

Số: 940 /PVCFC-IR  
V/v công bố Báo cáo thường niên 2016  
bản tiếng Anh.

Cà Mau, ngày 26 tháng 05 năm 2017

**CÔNG BỐ THÔNG TIN TRÊN CÔNG THÔNG TIN ĐIỆN TỬ  
CỦA ỦY BAN CHỨNG KHOÁN NHÀ NƯỚC VÀ SGDCK TP.HCM**

Kính gửi:

- Ủy ban chứng khoán Nhà nước;
- Sở giao dịch chứng khoán TP.HCM.

Tên công ty: **Công ty cổ phần Phân bón Dầu khí Cà Mau**

Mã chứng khoán: **DCM**

Địa chỉ trụ sở chính: Lô D, KCN Phường 1, đường Ngô Quyền, Phường 1, Tp. Cà Mau.

Điện thoại đi động: (0780) 3819 000

Fax: (0780) 3590 501

Người thực hiện công bố thông tin: Ông Trần Mỹ

Địa chỉ: Lô D, KCN Phường 1, đường Ngô Quyền, Phường 1, Tp. Cà Mau.

Loại thông tin công bố:

- ☐ Bất thường (24h)      ☐ Bất thường (72h)      ☐ Bất thường (trước 10 ngày)  
☒ Định kỳ      ☐ Yêu cầu

**Nội dung thông tin công bố:**

Báo cáo thường niên 2016 bản tiếng Anh của Công ty cổ phần Phân bón Dầu khí Cà Mau đã được công bố trên trang thông tin điện tử của Công ty cổ phần Phân bón Dầu khí Cà Mau [www.pvcfc.com.vn](http://www.pvcfc.com.vn), mục Quan hệ cổ đông vào ngày 10/05/2017.

Chúng tôi cam kết các thông tin công bố trên đây là đúng sự thật và hoàn toàn chịu trách nhiệm trước pháp luật về nội dung các thông tin đã được công bố.

**Nơi nhận:**

- Như trên;
- HĐQT-PVCFC (để b/c);
- BKS -PVCFC(để b/c);
- TGD-PVCFC (để b/c);
- Lưu: VT, IR.

**NGƯỜI ĐƯỢC UQCBTT  
ỦY VIÊN HỘI ĐỒNG QUẢN TRỊ**



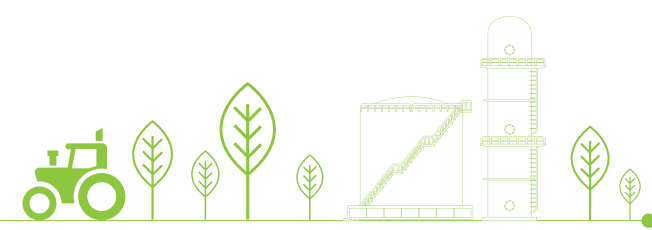
**Trần Mỹ**



# STEADY MIND IN A STEADY POSTURE

## BRAND ENHANCEMENT

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KEY PERFORMANCE

INDICATORS

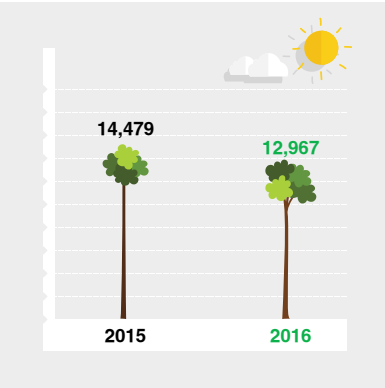
ASSETS AND CAPITAL

(Unit: Billion VND)

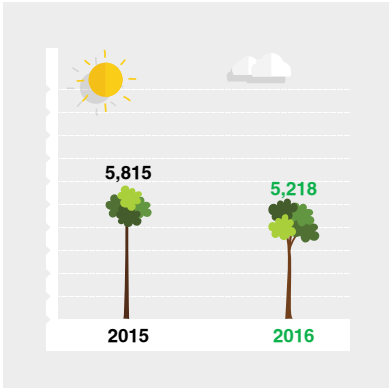
Item	31/12/2015	31/12/2016
<b>Total assets</b>	<b>14,479</b>	<b>12,967</b>
Short-term assets	4,431	4,034
Long-term assets	10,048	8,933
<b>Total equity</b>	<b>14,479</b>	<b>12,967</b>
Account payables	8,246	7,117
Owner’s equity	6,233	5,850
Charter capital	5,294	5,294
<b>Total revenues</b>	<b>5,815</b>	<b>5,218</b>
<b>Total expenses</b>	<b>5,103</b>	<b>4,594</b>
Interest	232	207
EBIT	947	866
<b>Profit before tax</b>	<b>715</b>	<b>659</b>
<b>Profit after tax</b>	<b>712</b>	<b>624</b>
» Profit after tax of minority shareholders	4.3	4.5
» Profit after tax of Parent Company	708	620

FINANCIAL INDICATORS

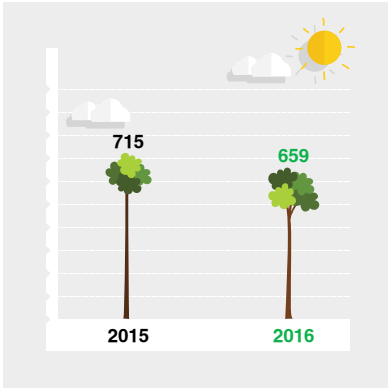
Item	2015	2016
<b>Liquidity ratios</b>		
» Current ratio	1.83	1.59
» Quick ratio	1.67	1.44
<b>Solvency ratios</b>		
» Debt to assets = Total debt/Total assets	57%	55%
» Debt to equity = Total debt/Total equity	132%	122%
<b>Operational capacity ratios</b>		
» Inventory turnover	13.38	9.39
» Total asset turnover = Net revenue/Total assets	39%	35.87%
<b>Profitability ratios</b>		
» Net profit margin = Net profit after tax/Net revenue	12.76%	12.72%
» Profit before tax margin = Profit before tax/Total revenue	12.30%	12.63%
» ROE	12.02%	10.33%
» ROA	5.00%	4.55%



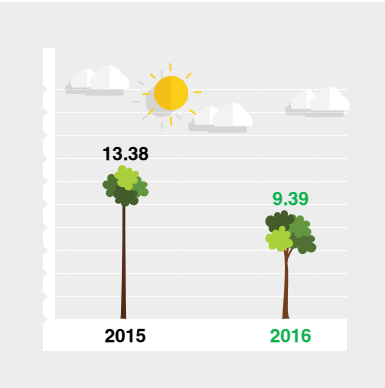
TOTAL ASSETS  
(Billion VND)



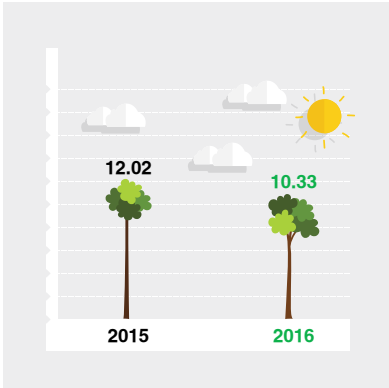
TOTAL REVENUE  
(Billion VND)



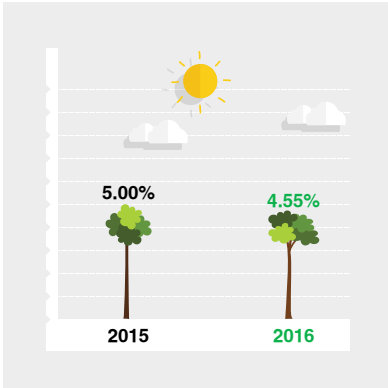
PROFIT BEFORE TAX  
(Billion VND)



INVENTORY TURNOVER



ROE



ROA





To become the leading enterprise in Vietnam and Southeast Asia in manufacturing and trading fertilizers and chemicals serving agriculture, oil and gas industry.



As a manufacturer and supplier of fertilizer based on petrochemical industry to serve agriculture, PVCFC offers nutritional solutions for plants and contributes to changing agriculture towards sustainable development and environmentally friendly practices, which in turn ensures benefits for owners, customers, employees and enterprises.



MISSION



## CORE VALUES

- D**evelop manufacturing business sustainably, invest effectively and selectively.
- E**nsure credibility with customers, being a reliable friend for farmers.
- M**aintain creative and professional working environment, meeting the employee's living needs.
- R**espond and participate actively in social security activities and always closely linked with farmers.

Dedicated  
Friendly

Professional  
Creative

Responsible  
Harmonious







**Dear valuable Shareholders and Investors!**

The March of 2017 came and marked the 6-year development journey of PetroVietnam Ca Mau Fertilizer Joint Stock Company (PVCFC/Ca Mau Fertilizer) with both challenges and achievements. The closed journey will open another new one and we are honored to be with you - the companion that we always give highest respect for - to look back our great milestones during the past year as well as to share feelings and directions for the upcoming journeys.

2016 is really a challenging year of Ca Mau Fertilizer in particular and fertilizer industry in general when we have to continuously face a dozen of negative impacts from climate change as well as fluctuations and fierce competition in the market. However, in spite of difficulties, Ca Mau Fertilizer has made every effort to exceed the planned targets for production and consumption, to be specific, maintaining safe and stable operation of Ca Mau Fertilizer Plant and, especially, successfully increasing capacity up to 110% in early October 2016, continuing to maintain urea conversion volume of more than 800,000 tons, completing distribution network and enhancing Ca Mau Fertilizer brand image and, therefore, ensuring good product consumption and maintaining goods in stock an optimal rate.

Still developing in spite of difficulties, Ca Mau Fertilizer not only affirms its leading position in domestic urea market but also shows effectiveness and demonstrates bravery of a strategic leg in "the tripod" - Ca Mau Gas, Power and Fertilizer project, a modern industrial park, which is increasingly growing in the belief and expectation of the Party, the State, and Vietnam Oil and Gas Group. Always be consistent, persistent, and patient in all circumstances to maintain business operations in the best way, Ca Mau Fertilizer has been affirming its position as the leading entity in making contributions to stabilizing fertilizer market and ensuring national food security according to the policy of the Government. In addition, we cannot forget the moments accompanying the farmers to share and overcome harsh nature by practical and prompt supportive programs on the basis of balancing benefits among farmers, customers, partners, shareholders, and investors.

It can be said that, the most valuable profit Ca Mau Fertilizer gained during the past years is the trust from farmers and shareholders.

The year 2016 also marked a new milestone of Ca Mau Fertilizer when the Company completed its first step in building brand strategy attached to "Nurturer". Mission of

Ca Mau Fertilizer - nutrition solution supplier for plants - can be expressed in one word "Nurturer". Determining this position is not only to identify brand but also to clearly define mission, roles, and responsibilities of Ca Mau Fertilizer and, accordingly, inspiring employees and guiding all activities of all departments to ensure consistency and comprehension in building and developing the Company in the coming journey. This is a part of sustainable development strategies that Ca Mau Fertilizer has always focused during the past 6 years.

In reality, Ca Mau Fertilizer has always shown and implemented the role as a "Nurturer" since its first days of business commencement. Focusing on research and development to create high quality and environmentally friendly products is a clear evidence for this role. Continuing the success of high quality fertilizers N.Humate+Te and N46.Plus, in 2017 and in the coming years, Ca Mau Fertilizer will continue to research and diversify products to bring added values to the farmers, partially contributing to building a prosperous life and constructing a "green, clean" and sustainable agriculture for our country.

The foundation for Ca Mau Fertilizer to best implement our role of "Nurturer" is nurturing root of ourselves - human resources - to consolidate management apparatus, improve performance efficiency, and promote internal strength. After studying and applying, PVCFC has stably operated SAP based enterprise resource planning software (SAP ERP) and risk management in line with international standards. Moreover, Ca Mau Fertilizer will continue investing to enhance human resource quality and build a team with high sense of dedication, qualification and proficiency by strengthening training activities and developing talents in both width and depth. Another priority of the Company in internal source developing strategy is regenerating and refreshing corporate culture in order to create a more creative, professional and attractive working environment as firm basis for the Company's sustainable development.

We are ready to seize new opportunities and face the challenges ahead. On behalf of the Board of Management and employees of PVCFC, we would like to express our sincere gratitude to valuable Shareholders and Investors. We are strongly committed with unceasing efforts to break through and reach out, responding to your expectation and trust for Ca Mau Fertilizer.

Best regards,

**BUI MINH TIEN**  
General Director

**NGUYEN DUC THANH**  
Chairman of Board of Management



1

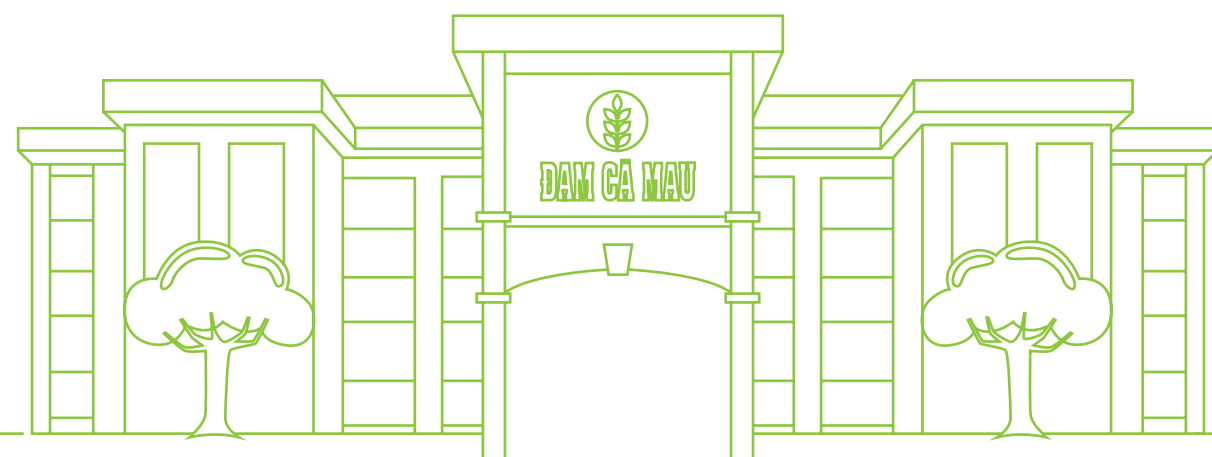
## GENERAL INTRODUCTION





## INTRODUCTION

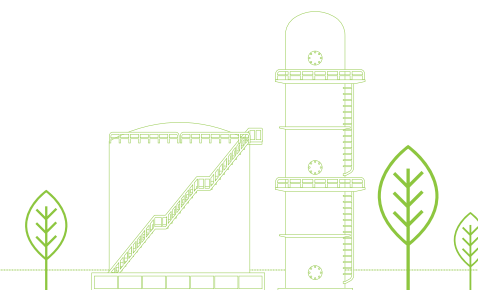
# COMPANY PROFILE



CHARTER CAPITAL

# 5,294,000,000,000

VND



### **PETROVIETNAM CA MAU FERTILIZER JOINT STOCK COMPANY (PVCFC)**

Stock code: DCM

Vietnamese name: **CÔNG TY CỔ PHẦN PHÂN BÓN DẦU KHÍ CÀ MAU**

English name: **PETROVIETNAM CA MAU FERTILIZER JOINT STOCK COMPANY**

Abbreviation: PVCFC

Charter capital: VND5,294,000,000,000

Business registration certificate No.: 2001012298

#### **Headquarters:**

Lot D, Ward 1 Industrial Park, Ngo Quyen Street, Ward 1, Ca Mau City, Ca Mau Province

Tel: (84 - 290) 3.819.000

Fax: (84 - 290) 3.590.501

#### **Ho Chi Minh City Office:**

18<sup>th</sup> floor, Petroland, No.12, Tan Tao Street, Tan Phu Ward, District 7, Ho Chi Minh City

Tel: (84 - 8) 54.170.555

Fax: (84 - 8) 54.170.550

Website: **[www.pvcfc.com.vn](http://www.pvcfc.com.vn)**

2008

CA MAU FERTILIZER PLANT

Commenced Ca Mau Fertilizer Plant with over USD900 million of initial investment capital and design capacity of 800,000 tons/year.

2011

PETROVIETNAM CA MAU FERTILIZER COMPANY LIMITED

On March 9<sup>th</sup> 2011, PetroVietnam Ca Mau Fertilizer Company Limited (under Vietnam Oil and Gas Group) was established to manage and operate Ca Mau Fertilizer Plant, with nearly VND3,200 billion of charter capital and nearly 800 employees.

2012

FIRST PRODUCT UNDER THE BRAND “Đạm Cà Mau - For a Golden Harvest”

- » On January 30<sup>th</sup> 2012, PVCFC launched its first commercial product under the brand “Đạm Cà Mau - For a Golden Harvest” in the market.
- » On November 26<sup>th</sup> 2012, PVCFC achieved the output of 500,000 tons after nearly 10 months of operation.

2013

REACHED THE OUTPUT OF 1,000,000 TONS

- » On July 26<sup>th</sup> 2013, PVCFC reached the output of 1,000,000 tons after over 15 months of operation.
- » On September 2<sup>nd</sup> 2013, PVCFC was proudly awarded “Top 100 Vietnam Gold Star” from Vietnam Young Business Association.

2014

SUCCESSFUL IPO - TYPICAL IPO IN 2014

- » On May 15<sup>th</sup> 2014, PVCFC was awarded “Typical Agricultural Products of 2013” from Vietnam Farmer Association.
- » On December 11<sup>th</sup> 2014, PVCFC successfully made the IPO with total share value of VND1,580 billion and selling of 128,951,300 shares. The event was voted as a typical IPO in 2014.
- » On December 23<sup>rd</sup> 2014, PVCFC was officially recognized as a national brand.

2015

PETROVIETNAM CA MAU FERTILIZER JOINT STOCK COMPANY

- » On January 15<sup>th</sup> 2015, PVCFC was officially transformed into a joint stock company and listed in Ho Chi Minh City Stock Exchange (HOSE) under code DCM with charter capital of VND5,294 billion.
- » On November 26<sup>th</sup> 2015, PVCFC launched new product - N.HUMATE+TE high-class fertilizer with superior features.
- » On December 23<sup>rd</sup> 2015, PVCFC reached the output of 3 million tons after 04 years of operation.
- » Awarded the title of Vietnamese high quality goods in 2015.

2016

THE 5<sup>TH</sup> COMMENCEMENT ANNIVERSARY OF PVCFC

- » On March 9<sup>th</sup> 2016, PVCFC organized the 5<sup>th</sup> commencement anniversary ceremony and honorably received Second-class Labor Medal from the Vice President.
- » On October 6<sup>th</sup> 2016, capacity of Ca Mau Fertilizer Plant was successfully increased up to 110%.
- » On December 16<sup>th</sup> 2016, PVCFC launched new product N46.Plus.
- » Awarded National Brand for the second times.
- » Awarded the title of Vietnamese high quality goods for the second times.



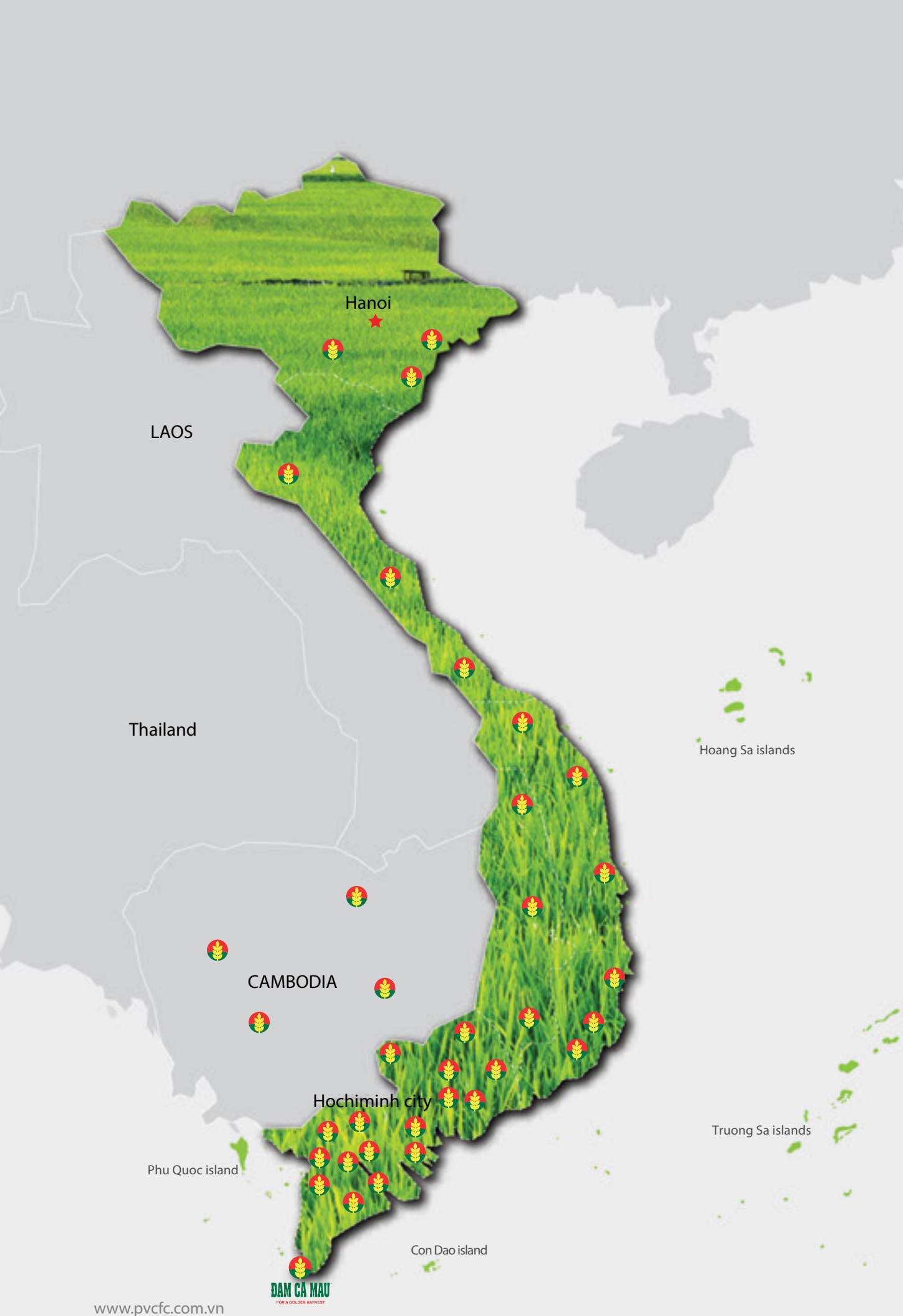
## PRINCIPAL BUSINESS ACTIVITIES

Owning  
Ca Mau Fertilizer  
Plant in Ca Mau Gas -  
Power - Fertilizer Industrial  
Park in Khanh An Commune,  
U Minh District, and Ca Mau  
Province from 2011 until now,  
main business operation of PVCFC  
is manufacturing, trading and  
importing-exporting fertilizers and  
oil and gas chemicals.

