

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

(Incorporated in the Socialist Republic of Vietnam)

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

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STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of the Holding Company - PetroVietnam Gas Corporation (“the Company”) presents this report together with the Company’s audited financial statements for the year ended 31 December 2007.

BOARD OF DIRECTORS

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

Mr. Do Khang Ninh	General Director (appointed as Chairman of Members’ Council on 16 April 2008)
Mr. Tran Van Vinh	Deputy General Director (appointed on 16 April 2008)
Mr. Nguyen Trung Dan	Deputy General Director
Mr. Nguyen Tan Yen	Deputy General Director
Ms. Nguyen Thi Lan	Deputy General Director (appointed on 18 July 2007)
Mr. Bui Minh Tien	Deputy General Director (appointed on 18 July 2007)
Mr. Nguyen Xuan Hoa	Deputy General Director (appointed on 18 July 2007)
Mr. Tran Hung Hien	Deputy General Director (appointed on 9 August 2007)
Mr. Pham Hong Linh	Deputy General Director (appointed on 1 September 2007)
Mr. Phan Dinh Duc	Deputy General Director (resigned on 18 July 2007)
Mr. Do Van Lien	Deputy General Director (resigned on 18 July 2007)

BOARD OF DIRECTORS’ STATEMENT OF RESPONSIBILITY

The Board of Directors of the Company is responsible for preparing the financial statements, which give a true and fair view of the financial position of the Company as at 31 December 2007 and of its results and cash flows for the year then ended. In preparing these financial statements, the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the financial statements so as to minimize errors and frauds.

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

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

For and on behalf of the Board of Directors,

Tran Van Vinh
Deputy General Director

Ho Chi Minh City, 12 May 2008

AUDITORS' REPORT

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

We have audited the accompanying balance sheet of the Holding Company - PetroVietnam Gas Corporation ("the Company") as at 31 December 2007, and the related statements of income and cash flows for the year then ended. The accompanying financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

Respective Responsibilities of the Board of Directors and Auditors

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

Basis of Opinion

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

Limitations of audit scope

As at 31 December 2007, the Company offset inter-company liabilities against construction in progress with the amount of VND 2,429,203,357,867, including the construction works' value that had been finalized, and transferred to tangible fixed assets but the investment value had not been written off with the amount of VND1,393,418,303,748 since the investment funds were not specified to record increase in the paid-in capital in accordance with the decisions on finalisation approval and the inter-company balances were not reconciled with Vietnam Oil and Gas Group (of which VND 267,500,224,078 is relating to the pipeline project to provide 2 million m³ of gas per day, VND 51,132,707,999 relating to the pipeline project to provide 3 million m³ of gas per day and VND 1,074,869,360,391 relating to the LPG factory project). We, therefore, do not express our opinion on the investment funds as well as related liabilities which should be recorded in the financial statements of the Company and any effect thereof on other items presented in the financial statements.

As presented in Note 6 of the Notes to the financial statements, in 2006, the Company recorded profit of VND 340.9 billion distributed from the joint venture with PetroVietnam Processing and Distribution Company (PVPDC) for finished gasoline processing and trading activity for the period from 2003 to 2006. The profit recorded in the income statement of 2007 was VND 78.3 billion. We do not express our opinion on this income and any effect thereof on other items presented in the financial statements.

As presented in Note 10 of the Notes to the financial statements, the Company recorded the capital contributed to purchase VietGas and Cuu Long oil vessels, jointly controlled assets under the business co-operation contract with Petroleum Technical Services Company, in the item "Investments in associates, joint ventures" in the balance sheet as at 31 December 2007 with the amount of VND 11,250,067,517. The Company had not recorded its share of revenue and expenses incurred from sales of merchandise and services of the joint venture in the income statement. In accordance with Circular No. 23/2005/TT-BTC dated 30 March 2005 guiding the implementation of Vietnamese Accounting Standard No.08 – Financial Reporting of Interest in Joint Ventures, venturers have to maintain accounting books to record and present their share of jointly controlled assets, liabilities, revenue and expenses from sales of merchandise and services of the joint venture in their financial statements. Therefore, we do not express our opinion on the recording of this capital contribution, the operation results of the joint ventures, and any effect thereof on other items presented in the financial statements.

Opinion

In our opinion, except for the necessary adjustments that might have been made related to the limitations mentioned in the preceding paragraphs, the accompanying financial statements give a true and fair view of, in all material respects, the financial position of the Company as at 31 December 2007 and the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam.

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

As presented in Note 3 of the Notes to the financial statements, revenue from Nam Con Son gas sales and pipeline transportation service are recognized when VAT invoices are issued in accordance with Official Letter No. 5110-TC/TCT dated 16 May 2003 promulgated by the Ministry of Finance. Accordingly, revenue and cost of sales of Nam Con Son gas sales and pipeline transportation service incurred in November and December 2007 are recorded in 2008 with the respective amounts of VND1,656 billion and VND 1,332 billion (VND 1,908 billion and VND 1,449 billion in 2006). The deduction of VND 159 billion from gas transportation's revenue in 2007 is recorded in the income statement of 2008.

