meeting of Shareholders (i)	211,000,000,000	227,000,000,000
Profit for the purpose of calculating basic earnings per share (VND)	6,899,493,250,947	8,493,127,134,455
Weighted average number of ordinary shares circulation share	1,911,894,371	1,894,544,767
Basic earnings per share (VND/share)	3,609	4,483

The Corporation decided to present the “Basic earnings per share” item in the separate financial statements for the year ended 31 December 2016. According to the assessment of the Corporation, the disclosure of this note in both separate financial statements and consolidated financial statements provides more information on the operation effectiveness of the holding company in particular and of the whole Corporation in general.

(i) The Corporation temporarily made distribution to Bonus and Welfare funds for the year ended 31 December 2016 in accordance with the profit distribution plan which was approved in the 2016 Annual General Meeting of Shareholders held on 15 April 2016, the Corporation's Board of Directors believes that the above distribution from 2016 retained earnings to Bonus and Welfare funds shall be approved at 2017 Annual General Meeting of Shareholders.

Simultaneously, the Corporation redefined the distribution amount to Bonus and Welfare funds for the year ended 31 December 2015 equal to the 2015 approved distribution amount under 2016 Annual General Meeting of Shareholders dated 15 April 2016.

COMMITMENTS

i) Capital commitments

As at 31 December 2016, the Corporation had commitments relating to some construction contracts in progress as follows:

	Closing balance VND	Opening balance VND
LNG Warehouse with capacity of 1 million ton per year at Thi Vai	5,505,235,066,160	5,438,838,938,480
Nam Con Son 2 Gas Pipelines System	2,559,903,218,466	3,435,414,728,298
Ca Mau Gas Processing Plant	7,339,317,320,149	9,917,447,008,596
LNG Son My Import Warehouse and Port	33,583,719,522,095	33,182,844,683,588
	48,988,175,126,870	51,974,545,358,961

NOTES TO THE SEPARATE 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.

ii) Other commitments

The commitments relating to gas sales are as follows:

Purchasing commitments

Purchasing commitments	Committed volume	Committed period
Purchasing commitment from gas owners of Block 06.1	A minimum gas volume of 2.7 billion m ³ per annum	Until the end of stabilization period of Block 06.1
Purchasing commitment from gas owners of Block 11.2	A minimum gas volume of 1.216 billion m ³ per annum	Until the end of stabilization period of Block 11.2
Purchasing commitment from gas owners of Blocks 05.3 and 05.2	A minimum gas volume of 1.368 billion m ³ per annum	Until the end of stabilization period of Blocks 05.3 and 05.2

Selling commitments

Selling commitments	Committed volume	Committed period
Nam Con Son Gas Sales Agreement (GSA) with Vietnam Electricity	An annual minimum gas volume of 1.85 billion m ³	Within the stabilization period as per the GSA
Nam Con Son Gas Sales Agreement with Phu My 3 BOT Power Company Limited (PM3 BOT)	An annual minimum gas volume of 0.85 billion m ³	Until September 2023
Nam Con Son Gas Sales Agreement with MeKong Energy Company Limited (PM2.2 BOT)	An annual minimum gas volume of 0.85 billion m ³	Until February 2024
Nam Con Son Gas Sales Agreement with PetroVietnam Power Corporation	An annual minimum gas volume of 0.447 billion m ³	Within the stabilization period as per the contract
Nam Con Son Gas Sales Agreement with PetroVietnam Nhon Trach 2 Power Joint Stock Company	An annual minimum gas volume of 0.785 billion m ³	Until 31 December 2036

NOTES TO THE SEPARATE 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.

RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties with significant transaction and balance in the year:

<u>Related party</u>	<u>Relationship</u>
Vietnam Oil and Gas Group	Holding company of the Corporation
Subsidiaries, joint ventures and associates of Vietnam Oil and Gas Group	Companies having the same owner
Subsidiaries, joint venture and associates of the Corporation	Companies controlled or significantly influenced by the Corporation

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

	<u>Current year</u> VND	<u>Prior year</u> VND
Sales		
Subsidiaries and associates	6,443,675,771,103	6,951,877,462,778
PetroVietnam Low Pressure Gas Distribution Joint Stock Company	3,950,375,620,297	4,265,316,170,061
PetroVietnam Southern Gas Joint Stock Company	1,482,035,651,609	1,668,189,376,491
PetroVietnam Northern Gas Joint Stock Company	590,830,487,467	450,132,138,531
Gas City Investment and Development Joint Stock Company	420,434,011,730	568,239,777,681
Other related parties	14,442,282,323,987	13,536,666,813,468
PetroVietnam Power Corporation	8,936,864,681,712	7,569,266,117,061
Vietnam Oil and Gas Group	2,925,729,381,144	3,085,919,532,371
PetroVietnam Fertilizer and Chemicals Corporation	1,657,542,009,353	1,848,092,581,851
PetroVietnam Oil Corporation	384,959,354,853	368,496,440,251
PetroVietnam Exploration Production Corporation	331,429,707,589	400,473,729,711
PetroVietnam Transportation Corporation	192,287,307,969	233,140,908,791
PetroVietnam Engineering Consultancy - Joint Stock Company	13,469,881,367	14,049,665,161
Binh Son Refinery and Petrochemical Company Limited	-	17,227,838,241
	20,885,958,095,090	20,488,544,276,241
Financial income		
Deposit interest	89,000,263,124	96,953,056,075
Vietnam Public Joint Stock Commercial Bank	89,000,263,124	96,953,056,075
Dividends profit received	136,000,873,500	125,995,368,500
PetroVietnam Southern Gas Joint Stock Company	54,657,894,900	39,847,368,500
PetroVietnam Northern Gas Joint Stock Company	5,967,978,600	-
PetroVietnam Low Pressure Gas Distribution Joint Stock Company	45,450,000,000	60,600,000,000
Gas City Investment and Development Joint Stock Company	1,340,000,000	2,660,000,000
PetroVietnam Coating Joint Stock Company	28,585,000,000	22,868,000,000
	225,001,136,624	222,948,424,575

NOTES TO THE SEPARATE 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.

RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

	<u>Current year</u> VND	<u>Prior year</u> VND
Purchases		
Subsidiaries and associates	168,665,776,854	822,397,091,875
PetroVietnam Coating Joint Stock Company	159,852,718,879	597,024,890,743
PetroVietnam Southern Gas Joint Stock Company	8,121,059,975	9,447,176,125
PetroVietnam Northern Gas Joint Stock Company	680,233,000	6,478,734,046
PetroVietnam Steel Pipe Joint Stock Company	11,765,000	209,446,290,961
Other related parties	17,798,079,886,482	19,103,859,355,887
Vietnam Oil and Gas Group	12,811,906,264,773	13,106,433,977,853
PetroVietnam Technical Services Joint Stock Corporation	1,289,292,493,140	1,193,136,912,685
PetroVietnam Exploration Production Corporation	1,282,789,088,209	1,602,209,773,375
Joint Venture "Vietsovetro"	1,015,304,485,769	1,331,972,053,632
Binh Son Refinery and Petrochemical Company Limited	677,132,309,149	809,595,496,715
PetroVietnam Transportation Corporation	325,133,715,055	327,961,945,805
PetroVietnam Manpower Training College	143,752,580,086	166,868,979,504
PetroVietnam Insurance Corporation	130,968,426,196	192,774,949,541
PetroVietnam Construction Joint Stock Corporation	77,764,718,221	283,128,417,596
PetroVietnam General Services Corporation - JSC	30,030,529,972	27,359,794,295
PetroVietnam Engineering Consultancy Corporation - Joint stock company	14,005,275,912	62,417,054,886
	17,966,745,663,336	19,926,256,447,762

NOTES TO THE SEPARATE 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.

RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

	Current year	Prior year
	VND	VND
Term deposits		
Public Vietnam Joint Stock Commercial Bank	1,350,000,000,000	1,500,000,000,000
	1,350,000,000,000	1,500,000,000,000
Short-term trade receivables		
Subsidiaries and associates	1,392,355,704,261	1,577,517,372,568
PetroVietnam Low Pressure Gas Distribution Joint Stock Company	916,553,377,478	929,923,985,702
PetroVietnam Southern Gas Joint Stock Company	293,523,547,738	449,018,563,348
PetroVietnam Northern Gas Joint Stock Company	162,820,385,083	88,369,178,111
Gas City Investment and Development Joint Stock Company	16,566,208,083	110,205,645,407
PetroVietnam Steel Pipe Joint Stock Company	2,892,185,879	-
Other related parties	2,521,057,822,878	672,209,385,980
PetroVietnam Power Corporation	1,793,797,384,201	-
Vietnam Oil and Gas Group	300,993,564,258	322,091,491,561
PetroVietnam Fertilizer and Chemicals Corporation - Joint stock Company	212,363,643,743	132,509,629,764
PetroVietnam Oil Corporation	114,706,211,744	103,102,634,617
PetroVietnam Engineering Consultancy - Joint stock Company	85,630,652,651	81,706,805,881
PetroVietnam Transportation Corporation	13,566,366,281	32,798,824,157
	3,913,413,527,139	2,249,726,758,548

NOTES TO THE SEPARATE 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.

RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

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

	Current year	Prior year
	VND	VND
Advances to suppliers		
PetroVietnam Technical Services Joint Stock Corporation	104,785,414,771	257,896,000,568
Nam Con Son Pipeline Company	64,113,269,122	63,635,199,667
PetroVietnam Engineering Consultancy - Joint stock Company	9,025,030,025	7,832,832,204
Joint Venture Vietnam-Russia "Vietsovpetro"	5,612,456,597	45,520,606,145
PetroVietnam Construction Joint Stock Corporation	-	28,311,840,884
	183,536,170,515	403,196,479,468
Other short-term receivables		
Subsidiaries and associates	246,190,457,704	38,386,502,355
PetroVietnam Steel Pipe Joint Stock Company	119,128,294,084	-
PetroVietnam Low Pressure Gas Distribution Joint Stock Company	117,197,812,339	38,386,502,355
PetroVietnam Northern Gas Joint Stock Company	9,864,351,281	-
Other related parties	3,374,969,466,334	1,063,691,422,663
PetroVietnam Power Corporation	3,317,403,977,326	930,053,021,177
PetroVietnam Urban Development Joint Stock Company	50,000,000,000	50,000,000,000
Vietnam Public Joint Stock Commercial Bank	5,130,138,890	83,638,401,486
Vietnam Oil and Gas Group	2,435,350,118	-
Trade payables		
Other related parties	803,588,189,821	693,376,345,285
PetroVietnam Technical Services Joint Stock Corporation	249,073,129,875	163,289,237,049
Binh Son Refinery and Petrochemical Company Limited	197,642,746,260	131,912,936,700
Vietnam Oil and Gas Group	178,006,615,026	268,570,470,013
Joint Venture "Vietsovpetro"	118,744,701,248	52,124,654,788
PetroVietnam Construction Joint Stock Corporation	40,320,698,815	66,575,181,589
PetroVietnam Transportation Corporation	19,800,298,597	10,903,865,146
	803,588,189,821	693,376,345,285
Short-term accrued expenses		
Vietnam Oil and Gas Group	1,663,334,080,854	944,745,923,253
	1,663,334,080,854	944,745,923,253
Other short-term payables		
PetroVietnam Engineering Consultancy - Joint Stock Company	184,739,076,582	179,762,707,008
Vietnam Oil and Gas Group	52,039,791,576	111,678,389,356
Sales discount payable to PetroVietnam Northern Gas Joint Stock Company	11,570,000,000	-
Sales discount payable to PetroVietnam Southern Gas Joint Stock Company	20,740,000,000	-
	269,088,868,158	291,441,096,364
Other long-term payables		
Vietnam Oil and Gas Group	-	7,592,267,072
	-	7,592,267,072