Established on March  
9<sup>th</sup> 2011, PVCFC has joined  
the fertilizer market with its key  
product - granular urea - the first and  
only granular urea produced in Vietnam  
under the brand **Đạm Cà Mau - For a Golden  
Harvest**. The product has many superior  
features to meet the needs and utilities in  
cultivation of farmers. After 5 years, the  
product has been trusted and widely  
used across the country.

In long-term  
business strategy, the  
Company has increasingly  
made an effort to improve the  
quality of traditional products and  
study and develop new products  
under the brand - **Đạm Cà Mau - For a  
Golden Harvest**. As a result, N46.Plus,  
N.Humate+TE, N46.Nano C+, etc. have been  
respectively introduced in the market  
to implement the mission of providing  
nutrition solutions for plants and  
contributing to PVCFC's revenue in  
2016 and in the next years.





CONSUMPTION MARKETS

The Company's target markets are mainly in Southwest, Southeast and Cambodia. In 2016, the consumption of Ca Mau Fertilizer in these three markets remained at a stable rate and occupied 86% of total consumption of Ca Mau Fertilizer Plant while the other markets including North, Central and Central Highlands occupied 14%.

One of the business highlights in 2016 is that the Company gained a growth of 86.5% compared to 2015 in Cambodia market and maintained its leading position in Mekong Delta - key market.

DISTRIBUTION CHANNELS

Within recent 5 years, 2016 is the most difficult year for the enterprises and entities operating the field of fertilizer. Price fluctuations and calamities such as salinization, drought and water scarcity, etc. had serious effects on agricultural industry and living activities of the farmers in many places. However, in that context, PVCFC has received valuable support from local and overseas distributors, especially agents and stores, who timely helped consume the Company's products. An outstanding point during the year is that distribution network was invested and developed in depth

BUSINESS LOCALITIES AND DISTRIBUTION NETWORK

CA MAU FERTILIZER BRAND IS SUCCESSFULLY MAINTAINED IN TARGET MARKETS AND DEVELOPED IN DOMESTIC AND OVERSEAS MARKETS, TO BE SPECIFIC, KEEPING ITS NUMBER ONE POSITION IN MEKONG DELTA, EXPANDING MARKET SHARE IN SOUTHEAST, CENTRAL HIGHLANDS AND CAMBODIA; EXPLOITING AND DEVELOPING MARKET IN THE CENTRAL AND THE NORTH OF VIETNAM.

LOGISTIC SERVICES

and showed its improvement in both quality and efficiency. The collaboration among distributors in all levels was also strengthened. That positive change has contributed to consolidating the Company's position in target markets as well as expanding and developing distribution network in major markets across the country and in Cambodia.

With the delivery capacity up to maximally 4,950 tons/day, Ca Mau Fertilizer Plant completely meets the demand of all customers even in peak season. Speeding up transportation progress has helped minimize the time customers have to wait for product delivery. Besides, according to actual situation and demand of distributors, the Company sets up warehouses in localities and actively transports fertilizers to warehouses to timely supply for farmers.

MARKETS

No.	Area	2013	2014	2015	2016
1	Southwest	45%	55%	58%	58%
2	Southeast	19%	25%	22%	24%
3	Cambodia	30%	35%	36%	38%
4	Others	4%	5%	9%	12%



## TYPICAL PRODUCTS

### GRANULAR UREA (Greener and economical)

Granular Urea is only produced by Ca Mau Fertilizer Plant with many advantages compared to the same products in the market and continues to be highly appreciated by the distributors and the farmers.

This is the only granular urea produced in Vietnam with many advantages compared to traditional urea products in the market such as slow decomposition of nitrogen, increasing nutrient adsorption capacity for plants, maintaining green and, therefore, saving fertilizer, uniform particle size and less fines and dust, easily to distribute and mix with other fertilizers.

#### Advantages

- » Slow decomposition, limited nitrogen loss, high adsorption capacity.
- » Larger and harder granules, easily to be transported.
- » High drying capacity, low moisture, not become compact. As a result, granular urea is suitable to be mixed with other fertilizers and easily to distribute.
- » Low biuret.



### N.HUMATE+TE

(Strong root, porous soil, healthy and fruitful tree)

N.Humate +TE is a new product of Ca Mau Fertilizer Plant which is studied and manufactured by modern production line with many advantages such as reducing urea loss, adding nutrients for plants, helping increase productivity and quality of agricultural products. N.Humate+TE also brings one more choice for the farmers in choosing high quality fertilizers serving planting with high value.

Making an effort to become the leading nutrition solution supplier for plants, in 2015, PVCFC introduced N.Humate+TE high quality fertilizer with many advantages and was positively welcomed by the market.

#### Advantages

- » Save fertilizer, increase productivity and quality of agricultural products.
- » Stimulate root system to grow quickly and strongly to increase nutrient absorption, helping plants grow healthily, flowering and giving more fruit.
- » Stimulate useful microorganisms and make soil more fertile.

### N46.PLUS

(Twice savings and superior productivity)

To meet the increasing demand of customers and providing more effective nutrition solutions to the farmers, in 2016, PVCFC introduced a new high quality fertilizer - N46.Plus produced by European technology with Dual N Protect-based double protection layer to help save fertilizer and increase productivity.

#### Advantages

- » Save from 20% to 30% fertilizer.
- » Help plants grow strongly and increase productivity by 7%.
- » Add 2 organic enhancers NBPT and DCD to increase effectiveness.
- » Easily to be mixed with other fertilizers.
- » Environmental friendly.



# HIGHLIGHTS IN 2016



## January 2016

Started "PVCFC culture recycling" project and deployed "The 7 Habits of Highly Effective People" program.



## January 2016

Successfully put Enterprise Risk Planning (ERP) system into operation.



## January 2016

Applied AtSS (Safety - 5S - Initiative) at Ca Mau Fertilizer Plant.



## March 2016

The 5<sup>th</sup> Anniversary Commencement of PetroVietnam Ca Mau Fertilizer Joint Stock Company (PVCFC) and received Second-class Labor Medal.



## April - July 2016

Organized "For a Golden Harvest - Showing Gratitude" program to express the Company's gratitude to the farmers who have accompanied and trusted Ca Mau Fertilizer.



## October 2016

Successfully increased capacity of Ca Mau Fertilizer Plant up to 110%.



## November 2016

Completed Phase 1 - Project of building internal control system and enterprise risk management under COSO Framework (Introducing Business Process Handbook under COSO Framework).



## December 2016

Introduced new product N46.Plus with outstanding features.





# TYPICAL AWARDS

IN 2016



SECOND-CLASS **LABOR MEDAL** AWARDED  
BY THE PRESIDENT



TOP **500**  
VIETNAM'S LARGEST ENTERPRISES IN 2016

CO-ORGANIZED AND VOTED BY VIETNAM REPORT  
AND VIETNAMNET.



VIETNAMESE **HIGH-QUALITY  
GOODS** AWARD IN 2016

VOTED BY CONSUMERS



**NATIONAL BRAND**

AWARDED

BY TRADE PROMOTION AGENCY AND MINISTRY  
OF INDUSTRY AND TRADE

🏆 "Enterprises for employees" in 2016 awarded  
by Ministry of Labor - Invalids and Social Affairs  
in collaboration with Vietnam Chamber of  
Commerce and Industry (VCCI).

🏆 Excellence in Corporate Social Responsibility  
awarded by Ministry of Planning and Investment  
in collaboration with the Economics and  
Forecast Magazine for 4 consecutive years.

🏆 "National Quality" in 2016 awarded by Ministry  
of Science and Technology.

🏆 "Best Annual Report" in 2016 awarded by HOSE  
in collaboration with Securities Investment  
Newspaper.

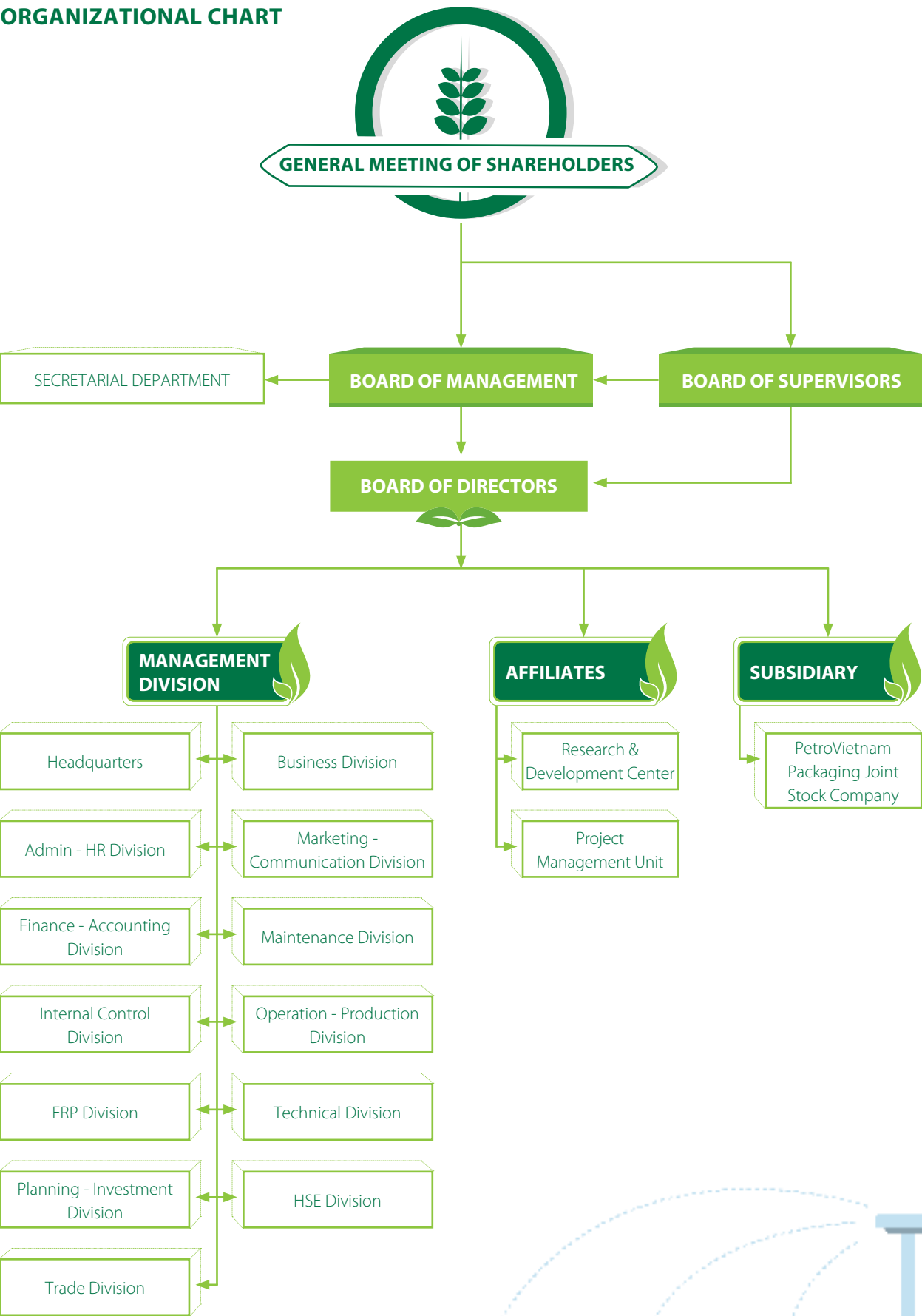
# ORGANIZATIONAL STRUCTURE

## ORGANIZATIONAL CHART

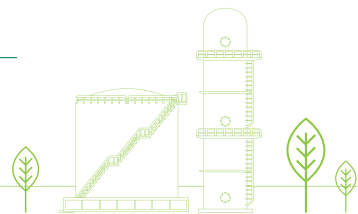
### ORGANIZATIONAL STRUCTURE

- » Board of Management: 05 members, including 01 Chairman, 01 member cum General Director, 02 executive members and 01 independent member.
- » Board of Directors: 05 members, including 01 General Director and 04 Deputy General Directors.
- » Board of Supervisors: 03 members, including 01 Chief of the Board and 02 Supervisors.
- » Chief Accountant: 01
- » Assistance Team: Includes 13 professional divisions/departments to assist Board of Management and Board of Directors.
- » Affiliates: The Company has 02 affiliates i.e. Researching & Development Center and Project Management Unit.
- » Subsidiaries: 01 subsidiary: PetroVietnam Packaging Joint Stock Company, in which PVCFC holds 51.03% of charter capital.

### ORGANIZATIONAL CHART



# JOINT VENTURES AND ASSOCIATES



## PetroVietnam Packaging Joint Stock Company - PPC

- » Established on June 11<sup>th</sup> 2010
- » Charter capital: VND40,812,490,000
- » Main business operations: Producing plastic products, mainly producing and trading PP and PE packages.
- » Address: Lot A1-3, Tra Kha IP, Ward 8, Bac Lieu City, Bac Lieu Province.
- » Tel: 07813 957 555
- » Fax: 07813 957 666
- » Email: sale@pbp.vn
- » Website: **www.pbp.vn**
- » Number of shares held by PVCFC: 2,082,625 shares valued at VND20,826,250,000
- » Percentage of charter capital held by PVCFC: 51.03%.

## Business performance over the years

Unit: Million VND



Year	2014	2015	2016
Revenue	157,007.57	144,476.51	153,420.36
Profit after tax	10,240.33	8,947.25	9,206.42

During the year, PPC increased its charter capital by VND8.16 billion.

Implementing the investment plan for 2016 assigned by Parent company, PPC has constructed and put N.Humate+TE fertilizer plant with capacity of 30,000 tons/year.

Orientation for 2017: Mastering the manufacturing technology of packaging and N. Humate+TE fertilizer towards the goal of comprehensive quality.







## BOARD OF MANAGEMENT

### 1 Mr. **NGUYEN DUC THANH**

*Chairman*

DOB: 1958

#### Qualification

- » Master Degree in Science and Technology.
- » Bachelor Degree in Engineering.
- » Bachelor Degree in Industrial Management.

#### Working experience

Mr. Nguyen Duc Thanh has many years of experience in his management position at the entities in the field of oil and gas, to be specific, Deputy Director of Gas Company - now is PetroVietnam Gas Joint Stock Corporation (PVGAS); Deputy Project Manager of Ca Mau Gas - Power - Fertilizer IP; Chairman cum Director of PetroVietnam Power Project Consultancy Company No.2; and Deputy General Director of PetroVietnam Fertilizer and Chemicals Corporation. In 2011, he was appointed as Chairman of PetroVietnam Ca Mau Fertilizer Company Limited (PVCFC) and continued holding this position when the Company was transformed to joint stock company from January 15<sup>th</sup> 2015.

### 2 Mr. **BUI MINH TIEN**

*BOM member cum General Director*

DOB: 1969

#### Qualification

- » Master Degree in Business Administration.
- » Bachelor Degree in Industrial Management.
- » Bachelor of Science in Physics.

#### Working experience

Mr. Bui Minh Tien has many years of experience in business and management at key entities in oil and gas industry and holds important positions, including Deputy General Director of PVGAS and Chairman of PetroVietnam Fertilizer and Chemicals Corporation, respectively. In 2013, Mr. Bui Minh Tien joined PVCFC and held the position of Director cum member of Board of Members. When the Company was transformed into joint stock company from January 15<sup>th</sup> 2015, he was appointed as BOM member cum General Director.

### 3 Mr. **TRAN MY**

*BOM member*

DOB: 1962

#### Qualification

- » Engineer Degree in Industrial Economics.

#### Working experience

Mr. Tran My started his work at Gia Lai - Kon Tum Industry and Trade Department in 1985 and then was appointed as Chief Accountant cum Head of Economic - Finance Department at Project Management Unit of Huong Dien Hydropower Plant. From 2006, Mr. Tran My worked at Project Management Unit of Ca Mau Gas - Power - Fertilizer IP. In 2012, he joined PVCFC and respectively undertook the positions of Chief of Planning - Strategy Division and Chief of Planning - Investment Division. From January 2015, he was appointed as BOM member of PVCFC.

### 4 Mr. **TRAN CHI NGUYEN**

*BOM member*

DOB: 1975

#### Qualification

- » Master Degree in Business Administration.
- » Bachelor Degree in Accounting.
- » Bachelor Degree in Laws.

#### Working experience

Before 2008, Mr. Tran Chi Nguyen worked at Accounting Department of Ca Mau Post Office. From 2008 to 2011, he worked for Finance - Accounting Department of Project Management Unit of Ca Mau Gas - Power - Fertilizer IP under the positions of Specialist and Vice Chief, respectively. In 2012, he held the position of main supervisor at PVCFC. From January 2015, he was appointed as BOM member of PetroVietnam Packaging Joint Stock Company and concurrently held the position of Chairman of this company from April 2016.

### 5 Ms. **TRAN THI BINH**

*BOM Independent member*

DOB: 1958

#### Qualification

- » Graduated from Moscow Petrochemical University (Russia) majored in Chemical Engineering in Oil and Gas Process.

#### Working experience

After excellently graduated from Faculty of Petrochemical Refinery in Moscow, Ms. Tran Thi Binh started working at Oil and Gas Information Center in 1982. After 12 years of experience in the field of Petrochemical Refinery, she joined Vietnam Oil and Gas Group (PVN) and undertook important roles. In 2006, Ms. Tran Thi Binh was appointed as Deputy General Director of PVN. In March 2015, General Shareholders' Meeting of PVCFC consented to elect her independent member of BOM.

# BOARD OF DIRECTORS



**Mr. BUI MINH TIEN**  
BOD member cum General Director

DOB: 1969

## Qualification

- » Master Degree in Business Administration.
- » Bachelor Degree in Industrial Management.
- » Bachelor of Science in Physics.

## Working experience

Mr. Bui Minh Tien has many years of experience in business and management at key entities in oil and gas industry and holds important positions, including Deputy General Director of PVGAS and Chairman of PetroVietnam Fertilizer and Chemicals Corporation, respectively. In 2013, Mr. Bui Minh Tien joined PVCFC and held the position of Director cum member of Board Member. When the Company was transformed into joint stock company from January 15<sup>th</sup> 2015, he was appointed as BOM member cum General Director.



**Mr. NGUYEN DUC HANH**  
Deputy General Director

DOB: 1972

## Qualification

- » Engineer Degree in Energy Economics and Engineering.

## Working experience

Mr. Nguyen Duc Hanh has many years of experience in business, consultancy, management and investment planning. He held the position of Head of Economic - Planning Department under Project Management Unit of Ca Mau Gas - Power - Fertilizer IP. From 2012, he was appointed as Deputy Director of PetroVietnam Ca Mau Fertilizer Company Limited. From June 2014 to January 2015, he undertook the position of member of Board of Members (concurrently). From December 2012 to April 2016, he concurrently held the position of Chairman of PetroVietnam Packaging Joint Stock Company. On January 15<sup>th</sup>, 2015, he held the position of Deputy General Director.



**Mr. HOANG TRONG DUNG**  
Deputy General Director

DOB: 1973

## Qualification

- » Engineer Degree in Chemical Engineering.
- » Master Degree in Economics.

## Working experience

From 1997 to 2008, Mr. Hoang Trong Dung worked in the field of oil and gas processing technology at Phu My Gas Processing and Trading Company, Project Management Unit of Phu My Fertilizer Plant, and Oil and Gas Processing Division under Vietnam Oil and Gas Group. From 2008 to 2011, he held the position of Deputy Project Manager of Ca Mau Gas - Power - Fertilizer IP. When PetroVietnam Ca Mau Fertilizer Company Limited was established in March 2011, Mr. Hoang Trong Dung was appointed as Deputy Director cum Deputy Project Manager of Ca Mau Gas - Power - Fertilizer IP. From January 2015, he held the position of Deputy General Director of PetroVietnam Ca Mau Fertilizer Joint Stock Company.



**Mr. LE NGOC MINH TRI**  
Deputy General Director

DOB: 1970

## Qualification

- » Bachelor Degree in Accounting.