As presented in Note 17 of the Notes to the financial statements, the Company's profit after tax of 2007 after appropriation to investment and development funds, financial reserve funds and bonus and welfare funds as regulated in Circular No. 24/2007/TT-BTC dated 27 March 2007 by the Ministry of Finance providing financial regulation guidelines for state-owned one-member limited liability companies, political organizations, socio-political institutions and Corporation's financial management regulations is VND 2,587,148,949,088. At the date of this report, there had been no official decision from Vietnam Oil and Gas Group with regard to distribution of this profit and the Company temporarily recorded an amount of VND 1,774,823,147,122 as payable to Vietnam Oil and Gas Group; the remaining is presented in the "retained earnings" item.

As presented in Note 20 of the Notes to the financial statements, on 22 February 2008, the Government Office issued Announcement No. 37/TB-VPCP on the Prime Minister's conclusion on Bach Ho Oilfield royalty tax. Accordingly, in 2007, the Company has not yet been subject to the royalty tax regulated in Decision No. 83/2007/QD/BTC dated 16 October 2007 of the Ministry of Finance and still applies the 2006's method of subtracting 90% of the profit after tax from Bach Ho Oilfield gas trading activity. The Company, however, had not received any official decision thereon from relevant authorities, so the Company did not record the related payable in the financial statements for the year ended 31 December 2007.

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

Pham Hoai Nam
Deputy General Director
CPA Certificate No. D.0042/KTV

Tran Huy Cong
Auditor
CPA Certificate No. 0891/KTV

For and on behalf of
DELOITTE VIETNAM COMPANY LIMITED

Hanoi, 12 May 2008

BALANCE SHEET
As at 31 December 2007

FORM B 01-DN
Unit: VND

ASSETS	Codes	Notes	31/12/2007	31/12/2006
A. CURRENT ASSETS	100		5.700.994.347.465	5.618.626.287.651
(100=110+120+130+140+150)				
I. Cash	110		3.556.187.860.612	1.907.659.336.810
1. Cash	111	4	3.556.187.860.612	1.907.659.336.810
II. Short-term financial investments	120		205.000.000.000	105.000.000.000
1. Short-term investments	121	5	205.000.000.000	105.000.000.000
III. Short-term receivables	130		1.549.402.368.518	3.333.897.405.781
1. Trade accounts receivable	131		1.274.199.891.452	682.056.338.621
2. Advances to suppliers	132		82.978.308.389	81.436.072.946
3. Inter-company receivables	133		(46.200)	2.182.423.040.073
4. Other receivables	135	6	193.847.360.524	389.562.806.942
5. Provision for doubtful debts	139		(1.623.145.647)	(1.580.852.801)
IV. Inventories	140	7	198.682.929.037	177.883.865.971
1. Inventories	141		205.147.837.168	178.479.496.408
2. Provision for devaluation of inventories	149		(6.464.908.131)	(595.630.437)
V. Other short-term assets	150		191.721.189.298	94.185.679.089
1. Short-term prepayments	151		61.216.934.054	67.741.048.889
2. VAT deductibles	152		109.176.241.385	12.408.325.327
3. Other short-term assets	158		21.328.013.859	14.036.304.873
B. NON-CURRENT ASSETS	200		8.819.049.309.030	3.820.287.087.210
(200=220+250+260)				
I. Fixed assets	220		8.057.201.994.316	3.693.279.684.535
1. Tangible fixed assets	221	12	6.958.088.356.074	3.328.133.552.419
- Cost	222		13.651.900.569.306	9.349.146.612.868
- Accumulated depreciation	223		(6.693.812.213.232)	(6.021.013.060.449)
2. Intangible fixed assets	227		201.132.949	182.690.744
- Cost	228		2.579.953.932	2.532.429.532
- Accumulated amortization	229		(2.378.820.983)	(2.349.738.788)
3. Construction in progress	230	8	1.098.912.505.293	364.963.441.372
II. Long-term financial investments	250		748.625.990.678	125.000.705.893
1. Investment in subsidiaries	251	9	249.778.506.851	51.577.906.851
2. Investments in associates, joint ventures	252	10	105.969.877.517	18.080.492.732
3. Other long-term investments	258	11	392.877.606.310	55.342.306.310
III. Other non-current assets	260		13.221.324.036	2.006.696.782
1. Long-term prepayments	261		13.205.376.861	2.006.696.782
2. Other non-current assets	268		15.947.175	-
TOTAL ASSETS (270=100+200)	270		14.520.043.656.495	9.438.913.374.861

The notes set out on pages 9 to 24 are an integral part of these financial statements