NOTES TO THE SEPARATE FINANCIAL STATEMENTS (Continued)

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CONTINGENT LIABILITIES

As at 31 December 2016, the Corporation had committed to guarantee the fulfilment of the loan repayment, interest and deferred interest payment obligations, and other related expenses derived from the loan contracts of PVPIPE and Vietnam Public Joint Stock Commercial Bank - Ho Chi Minh Branch, and Joint Stock Commercial Bank for Foreign Trade of Vietnam - Ky Dong Branch. The total loans and interest payables of PVPIPE to the above commercial banks are VND 276.9 billion and VND 23.5 billion, respectively.

In 2016, the Corporation has fulfilled the guarantee obligation for loan principal and interest repayment to Vietnam Public Joint Stock Commercial Bank - Ho Chi Minh Branch with total amount of VND 116.5 billion. As at 31 December 2016, the current portion of long-term loans with these two commercial banks is VND 111.1 billion (interest excluded).

OTHER INFORMATION

On 20 June 2016, the Ministry of Finance issued Circular No. 86/2016/TT-BTC guiding some contents relating to the provision for environmental risks and damage compensation as regulated in the Government’s Decree No. 19/2015/ND-CP dated 14 February 2015 detailing the implementation of the Law on Environmental Protection. Pursuant to this Circular, entities that carry out production, business and service activities related to petroleum activities including exploration, development and exploitation of oilfields, including activities directly serving these activities shall set aside provisions for environmental risks and damage compensation. According to Official Letter No. 5598/BTNMT-TCMT dated 28 November 2016 by the Ministry of Natural Resources and Environment responding Official Letter No. 2308/KVN-ATMT-PC&HDK dated 24 October 2016 of the Corporation on guidance for implementation of Circular 86/2016/TT-BTC, the Ministry of Natural Resources and Environment shall collaborate with Ministry of Finance and other relating authorities to obtain the list of entities which is obliged to set aside provisions for environmental risks and damage compensation. On issuance date of these separate financial statements, the Corporation has not received further instruction from the component authorities, therefore, the Corporation has not determined and made provision for environmental risks and damage compensation.

SUBSEQUENT EVENTS

On 03 January 2017, Board of Directors has issued Resolution No. 01/KVN-NQ on acceptance of transferring the land use right of the Corporation which was granted Certificate of land use right by the People’s Committee of Ba Ria Vung Tau Province to CNG Vietnam Joint Stock Company with the transferred value not lower than the valued value mentioned in Certificate of Valuation dated 13 October 2016 issued by Phuong Nam Valuation and Consultant Company Limited.

On 12 February 2017, the Corporate and PetroVietnam Exploration Production Corporation (PVEP) signed the “Agreement on principle for Su Tu Trang Field - Phase 2 of the Petroleum Contract Block 15-1 Cuu Long Basin, Vietnam continental shelf”. Accordingly, through PVEP, the Corporation will hold 25% stake in Su Tu Trang Field Development Project-Phrase 2, whose total estimated capital is USD 500 million.


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Dang Thi Hong Yen
Preparer

22 March 2017


Vu Trong Hai Chief Accountant

Pham Dang Nam
Vice President





PETROVIETNAM GAS CORPORATION



PV GAS Tower
673 Nguyen Huu Tho,
Phuoc Kien commune, Nha Be district, Ho Chi Minh city



www.pvgas.com.vn



(84.8) 3 7816 777



(84.8) 3 7815 666