## Working experience

Mr. Le Ngoc Minh Tri has many years of experience in accounting and auditing at the entities in oil and gas industry, to be specific, Accountant at PetroVietnam Tourism Corporation and then Chief Accountant for Project Management Unit of Ca Mau Gas - Power - Fertilizer IP. In 2011, he was concurrently appointed as Chief Accountant for PetroVietnam Ca Mau Fertilizer Company Limited, apart from his position as Chief Accountant for Project Management Unit of Ca Mau Gas - Power - Fertilizer IP. In June 2015, he was appointed as Deputy General Director of PVCFC.



**Mr. VAN TIEN THANH**  
Deputy General Director

DOB: 1968

## Qualification

- » Engineer Degree in Agro-Forestry Mechanical Engineering.

## Working experience

Mr. Van Tien Thanh has many years of experience in the field of technique and technology with different roles. From 2005, he joined in oil and gas industry and undertook the positions such as Deputy Head of Project Department of Ca Mau Gas - Power - Fertilizer IP and Deputy Head of Preparation Division of Morocco Project under PetroVietnam Fertilizer and Chemicals Corporation. From 2011, he held the position of Deputy Project Manager of Ca Mau Gas - Power - Fertilizer IP cum Deputy Director of PetroVietnam Ca Mau Fertilizer Company Limited. In January 2015, he was appointed as Deputy General Director of PVCFC.



**Mr. DINH NHU CUONG**  
Chief Accountant

DOB: 1977

## Qualification

- » Master Degree in Financial Banking.

## Working experience

Mr. Dinh Nhu Cuong has many years of experience in accounting. He respectively held the positions of General Accountant in Finance, Planning and Investment Department of Ca Mau City and was in charge of Budget Accounting Department of Ca Mau City from 1998 to March 2007. In April 2007, Mr. Dinh Nhu Cuong started working in the field oil and gas and respectively undertook many positions, including Accountant for Project Management Unit of Ca Mau Gas - Power - Fertilizer IP, Specialist, Manager of Accounting Department, and Vice Chief of Finance - Accounting Division. In February 2016, he was appointed as Chief Accountant cum Chief of Finance - Accounting Division of PVCFC.



BOARD OF

SUPERVISORS



Ms. **PHAN THI CAM HUONG**

Chief of the Board

DOB: 1977

Qualification

» Bachelor Degree in State Finance.

Working experience

Ms. Phan Thi Cam Huong has 12 years of experience with the positions of Accountant and then Chief Accountant of Thien Thanh Manufacturing and Trading Co., Ltd., and Chief Accountant of Tan Thanh Phu My Vietnam Co., Ltd., respectively. From 2011 to 2015, she worked for PVCFC and respectively undertook the positions of Accountant and Deputy Head of Finance Division. From January 2015, she was elected as the Chief of Board of Supervisors.

Mr. **DO MINH DUONG**

Member

DOB: 1979

Qualification

» Bachelor Degree in General Accounting.

Working experience

From 2002, Mr. Do Minh Duong held the position of Deputy Manager of Food Technology Store under Ca Mau Trading Joint Stock Company. From February 2008, he worked for Project Management Unit of Ca Mau Gas - Power - Fertilizer IP. From October 2012, he joined PVCFC and undertook the positions of Specialist of Finance - Accounting Division, Specialist and then Team Leader of Internal Control Division. In April 2016, he was elected as member of Board of Supervisors by General Shareholders' Meeting of PVCFC.

Mr. Do Minh Duong was appointed as member of Board of Supervisors on April 2016 in replacement of Mr. Lam Van Chi who resigned from April 21<sup>st</sup> 2016.

Mr. **NGUYEN THANH HAO**

Member (concurrently)

DOB: 1979

Qualification

» Master Degree in Business Administration.

» Bachelor Degree in General Accounting.

Working experience

From 2001 to 2008, Mr. Nguyen Thanh Hao worked in the field of banking under the positions of Credit Officer and then Credit Manager. From 2008 to 2014, he held the positions of Deputy Director and then Director of PetroVietnam Finance Corporation - Can Tho Branch (now is PVCombank). From June 2014 to August 2016, he served as Director of Can Tho Branch and in charge of Southwest of PVCombank. From March 2016 to now, Mr. Nguyen Thanh Hao was concurrently Deputy Director of Large Enterprise Customer Division, Director of Business Center in the South, Business Director of Large Enterprise Customer Division in HCMC of PVCombank. He became the member of Board of Supervisors of PVCFC from January 2015.





## STRATEGIC

## DIRECTION 2015 - 2025

“ WITH THE GOAL OF MAKING “ĐẠM CÀ MAU - FOR A GOLDEN HARVEST” THE LEADING BRAND IN THE FIELD OF MANUFACTURING AND TRADING FERTILIZERS IN VIETNAM AND SOUTHEAST ASIA BY 2025, THE LEADERS HAVE SET OUT THE STRATEGIC DIRECTION OF SUSTAINABLE DEVELOPMENT FOR EACH STAGE, FROM SHORT TO LONG TERM TO INCREASE THE VALUE CHAIN IN PRODUCTION AND BUSINESS ACTIVITIES WITH MANY SPECIFIC TARGETS.

## THE ORGANIZATIONAL AND MANAGEMENT TARGET

- » Develop highly qualified human resources in order to help serve production and elevate views with the leading experts in the region; providing manpower to foreign countries;
- » Develop a corporate culture: “Dedicated - Friendly, Professional - Creative, Responsible - Harmonious”;
- » Improve and promote the efficient, advanced management system on the basis of strengthening the application of information technology (ERP, RBI, CMM) in process of production and sale.

## PRODUCTION DEVELOPMENT TARGET

- » Operate plant efficiently, safely and firmly (110% of design capacity);
- » Optimize production lines; maintain equipment in each stage;
- » Diversify Urea fertilizer, synthetic fertilizers and microbiological fertilizers to improve soil, strengthen nutrition for plants and reduce environmental pollution;
- » Develop operational training services, maintain, test and manage quality for the same plants;
- » Research and develop solutions to improve efficiency and save fuel, raw material in production.

## BUSINESS STRATEGIC TARGET

- » Trade effectively different lines of products. Maintain, occupy and take a big part of the market share in South West and Cambodia.
- » Expand the market for new products in South East Asia such as Laos, Thailand, Cambodia and other Asian countries.
- » Build up a productive distribution channel to local areas. Develop and apply technology in management and strictly control the distribution channel in order to optimize transportation time and to deliver products punctually.
- » Develop business activities toward taking part in the closed chain, from “seed - fertilizer - process - service”, in order to guarantee the credibility of the brand of the company and maximize the benefits received by Vietnamese agriculturalists.

## FINANCE STRATEGIC TARGET

- » Develop a financial management system which is innovative, modern and efficient;
- » Maximize the effectiveness of the ERP system, in order to serve processing, reporting and contributions to enterprise financial management;

- » Improve management’s capacity and information technology applications to control financial risks and ensure safety and development targets are reached using financial indicators.
- » Preserve and enhance capital efficiency.

## HUMAN RESOURCE STRATEGIC TARGET

- » Develop human resources through the years to come, not only in terms of increasing headcount numbers but also actively training our staff to help develop their expertise and skills, which will in turn increase work efficiency. We will also pay particular attention to our internal training activities in order to both encourage self-reliance as well as to develop internal resources and emphasize mutual support between employees. These measures will help make significant savings in our budget and these savings can be used to invest in other categories later on - all while reflecting the spirit of progress and creativity of “Oil and gas worker” in PVCFC.
- » Continue to improve our corporate culture to suit each specific practice period; to enhance our reputation and image; apply appropriate remuneration policies to encourage dedicated, high-quality employees to commit to PVCFC in the long-term.

## RESEARCH AND DEVELOPMENT (R&amp;D) STRATEGIC TARGET

- » Invest in research and cooperate with institutes, universities and leading scientists to provide high quality product lines that meet the needs of the market and that are also environmentally friendly - to contribute to Vietnam’s sustainable development in the agricultural sector.

- » Invest in new projects to diversify our products; build research and development centres that will meet current conditions and criteria as well as contribute to research in the new phase of PVCFC.

## INVESTMENT STRATEGIC TARGET

Our strategy is carried out in many forms (including the units inside and outside the fertilizer industry) to enhance Vietnam’s sustainable development, the formation of the value change, to improve the efficiency of agricultural products for farmers - seeds, fertilizers - and plant protection; all linked to universities in order to make models that will increase crop yields.

- » Implement production projects, diversify Urea original, expand the scale of investment in the plant, improve the efficiency of technological equipment, warehousing, logistics... From there, we will continue our projects on chemical, petrochemical and improve production efficiency;
- » Look for investment opportunities and capital contribution with partners to implement projects;
- » Search for investment opportunities, capital contribution, joint venture and joint association projects about implementation of chemical/ petrochemical and foreign key matching... development with favourable conditions.

## COMMUNITY RELATIONS STRATEGIC TARGET

- » Develop our image further with the community, especially with farmers;
- » Perform well in terms of social security and protect the interests of those associated with our production;
- » Work towards being among the leading enterprises in environmental protection, social welfare and community development.





2

## REPORT ON BUSINESS PERFORMANCE

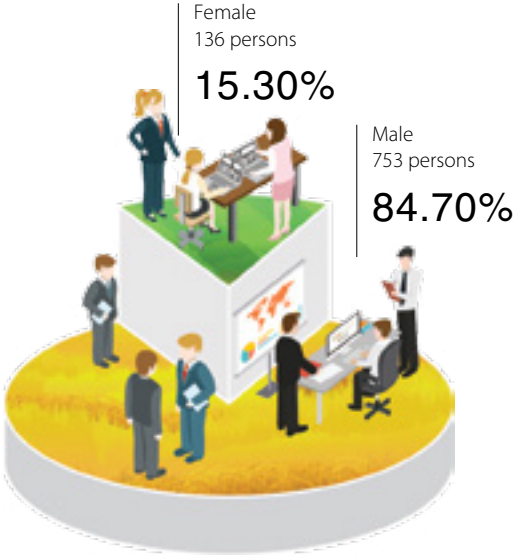
READY TO *Cooperate*  
PROMOTE STRENGTHS



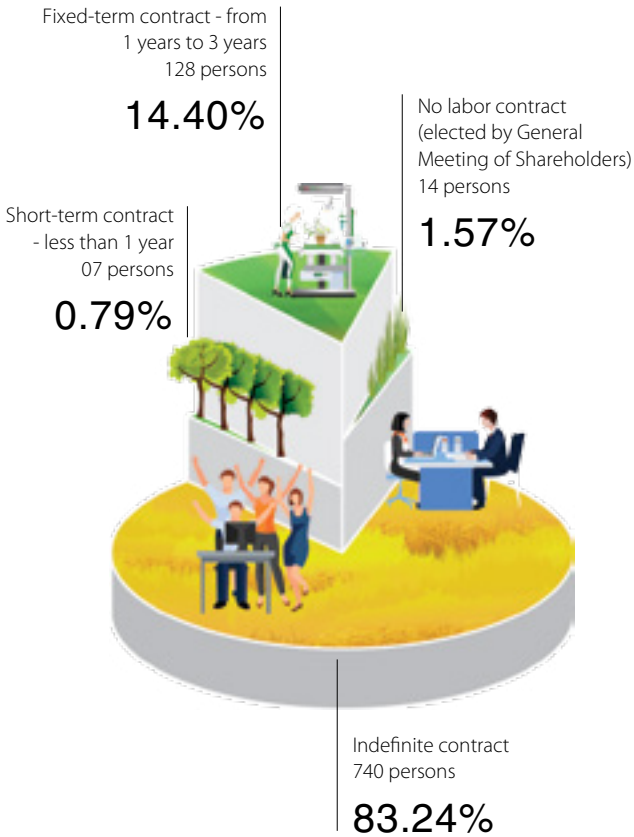
# ORGANIZATION AND HUMAN RESOURCES

## OVERVIEW OF LABOR FORCE

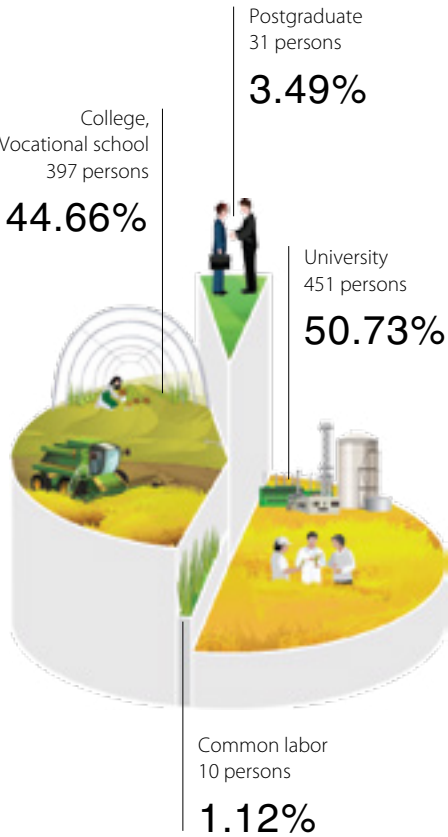
After 6 years of development, the number of employees of PVCFC has increased in line with the Company's business expansion. As of December 31<sup>st</sup> 2016, PVCFC has totally 889 employees. The Company's labor structure is classified according to term of labor contract, qualification, gender, management level, and functional department as specified in the charts below:



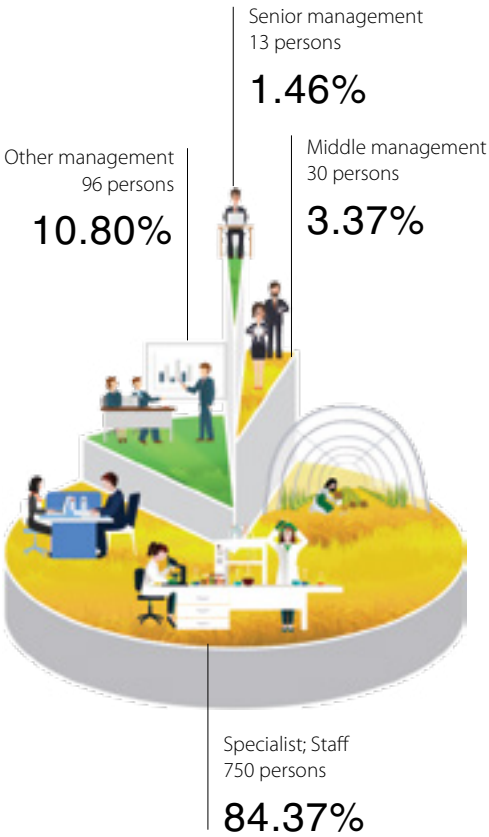
LABOR STRUCTURE BY GENDER



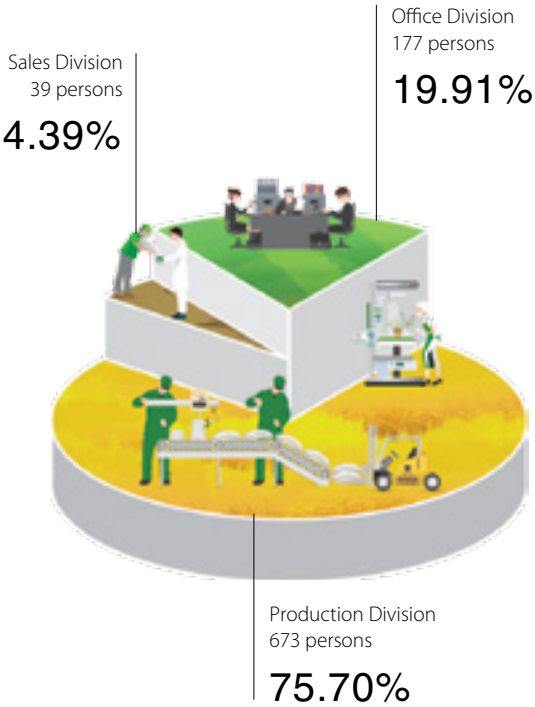
LABOR STRUCTURE BY TERM OF LABOR CONTRACT



LABOR STRUCTURE BY QUALIFICATION



LABOR STRUCTURE BY MANAGEMENT LEVEL



LABOR STRUCTURE BY FUNCTIONAL DIVISION/DEPARTMENT



## ORGANIZATION AND HUMAN RESOURCES (continued)

### EMPLOYEE INCOME

In 2016, the Company built a salary scale in line with Decree No.49/2013/ND-CP dated 14/05/2013 of the Government. Compulsory insurances for employees are conducted according to new regulations with more payment for insurances in order to ensure better benefit for employees.

*(Please see further information about HR activities, salary, and policies in "Report and assessment of Board of Directors" at page 64.)*

### RECRUITMENT

» PVCFC's recruitment is implemented under Labor Code. Recruitment regulations are issued by BOM while Recruitment process is issued by General Director. The Company applies internal and external recruitment measures. The Company also uses the most popular recruitment channels such as posting recruitment advertisements on company website or prestigious recruitment websites to attract more potential candidates. Besides, to enhance recruitment efficiency, headhunting service is considered to help find high-quality candidates in special expertise in order to better serve the Company's business operations.

» The recruitment is conducted, based on the need of divisions, fully following the required procedures and legal regulations as well as ensuring publicity and transparency. As of December 31<sup>st</sup> 2016, PVCFC has 26 new hires, to be specific, 02 persons with master degree, 20 persons with bachelor degree, 02 persons with college degree, 01 skilled worker, and 01 driver.



*Course of "The 7 Habits of Highly Effective People" organized by Company's Leaders.*

**TO IMPROVE THE QUALITY OF HUMAN RESOURCES AND ENHANCE BUSINESS PERFORMANCE IN ALL ACTIVITIES, IN 2016, PVCFC ORGANIZED 308 TRAINING COURSES WITH 7,537 TRAINEES.**

### TRAINING ACTIVITIES

PVCFC focuses on training activities in many fields such as management, professional knowledge, working skills, and internal training to improve plan operation and maintenance skills in order to best meet the production requirements and daily business activities of the Company as well as create significant support for the employees to develop their strong points and encourage their efforts.

In addition, building a training plan and selecting subject, knowledge, method and form of training

are conducted systematically by PVCFC in conformity with the actual works and occupational features of the Company. Besides, personnel activities such as receipt, assignment, new appointment or re-appointment as well as arrangement, assessment and classification of staffs are implemented by PVCFC in line with the regulations, procedures and demands of the reality. The assigned staffs have fulfilled their responsibilities and duties in new positions, contributing to the sustainable development of the Company.

### IMPROVEMENTS IN HUMAN RESOURCES, POLICY AND MANAGEMENT

In 2016, PVCFC continued to consider and improve policies for employees. The Company always creates a fair and dynamic working environment as well as sufficiently implements policies on labor safety, salary, bonus, social insurance, health insurance, unemployment insurance and other policies in line with the laws and the Charter of the Group and the Company, to be specific:

- » Pay salary, bonus, overtime pay, allowances (if any), social insurance, health insurance, and unemployment insurance sufficiently and timely in compliance with Labor Code and the Law on Social Insurance. In 2016, the Company has no debt related to social insurance, health insurance, and unemployment insurance.
- » The Company strictly implements coaching for occupational safety and health and fully provides personal protective equipment to workers

**IN 2016, PVCFC BUILT HUMAN RESOURCE STRATEGY TO CONSOLIDATE AND TRAIN A QUALIFIED AND EXPERIENCED TEAM TO DEDICATE THE COMPANY'S PERMANENT DEVELOPMENT.**

as regulated; makes payment for hazardous allowance and gives allowance in kind for employees working in poisonous and dangerous environment as regulated; organize annual health examination for all employees.

- » Apply personal accident insurance (PVI Care) to all employees, life insurance (PVI Sun Life) and volunteer enticement insurance for eligible employees according to the Company's policy for employees in order to attract talents and stabilize employees' living.

- » Deploy "PVCFC culture recycle"

program and build action plan in line with "The 7 Habits of Highly Effective People".

In 2016, PVCFC built human resource strategy to consolidate and train a qualified and experienced team to dedicate the Company's permanent development. As expected, in 2017 the Company will deploy human resource management program with KPIs application to assess and enhance performance of employees. In addition, the Company applies a clear management classification policy to strengthen roles and responsibilities of middle management and create higher performance.



*The ceremony of deploying the project "PVCFC culture recycle"*

## SHAREHOLDER STRUCTURE

## CHANGES IN OWNER'S EQUITY

SHARE CAPITAL AS OF DECEMBER 31<sup>ST</sup> 2016 IS

VND **5,294,000,000,000**

THE TOTAL NUMBER OF SHARE IS 529,400,000 SHARES WITH FACE VALUE PER SHARE OF VND10,000/SHARE.

LIST OF SHAREHOLDERS HOLDING FROM 5% OF SHARE CAPITAL AND ABOVE AS OF DECEMBER 31<sup>ST</sup> 2016.