BALANCE SHEET (Continued)
As at 31 December 2007

FORM B 01-DN
Unit: VND

RESOURCES	Codes	Notes	31/12/2007	31/12/2006
A. LIABILITIES (300=310+330)	300		8.038.976.969.080	4.152.117.156.012
I. Current liabilities	310		6.096.770.093.631	2.736.658.373.327
1. Short-term loans and liabilities	311	13	319.916.139.651	405.170.128.763
2. Trade accounts payable	312		88.851.374.780	318.279.243.067
3. Advances from customers	313		374.949.422.132	906.119.953.709
4. Taxes and amounts payable to State budget	314	14	402.256.861.691	213.004.730.504
5. Payables to employees	315		25.037.009.139	15.265.322.487
6. Accrued expenses	316		70.117.123.776	53.236.281.678
7. Inter-company payables	317		379.728.876.707	778.608.718.030
8. Other current payables	319		4.435.913.285.755	46.973.995.089
II. Long-term liabilities	330		1.942.206.875.449	1.415.458.782.685
1. Other long-term payables	333	15	-	-
2. Long-term loans and liabilities	334	16	1.923.924.226.682	1.397.653.068.206
3. Provision for severance allowance	336		18.282.648.767	17.805.714.479
B. EQUITY (400=410+430)	400		6.481.066.687.415	5.286.796.218.849
I. Owner's equity	410		6.459.058.567.358	5.277.307.055.491
1. Owner's capital	411	17	801.123.076.319	426.783.248.123
2. Assets revaluation reserve	415		-	(6.998.444.458)
3. Foreign exchange reserve	416		13.318.546.133	17.405.595.127
4. Investment and development funds	417	17	1.534.114.901.445	1.966.919.578.578
5. Financial reserve funds	418	17	1.052.292.467.687	637.382.275.732
6. Retained earnings	420	17	812.325.801.965	-
7. Construction funds	421		2.245.883.773.809	2.235.814.802.389
II. Other resources and funds	430		22.008.120.057	9.489.163.358
1. Bonus and welfare funds	431		18.419.092.490	9.542.461.298
2. Funds	432		-	(1.115.416.185)
3. Funds for fixed assets acquisition	433		3.589.027.567	1.062.118.245
TOTAL RESOURCES (440=300+400)	440		14.520.043.656.495	9.438.913.374.861

Ho Chi Minh City, 12 May 2008

Preparer

Chief Accountant

Deputy General Director

Dang Thi Hong Yen

Mai Huu Ngan

Tran Van Vinh

The notes set out on pages 9 to 24 are an integral part of these financial statements

INCOME STATEMENT
For the year ended 31 December 2007

FORM B 02-DN
 Unit: VND

ITEMS	Codes	Notes	2007	2006
1. Gross sales	01	18	17.012.055.459.351	14.666.082.431.624
2. Less deductions	02		24.300.352.539	26.635.426.234
3. Net sales (10=01-02)	10		16.987.755.106.812	14.639.447.005.390
4. Cost of sales	11		11.434.828.967.527	9.455.865.680.443
5. Gross profit from sales	20		5.552.926.139.285	5.183.581.324.947
6. Financial income	21	19	292.102.004.684	291.792.523.844
7. Financial expenses	22		123.414.124.874	152.689.829.961
- Including: Interest expense	23		2.866.997.433	2.410.034.680
8. Selling expenses	24		119.077.501.615	180.334.628.609
9. General and administration expenses	25		172.398.545.145	104.055.719.993
10. Operating profit (30=20+(21-22)-(24+25))	30		5.430.137.972.335	5.038.293.670.228
11. Other income	31		1.330.739.944	22.985.166.317
12. Other expenses	32		1.067.290.665	1.192.952.235
13. Profit from other activities (40=31-32)	40		263.449.279	21.792.214.082
14. Accounting profit before tax (50=30+40)	50		5.430.401.421.614	5.060.085.884.310
15. Current tax expense	51		1.280.872.083.954	1.156.483.217.276
16. Net profit after tax (60=50-51)	60		4.149.529.337.660	3.903.602.667.034