No.	Shareholder	Business registration certificate No./ ID card No.	Address	Number of holding shares (share)	Percentage/ Charter capital (%)
1.	Vietnam Oil and Gas Group - PVN	0106000811	18 Lang Ha, Ba Dinh District, Hanoi City	400,023,057	75.562%
2.	Major shareholder: PetroVietnam Finance Fund Management Inc. (PVFC Capital)	23/UBCK - GP	9 <sup>th</sup> floor, Hapro Building, 11B Cat Linh, Dong Da, Hanoi.	53,852,470	10.170%
<b>Total</b>				<b>453,875,527</b>	<b>85.732%</b>

Source: List of shareholders of PVCFC, Vietnam Securities Depository (VSD) closed on December 31<sup>st</sup> 2016

LIST OF INTERNAL SHAREHOLDERS

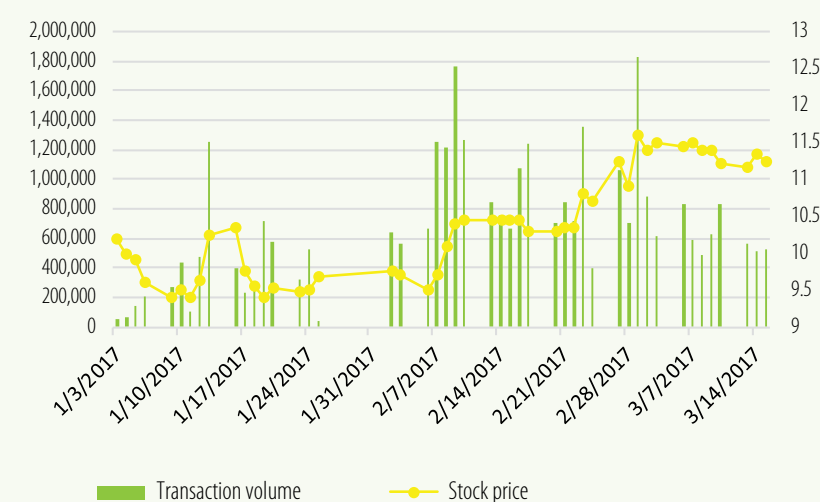
No.	Individual/Organization	Position at PVCFC (if any)	Number of owning shares	Percentage of owning shares	Number of shares holding on behalf of PVN	Percentage of shares holding on behalf of PVN
<b>I BOARD OF MANAGEMENT</b>						
1	Nguyen Duc Thanh	Chairman	8,100	0.001530%	135,323,057	25.56%
2	Tran My	Board member	2,900	0.000548%	79,410,000	15%
3	Tran Chi Nguyen	Board member	1,600	0.000302%	79,410,000	15%
4	Tran Thi Binh	Board member	0	0.000000%		
<b>II BOARD OF DIRECTORS</b>						
1	Bui Minh Tien	Board member cum General Director	52,000	0.009822%	105,880,000	20%

## SHAREHOLDER STRUCTURE

No.	Shareholder	Quantity (individual/ organization)	Number of shares (share)			Face value per share (VND)	Percentage
			Already deposited	Not yet deposited	Total number of shares		
<b>I</b>	<b>Domestic shareholders</b>	<b>1,899</b>	<b>499,003,963</b>	<b>815,600</b>	<b>499,819,563</b>		<b>94.41%</b>
1	Shareholders which are organizations	27	466,541,402	300,000	466,841,402	4,668,414,020,000	88.18%
1.1	In which: PVN		400,023,057	0	400,023,057	4,000,230,570,000	75.56%
1.2	Major shareholder: PVFC Capital	1	53,852,470	0	53,852,470	538,524,700,000	10.17%
2	Shareholders which are individuals	1,872	32,462,561	515,600	32,978,161	329,781,610,000	6.23%
<b>II</b>	<b>Foreign shareholders</b>	<b>24</b>	<b>29,580,437</b>	<b>0</b>	<b>29,580,437</b>		<b>5.59%</b>
1	Shareholders which are organizations	11	29,508,570	0	29,508,570	295,085,700,000	5.57%
2	Shareholders which are individuals	13	71,867	0	71,867	718,670,000	0.01%
<b>Total</b>		<b>1,923</b>	<b>528,584,400</b>	<b>815,600</b>	<b>529,400,000</b>	<b>5,294,000,000,000</b>	<b>100.00%</b>

Source: List of shareholders of PVCFC, Vietnam Securities Depository (VSD) closed on December 31<sup>st</sup> 2016

## CHART OF SHARES TRANSACTION

SHARE INFORMATION  
(13/12/2016)

Stock price (VND)	10,450
52 weeks high (VND)	12,300
52 weeks low (VND)	9,400
Volume of listed share (Shares)	529,400,000
Volume of outstanding share (Shares)	529,400,000
Market capitalization (billion VND)	5,532
Foreign ownership (%)	4.34%
Foreign Room Remaining (%)	49%
P/E (Trailing)	10.06
P/E (Plan 2017)	8.74
P/B	0.96





## REPORT OF BOARD OF MANAGEMENT

Based on the Law on Enterprise No.68/2014/QH13 dated 26/11/2014; based on the Charter of PetroVietnam Ca Mau Fertilizer Joint Stock Company and the relevant legal regulations, Board of Management (BOM) has made report on the Company and BOM operations in 2016 as well as plan for 2017 as follows:

In 2016, the Company's business operations encountered many difficulties and challenges. Price

of urea fertilizer in the world and Vietnam went down to the lowest rate in 5 recent years. Climate changes, drought, and salinity intrusion almost occurred in main markets of PVCFC in first 6 months (Mekong Delta, Cambodia, etc.). This situation has led to strong decrease in urea fertilizer consumption. In addition, difficulties in tax policy applied to fertilizer industry, policy on gas supply and Talisman incident had a great influence on the Company's

operations. The competition from imported fertilizer is always existed as the world's urea fertilizer price continuously went down in 2016, 20% lower than in 2015.

In that situation, the Company's management team has given out right strategic solutions as well as strict and flexible instructions to each business activity. At the same time, with the spirit of solidarity and determination to overcome difficulties and challenges of the whole staff, concern from management team and prompt instruction and support from State authorities and PVN as well as the accompanying and sharing from valuable shareholders, the Company has completed the tasks and targets approved by General Meeting of Shareholders 2016.

## BUSINESS PERFORMANCE AND CORPORATE GOVERNANCE IN 2016

As the highest governance body representing the benefit of shareholders, BOM has actively promoted its management role in supervising the Company's activities in accordance with regulations and standards for a public joint stock company.

BOM has term of 5 years, from January 15<sup>th</sup> 2015 to January 14<sup>th</sup> 2020. Particularly, the term of Ms. Tran Thi Binh is from March 1<sup>st</sup> 2015 to January 14<sup>th</sup> 2020. All BOM members of PVCFC are satisfied with the requirements of the law and PVCFC's Charter and are trained in corporate governance.

Activities of BOM comply with collective principles and specific assignments for each member in each sector to verify the contents under BOM's competence prior to making decisions. BOM also supervises, directs and motivates the Company to implement BOM resolutions and decisions according to the assigned duties.

Governance activities are complied with the Company's corporate governance principles, the Charter and BOM's operating regulations. Chairman and the assigned members have regularly supervised and speeded up the implementation of GMS resolutions as well as BOD resolutions and decisions, including supervising and instructing General Director to

operate the Company's activities.

» BOM does not establish sub-committees.

In 2016, BOM held 04 periodic meetings, some regular and irregular meetings to get opinions in written in order to timely make decisions on the issues under its responsibilities.

### Report on BOM members activities

According to BOM Resolution No. 206/NQ-PVCFC dated 02/03/2015 regarding "Assignment of specialized tasks to BOM", the duties of each BOM member are as follows:

*Mr. Nguyen Duc Thanh* - Chairman: Taking general responsibility for operating the BOM's activities and relations with major shareholders, Parent Company, State authorities; directly in charge of human resource management, training, and policies for employees; undertaking the issuance and amendment of strategies, regulations, and policies in general; research and development activities; etc. and instructing the representatives of the Company's capital in affiliates.

*Mr. Bui Minh Tien* - BOM member: Undertaking the duties of a General Director - operating the Company's activities; in charge of the development of cooperative projects, joint ventures and associates with

other entities; supervising Parent Company and subsidiary (PPC).

*Mr. Tran Chi Nguyen* - BOM member: Taking responsibility for communications and business; financial and accounting management; management of share issuance, share offering, and capital mobilization via share issuance. Moreover, Mr. Tran Chi Nguyen concurrently holds the position of Chairman of PetroVietnam Packaging Joint Stock Company (PPC).

*Mr. Tran My* - BOM member: In charge of business and production plan; issues relating to tending, investment projects, and legislation; undertaking information disclosure in security market.

*Ms. Tran Thi Binh* - BOM member: In charge of long-term development strategies; economic-technical norm; technical process; and product quality standards.

BOM has issued Resolution No. 05/NQ-PVCFC approving operating plans for BOM and each member in 2016. All BOM members have implemented their assigned tasks, reviewed material areas (operation, finance, compliance, and risk management, etc.) with high sense of responsibility, directed the Company's activities smoothly and well fulfilled their tasks.

🗨 AS THE HIGHEST GOVERNANCE BODY REPRESENTING THE BENEFIT OF SHAREHOLDERS, BOM HAS ACTIVELY PROMOTED ITS MANAGEMENT ROLE IN SUPERVISING THE COMPANY'S ACTIVITIES IN ACCORDANCE WITH REGULATIONS AND STANDARDS FOR A PUBLIC JOINT STOCK COMPANY.

## REPORT OF BOARD OF MANAGEMENT (continued)

APART FROM REGULAR AND IRREGULAR MEETINGS, BOM FREQUENTLY ATTENDS THE COMPANY'S PERIODIC MEETINGS TO CHECK AND EVALUATE THE PERFORMANCE AS WELL AS SUPERVISE THE ACTIVITIES OF BOD IN IMPLEMENTATION OF BOM RESOLUTIONS AND DECISIONS.

**Some important issues decided by BOM in the year**

- » Decision on approving business and production plan for 2016.
- » Decision on appointing Chief Accountant cum Chief of Finance - Accounting Division.
- » Decision on approving Feasibility Study Report of the project "Produce complex fertilizer from molten urea with capacity of 300,000 tons/year".
- » Decision on establishing Branch of PVCFC - Project Management Unit.
- » Decision on releasing Marketing and Communication Strategy of the Company.
- » Decision on assigning Branch of PVCFC - Project Management Unit to implement the project "Produce complex fertilizer from molten urea with capacity of 300,000 tons/year".
- » Decision on approving Feasibility Study Report of the project "Material importing Port with capacity of 500,000 tons/year of Ca Mau Fertilizer Plant".
- » Decision on sharing dividends of 2015 in cash at the rate of 8% to shareholders in line with Resolution of GMS 2016, closing the list on June 3<sup>rd</sup> 2016 and making payment on June 22<sup>nd</sup> 2016.

» Decision on making advance payment for dividends of 2016 in cash at the rate of 4% to shareholders, closing the list on November 3<sup>rd</sup> 2016 and making payment on November 28<sup>th</sup> 2016.

» Holding Annual General Meeting of Shareholders at the Company's Headquarter on April 21<sup>st</sup> 2016 with full participation of BOM, BOS and BOD. At the meeting, all the questions made by shareholders were answered satisfactorily by the Company's leaders. Voting result of each matter was recorded in meeting minutes. Meeting minutes and resolutions of GMS also have been fully disclosed on time as regulated.

» Annual General Meeting of Shareholders elected Mr. Do Minh Duong as Supervisor on April 21<sup>st</sup> 2016 (in replacement of Mr. Lam Van Chi, resigned from April 21<sup>st</sup> 2016) after considering the submittal of BOS and profile of Mr. Duong.

» Considering vision and mission in conformity with the Company's strategic orientation.

» Other decisions on regulation and plan for the Company's functional divisions within competence of BOM.

Apart from regular and irregular meetings, BOM frequently attends the Company's periodic meetings to check and evaluate the performance

as well as supervise the activities of BOD in implementation of BOM resolutions and decisions.

**Share transactions of internal and major shareholders**

» During the year, PVFC Capital - a Major shareholder bought 27,326,790 shares, increasing the number of shares held by this Company up to 53,852,470 shares, equivalent to 10.17% of the Company's charter capital.

» The Company has no information about indirect shares held by internal and major shareholders.

**Contracts or transitions with internal shareholders**

In 2016, there were no transitions between the Company and members of BOM, BOS, BOD, and key managers.

**Implementation of corporate governance principles**

The Company fully complies with the law on listing company.

**Personnel assignment**

During the year, BOM made a decision on appointing Mr. Dinh Nhu Cuong as Chief Account in February 2016.

On April 21<sup>st</sup> 2016, GMS elected Mr. Do Minh Duong as a member of Board of Supervisors in replacement of Mr. Lam Van Chi.

## ASSESSMENT ON THE COMPANY'S OPERATIONS

In 2016, although facing many difficulties from unpredictable fluctuations in the market and decrease in purchasing power in main markets, PVCFC excellently completed all duties and business targets, to be specific:

**For plant operations management**

» The plant remained operations management in safety and stability. During the year, there were no serious incidents and average productivity reached 101.35% (urea workshop). Especially, productivity of NH<sub>3</sub> workshop was successfully increased up to 110% and stably remained until now.

» Economic-technical norms were updated frequently, close with the actual consumption and helped reduce production cost.

» Overall maintenance work in 2016 was guaranteed in quality, progress. The Company saved 13% of maintenance costs compared to cost estimates. This showed the performance efficiency and growing skill of maintenance workers. Machinery and equipment were controlled frequently and strictly.

**For business, marketing and communication activities**

» The Company's business achieved a good result regardless of difficulties. Although the revenue decreased in comparison with that in 2015, this was a good outcome when the world's urea fertilizer price went down. The decreasing rate of the Company's revenue was also lower than the decreasing rate of the whole fertilizer industry in 2016. The Company's Return on equity

(ROE) reached 12%. The Company has completed distribution network and developed Ca Mau Fertilizer brand image as well as timely consumed products and maintained goods in stock at an optimal rate.

» Ca Mau Fertilizer brand kept its prestige in target markets and continued expanding to local and overseas markets.

» Marketing programs were organized for not only growing market share and developing brand name but also ensuring benefits of enterprise, shareholders, customers, partners and society.

**For basic construction investment and research & development**

» Investment and construction activities were implemented on schedule. Projects have been completed and put into operation with impressive outcome.

» Research and development activities continued being promoted in line with the Company's strategic orientation. Particularly, the researches for product diversification were focused in order to create product lines with high quality, suitable to the market demands and ensuring environmentally friendly.

**Other activities**

» Continuing to maintain and verify to upgrade integrated management system of ISO 9001:2008, OHSAS 18001:2007 and ISO 14001:2004. Particularly, in 2016, the Company successfully put 02 important management systems into operation:

» Enterprise resource planning system (ERP) has promoted its efficiency and governance activities were implemented scientifically and economically;

» Internal control system according to COSO-IC and integrated corporate risk management COSO-ERM: The system has firstly created a standard legal framework and renovated awareness on internal control and risk management in the Company.

» Working environment was increasingly improved with more safety and friendliness. The program PVCFC culture recycle has motivated each staff to self-refresh in physical, intellectual, emotional and spiritual aspects with the philosophy of "Individual success creates collective success".

» Cost management and savings were frequently encouraged to enhance awareness of employees on cost management and savings in all the Company's activities.

» HR training and development continued to be focused not only to ensure good performance but also to create motivation and trust for employees.

» In regard of corporate governance, the Company always kept its principles of publicity and transparency in business operations as well as promptly disclosed information according to regulation if there are any changes and adjustment on business and production targets related to rights and interests of shareholders.

» Social security activities were frequently implemented, showing PVCFC's responsibility to the society and community.



REPORT OF BOARD OF MANAGEMENT (continued)

ASSESSMENT ON ACTIVITIES OF BOD

In 2016, Board of Directors (BOD) made every effort to overcome difficulties and challenges in order to excellently complete the assigned tasks in conformity with the resolutions of GMS and instructions of BOM and in compliance with the procedures and regulations on the Company's operations according to Charter, corporate governance principles and relevant legal regulations. BOM's assessment on BOD's activities is as follows:

» Within its competence, BOD has built and issued internal documents in order to best control all the Company's business operations.

» Clearly understanding advantages, disadvantages, and current position of the Company, BOD has tried to give out prompt and flexible solutions in operating the Company's business in conformity with the reality.

» BOD controlled costs and risks effectively as well as operated the plant in safety and high efficiency. BOD has also maintained a good distribution network in the country and in Cambodia.

» Scientific research was one of the activities that the Company

paid highest attention in 2016. In December 2016, PVCFC officially launched new fertilizer N46.Plus with many effective features in order to offer the best nutrition solution for the plants. Besides, PPC - subsidiary of PVCFC successfully constructed and put into operation the N.Humate+TE fertilizer plant with the brand **Đạm Cà Mau - For a Golden Harvest**.



OPERATION ORIENTATION OF CORPORATE GOVERNANCE IN 2017

“ FACING THE CHALLENGES IN THE MARKET AND THE BUSINESS SITUATION WITH OVERSUPPLY OF UREA FROM FOREIGN COMPETITORS, MARKET SHARE LIMITED, CAPACITY REACHING THRESHOLD, DIFFERENCE IN EXCHANGE RATE, ETC., BOM HAS GIVEN OUT SOME MAIN DUTIES IN 2017 AS FOLLOWS:

For strategy and plan

- » Completing development strategy in the coming years is the Company's key duty in 2017 so as to help determine permanent competitive advantages and right direction to maintain sustainable development.
- » Directing to restructure sources of capital, strictly control cash flows, and reduce risk in exchange rate.
- » Continuing directing BOD to promote research and development and product diversification to increase other values besides urea fertilizer. Focusing on study and initiative that may help create new direction for the Company.
- » Directing to complete business plan for 2017 in safety and effectiveness.
- » Continuing to strengthen training and human resource development for management positions and professional skills to create a high quality team to meet the demand of the Company's development. Gradually building professional and effective employee assessment system.
- » Well controlling economic-technical norms of plant operation and exploitation, strictly managing expenses and production costs to comply with economic-technical norms and ensure competition with the similar products.
- » Continuing to complete and building corporate culture to create environment and motivation for sustainable development. Focusing on training program to develop personal capability.
- » Directing to implement the investment projects effectively on schedule and in compliance with the Company's regulations and the applicable law, especially key projects such as producing complex fertilizer from molten urea with capacity of 300,000 tons/year and material importing port with capacity of 500,000 tons/year.
- » Directing to trade fertilizers made by Ca Mau Fertilizer Plant and PPC and other products to ensure business efficiency, stabilize and enhance value of product and brand name. Diversifying products and services.

Above is BOM's report on implementation of rights and duties assigned by GMS in 2016. The Company's activities have been implemented and disclosed transparently. We believe that, with the support and accompanying from valuable shareholders and investors, PVCFC will promote its tradition, overcome all difficulties and challenges to successfully implement the plan for 2017 and maintain sustainable development.

For governance matter

- » Directing to continue completing and applying advanced governance instruments, effectively using the Company's sources.

Other works

- » Directing governance, management, and operation of the plant in safety and stability, good maintenance with assurance in schedule, quality, and cost savings.



# REPORT OF BOARD OF SUPERVISORS

## SUPERVISING RESULTS IN 2016 AND PLANS FOR 2017

### ASSESSMENT ON ACTIVITIES OF BOARD OF SUPERVISORS IN 2016

#### Activities of the Board of Supervisors (BOS)

PVCFC’s Board of Supervisors has 03 members. GMS 2016 has approved the change in supervisor: Dismissing the supervisor position of Mr. Lam Van Chi and electing Mr. Do Minh Duong as supervisor.

To ensure high efficiency in supervising activities, the Company’s Board of Supervisors has closely followed up and quickly implemented the operating

plan which is approved by General Meeting of Shareholders (GMS). The supervising activities mainly focus on the following issues: The compliance with the Company’s Charter, resolutions and decisions of GMS and BOM and internal regulations of the Company; using and preserving capital; the implementation of business plan for 2016; the implementation of economic technical norms, cost saving/reduction methods; the implementation of investment projects; and auditing financial statements.

In 2016, BOS held four (04) meetings to get opinions from members on operating plan during the year, assigning tasks for each member, auditing financial statements, quarterly, semi-annual, and annual business performance; suggestion after investigation, etc.

» TO ENSURE HIGH EFFICIENCY IN SUPERVISING ACTIVITIES, THE COMPANY’S BOARD OF SUPERVISORS HAS CLOSELY FOLLOWED UP AND QUICKLY IMPLEMENTED THE OPERATING PLAN WHICH IS APPROVED BY GENERAL MEETING OF SHAREHOLDERS (GMS).

The members of BOS have made every effort to fulfill their assigned tasks. Details are as follows:

» Ms. **Phan Thi Cam Huong** - Chief of the Board:

- » Taking general responsible for running activities of the Board.
- » Making supervising plan for the year and organizing implementation.
- » Checking and supervising the compliance with State regulations and the Company’s Charter and the implementation of resolutions and decisions of GMS, BOM and the Company’s Leaders.
- » Checking and supervising the implementation of business plan and the financial situation of the Company.
- » Considering approval and selection of auditor for financial statements; appraising financial statements.
- » Submitting BOS report to GMS or as required by major shareholders.

» Mr. **Do Minh Duong** - Supervisor

- » Checking and supervising investment and procurement activities of the Company.
- » Checking and supervising the implementation of economic technical norms.
- » Checking and supervising human resource and training activities.
- » Participating in planning and implementing the checking and supervising program during the year.

» Mr. **Nguyen Thanh Hao** - Supervisor (concurrently)

- » Analyzing and evaluating monthly, quarterly and annual financial statements.
- » Participating in making plan for the year.
- » Supervising the use, management, and preservation of capital at the Company.

#### Salary, remuneration, and operating costs of BOS

Salary, remuneration, and operating costs of each Board member are paid

in compliance with the Company’s regulations and are approved by GMS. Total income of BOS in 2016 was VND1.79 billion.

### RESULTS OF SUPERVISING OPERATIONS AND FINANCE IN 2016

#### Monitoring activities

The Board of Supervisors is aware that, in 2016, overcome difficulties and challenges in price fluctuations, climate changes, effects of tax policies, etc., BOM always closely monitored and gave timely instructions to all activities of PVCFC as well as facilitate BOD to actively and flexibly find out solutions to fulfill the business targets. Operating results of PVCFC are as follows:

- » Total production output (urea conversion): **804.1** thousand tons, reaching **102.3%** of the plan.
- » Total consumption volume (urea conversion): **812.43** thousand tons, reaching **103.4%** of the plan.
- » Total revenue: VND**5,218** billion, reaching **102%** of the plan.
- » Profit before tax: VND**659** billion, reaching **100.7%** of the plan.



## REPORT OF THE BOARD OF SUPERVISORS (continued)

» TOTAL VALUES OF INVESTMENT PROJECTS IN 2016 WERE VND**105.74** BILLION, REACHING **81.2%** OF THE PLAN. ALL THE PROJECTS WERE IMPLEMENTED IN LINE WITH PREVAILING REGULATIONS AND STRICTLY SUPERVISED.

**804.1**  
Thousand ton  
**TOTAL PRODUCTION  
OUTPUT**

- » Obligations to the State budget: VND**81.11** billion, reaching **160%** of the plan.
- » Dividend: The Company has shared dividend of 2015 at the rate of **8%** (equivalent to VND**800**/share) and made payment in advance for dividend of 2016 at the rate of **4%** (equivalent to VND**400**/share).

**Business and production situation**

In 2016, the Plant always operated in safety and stability with the average capacity of 101.35%. The Company successfully raised capacity of NH<sub>3</sub> Workshop up to 110%. Total productive maintenance was finished one day earlier than schedule.

PVCFC continued to maintain its number one position in Mekong Delta and develop consumption in other markets as planned; strengthened trading other fertilizers such as Kali and DAP; continued to review and re-evaluate distribution network, upgrade and supplement agents and commercial customers.

In 2016, the Company also built and completed brand strategy - marketing and communication. Communication and market researching activities were frequently organized by PVCFC such as holding technical seminars and farming seminars; donating and attending domestic exhibitions; donating agricultural events; deploying customer conferences, customer care programs; and implementing social security programs.

**Deployment of basic construction and investment projects**

Project of producing urea-based organic fertilizer (N.Humate+TE) implemented by PPC - a subsidiary was completed and put into trial run in December 2016. Online packaging system was officially handover in December 2016 and has been operating stably up to now. The projects of producing complex fertilizer from molten urea with capacity of 300,000 tons/year and material importing port with capacity of 500,000 tons/year are in the progress of procedure and deployment.

Total values of investment projects in 2016 were VND105.74 billion, reaching 81.2% of the plan. All the projects were implemented in line with prevailing regulations and strictly supervised.

**Research and development**

In 2016, PVCFC introduced new product N46.Plus. Besides, PVCFC always seeks opportunities to collaborate with local and overseas partners to create high quality and environmentally friendly new products to increase sustainable benefit for the farmers.

**Human resources and training**

The recruitment activities are always carried out publicly by PVCFC in line with Labor Code and the Company's recruitment policy.

» PVCFC HAS IMPLEMENTED AND REGULARLY DISCLOSED INFORMATION TO STATE SECURITY COMMISSION AND HO CHI MINH CITY STOCK EXCHANGE ABOUT INFORMATION DISCLOSURE IN THE SECURITY MARKET.

**5,218**  
Billion VND  
**TOTAL REVENUE**

Training activities are organized and managed in compliance with the Company's procedures and regulations.

**Corporate governance**

PVCFC always focuses on corporate governance. During the year, the Company successfully applied enterprise risk planning (ERP) system and officially introduced business process handbook under COSO framework, and deployed AtSS program integrated Safety - 5S - Initiative. The Company also amended and supplemented as well as released regulations in accordance with the requirements for a public joint stock company.

In addition, the Company consolidated personnel apparatus and adjusted assignment for the Leaders to ensure progress and efficiency in work handling.

**Financial investment**

As of December 31<sup>st</sup> 2016, PVCFC invested in only one (01) subsidiary - PetroVietnam Packaging Joint Stock Company (PPC) with the contributed capital of VND20.83 billion, occupying 51.03% of charter capital of this company. The financial statements for the fiscal year 2016 of PPC showed that the subsidiary had good business results, exceeding the planned targets for production output, consumption volume, profit, and financial indicators. Return on Equity (ROE) reached 22.56%.

**Supervising financial position**

Based on the BOD's reports presented at BOM meetings, regular meetings, the actual inspection at the Company, and audited financial statements of independent auditors (Deloitte Vietnam) as of December 31<sup>st</sup> 2016, as assessed by the Board of Supervisors, the Company has a healthy financial position, ensuring liquidity, preserving and developing capital. Details are as follows:

- » The financial statements have reflected truly and fairly all material respects of the Company's financial position as of December 31<sup>st</sup> 2016.
- » The financial statements have fully reflected the business results and financial position of the Company and are presented in the applicable forms released by Ministry of Finance.
- » The accounting records, open-book accounting and classification of economic contents meet the accounting standards of the Ministry of Finance.
- » PVCFC has implemented and regularly disclosed information to State Security Commission and Ho Chi Minh City Stock Exchange about information disclosure in the security market.
- » PVCFC has well complied with regulations on capital management and financial management in 2016.

## REPORT OF THE BOARD OF SUPERVISORS (continued)

» Major financial indicators exceed standards, to be specific: Current ratio (1.59 times); Quick ratio (1.44 times); Debt/Total asset (0.55 times); Debt/Owner's equity (1.22 times); Return over Equity - ROE (10.33%); and Return over Assets - ROA (4.55%).

### SUPERVISING ACTIVITIES OF BOM AND BOD

In 2016, besides regular meetings, BOM organizes other meeting to get opinions from Board members to timely make decisions. The reports of BOM and BOD have fully and truly reflected the business performance of PVCFC in 2016.

» BOM has released resolutions and decisions related to the activities of PVCFC in compliance with procedures and competences as regulated by the laws and the Company's regulations. BOD has instructed the functional divisions to strictly implement the resolutions and instructions of BOM and GMS.

» BOM members have fully attended the meetings and fulfilled their duties with high sense of responsibility; have always closely monitored and timely given instructions to support BOD in completing the business plan for 2016.

» BOD has been proactive in running PVCFC's activities flexibly, assigning tasks clearly and specifically as well as promoted decentralization to timely solve issues and ensure working efficiency.

### ASSESSMENT ON COORDINATION AMONG BOS, BOM AND BOD

At PVCFC, the coordination among BOS, BOM, and BOD is based on the principle of transparency and clarification to ensure benefits of shareholders.

In 2016, BOM and BOD closely coordinated, assisted, and facilitated BOD in supervising activities such as:

- » Fully providing information on the Company's business performance and financial position;
- » Inviting BOS to attend all the meetings of BOM as well as periodic meetings and other meetings of PVCFC;
- » Assigning personnel to coordinate with BOS as required.

Accordingly, all necessary changes related to the Company's activities as suggested by BOS are always timely responded by BOM and BOD, contributing to increasing management efficiency and improving corporate governance at PVCFC.

### BOS SUGGESTIONS ON THE ACTION PLAN FOR 2017

In the context that the economy is still facing difficulties and challenges, in order to maintain and improve the Company's business efficiency in 2017, BOS has some suggestions as follows:

- » Continuing to build and complete the Company's development strategies and strengthen corporate governance activities;
- » Strictly controlling inventories, cash flows, saving/reducing costs, and reducing production cost;
- » Continuing to supervise and manage risks in business activities;
- » Promoting R&D activities to diversify products to increase values and decrease dependence on urea products;
- » Strengthening progress of investment projects and strictly controlling project costs.

### PLAN FOR 2017

BOS will continue to focus on supervising and regularly inspecting all activities of PVCFC as well as further coordinate with BOM, BOD and other related departments to receive and handle information among related parties effectively. The plan of BOS for 2017 are mainly focused on the following contents:

- » Supervising management and governance activities of PVCFC upon the functions and duties of BOS according to the Law on Enterprises and the Company's Charter;
- » Supervising the compliance to the laws and the Company's Charter, the implementation of resolutions and decisions of GMS and BOM and the implementation of policies of PVN and the Company;
- » Checking and supervising the implementation of business plan for 2017;
- » Checking and supervising the implementation of economic technical norms and cost savings;
- » Checking and supervising the deployment of investment projects;
- » Checking and supervising the management of owner's equity and share capital of PVCFC in other entities;
- » Supervising the building of plans and route to reduce PVN's share capital in PVCFC down to 51% in 2017 - 2020 period according to PVN restructuring plan approved by Prime Minister;
- » Appraising financial statements and quarterly and annual financial position of PVCFC;
- » Making reports and doing other works as required by GMS, PVN and the prevailing regulations.







Prime Minister Nguyen Xuan Phuc paid a visit at Ca Mau Fertilizer Plant.

## REPORT AND ASSESSMENT OF BOARD OF DIRECTORS

### GENERAL ASSESSMENT

The year 2016 marked the point of 5 years after business commencement date and 2 years after transformation into a public joint stock company of PVCFC. 2016 is also the most difficult year of the Company during its operating time. However, with the efforts and determination of the leaders and the whole staff, PVCFC has affirmed capability in organizing and operating the Plant in safety and stability as well as maintaining and developing business activities in line with the Company's orientation.

The year 2016 has also closed with many positive and negative impacts from both domestic and overseas fertilizer markets which directly affected the Company's business operations, in which, main advantages and disadvantages were as follows:

“ THE YEAR 2016 HAS CLOSED WITH MANY POSITIVE AND NEGATIVE IMPACTS FROM BOTH DOMESTICS AND OVERSEAS FERTILIZER MARKETS WHICH DIRECTLY AFFECTED THE COMPANY'S BUSINESS OPERATIONS.

### Advantages

- » PVCFC always received the close and prompt instructions from Vietnam Oil and Gas Group, the support from the ministries/ industries/ Government in regulating gas price to ensure the Company's performance efficiency.
- » Strong solidarity of the Company's Leaders and the whole staff in making an effort to complete and exceed the Company's planned targets.

The average urea price of Ca Mau Fertilizer in 2016 was 18% lower than that in 2015.

- » Urea consumption rate of the Company's major markets (Mekong Delta, Cambodia, etc.) strongly decreased due to negative effects of climate changes, especially drought and saltwater intrusion.

- » Talisman incidents, gas shortage, and the policy on prioritizing gas for power caused considerable effects on continuous operations of the Plant.
- » Not applying VAT to fertilizer increased costs and strongly affected business results.
- » Fake fertilizers are more and more popular and affect reputation of many brands.

### Disadvantages

- » The world's urea price in 2016 went down to the lowest rate within 5 years. FOB Urea (Granular) Middle East in 2016 was USD208/ton, 27% lower than that in 2015 (USD285/ton).



*PVCFC always received the close and prompt instructions from Vietnam Oil and Gas Group, the support from the ministries/ industries/Government in regulating gas price to ensure the Company's performance efficiency.*

## REPORT AND ASSESSMENT OF BOARD OF DIRECTORS (continued)

## BUSINESS RESULTS IN 2016

## Implementation results of business targets

No.	Item	Unit	Implemented in 2015 (JSC)	2016		Comparison (%)	
				Plan	Implementation		
A	B	C	1	2	3	4=3/2	5=3/1
I	TARGETS IN QUANTITIES (*)						
1	Production volume						
-	Ca Mau Fertilizer (Urea conversion)	Thousand tons	832.05	785.83	804.10	102%	97%
-	Packaging	Thousand packages	18,305	17,116	19,993	117%	109%
2	Consumption volume						
-	Ca Mau Fertilizer (Urea conversion)	Thousand tons	811.30	785.83	812.43	103%	100%
-	Packaging	Thousand packages	18,162	17,116	20,479	120%	113%
II	FINANCIAL INDICATORS (CONSOLIDATED)						
1	Total revenue	Billion VND	5,815	5,092	5,218	102%	90%
2	Profit before tax	Billion VND	714.80	653.84	658.89	101%	92%
3	Profit after tax	Billion VND	712.46	621.01	624.34	101%	88%
4	Obligation to the State budget	Billion VND	27.67	50.81	81.11	160%	293%
III	FINANCIAL INDICATORS (PARENT COMPANY)						
1	Total revenue	Billion VND	5,804	5,084	5,202	102%	90%
2	Profit before tax	Billion VND	708.19	652.81	652.77	100%	92%
3	Profit after tax	Billion VND	706.85	620.25	619.30	100%	88%
4	ROE	%	13%	12%	12%	100%	92%
5	Construction and equipment procurement	Billion VND	203.53	130.28	105.74	81%	52%
6	Obligation to the State budget	Billion VND	22.97	47.02	73.90	157%	322%

Note: (\*) Production and consumption volume in 2015 includes 14 days (01/01/2015 - 14/01/2015).

## Production operation

» The Plant maintained operations in safety and stability with average capacity of 101.35% (Urea Workshop), especially successfully increased capacity of NH<sub>3</sub> Workshop up to 110% from early October 2016 and stably remained this rate up to now.

» Total productive maintenance and regular maintenance have been scheduled carefully in details and implemented with quality assurance, completing 01 day earlier than scheduled and saving 13% of cost estimates. The encryption of materials is implemented continuously. At present, 46,487 materials have been encoded successfully and updated into CMMS and ERP system to help optimize materials in stock.

» The norms are updated continuously in accordance with actual consumption which helps reduce production cost and shows the effectiveness of material management, skills of direct workers, situation of machinery and equipment, and production conditions.

## Marketing and business management

» Ca Mau Fertilizer brand is maintained at target markets and expanded to other domestic market and overseas market, to be specific, keeping the number one position in Mekong Delta; increasing market share in Southeast, Cambodia, and Central Highlands; exploiting and developing market in Central Vietnam and in the North.

» Building and completing Brand - Marketing and Communication strategy, affirming long-term



» TOTAL PRODUCTIVE MAINTENANCE AND REGULAR MAINTENANCE HAVE BEEN SCHEDULED CAREFULLY IN DETAILS AND IMPLEMENTED WITH QUALITY ASSURANCE, COMPLETING **01** DAY EARLIER THAN SCHEDULED AND SAVING **13%** OF COST ESTIMATES.

and systematic business strategy and commitment to continuous improvement in both quality and appearance.

» Successfully organizing "For a Golden Harvest - Showing Gratitude" program which left a good impression about Ca Mau Fertilizer helps strengthen purchasing power and ensures to balance benefits of enterprise, customers, partners, and social community. In addition, PVCFC organizes seminars, technical training, knowledge popularization, technological transfer, etc. for the farmers.

# 12,967

Billion VND  
**TOTAL ASSETS**



## REPORT AND ASSESSMENT OF BOARD OF DIRECTORS (continued)



The Leaders of Vietnam Oil and Gas Group were checking PVCFC's business operations.

- » Promoting to trade and distribute other kinds of fertilizers such as DAP and KALI to optimize profitability and increase added values. Continuing to review and re-evaluate distribution network to supplement and upgrade agencies and commercial customers in accordance with the Company's business strategies.

#### Basic construction

- » The investment project of producing complex fertilizer from molten urea with capacity

of 300,000 tons/year: Already completed necessary formalities to submit Front-End Engineering Design (FEED) for approval, total cost estimates and contractor selection. After EPC Contractor is selected, together with consultant, the feasibility of the project will be re-evaluated prior to execution.

- » Material importing port with capacity of 500,000 tons/year: Completed topographic and geologic survey and preparing design for technological system

and construction. As estimated, the project will be completed and put into use at the same time as the project of producing complex fertilizer from molten urea.

- » The project of urea-based organic fertilizer (N.Humate+TE) with the capacity of 30,000 tons/year which was assigned to PPC for investment and construction: In December 2016, after 7 months of construction, the project was officially come into stable and continuous operation to meet the demand of the market.
- » Online packaging system: Completed and handed over on December 7<sup>th</sup> 2016. Until now, the system is working well.

#### Other management activities

##### Governance

- » Stably operating SAP ERP (Enterprise Resource Planning) from January 1<sup>st</sup> 2016, marking a new step in corporate governance and helping enhance management competency and resource optimization ability for Ca Mau Fertilizer.
- » On November 15<sup>th</sup> 2016, PVCFC officially introduced Business Process Handbook according to COSO framework, including 18 processes. The standardization of business processes has shown that PVCFC's competencies in internal control and enterprise risk management is getting better and better.

- » Deploying AtSS program integrated between Safety and 5S: An initiative to minimize hazards and prevent accidents at work and occupational diseases as well as recognize ideals, apply initiatives and encourage creativity in working. The program is integrated with 5S to improve working environment and enhance performance efficiency.

##### Organization, management, and corporate culture

- » The Company releases all policies and regulations upon the requirements of a public joint stock company.
- » General Director further decentralizes to the levels of division head and branch manager to ensure more comprehensive and consistent governance. Besides, decentralization helps the Company train a human resource with intense experience in corporate governance and

management knowledge and skills which are suitable to different positions and jobs requiring high proficiency.

- » Continuing to coordinate with the consulting unit to deploy PVCFC culture recycle program; build action framework from department/division level to company level in line with "The 7 Habits of Highly Effective People"; set up and put the clubs such as walking club, yoga and fitness club, reading club, etc., into effective operation to encourage employees to refresh themselves in physical, intellectual, emotional and spiritual aspects in line with the motto "Individual success creates collective success".

##### Restructuring

- » Vietnam Oil and Gas Group (PVN) has approved restructuring plan for PVCFC in 2016-2020 period. In which, PVN has oriented main contents including production, trading, management model, arrangement, restructuring, etc. to create a stronger foundation and direction for PVCFC and gradually reduce the dependence on PVN. The Company continues to seek a strategic investor to decrease PVN's share capital in PVCFC down to 51% according to the approved restructuring plan.
- » PVCFC has established brand of PetroVietnam Ca Mau Fertilizer Joint Stock Company - Project Management Unit (Decision No. 1109/QĐ-PVCFC dated June 1<sup>st</sup> 2016) and assigned duties to PMU to deploy the projects of producing complex fertilizer from molten urea with capacity of 300,000 tons and material importing port with capacity of 500,000 tons.

- » PVN has issued an official letter to approve the establishment of Researching and Development (R&D) Center to improve quality and effectiveness of R&D activities, enhance value chain and diversify product lines. At present, R&D Center is completing facilities, organization, process, and regulations to operate as a branch in the coming time.

##### Research and development

PVCFC increasingly promoted researches on product diversification in conformity with the Company's strategy and the tendency of using environment-friendly fertilizers. Outstanding researching results in 2016 included:

- » Signing agreement with Solvay (Belgium) and Rynan Smart Fertilizers to cooperate in researching and developing new products and solutions to improve effectiveness in using urea.
- » Successfully researching and launching new product N46. Plus on December 16<sup>th</sup> 2016. N46.Plus is produced under Belgium technology which helps minimize nitrogen loss, raise effectiveness, and save 20%-30% of fertilizer compared to normal urea. The fertilizer has been supplied to the market and is welcomed by the consumers.

##### Cost management and cost saving

- » PVCFC is well-done in management expenses and production costs when a detailed cost plan is assigned to each department as a basic for managing costs and evaluating cost efficiency.
- » In 2016, the Company saved an amount of VND94.94 billion, reaching 108% of the plan (in which, VND26.86 billion from



The project of urea-based organic fertilizer (N.Humate+TE) with the capacity of 30,000 tons/year which was assigned to PPC for investment and construction: In December 2016, after 7 months of construction, the project was officially come into stable and continuous operation to meet the demand of the market.

## REPORT AND ASSESSMENT OF BOARD OF DIRECTORS (continued)

materials and energy, VND66.37 billion from management expenses, and VND1.72 billion from basic construction and equipment procurement).

### Human resource training and development

» PVCFC is aware that people are the most valuable asset, which contributes to creating competitive advantages for the enterprise. Therefore, human resource development always receives a high attention. The Company actively gives training in knowledge, skills and especially working attitude to ensure a strong human resource in both quantity and quality to implement the Company's goals.

» In 2016, the Company trained 7,537 people, reaching 219% of the plan, focusing on intense training for expertise, management, and profession level, working skills, and internal training according to "The 7 Habits of Highly Effective People" program. Particularly, in December 2016, the Company organized a course to train coaching skills for management team to motivate staffs, improve efficiency and build corporate culture.

### Human resource, salary, and policy management

» Human resource management: At the end of 2016, the Company had totally 889 employees, reaching 97% of the plan. The Company sets the goal of streamlined management apparatus to optimally promote advantages of a joint stock company and enhance performance efficiency.

» Salary: PVCFC pays salary and other allowances in line with

the Company's regulations and ensures a stable income for all employees. The Company also maintains a safe and friendly working environment, well implements labor policy, sufficiently participates in insurance, and other policies in accordance with the law and the regulations of PVN and PVCFC.

### Occupational safety and health, fire and explosion prevention

» PVCFC always actively implements and strictly complies with regulations on security, occupational safety and health, and fire and explosion prevention in operating the Plant as well as prevents lack of security and safety. The Company usually organizes training courses for the whole employees to raise their awareness of labor safety and fire prevention. The Company also maintains and renovates environment management system in line with OHSAS 18001:2007 standards in occupational safety and health management.

### Analysis on business results

#### Business results of Parent Company

» Output of urea conversion was 804.10 thousand tons, reaching 102% of the plan for 2016 and equal to 97% of the year 2015. The output was 3% lower than that in 2015 while the downtime in 2016 increased by 11.7 days (35%) compared to 2015, mainly due to offshore oil platform incidents and maintenance of some large equipment of the Plant after 5 operating years. Since its commencement date, the Plant has always operated stably with capacity of 102% (Urea Workshop) and 106% (NH<sub>3</sub> Workshop) of designed capacity.

» Consumption volume of urea conversion reached 812.43 thousand tons, equivalent to 103% of the plan for 2016 and equal to 100.14% of the year 2015. In spite of difficulties in the market, consumption volume of Ca Mau Fertilizer exceeded the plan. This has shown the Company's effort in selling products as well as affirmed the position of a brand trusted by the farmer during the past years.