Ho Chi Minh City, 12 May 2008

Preparer

Chief Accountant

Deputy General Director

Dang Thi Hong Yen

Mai Huu Ngan

Tran Van Vinh

CASH FLOW STATEMENT
For the year ended 31 December 2007

FORM B 03-DN
Unit: VND

ITEMS	Codes	2007	2006
I. CASH FLOWS FROM OPERATING ACTIVITIES			
<i>1. Profit before tax</i>	<i>01</i>	<i>5,430,401,421,614</i>	<i>5,060,085,884,310</i>
<i>2. Adjustments for:</i>			
Depreciation and amortization	02	688,736,123,965	535,969,816,232
Provisions	03	5,911,570,540	-
Unrealized foreign exchange difference	04	3,884,675	25,197,079,312
Gain from investing activities	05	(285,103,560,226)	(285,343,591,934)
Interest expense	06	108,997,646,988	126,807,868,005
<i>3. Operating profit before movements in working capital</i>	<i>08</i>	<i>5,948,947,087,556</i>	<i>5,462,717,055,925</i>
Decrease/(Increase) in receivables	09	1,658,809,602,503	(1,828,488,233,952)
(Increase)/Decrease in inventories	10	(26,668,340,760)	11,747,003,372
(Decrease) in accounts payable (not including accrued interest and business income tax payable)	11	(3,983,764,550,043)	(411,427,800,149)
(Increase)/ Decrease in prepaid expenses and other short-term assets	12	(108,750,137,463)	135,462,576,323
Interest paid	13	(108,997,646,988)	(121,692,272,632)
Corporate income tax paid	14	(1,108,595,322,015)	(1,253,482,214,031)
Other cash inflows	15	8,059,710,763	2,651,032,654
Other cash outflows	16	(25,968,339,798)	(1,630,606,920,613)
<i>Net cash from operating activities</i>	<i>20</i>	<i>2,253,072,063,755</i>	<i>366,880,226,897</i>
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition of fixed assets and other long-term assets	21	(1,027,491,474,128)	(143,809,783,521)
2. Cash outflow for lending and buying debt instruments of other companies	23	(100,000,000,000)	(10,000,000,000)
3. Cash recovered from lending and selling debt instruments of other companies	24	-	306,830,425,214
4. Investments in other entities	25	(422,420,500,000)	-
5. Cash recovered from investments in other entities	26	16,730,125,215	-
6. Interest earned, dividends and profit received	27	292,102,004,684	285,343,591,934
<i>Net cash from/(used in) investing activities</i>	<i>30</i>	<i>(1,241,079,844,229)</i>	<i>438,364,233,627</i>
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from issuing stocks, receiving capital from owners	31	196,629,690,997	310,392,301,345
2. Capital withdrawals, buying treasury shares	32	-	(109,961,510,337)
3. Proceeds from borrowings	33	844,012,934,641	60,488,072,374
4. Repayments of borrowings	34	(404,106,321,362)	(480,863,400,511)
<i>Net cash from/(used in) financing activities</i>	<i>40</i>	<i>636,536,304,276</i>	<i>(219,944,537,129)</i>
Net increase in cash	50	1,648,528,523,802	585,299,923,395
Cash at the beginning of the year	60	1,907,659,336,810	1,322,359,413,415
Cash at the end of the year	70	3,556,187,860,612	1,907,659,336,810

Ho Chi Minh City, 12 May 2008

Preparer

Chief Accountant

Deputy General Director

Dang Thi Hong Yen

Mai Huu Ngan

Tran Van Vinh

The notes set out on pages 9 to 24 are an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FORM B 09-DN

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

1. GENERAL INFORMATION

Structure of ownership

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

The number of employees of the Company as at 31 December 2007 was 1,232 (2006: 907).

Operating industry and principal activities

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

2. ACCOUNTING CONVENTION AND ACCOUNTING PERIOD

Accounting convention

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

Accounting period

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

The preparation of financial statements in conformity with Vietnamese Accounting Standards, Vietnamese Accounting System and prevailing accounting regulations in Vietnam requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Actual results could differ from those estimates.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FORM B 09-DN

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Short-term financial investments

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

Provision for doubtful debts

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

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs comprise direct materials and where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations, which allow provisions to be made for obsolete, damaged, or sub-standard inventories which have a book value higher than net realizable value as at the balance sheet date.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of purchased tangible fixed assets comprises its purchase price and any directly attributable costs of bringing the assets to its working condition and location for its intended use.

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

	<u>Year</u>
Gas works	5 - 10
Buildings, structures	4 - 15
Machinery, equipment	3 - 7
Motor vehicles	2 - 7
Office equipment	3 - 5
Other fixed assets	3 - 7

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FORM B 09-DN

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Construction in progress

Properties in the course of construction for production, rental or administrative purposes, or for the purposes not yet determined, are carried at cost. Cost includes professional fees, and for qualifying assets, borrowing costs dealt with in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Long-term financial investments

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

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

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

The Company recorded the capital contributed to purchase VietGas and Cuu Long oil vessels, a jointly controlled asset under the business cooperation contracts with Petroleum Technical Services Company (PTSC) in the item "Investments in associates, joint ventures" in the balance sheet. At the same time, the Company had not recorded its share of revenue and expenses incurred from sales of merchandise and services of the joint venture in the income statement.

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

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Interests in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Company's share of the net assets of the associate. Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are not recognised.

Other long-term investments including investments in education bonds, government bonds, oil and gas bonds, stocks and other long-term investments are stated at cost (if any).

Foreign currencies

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. Foreign exchange differences arising from these transactions are recognized in the income statement.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

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

Revenue recognition

Revenue is recognized when the outcome of such transactions can be measured reliably and it is probable that the economic benefits associated with the transactions will flow to the Company. Sales of goods are recognized when goods are delivered and title has passed.

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

In accordance with Circular No.5110-TC/TCT dated 16 May 2003 issued by the Ministry of Finance, the Company defined revenue from gas sales to Vietnam Electricity and from gas transportation services rendered to the owner of Block 06.1 when value added tax invoices are issued. Therefore, revenue and cost of sales of 2007 from the above activities include the amounts incurred from December 2006 to October 2007. Revenue and cost of sales of Nam Con Son gas sales and pipeline transportation activity arising in November and December of 2007 are recorded in 2008 with the respective amounts of VND1,656 billion and VND 1,332 billion (VND 1,908 billion and VND 1,449 billion respectively in 2006). The deduction of VND 159 billion from gas transportation's revenue in 2007 is recorded in the income statement of 2008.