» Total revenue reached VND5,218 billion, equivalent to 102% of the plan for 2016 and equal to 90% of the year 2015. The revenue of 2016 was lower than that of 2015. However, this was a good result in the context of decreasing urea price in the world (decreased by 28%-30%).

» Profit before tax reached VND658.89 billion equivalent to 100.7% of the plan for 2016 and equal to 92% of the year 2015. The profit of 2016 was lower than that of 2016 as the Inspectorate of Ministry of Finance concluded to decrease development investment fund by VND286 billion, leading to decrease in owner's equity. Accordingly, the profit before tax was decreased correspondingly to ensure Return on Equity (ROE) of 12%.

#### Business results of subsidiary - PetroVietnam Packaging Joint Stock Company (PPC)

» In 2016, subsidiary - PPC continued to maintain its stable operation at the capacity of 106.5% with 1.68 million sacks per month. Main targets relating to production, consumption, revenue, and profit exceeded the plan. Share capital of PVCFC in PPC is 51.03%. PPC planned to share dividends at the rate of 10%.



Company's Leaders were reporting the new research and development process with Leaders of Vietnam Oil and Gas Group.

### Outstanding results in 2016

- » Successfully organized the 5<sup>th</sup> Commencement Anniversary and received Second Class Labor Medal.
- » Successfully raised capacity of NH<sub>3</sub> Workshop to 110%.
- » Completed target output assigned by the Group 7.3 days prior to the schedule.
- » Completed total productive maintenance 1 day prior to the schedule.
- » Applying Safety - 5S - Initiative program (AtSS) at Ca Mau Fertilizer Plant.
- » "For a Golden Harvest - Showing Gratitude" program.
- » PVCFC introduced new product N46.Plus.

» Commenced "PVCFC culture recycle" project and deploy "The 7 Habits of Highly Effective People" in entire Company.

» Successfully put SAP ERP into use from January 1<sup>st</sup> 2016. Deputy General Director Nguyen Duc Hanh was honored as one of the Southeast Asia's most influential IT leaders.

» Completed Phase 1 - Project of building internal control system and enterprise risk management under COSO framework (Introduced the Company's processes under COSO).

### Lessons

From the above results, to fulfill the duties set out for 2016, PVCFC has drawn the following lessons:

» Take advantages from the supports and instructions from

State authorities to timely give reasonable suggestions and proposals.

» Increasingly improve to enhance governance competence as well as manage closely, flexibly, and strictly to help PVCFC deploy and apply quickly and effectively governance tools such as ERP, COSO, 5S, AtSS, etc.)

» Assign cost plan for each department/division and each job to strictly control costs and ensure to use resources effectively and economically.

» Build a harmonious collective having one heart toward the Company's goal, in which, the role of the leader is highly appreciated.

» Review and rearrange resources appropriately to maximally promote advantages and enhance resource efficiency.

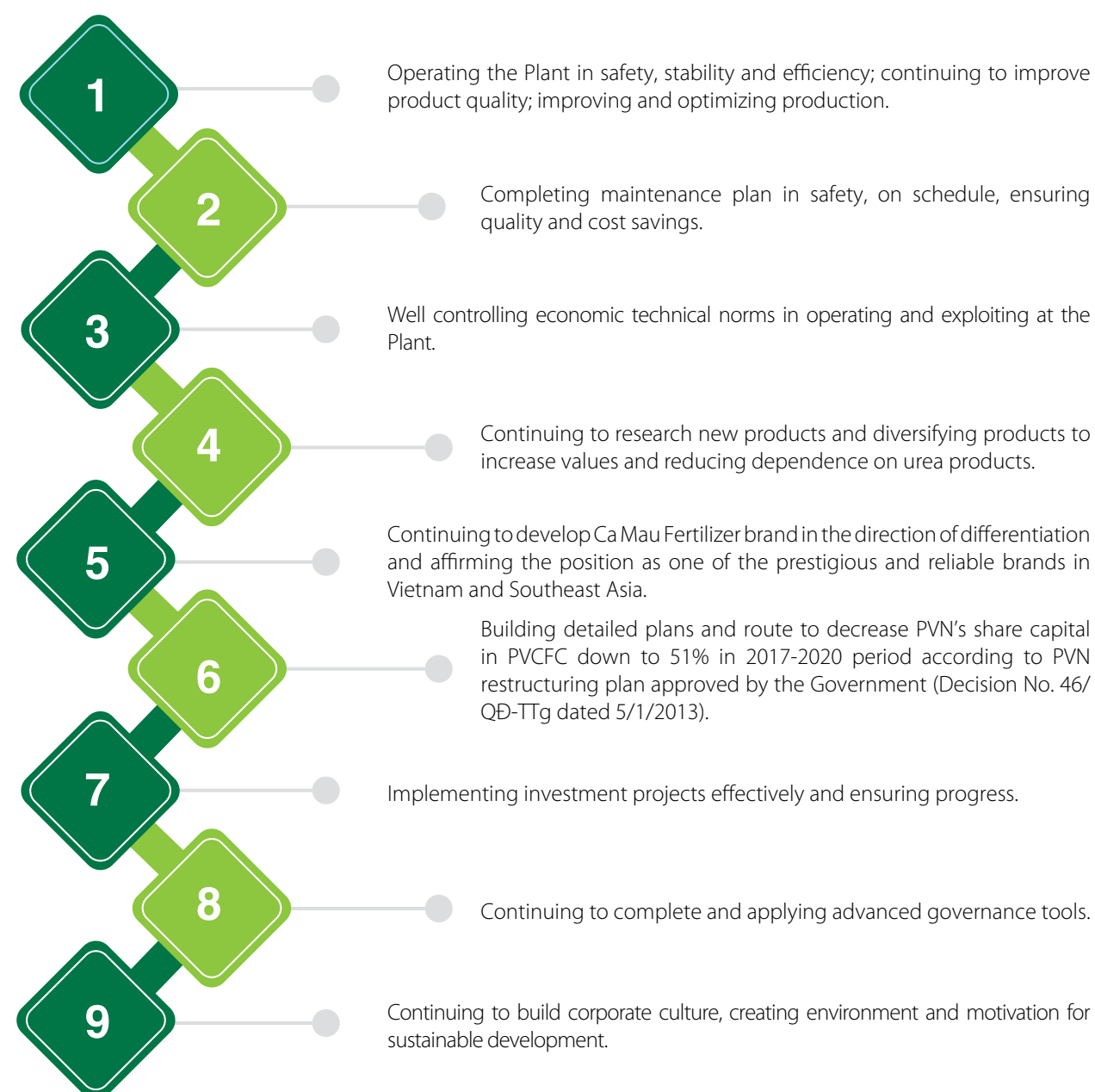


## REPORT AND ASSESSMENT OF BOARD OF DIRECTORS (continued)

### BUSINESS PLAN FOR 2017

In 2017, besides advantages and disadvantages such as expectations on a change in VAT applicable to fertilizer, the Government's attention to development in high-tech agriculture, etc., PVCFC is awareness of difficulties and challenges from unpredictable climate changes, complicated political situation in the world, unpredictable fluctuations in exchange rate, risk in gas supply interruption due to offshore oil platform incidents, gas supply priority, restructuring policies reducing agricultural area in Mekong Delta, etc. to overcome challenges, PVCFC has set out its duties and targets for the year 2017 as specified below:

#### Main duties



#### Planned targets for 2017

##### Output

No.	Item	Unit	Plan for 2017
<b>1</b>	<b>Production output</b>		
1.1	Ca Mau Fertilizer	Thousand ton	752
<b>2</b>	<b>Selling output</b>		
2.1	Ca Mau Fertilizer	Thousand ton	752
2.2	Other fertilizers	Thousand ton	75

##### Financial plan for the whole Company (consolidated)

No.	Item	Unit	Plan for 2017
<b>I</b>	<b>Financial targets for the whole Company (consolidated)</b>		
1	Total revenue	Billion VND	5,328
2	Profit before tax	Billion VND	666
3	Profit after tax	Billion VND	633
4	Obligation to the State budget	Billion VND	55
<b>II</b>	<b>Financial targets for the whole Company (Parent Company)</b>		
1	Owner's equity	Billion VND	5,905
-	In which: Charter capital/Average charter capital	Billion VND	5,294
2	Total revenue	Billion VND	5,300
3	Profit before tax	Billion VND	666
4	Profit after tax	Billion VND	633
5	Profit before tax/Average owner's equity	%	12%
6	Obligation to the State budget	Billion VND	50
<b>7</b>	<b>Investment in basic construction &amp; asset and equipment procurement</b>		
7.1	Total investment	Billion VND	540.5
-	Basic construction	Billion VND	372.6
-	Asset and equipment procurement	Billion VND	167.9
-	Capital contributed in affiliates	Billion VND	0
7.2	Source of investment capital	Billion VND	540.5
-	Owner's equity	Billion VND	288.6
-	Loan and others	Billion VND	251.9

## REPORT AND ASSESSMENT OF BOARD OF DIRECTORS (continued)



A female employee was working at PetroVietnam Packaging Joint Stock Company (PPC) - Photographer: Dao Quoc Trieu

## BASIC CONSTRUCTION PLAN

2017 is the year PVCFC focuses on investment and development projects, including the following projects:

- » Project of producing complex fertilizer from molten urea with capacity of 300,000 tons/year. This project is to produce high quality one-granule complex fertilizer from molten urea, supplemented with medium and micro-elements suitable to each kind of plants to meet the increasing demand on

high quality one-granule complex fertilizers in domestic market and contribute to replacing imported one-granule NPK. Currently, Final-End Engineering Design (FEED) of the project has been completed. The Company has submitted and is waiting for approval on contractor selection plan. The project is expected to commence in the 2<sup>nd</sup> quarter of 2017 and come into operation in the end of 2018.

- » Material importing port project with capacity of 500,000 tons/year: This project is to serve other projects: Producing complex fertilizer from molten urea with capacity of 300,000 tons/year, producing organic fertilizer, bio-fertilizer, and other fertilizers according to the development orientations of PVCFC until 2035. The project is also to increase export capacity. At present, construction drawings and cost estimates for the project are preparing. The project is expected to commence in the 3<sup>rd</sup> quarter of 2017 and come into operation at the same time as the project of producing complex fertilizer from molten urea with capacity of 300,000 tons/year.



*Synchronizing brand strategy, communication & marketing to improve competitiveness and increase brand position of Ca Mau Fertilizer in both domestic and foreign markets.*

## MAIN IMPLEMENTATION PLANS

## Corporate governance

- » Assigning and controlling cost plan for each department based on the goals/action plans/budget.
- » Strengthening investigation and supervision in all aspects to timely handle outstanding issues to ensure good performance of the planned targets.
- » Building and completing the Company's development strategy in breakthrough direction to limit dependence on gas source.
- » Continuing to enhance governance competence in professional and efficient model by applying ERP system, complete internal control system with focused risk management.

## Production operations

- » Continuing to optimize technologies and building scripts for the Plant's optimal capacity.
- » Completing application of maintenance support software and effective applications in making plan, implementing and managing maintenance.
- » Strengthening partner relations to learn and exchange maintenance experiences with oriented expertise and make the simple equipment serving maintenance work as well as enhance qualification for the Company's maintenance and operation team.

## Business activities and market development

- » Actively applying selling policies flexibly and closely following up

price fluctuations in the world to have competitive measures with imported fertilizers.

- » Promoting to trade other fertilizers to diversify products supplied and provide comprehensive nutrition solutions to the plants.
- » Simultaneously deploying strategies in brand development, communication, and marketing to improve competitive competence and raise position of Ca Mau Fertilizer brand in domestic and overseas market. Enhancing communication efficiency and developing Ca Mau Fertilizer brand in differentiation direction with the image of "Nurturer".

## Basic construction

- » Focusing on promoting investment projects on the basis of effectively controlling costs and ensuring progress and quality. Effectively deploying production lines for new products to meet the schedule on new product launching in the market.

## Human resources and training

- » Renovating of training, self-training to improve professional skills, foreign languages, operation skills, maintenance and repair to meet the requirements of rapid development, integration and consistent with the development orientation of the Company.
- » Building attractive policies to preserve key personnel, creating a professional working environment and promoting individual competencies.

- » Continuing to care for the spiritual life of employees, deploying and maintaining "PVCFC culture recycling" project to get positive outcome for forming PVCFC culture.

## Scientific and technological researches

- » Promoting initiatives and technical improvement, ensuring to optimize and raise capacity of the Plant as well as performance efficiency of the whole Company.
- » Strengthening R&D activities to create new products to meet the demand of the market and catching up the agricultural restructuring in Mekong Delta.
- » Researching and seeking alternative materials for natural gas.

## Finance

- » Continuing to control cash flows and enhance financial risk prevention.
- » Strictly implementing cost savings and cost efficiency.
- » Building and gradually completing financial risk management system and applying ERP and financial risk management tools.

## Health, safety and environment

- » Continuing to maintain safety and environment system in line with ISO 14001 standard.
- » Ensuring environmentally friendly technologies and equipment in deploying projects of producing new products. Ensuring to comply with Vietnam National Standards in wastewater and emission treatment.



# CORPORATE GOVERNANCE

## BOARD OF MANAGEMENT

### Members and structure of the BOM

As of 31/12/2016, the BOM has five members for the term of 2015-2020, including the Chairman of the BOM, 01 Member cum General Director, 02 full members, 01 independent member.

No.	Board of Management	Position	Note
1	Nguyen Duc Thanh	Chairman	
2	Bui Minh Tien	Board member	cum General Director
3	Tran My	Board member	
4	Tran Chi Nguyen	Board member	
5	Tran Thi Binh	Board member	Independent

### Report on changing in personnel of BOM in 2016

In 2016, the BOM of Ca Mau Fertilizer Joint Stock Company did not have any changes in personnel.

### Meetings of the BOM in 2016

No.	Board of Management	Position	Number of meetings attending	Ratio	Reason for not attending/Note
1	Nguyen Duc Thanh	Chairman	4/4	100%	
2	Bui Minh Tien	Board member cum General Director	4/4	100%	
3	Tran My	Board member	4/4	100%	
4	Tran Chi Nguyen	Board member	4/4	100%	
5	Tran Thi Binh	Independent member	4/4	100%	

Meetings of BOM focused on solving key issues related to the formulation and implementation of business plans for 2016; Directing the organization of the General Meeting of Shareholders in 2016 in accordance with the deadline and the regulations; Directing closely the implementation of the business plan and implementation of the Resolution of the General Meeting of Shareholders in 2016; Approving the decisions under the authority of the BOM, enabling the BOD to carry out effectively the business tasks of the Company.

(More information "Some important issues decided by BOM in the year" on page 48).

## BOARD OF SUPERVISORS

### Members and structure of the BOS

No.	Board of Supervisors	Position	Note
1	Phan Thi Cam Huong	Chief	
2	Do Minh Duong	Member	
3	Nguyen Thanh Hao	Member	Concurrently

### Report on changing in personnel of BOS in 2016

In January 2015, Ms. Phan Thi Cam Huong was approved by the General Meeting of Shareholders and voted to be the Chief of the BOS.

On April 21<sup>st</sup>, 2016, Mr. Do Minh Duong was appointed as a member of BOS replacement for Mr. Lam Van Chi resigned on April 21<sup>st</sup>, 2016.

### Meetings of the BOS in 2016

No.	Board of Supervisors	Position	Number of meetings attending	Ratio	Reason for not attending/Note
1	Phan Thi Cam Huong	Chief	4/4	100%	
2	Do Minh Duong	Member	3/3	100%	Appointed on April 21 <sup>st</sup> , 2016
3	Nguyen Thanh Hao	Concurrently member	4/4	100%	
4	Lam Van Chi	Member	1/1	100%	Resigned on April 21 <sup>st</sup> , 2016

(See detailed information of the Report of the Board of Supervisors on pages 52 - 56)

## SALARIES, BONUSES, REMUNERATION AND BENEFITS OF BOM, BOD, AND BOS



No.	Full Name	Position	Salary - compensation	Bonus - welfare	Total income	Note
<b>I. Board of Management</b>						
1.	Nguyen Duc Thanh	Chairman	65.8%	34.2%	100%	
2.	Bui Minh Tien	Board member cum General Director	65.8%	34.2%	100%	
3.	Tran My	Member	69.1%	30.9%	100%	
4.	Tran Chi Nguyen	Member	69.3%	30.7%	100%	
5.	Tran Thi Binh	Member	69.1%	30.9%	100%	
<b>II. Board of Supervisors</b>						
1.	Phan Thi Cam Huong	Chief	65.8%	34.2%	100%	
2.	Do Minh Duong	Member	65.8%	34.2%	100%	From April 21 <sup>st</sup> to December 31 <sup>st</sup>
3.	Lam Van Chi	Member	69.1%	30.9%	100%	From January 01 <sup>st</sup> to April 20 <sup>th</sup>
4.	Nguyen Thanh Hao	Member	69.3%	30.7%	100%	
<b>III. Board of Directors</b>						
1.	Hoang Trong Dung	Deputy General Director	69.3%	30.7%	100%	
2.	Van Tien Thanh	Deputy General Director	69.3%	30.7%	100%	
3.	Nguyen Duc Hanh	Deputy General Director	69.3%	30.7%	100%	
4.	Le Ngoc Minh Tri	Deputy General Director	69.3%	30.7%	100%	
<b>IV. Chief Accountant</b>						
1.	Vu Thuy Tuong	Chief Accountant	91.3%	8.7%	91.3%	From January 01 <sup>st</sup> to January 31 <sup>st</sup>
2.	Dinh Nhu Cuong	Chief Accountant	69.8%	30.2%	69.8%	From February 02 <sup>nd</sup> to December 31 <sup>st</sup>

## TRANSACTIONS OF INTERNAL SHAREHOLDERS AND RELEVANT PERSONS

In 2016, Ms. Tran Thi Binh - a member of BOM, sold 100,000 DCM shares.

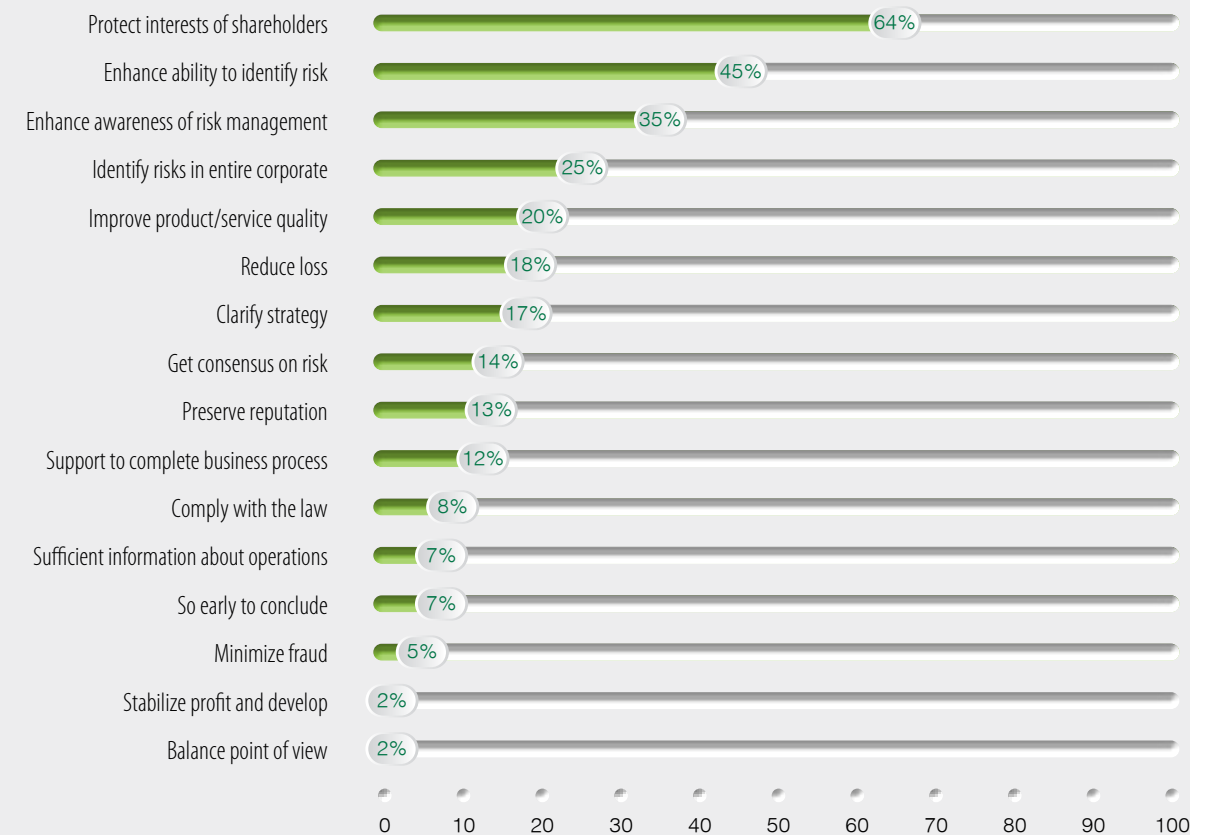
Number of shares holding: 0 share.

## RISK MANAGEMENT

### OVERVIEW

At present, the fertilizer industry is suffering impacts from many factors. Decrease in oil and gas price and oversupply of urea in the world in a long time has led to decrease in urea price. Reduction and deletion of import tax on fertilizer upon international trade agreements and no application of VAT on domestic fertilizer has increased the competitive advantages of imported fertilizer. Negative climate changes also seriously affect agriculture and fertilizer consumption rate in the country. In that context, each enterprise operating in fertilizer industry is required to make changes by itself to adopt with the external changes in order to optimally exploit opportunities and minimize challenges, especially manage risk in business operations to improve competitive advantages in the market.

### BENEFITS OF ENTERPRISE RISK MANAGEMENT



Source: PwC's Survey on Risk Management



“ SINCE DECIDING TO CONSTRUCT CA MAU FERTILIZER PLANT, VIETNAM OIL AND GAS GROUP HAS CHOSEN THE WORLD’S MOST MODERN FERTILIZER MANUFACTURING TECHNOLOGY PROVIDED BY HALDOR TOPSOE (DENMARK), SAIPEM/SNAMPROGETTI (ITALIA), BASF (GERMANY) AND TOYO (JAPAN).

SITUATION OF RISK MANAGEMENT

Operating in the field of petrochemical production which inherently hides a lot of risks relating to fire and explosion, occupational safety and health, environment impact, etc. Since deciding to construct Ca Mau Fertilizer Plant, Vietnam Oil and Gas Group has chosen the world’s most modern fertilizer manufacturing technology provided by Haldor Topsoe (Denmark), Saipem/Snamprogetti (Italia), BASF (Germany) and TOYO (Japan). Machinery system is innovative and fully equipped with production control systems such as:

- » **RBI (Risk Based Inspection)** to assist management, maintenance, and safety inspection for entire static equipment and pipe system of the Plant.
- » **FGMS (Fire & Gas Monitoring System)** to monitor and prevent fire and explosion.
- » **MPS/MMS (Machinery protection and Monitoring System)** to monitor and protect rotative equipment/machinery.
- » **VLAS certified laboratory** with full modern equipment to ensure management of risks related to intermediate product quality in each production stage and storing.

- » **MIS (Management Information System)** to serve production moderation and support production operation.
- » **APC (Advance Process Control)** to increase reliability and optimize operating parameters of the Plant.
- » **OTS (Operator Training Simulator)** to set up a simulation training system to help operation team reduce risks in reality.

Besides production risk management, PVCFC pays high attention to environmental risk management by equipping monitoring and processing systems such as comprehensive wastewater treatment system (treatment of technological wastewater, oil-contaminated wastewater, domestic wastewater); online EMS (Environmental Monitoring Stations); CEMS (Continuous Emission Monitoring Systems), etc. to ensure environmental protection parameters in compliance with Vietnamese standards and international standards (ISO, IEC, etc.).

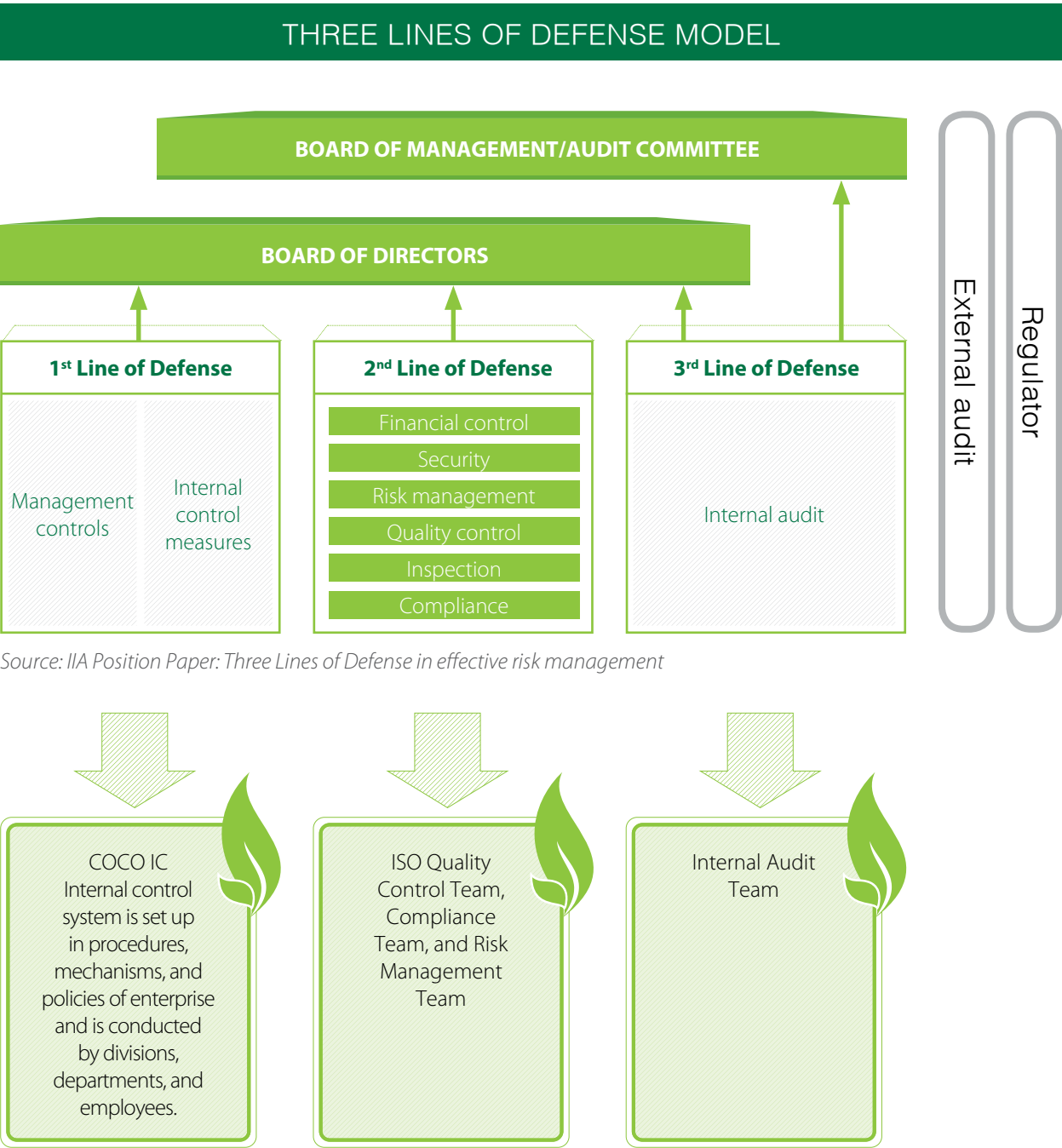


INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT ACCORDING TO COSO

MODEL OF RISK MANAGEMENT AND GENERAL CONTROL

Main governance principles

PVCFC selects main governance principles by deploying sustainable risk management model with Three Lines of Defense. Three Lines of Defense model is used to check risk management and control activities. The model is built by the Institute of Internal Auditors (IIA) and is applying over the world.



Source: IIA Position Paper: Three Lines of Defense in effective risk management



Three Lines of Defense at PVCFC

- » Business/management levels  
This is the first Line of Defense of PVCFC. Professional/Business divisions and departments support to minimize risks by ensuring to comply with the prevailing policies and procedures and report important issues to higher management levels to discuss and get instruction.
- » Risk management  
This is the second Line of Defense of PVCFC. Chief of Internal Control Committee directly manages and is responsible for setting up policies, procedures, and training activities to identify, assess, and handle the risks as well as follow up and report material risks to BOM and BOD.
- » Internal Audit  
This is the third Line of Defense of PVCFC. Internal Audit provides independent assessment and commits to BOM and BOD on design and effectiveness of the Company's internal control, including risk management system.

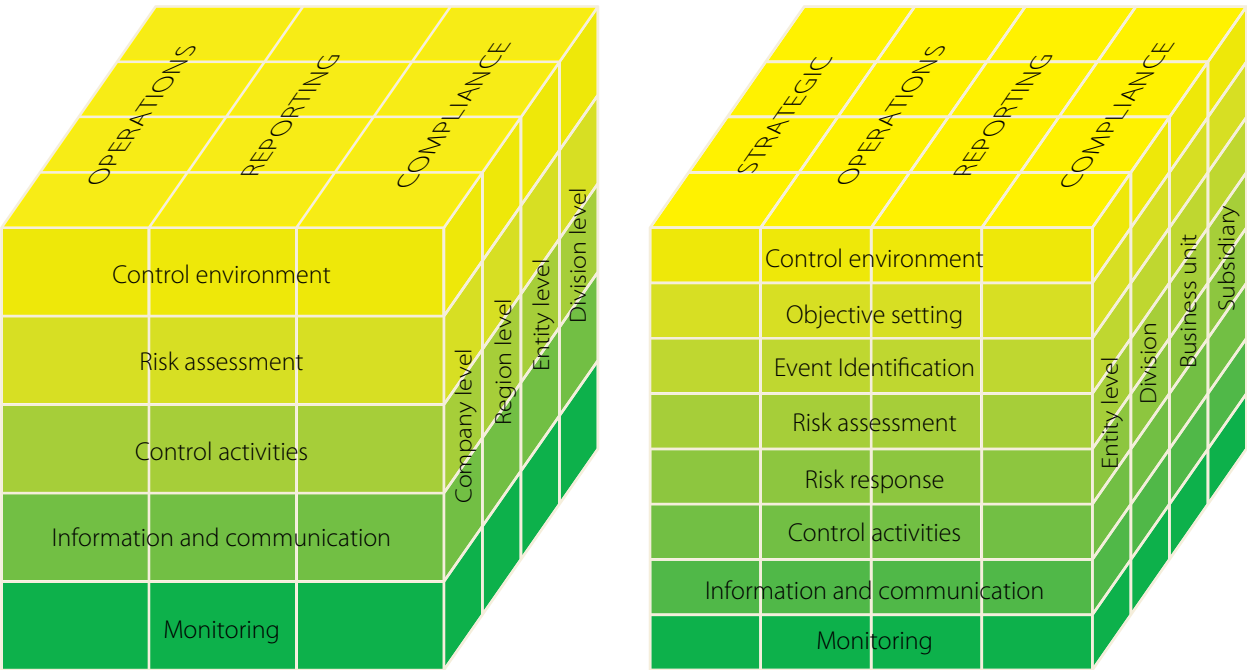


INTERNAL CONTROL AND ENTERPRISE RISK MANAGEMENT UNDER COSO FRAMEWORK

There are various internal control (IC) models and enterprise risk management (ERM) models in the world. ERM is a systematic and comprehensive approaching method which helps the enterprises to determine and measure priority degree and respond to the risks that may affect business targets.

ERM is also an effective management tool which helps the enterprises to gain strategic objectives and operating objectives. Each enterprise can choose different ERM models. The international practices have proven that this model can enhance enterprise risk management efficiency. By institutionalizing responsibilities and enterprise risk management activities in a model, the enterprise can create a better position to reach its strategic objectives.

Common ERM models include COSO-ERM, ISO 31000, and Turnbull Guidelines, in which, COSO-ERM is most popularly applied by enterprises. COSO-ERM Framework was firstly developed by PricewaterhouseCooper (PwC) in 2004 and is widely accepted by many companies to enhance ability to manage fluctuations and determine acceptable degree of risks to increase values for related parties. COSO-ERM is applied commonly and PwC is updating COSO-ERM - version 2017 to complete contents and conformity so that enterprises all over the worlds can get better outcome from enterprise risk management programs.



COSO-IC Internal Control Model      COSO-ERM Enterprise Risk Management Model

To build up an effective internal control and enterprise risk management system, besides continuous risk management according to traditional/existing method, PVCFC and PwC evaluate the current situation of the Company's internal control system and then give out a route to build and complete IC integrated with ERM under COSO Framework by USA.



# RISK MANAGEMENT (continued)

## RESULTS

### RISKS IN PRODUCTION AND ENVIRONMENTAL PROTECTION

At PVCFC, risk management has been set up since its business commencement date (in 2012). Up to now, the Plant always operates in safety and stability and there has been no serious incident related to occupational safety, fire and explosion, or environment. Product quality indicators are always equal to or even higher than the disclosed standards. Environmental indicators are always conformable and within the permitted limit of Vietnamese standards (TCVN), international standards (ISO), and

European standards (IEC) through the specialized and interdisciplinary investigations and assessments of independent organizations and State authorities.

The Company is always proactive in training and operating by internal training programs as well as contacting and collaborating with State authorities (Department of Natural Resources and Environment, Department of Labor, War Invalids and Social Affairs, Fire Prevention

and Fighting Police, etc.) to organize compulsory training and coaching courses according to law to raise awareness of occupational safety, health and environment.

Many initiatives and improvements of employees in improvement of product quality, energy savings and environment-friendly practices in business operations have been successfully applied and brought high efficiency in respects of economy, society and environmental protection.

### RISKS IN MARKET

#### Risks in oversupply

PVCFC improves capability of existing distribution network, reviews and completes policies on sales, after-sale services, and promotes exportation to overseas market.

Responding to climate changes in recent years and forwarding to the environment-friendly goal, PVCFC actively researches and develops new products as well as strengthens cooperation with local and overseas partners in Japan, USA, India, and

Canada. Particularly, many high-end fertilizers (N.Humate + TE, N46.Plus, DAP, Kali, etc.) with verified high efficiency have been introduced by the Company and received positive support from the market.

#### Risks in competition

PVCFC focuses on building strategic plan and flexible/appropriate business model to exist and develop under the pressure of fierce competition in the current market.

#### Risks in new products

Facing the trend of the world, using organic and biological fertilizers instead of inorganic fertilizer, PVCFC has produced smart and high-end fertilizers to provide solutions to soil improvement.



Ca Mau Fertilizer's Sales Team was listening feedback of the farmers on new product N.Humate+TE

### FINANCIAL RISKS

#### Risks in interest rate

PVCFC restructures loans to reduce loan interest, balances cash flows, analyses,assesses and chooses deposit terms with higher interest rate.

#### Risks in exchange rate

The Company balances cash flows to use advanced payment contracts and makes provision for fluctuations in exchange rate.

#### RISKS RELATED TO INVESTMENT IN SUBSIDIARY

PVCFC has one subsidiary: PetroVietnam Packaging Joint Stock Company (PPC). At present, PPC is showing its impressive business performance thanks to measures in

production management, corporate governance, and business.

#### RISKS RELATED TO ACTIVITIES, COMPLIANCE, AND CHANGES IN LEGISLATION

##### Risks in activities and compliance

Implementing project of building internal control system under COSO-IC integrated with COSO-ERM, PVCFC and PwC (Pricewaterhouse Cooper) have successfully reviewed and set up the whole production and business process of the Company in accordance with the best standards and practices in Vietnam and the world to improve efficiency and control risks in activities of the Company's departments. In addition, to ensure enforceability and compliance, in activities and efficiency of internal

control system, PVCFC and PwC consultant have successfully set up and put compliance control system into operation in line with COSO and prevailing practices.

##### PVCFC is affected by changes in legislation

Deletion of VAT of 5% on fertilizer has considerably affected the Company's business operations. However, to minimize competitive pressure and create more surpluses, the Company diversifies and improves product quality and actively expands local and overseas market as well as actively cooperates with other enterprises in fertilizer industry and State authorities to request Ministry of Industry and Trade, Ministry of Finance and the Government to apply VAT of 0% for fertilizers.



## COMPLETE INTERNAL CONTROL SYSTEM AND ENTERPRISE RISK MANAGEMENT

PVCFC continues to build and complete internal control system and effective enterprise risk management according to COSO framework. In 2017 and 2018, PVCFC will continue to collaborate with PwC to build and put COSO-ERM into application. After that, the Company will complete remaining parts of internal control system and officially apply internal control system integrated with COSO-ERM in 2018.



3

## SUSTAINABLE DEVELOPMENT REPORT

TOP *Quality*  
PERMANENT PROSPERITY







## OVERVIEW OF SUSTAINABLE DEVELOPMENT REPORT

ee PVCFC ALWAYS MAKES EVERY EFFORT TO MAINTAIN ITS BUSINESS EFFICIENCY TO BRING PRACTICAL CONTRIBUTIONS TO THE FARMERS AND NATIONAL ECONOMY AS WELL AS PARTIALLY CONTRIBUTE TO CREATING JOBS FOR MILLIONS OF PEOPLE.

2016 was the most difficult year during the past 5 years for the enterprises operating fertilizer industry due to unpredictable price fluctuations, saltwater intrusion, drought and water scarcity, strongly affecting agriculture and life of people in many places. However, in that context, PVCFC always tries to maintain business efficiency to bring practical contributions to the farmers and national economy as well as partially contribute to creating jobs for millions of people. PVCFC determines that sustainable development goals can only be successful if combining with economic development goals, balancing benefits of stakeholders and well implementing responsibilities to the society, community, and environment.

### Contents of sustainable development report

In 2016, PVCFC actively applied Sustainability Reporting Handbook according to the Guidelines on preparation of Annual Report 2016 of Vietnam Annual Report Awards (ARA), Guidelines on disclosure of environmental and social information of State Securities Commission and IFC and Circular No. 155/2015/TT-BTC of the Ministry of Finance giving guidance on information disclosure in the security market. The Company also applied GRI4 Standards in determining material areas affecting the stakeholders to have an overall

view on sustainable development report and give out sustainable business strategies in the future.

During the year, although facing many difficulties and challenges, PVCFC actively analyzed the factors having positive and negative influence on business activities to ensure business efficiency and balance benefits of stakeholders.

### Report period

Information and data in sustainable development report are updated for the fiscal year 2016 of PetroVietnam Ca Mau Fertilizer Joint Stock Company, from January 1<sup>st</sup> 2016 to December 31<sup>st</sup> 2016. The reports on occupational safety, society, and environment are consolidated from main activities at Parent company and member companies. The report reflects operating results in 2016 and mentions the Company's sustainable development orientations and objectives for the coming years.

### Method to determine contents

### of the report

The way to approach sustainable development issues at PVCFC is resulted from the Company's long-term growth goals in combination with social development and environmental protection to make positive contributions to the general development of the society.

2016 was the second year PVCFC presented sustainable development contents as a part of annual report. The issues relating to sustainable development goals continued to be assessed and considered in relation to current activities. Material issues were clearly determined to be reviewed, improved and further presented in sustainable development report 2017.

### Scope and boundary of the report

The report was prepared in Vietnam, regarding fertilizer production and trade, for the activities of PetroVietnam Ca Mau Fertilizer Joint Stock Company (PVCFC) and its subsidiary and functional departments.



### Contact

We are looking forwards to your sincere opinions for a more transparent and sufficient report contents. To give your feedback to the sustainable development report, please access to

» Website: <http://www.pvcfc.com.vn/> (Contact)

# SUSTAINABLE RELATIONSHIP WITH STAKEHOLDERS

## CUSTOMERS - FARMERS



- » Considering the trust and satisfaction of customers as a measure of product quality and brand prestige in the market.
- » Providing the market with quality products which are suitable for many kinds of soils and plants, environmentally friendly and have reasonable prices.
- » Expressing gratitude to customers through the farmer accompanying programs such as "For a Golden Harvest - Showing gratitude", promotion program and after-sale services.
- » Actively protecting customers from fake and poor quality fertilizers and popularizing methods to identify real and fake products.

## CUSTOMERS - DISTRIBUTORS & AGENTS



- » Making commitment to permanent benefits for distributors, especially agent network through sale promotion activities, farmer seminars, logistics, promotion programs, discounts, etc. according to the Company's sale policy.
- » Supporting consultancy on new products N46.Plus which was launched in the market in 2016, giving clear consultancy on efficiency and environmental friendliness.

## EMPLOYEES



- » Being aware that people are the most important factor for enterprise development, PVCFC always applies attractive welfare and treatment policies as well as builds friendly and harmonious working environment for employees to jointly develop.
- » As expected in 2017, PVCFC will apply KPI to raise fairness and transparency in employee's performance assessment and clarify responsibilities of each employee in each specific position and title.
- » PVCFC increasingly studies to modify and release policies on salary, bonus and allowance clearly to be worth the efforts and dedication of employees, especially allowance for workers in the Plant.

## PARTNERS



- » Implementing business principles on the basis of fairness, integrity, win-win in cooperation with PVCFC.
- » Building transparent collaboration mechanism without opportunism affecting the Company's general benefits.
- » Treating fairly among domestic and overseas partners.

## SUPPLIERS



- » Not taking advantages of the Company's prestige to give unreasonable requirements to suppliers and not cooperating with the suppliers who intentionally entice or pay commissions, allowances, or gifts for PVCFC's staffs.
- » Selecting suppliers transparently and fairly, based on their profiles, quality, competence, and experience.
- » Not disclosing confidential information of suppliers for their competitors.

## SHAREHOLDERS AND INVESTORS



- » Always paying high attention to information disclosure in accordance with regulations of the Ministry of Finance to ensure timely information provision to shareholders and investors and transparency in business operations.
- » Actively disclosing important information which may have influence on rights and benefits as well as decisions of investors to help shareholders and investors follow up the activities of PVCFC.
- » Exchanging and disclosing information must ensure an equal investment opportunity for all investors.
- » Not disclosing information of investors and shareholder without permission.

## SOCIETY - COMMUNITY



- » PVCFC always puts responsibilities to society and environment above all in our sustainable development strategies and is committed to minimizing impacts on environment in operating the Plant.
- » All activities of PVCFC are implemented with highest business ethics and highest sense of responsibility to ensure environmental protection, bring values to the farmers and contribute to the general growth of the society and the nation.
- » Continuing to promote "For a Golden Harvest - Showing gratitude" program, charity activities and donating scholarship to poor students, joining hand to develop the community.

## LOCAL AUTHORITIES AND STATE AGENCIES



- » Strictly complying with the laws on tax, environmental protection, occupational safety, etc.
- » Actively coordinating with local authorities in building factory, completing the project phase on schedule, contributing to the State budget and creating jobs for local labor force.
- » Giving appropriate suggestions to adjust the policies and regulations that are not suitable to the reality, helping the Government and the State agencies for better management.