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

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets.

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

Taxation

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

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (continued)

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

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

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

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

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

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

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

As at 31 December 2007, the Company did not record deferred tax because temporary difference between carrying amounts of assets and liabilities in the balance sheet and the corresponding tax bases was immaterial.

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

4. CASH

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5. SHORT-TERM INVESTMENTS

	31/12/2007	31/12/2006
	VND	VND
Time deposits due within 12 months	5,000,000,000	5,000,000,000
Capital management trust at PVFC	200,000,000,000	100,000,000,000
	205,000,000,000	105,000,000,000

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

6. OTHER RECEIVABLES

	31/12/2007	31/12/2006
	VND	VND
PVPDC (*)	120,304,713,332	329,758,373,797
Petro Vietnam Low Pressure Gas Distribution Joint Stock Company	32,427,346,193	-
Interest from capital management trust contract – PVFC	10,842,474,639	4,699,975,836
Other receivables	8,988,058,125	3,110,483,520
Thang Long LPG Company Limited	8,301,398,674	8,301,398,674
Joint-ventures of 2 LPG oil vessels	6,767,234,989	19,691,894,298
Expenses incurred from Tan Thanh Petro buildin Gas project enterprise	5,443,457,593 772,676,979	5,443,457,593 965,625,199
Bank for Foreign Trade of Vietnam	-	10,000,000,000
Nhon Trach power management board	-	7,591,598,025
	193,847,360,524	389,562,806,942

(*) Represent the value of condensate which the Company transferred to PetroVietnam Processing and Distribution Company (PVPDC) in accordance with the contract signed between the 2 parties on the establishment of a joint venture to produce and trade finished gasoline processed from Condensate with the unit price of USD 184/MT which is in accordance with Decision No. 544/QD-DKVN dated 25 January 2007 issued by Vietnam Oil and Gas Group.

In 2006, the Company recorded profit distributed from operation results for the period from 2003 to 2006 with the amount of VND 340.9 billion. The profit recorded in the income statement of 2007 was VND 78.3 billion.

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7. INVENTORIES

	31/12/2007	31/12/2006
	VND	VND
Goods in transit	1,945,799,867	2,428,894,785
Raw materials	170,172,996,292	155,600,524,443
Tools and supplies	2,434,070,278	2,357,965,495
Work in progress	1,018,960,176	1,571,527,553
Finished goods	10,147,066,527	8,572,985,197
Merchandise	17,518,615,170	23,048,864
Goods on consignment	1,910,328,858	7,924,550,071
	205,147,837,168	178,479,496,408
Provision for devaluation of inventories	(6,464,908,131)	(595,630,437)
Net realisable value	198,682,929,037	177,883,865,971

8. CONSTRUCTION IN PROGRESS

	2007	2006
	VND	VND
As at 1 January	3.712.082.711.969	3.520.330.857.787
Increase from purchasing	1.009.660.620.591	233.934.475.236
Increase from transferring	19.088.470.523	-
Other increases	1.594.726.771	-
Completed and transferred to fixed assets	(1.527.623.264)	(13.907.757.958)
Transferred to the southern enterprise	-	(24.948.223.180)
Allocated to expenses during the year	(10.252.911.876)	(3.326.639.916)
Decrease due to finalisation	(985.956.361.482)	-
Decrease due to adjustment of the value of Nam Con Son gas pipeline project	(202.036.919.547)	-
Other decreases	(14.536.850.525)	-
As at 12 December (before offsetting)	3.528.115.863.160	3.712.082.711.969
Offset against temporarily allocated resources on preparing financial statements	(2.429.203.357.867)	(3.347.119.270.597)
As at 31 December	1.098.912.505.293	364.963.441.372

9. INVESTMENTS IN SUBSIDIARIES

The Company's subsidiaries are as follows:

	31/12/2007	31/12/2006
	VND	VND
PetroVietnam Southern Gas Joint Stock Company	118.699.000.000	-
PetroVietnam Northern Gas Joint Stock Company	99.235.910.000	-
Vietnam LPG Co., Ltd.	31.843.596.851	31.843.596.851
Thang Long LPG Co., Ltd.	-	19.734.310.000
	249.778.506.851	51.577.906.851

9. INVESTMENTS IN SUBSIDIARIES (Continued)

Details of the Company's subsidiaries as at 31 December 2007 are as follows:

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Name of subsidiary	Place of incorporation and operation	Proportion of ownership interest (%)	Principal activity
PetroVietnam Southern Gas Joint Stock Company	Vietnam	79%	LPG Distribution
PetroVietnam Northern Gas Joint Stock Company	Vietnam	74%	LPG Distribution
Vietnam LPG Co., Ltd.	Vietnam	55%	LPG Distribution

10. INVESTMENTS IN ASSOCIATES, JOINT VENTURES

Details of the Company's joint-ventures as at 31 December 2007 are as follows:

	31/12/2007	31/12/2006
	VND	VND
Business Cooperation Contract-Purchasing VietGas Oil Vessel (*)	5,247,937,057	5,247,937,057
Business Cooperation Contract - Purchasing Cuu Long Oil Vessel (**)	6,002,130,460	12,832,555,675
Thang Long LPG Co., Ltd.	19,734,310,000	-
Hoa Cam Industrial Zone Investment Joint Stock Company	15,585,500,000	-
PetroVietnam Low Pressure Gas Distribution Joint Stock Company	59,400,000,000	-
	105,969,877,517	18,080,492,732

(*) Business Cooperation Contract with Petroleum Technical Services Company at the capital contribution rate of 50% with the amount of USD 875,000 and VND 1,984,024,640 to purchase VietGas oil vessel in the trading period of 15 years under Approval Decision No. 1004/QD-HDQT dated 20 March 2000 by Board of Management of Vietnam Oil and Gas Group.

(**) Business Cooperation Contract with Petroleum Technical Services Company at the capital contribution rate of 50% with the amount of USD 2,990,000 to purchase Cuu Long oil vessel in the trading period of 15 years under Approval Decision No. 3850/QD-HDQT dated 04 September 2001 by the Board of Management of Vietnam Oil and Gas Group.

The Company has not recognized distributed revenue and expenses incurred from sales of merchandise and services of the business cooperation contract in the income statement. The Company has temporarily recognized results of the business cooperation from 2000 to 2006 with the amount of VND2,785,920,116 in the income statement in 2006. In 2007, the Company has not yet recognized the results of this joint venture.

Details of the Company's associates as at 31 December 2007 are as follows:

Name of associates	Place of incorporation and operation	Proportion of voting power held (%)	Principal activity
Thang Long LPG Co., Ltd.	Vietnam	35%	LPG distribution
Hoa Cam Industrial Zone Investment Joint Stock Company	Vietnam	35%	Infrastructure lease
PetroVietnam Low Pressure Gas Distribution Joint Stock Company	Vietnam	50%	Low pressure gas distribution

11. OTHER LONG-TERM INVESTMENTS

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	31/12/2007	31/12/2006
	VND	VND
Investments in shares (i)	360,575,000,000	24,899,700,000
Investments in bonds	25,588,000,000	25,588,000,000
Other long-term investments	6,714,606,310	4,854,606,310
	392,877,606,310	55,342,306,310

- (i) Investments in shares represent an investment in Southeast Asia Commercial Joint Stock Bank. Because these shares have transfer restriction within 5 years, the Company did not make provision for diminution in value of this investment at balance sheet date.

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12. TANGIBLE FIXED ASSETS

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12. TANGIBLE FIXED ASSETS (continued)

As at 31 December 2007, the cost of tangible fixed assets includes fully depreciated assets which are still in use with the amount of VND 3,596,914,626,614 (2006: VND 3,596,381,565,519).

As at 31 December 2007, the carrying amount includes VND 3,663,416,522 (2006: VND 7,435,659,494) of fixed assets waiting for disposals.

(*) Increase from handover presents the value of the work “PM3 Ca Mau transportation pipeline” that was handed over by Ca Mau Gas-Electricity-Fertilizer Project Management Board and temporarily recognized as an increase based on the estimated amount of VND 4,366,247,027,923.

13. SHORT-TERM LOANS AND LIABILITIES

	31/12/2007	31/12/2006
	VND	VND
Short-term borrowings	48,753,200	34,632,251,167
Current portion of long-term loans (Note 16)	319,867,386,451	370,537,877,596
	319,916,139,651	405,170,128,763

Short-term borrowings represent the short-term credit facility obtained from Bank for Foreign Trade of Vietnam – Vung Tau Branch in the form of letter of credit. This facility can be withdrawn in Vietnam Dong up to a maximum amount of VND 1 billion (USD 6,276,957 equivalent) and become due in March 2008. The short-term loan is unsecured and bears the interest at the rate of VND 12-month saving interest rate and paid in arrears plus 1.8% per annum.

14. TAXES AND AMOUNTS PAYABLE TO THE STATE BUDGET

	31/12/2007	31/12/2006
	VND	VND
Value Added Tax	165,839,063,719	1,997,462,117
Import/export duties	-	5,130,302,431
Corporate income tax	207,252,405,534	38,059,332,261
Others taxes	1,812,066,281	5,351,039,726
Wet gas royalty tax	26,925,908,044	38,510,260,381
Other payables	427,418,113	123,956,333,588
	402,256,861,691	213,004,730,504

15. OTHER LONG-TERM PAYABLES

Other long-term payables represent the capital sources of the construction works that have been finished, put into use and whose value has been temporarily recorded added to the cost of the fixed assets but the finalized amount has not been approved to increase the equity of the Company.

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16. LONG-TERM LOANS AND LIABILITIES

	31/12/2007	31/12/2006
	VND	VND
Vietcombank - Vung Tau Branch (1)	653,451,543,028	859,854,430,156
Bank for Investment and Development of Vietnam (BIDV) - Vung Tau Branch (2)	14,211,526,676	81,306,612,158
European Investment Bank (3)	724,027,352,336	809,668,809,179
Incombank - Hoan Kiem Branch	-	1,423,471,330
PVFC (4)	503,886,239,714	15,937,622,979
Southeast Asia Commercial Joint Stock Bank (SeABank) - Ho Chi Minh Branch (5)	215,673,447,716	-
Techcombank (6)	132,541,503,663	-
Total	2,243,791,613,133	1,768,190,945,802
Deduct: Current portion of long-term loans	(319,867,386,451)	(370,537,877,596)
Long-term loans	1,923,924,226,682	1,397,653,068,206

Long-term loans are repayable as follows:

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- (1) Loans from Vietcombank – Vung Tau Branch includes loans with the balances of USD 37,100,000, USD 3,321,325.09, VND 2,102,310,527 as at 31 December 2007 and at the six-month Libor interest rate plus 1.85% per annum, six-month Sibor interest rate plus 1.5% per annum, and basic rate plus 0.25% per month, respectively. These loans have durations of 6.5 to 10 years; the principal and interest are paid on a quarterly basis from the first withdrawal. The loans are to finance construction investment projects. The loans are secured by the Ministry of Finance and Vietnam Oil and Gas Group.
- (2) Loan from BIDV – Vung Tau Branch with the balance of VND 14,211,526,676 as at 31 December 2007 and at the interest rate of 5.4% per annum. This loan has duration of 9 years and is used for investment in Thi Vai LPG dispatching port pipeline-storage tank project. The principal and interest are paid on a quarterly basis from the first withdrawal.
- (3) Loan from European Investment Bank with the balance of USD 44,931,572.07 as at 31 December 2007 at the interest rate of 4.45% per annum on the outstanding balance. This loan has duration of 10 years and is used for investment in Nam Con Son project. The principal and interest are paid every six months under the payment schedule from June 2004. This loan is secured by the Ministry of Finance.
- (4) Loans from PVFC includes loans with the balances of VND 6,936,613,016, USD 74,494.02, VND 220,597,092, USD 22,863,151 and VND 127,111,817,755 as at 31 December 2007 and at the basic rate plus 0.15% per month, six-month Sibor interest rate plus 1.3% per annum, average twelve-month saving interest rate plus 0.15% per month, average twelve-month saving interest rate in VND with interest paid in arrears of 4 commercial banks in Ba Ria-Vung Tau plus 3.4% per annum and six-month Sibor interest rate plus 1.65% per annum, respectively. These loans have durations of 4 to 7 years and are to finance construction investment project. The principal and interest are paid on a quarterly basis from the first withdrawal. The loans are secured by Vietnam Oil and Gas Group.

16. LONG-TERM LOANS AND LIABILITIES (Continued)

- (5) Loans under trust from SeABank include two loans with the balances of USD 6,000,000 and VND 119,343,447,716 as at 31 December 2007 and at the six-month Sibor interest rate plus 1.95% per annum and 11.4% per annum, respectively. These loans have duration of 7 years and are to finance construction investment projects. The principal and interest are paid every six months after 24 month grace period starting from the first withdrawal.

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- (6) Loan under trust from Vietnam Technological and Commercial Joint Stock Bank (Techcombank) with the balance of USD 8,225,239.15 and at the six-month Sibor interest rate plus 1.65% per annum. The loan has duration of 7 years and are used for investment in Phu My – Hochiminh City Gas Pipeline Project. The principal and interest are paid every six months after 24 month grace period starting from the first withdrawal.

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17. OWNER'S EQUITY

	Legal capital	Construction Investment funds	Investment and development funds	Financial reserve funds	Bonus and welfare funds	Foreign exchange Reserve	Retained Earnings	Total
	VND	VND	VND	VND	VND	VND	VND	VND
As at 1/1/2007	426,783,248,123	2,235,814,802,389	1,966,919,578,578	637,382,275,732	9,542,461,298	17,405,595,127	-	5,293,847,961,247
Increases	375,064,019,448	192,987,365,490	1,120,257,518,278	414,910,191,955	34,844,970,990	4,111,382,099	4,149,529,337,660	6,291,704,785,920
Contribution from PetroVietnam	218,622,591,000	192,987,365,490	-	-	-	-	-	411,609,956,490
Profit for the year	-	-	-	-	-	-	4,149,529,337,660	4,149,529,337,660
Profit distribution	-	-	1,120,257,518,278	414,910,191,955	26,785,260,227	-	-	1,561,952,970,460
Asset acquisition financed by Investment and development funds	95,674,345,943	-	-	-	-	-	-	95,674,345,943
Asset acquisition financed by Construction funds	60,767,082,505	-	-	-	-	-	-	60,767,082,505
Safety bonus charged to expense	-	-	-	-	7,355,328,662	-	-	7,355,328,662
Adjustments and others	-	-	-	-	704,382,101	4,111,382,099	-	4,815,764,200
Decreases	36,510,252	182,918,394,070	1,553,062,195,411	-	25,968,339,798	8,198,431,093	3,337,203,535,695	5,107,387,406,319
Distribution to PetroVietnam (*)	-	-	-	-	-	-	1,774,823,147,122	1,774,823,147,122
Fixed assets acquisition	-	60,767,082,505	95,674,345,943	-	-	-	-	156,441,428,448
Profit distribution	-	-	-	-	-	-	1,561,952,970,460	1,561,952,970,460
Disbursements out of funds	-	-	-	-	25,968,339,798	-	-	25,968,339,798
Adjustments and others	36,510,252	122,151,311,565	1,457,387,849,468	-	-	8,198,431,093	427,418,113	1,588,201,520,491
As at 31/12/2007	801,810,757,319	2,245,883,773,809	1,534,114,901,445	1,052,292,467,687	18,419,092,490	13,318,546,133	812,325,801,965	6,478,165,340,848

(*) Profit after tax of 2007 of the Company after appropriation to investment and development funds, financial reserve funds and bonus and welfare funds as regulated in Circular No. 24/2007/TT-BTC dated 27 March 2007 by the Ministry of Finance providing financial regulation guidelines for state-owned one-member limited liability companies, political organizations, socio-political institutions and Corporation's financial management regulations is VND 2,587,148,949,088. There had been no official decision from Vietnam Oil and Gas Group with regard to distribution of this profit and the Company temporarily recorded an amount of VND 1,774,823,147,122 as payable to Vietnam Oil and Gas Group; the remaining is presented in the "retained earnings" items.

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18. REVENUES

	2007	2006
	VND	VND
Sales merchandise and services		
Sales of merchandise	15,635,251,817,105	13,425,996,169,698
Sales of services	1,376,803,642,246	1,240,086,261,926
	17,012,055,459,351	14,666,082,431,624

19. FINANCIAL INCOME

	2007	2006
	VND	VND
Deposit and loan interests	191,039,273,923	167,904,855,045
Dividend income and interest from bonds	93,438,510,044	117,414,473,226
Realised foreign exchange gain	1,031,248,540	6,448,931,910
Other financial income	6,592,972,177	24,263,663
	292,102,004,684	291,792,523,844

20. SUBSEQUENT EVENTS

On 22 February 2008, the Government Office issued Announcement No. 37/TB-VPCP on the Prime Minister's conclusion on Bach Ho Oilfield gas royalty tax. Accordingly, in 2007, the Company has not yet been subject to the royalty tax regulated in Decision No. 83/2007/QD/BTC dated 16 October 2007 of the Ministry of Finance and still applies the 2006's method of subtracting 90% of the profit after tax from Bach Ho Oilfield gas trading activity. The Company, however, had not received any official decision thereon from relevant authorities, so the Company did not record the related payable on the financial statements for the year ended 31 December 2007.

21. COMMITMENTS

i) Capital commitments

As at 31 December 2007, the commitments relating to the construction contracts which are in progress are as follows:

	2007	2006
	VND	VND
Phu My - Ho Chi Minh City Gas Pipeline System Project	498,002,506,813	938,937,625,206
"Low-pressure Gas distribution to Phu My - My Xuan - Go Dau industrial zones - second stage" project	82,872,133,131	99,526,175,106
"Thi Vai LPG storage and filling terminal" project	9,105,871,230	32,500,545,744
Black/Yellow lion - Rang Dong Gas Pipeline System project	1,006,342,635,973	-
	1,596,323,147,147	1,070,964,346,056

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

19A Cong Hoa Street, Tan Binh District
Ho Chi Minh City, S.R. Vietnam

Financial statements
For the year ended 31 December 2007

NOTES TO THE FINANCIAL STATEMENTS (Continued)

FORM B 09-DN

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

21. COMMITMENTS (continued)

ii) Other commitments:

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

Purchase commitments:

Nam Con Son gas purchase from gas owners of Block 06.1 under the GSPA dated on 15 December 2000 among BP Exploration Operating Limited Company (on behalf of the gas owners), ONGC Limited Company and Vietnam Oil and Gas Group (represented by PetroVietnam Gas Corporation) within 20 years from 25 April 2003; accordingly, the Company is responsible for purchasing and paying to gas owners for a minimum volume of 2.7 billion m³ (defined in GSPA) from 01 January 2008 to 31 December 2008, until the decrease period defined by the two parties. The gas price was USD 3.19863/1 million BTU as at 01 January 2008; this price will increase by 2% from 01 April 2008.

Nam Con Son Gas purchase from gas owners of Block 11.2 under the GSPA dated on 19 April 2005 between Korea National Oil Company and Vietnam Oil and Gas Group (on behalf of gas owners) and Vietnam Oil and Gas Group (represented by the Company) within 23 years from 23 February 2007; accordingly, the Company is responsible for purchasing and paying to gas owners a minimum volume of 667.61 million m³ (defined in GSPA) from 01 January 2008 to 31 December 2008. The gas price was USD 2.944288 USD/1 million BTU as at 23 February 2007, and will increase to USD 2.964207/1 million BTU from 01 April 2008.

Selling commitments:

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

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

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

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

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

22. COMPARATIVE FIGURES

The comparative figures are those of the financial statements for the year ended 31 December 2006.