## PRESS AND MEDIA





- » Building a good relationship with press and media agencies on the basis of transparency and legality.
- » Providing messages and information about the Company's activities clearly, accurately, sufficiently, and objectively.
- » Providing information relating to fake fertilizers so that the press and media agencies can timely inform to the farmers.






# MECHANISM TO RECEIVE OPINIONS FROM STAKEHOLDERS

In the general tendency on essential needs of sustainable development, PVCFC always focuses on the influenceability of stakeholders regardless of small or large extent. Therefore, all feedback from the stakeholders is considered and solved by PVCFC. During the year, PVCFC has actively built a sustainable relationship with each stakeholder, based on the brand value and business ethics of the Company to bring permanent value chain for all parties.


In 2016, sustainable development matters were paid high attention by PVCFC. The Company actively approached and exchanged with stakeholders via a lot of interactive channels. The mechanism to receive opinions from stakeholders is specified as below:

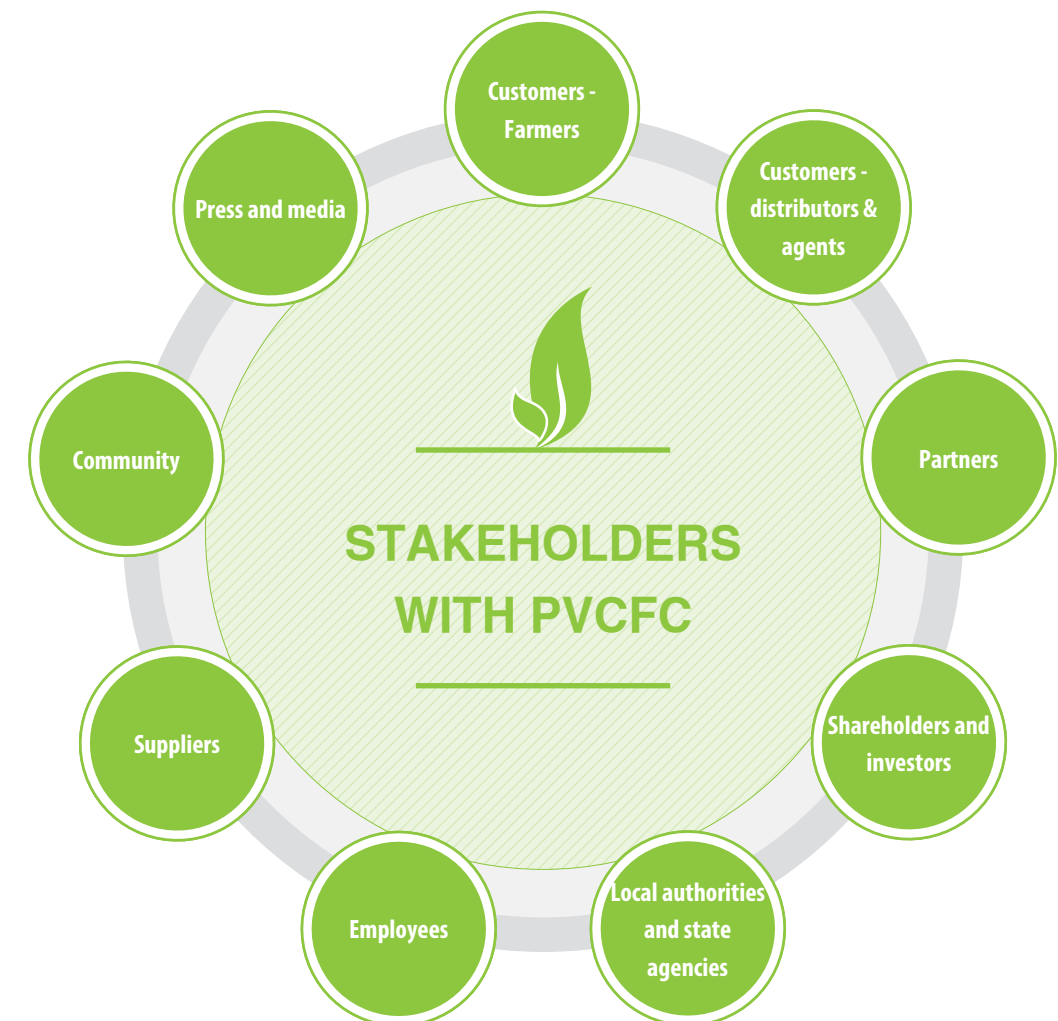
SUBJECTS	INTERACTIVE CHANNELS
<div>CUSTOMERS - FARMERS</div> 	<ul style="list-style-type: none"> <li>» Collaborating with leading experts through seminars, conferences, and dialogues with farmers via television.</li> <li>» Organizing training and coaching courses about technical knowledge and fertilizer using methods for farmers.</li> <li>» Connecting and honoring achievements of farmers through meaningful programs such as promotion (in forms of gifts or products), giving gifts such as clothes, helmet, plastic basin for fertilizer distribution, etc. to the farmers both in Vietnam and Cambodia.</li> <li>» Setting up 24/24 telephone exchange to directly receive feedback from farmers.</li> </ul>
<div>CUSTOMERS - DISTRIBUTORS &amp; AGENTS</div> 	<ul style="list-style-type: none"> <li>» Negotiating to sign sale contracts with local and overseas distributors, agents, and commercial customers to consume products.</li> <li>» Interacting with customers to know their demands and expectations through marketing teams in Vietnam and in Cambodia.</li> <li>» Deploying regular customer care programs such as visiting and giving gifts to customers on their special occasions.</li> <li>» Connecting customers through tourism activities, etc.</li> <li>» Creating connection between distributors and agents.</li> <li>» Interacting with customers via 24/24 telephone exchange.</li> </ul>

SUBJECTS	INTERACTIVE CHANNELS
<div>PARTNERS</div> 	<ul style="list-style-type: none"> <li>» Meeting and exchanging directly with partners.</li> <li>» Getting agreement in cooperation contracts to build long-term relationships.</li> <li>» Cooperating to expand scope of agricultural value chain, especially focusing on researches to create products and services in the direction of providing "nutrition package" for high value plants.</li> </ul>
<div>SHAREHOLDERS AND INVESTORS</div> 	<ul style="list-style-type: none"> <li>» Organizing annual or extraordinary General Meeting of Shareholders according to law.</li> <li>» Exchanging via email, phone, fax, etc.</li> <li>» Holding annual meetings to summarize and report the Company's business results for shareholders and investors.</li> <li>» Disclosing information in the Company's website.</li> <li>» Participating in investment forums and seminars to share information and investment opportunities.</li> </ul>
<div>LOCAL AUTHORITIES AND STATE AGENCIES</div> 	<ul style="list-style-type: none"> <li>» Making all required reports during the operating progress such as environmental protection, firefighting and prevention, price declaration and announcement, fertilizer market stabilization, regulations on promotion and advertising, etc.</li> <li>» Giving opinions on legal documents issued by the State.</li> <li>» Coordinating with investigation teams of ministries, departments, etc., explaining relevant matters and fixing outstanding limitations (if any) as requested by the investigation teams.</li> <li>» Coordinating with State agencies to prevent fake and poor quality products.</li> <li>» Joining organizations and associations such as Fertilizer Association of Vietnam, Oil and Gas Young Enterprise Association, etc.</li> <li>» Attending the conferences and seminars held by ministries, departments, etc.</li> <li>» Coordinating with State agencies and related entities to deploy the key programs such as "Large-scale rice field model", "New-type cooperative model" to supply fertilizers for material zones at the localities.</li> </ul>

## MECHANISM TO RECEIVE OPINIONS FROM STAKEHOLDERS (continued)

SUBJECTS	INTERACTIVE CHANNELS
<b>EMPLOYEES</b> 	<ul style="list-style-type: none"> <li>» Approving Collective Bargaining Agreement signed between the Company's leaders and the employees' representative.</li> <li>» Establishing Trade Union, Veterans Association, Youth Union, Club for the Women's Advancement, etc.</li> <li>» Getting opinions via email, surveying, etc.</li> <li>» Holding programs to vote typical individuals and collectives.</li> <li>» Holding programs to propagandize occupational health, safety and environment for entire employees, especially the employees working in factory.</li> <li>» Holding programs to build corporate culture such as "The 7 Habits of Highly Effective People".</li> <li>» Organizing seminars and inviting speakers to share experiences and skills for employees.</li> <li>» Building training plan and organizing training courses for employees.</li> <li>» Organizing internal activities about art, sport, tourism, etc.</li> <li>» Encourage employees to participate in charity activities such as supporting flood victims, poor people, poor students, building gratitude houses, etc.</li> </ul>
<b>SUPPLIERS</b> 	<ul style="list-style-type: none"> <li>» Directly meeting and exchanging via email, phone, etc. with suppliers.</li> <li>» Approving regulations and policies on procurement and consumption of products and services.</li> <li>» Approving tending activities and evaluating suppliers.</li> <li>» Building interactive channels between two parties to improve quality of products and services.</li> </ul>
<b>COMMUNITY</b> 	<ul style="list-style-type: none"> <li>» Implementing annual social security activities according to the Company's plan such as building gratitude houses, schools, etc.</li> <li>» Holding programs to share and support disadvantaged people due to natural disasters, etc.</li> <li>» Maintaining annual scholarship "Đạm Cà Mau - For a Golden Harvest" to support poor students with good achievements.</li> <li>» Donating events and activities of entities involved in agriculture, rural area, fertilizer, farmer, etc.</li> </ul>

SUBJECTS	INTERACTIVE CHANNELS
<b>PRESS AND MEDIA</b> 	<ul style="list-style-type: none"> <li>» Disclosing information transparently in mass media.</li> <li>» Meeting and responding to press interviews on request (direct, indirect).</li> <li>» Making press releases and holding press conference when there is an event to be announced.</li> <li>» Frequently updating important news and events in the Company's website, completing website contents in English to expand scope and foreign customers who want to learn about the Company in order to increase investment opportunities.</li> </ul>





# ASSESSMENT ON MATERIAL AREAS

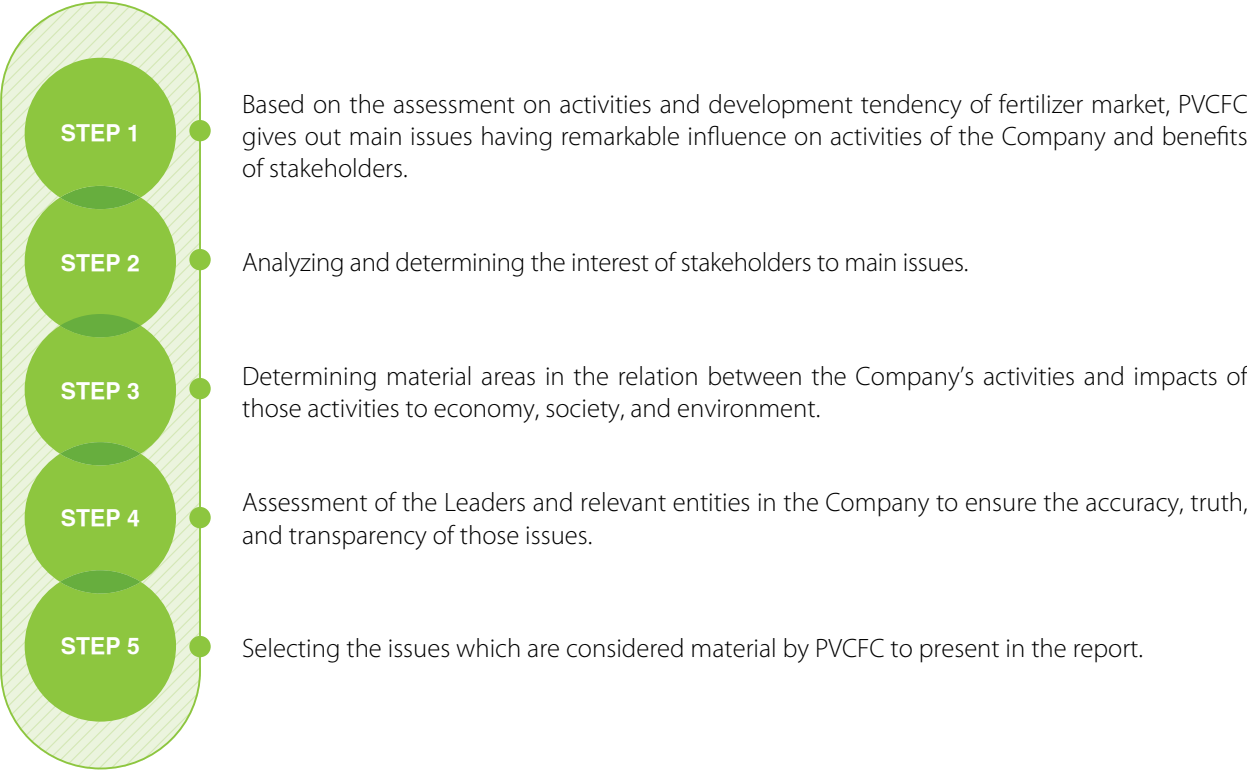
## BASIS TO DETERMINE MATERIAL AREAS

Sustainable development report of PVCFC in 2016 was implemented in the context that the fertilizer industry has been facing strong fluctuations and fierce competition. In 2016, the urea price in the country and in the world went down to the lowest rate within 5 years and the demand on fertilizer strongly decreased due to climate changes such as drought, saltwater intrusion, etc. Therefore, this report focuses on overcoming market-induced losses and effective solutions to be best for the Company's business operations.

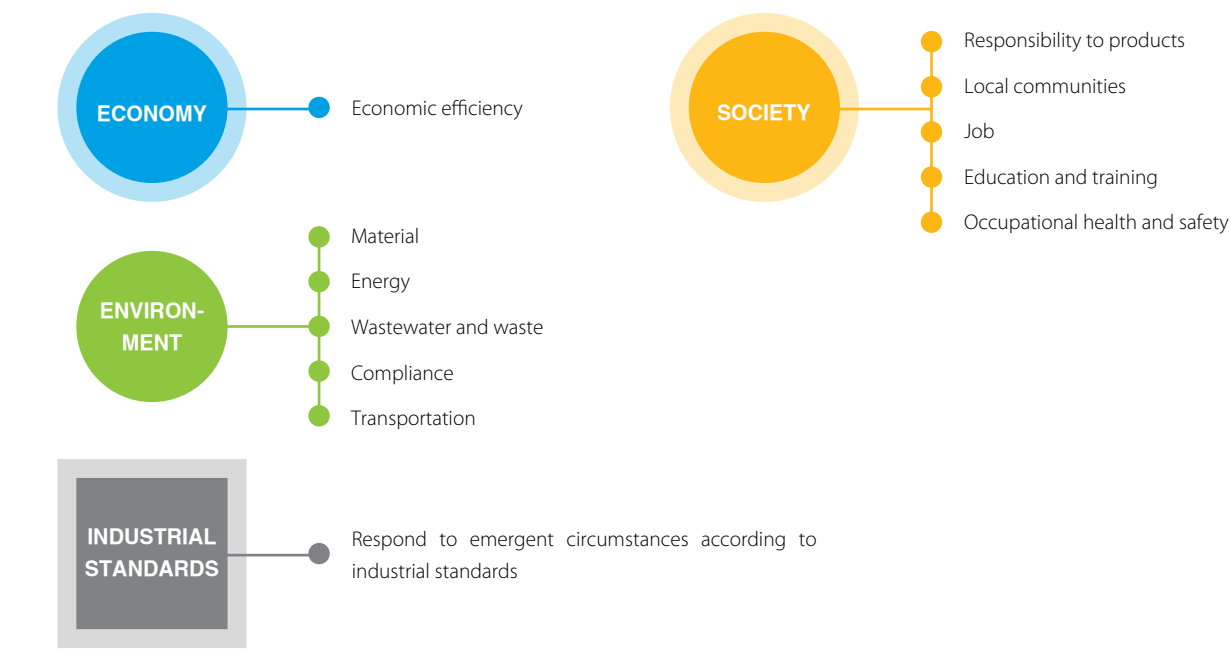
Sustainable development report of PVCFC in 2016 was implemented through the assessment on material areas involved in economy, society and environment in relation with the Company's business operations as well as meets the demand of stakeholders. Right determination of material areas is very important to ensure best benefits of stakeholders and is a basis to be further completed in sustainable report 2017.

## PROCEDURE FOR MATERIAL AREA ASSESSMENT AND DETERMINATION

Procedure for material area assessment and determination includes the following steps:



Accordingly, the material areas to be determined include:



# CORPORATE CULTURE

## BUSINESS ETHICS



Ceremony of honor the collective, outstanding individual of PVCFC in 2016.

### CORPORATE CULTURE

Corporate culture in PVCFC always focuses on comprehensive human development and is considered the final objective in building values, ethical standards and business philosophy of the Company. We highly appreciate dynamic and creative people who have a desire to hold science and technology and are ready to conquer all challenges. Therefore, PVCFC builds welfare policies to maintain and promote the valuable asset, creating favorable conditions for employees to nurture spiritual life and dedicate to their works. Particularly, the program “PVCFC culture recycle” starting in early 2016 to inherit and

promote good traditions of PVCFC from its commencement days, identify and recreate existing values has brought positive results in perfecting PVCFC identity. Through this program, the Company’s management team believes that PVCFC culture will be preserved and promoted sustainably and will become a useful “weapon” to help strengthen competitiveness and overcome all difficulties and challenges to continuously develop and gain success.

Besides enhancing movement of creativity - production rationalization and gradually building human

resources specialized in science and technology, creating a professional and dynamic working environment is always cared by the Company. In order to encourage collectives and individuals to participate in the movement of creativity - production rationalization, since 2015, PVCFC has launched “Eureka” competition under different versions. The competitions have marked the start-up for pervading spirit of “Unlimited creativity” to the whole employees in all activities of the Company such as management, trading, technology, safety, environmental protection, etc.

“ BESIDES ENHANCING MOVEMENT OF CREATIVITY - PRODUCTION RATIONALIZATION AND GRADUALLY BUILDING HUMAN RESOURCES SPECIALIZED IN SCIENCE AND TECHNOLOGY, CREATING A PROFESSIONAL AND DYNAMIC WORKING ENVIRONMENT IS ALWAYS CARED BY THE COMPANY.

### BUSINESS ETHICS

#### Considering farmers as a companion

- » All PVCFC’s activities forward to the final consumer, accordingly, product quality is put above all and is continuously improved to bring best results to the farmers.
- » PVCFC increasingly researches and creates new products to meet the various nutrition solutions for all kinds of soils and plants in different areas.
- » The Company annually organizes hundreds of seminars to give advices, technical training and support in agricultural knowledge and how to apply fertilizers effectively to the farmers.
- » PVCFC has also organized the program “For a Golden Harvest - Showing Gratitude” to show the Company’s respect and sharing to the farmers who trust in Ca Mau Fertilizer. The program has left a good impression to the farmers, especially those who visited the Company’s plant in Ca Mau to witness production line and take part in the final gala dinner of the program.

#### Business operations in combination with responsibility to social securities

- » Annually, the Company spends tends of billion VND on social securities, contributing to the sustainable development of the community.
- » The activities such as sharing, visiting and giving gifts to families under preferential treatment policy, giving free medical examination and treatment to the poor, constructing or upgrading schools, medical centers, etc. are always paid attention by PVCFC’s management team and are implemented frequently. Those activities not only show a beauty of the Company’s culture but also create a good relationship with the communities.

#### Culture, entertainment and sport activities at PVCFC

Besides business activities, during the past years, PVCFC has held many culture, entertainment and sport activities for the purposes of building a stronger spiritual life and

bringing meaningful and helpful relaxing moments for all employees after hard working hours.

#### Culture & entertainment activities

- » The Company sets up a library with more than 1,000 titles relating to different fields such as economics, politics, life skills, etc. to support employees in their learning and developing qualification and expertise.
- » Trade Union and Communist Youth Union often organize seminars and invite lecturers to share working skills and life skills with employees in order to enrich the spiritual life as well as builds a solid environment for all employees of the Company. In addition, many entertainment and sport activities are organized on occasions such as Women’s Day, Anniversary of Company Establishment, year-end party, etc. and are considered as a tradition of PVCFC.

#### Sport activities

- » In order to encourage employees to improve physical strength, PVCFC holds annual health movement, sets up sport clubs, and frequently organizes table-tennis, tennis, badminton, etc. tournaments for employees.
- » Moreover, PVCFC constructs mini soccer field, volleyball court, etc., invests more equipment for fitness club as well as create favorable conditions for employees to exercise and relax after hard working time.



# CA MAU FERTILIZER - CORPORATE CULTURE RECYCLE BY THE 7 HABITS OF HIGHLY EFFECTIVE PEOPLE



Health training movement and refresh yourself have spread to every employee.

"We do not have any problems, we always have solutions" is the motto usually reminded by the Company's Leaders in every meeting. That motto has become a behavior of Ca Mau Fertilizer with our partners and to have that effective behavior is a progress of building, launching movement, training habits and diffusing habits in the whole Company. Ca Mau Fertilizer is creating corporate culture by consistent behaviors through the time, originating from perception and point of view of each employee.

In 2016, "The 7 Habits of Highly Effective People" program was trained and applied at PVCFC. That is the solution to build corporate culture. "7 Habits" - a masterpiece in the field of corporate training of the world is one of the most influential corporate training programs of all time and is an international model of which efficiency has been proven in [www.pvcfc.com.vn](http://www.pvcfc.com.vn)

reality. This program belongs to the project of "PVCFC culture recycle" co-organized and implemented by PVCFC and PACE. It can be said that, "7 Habits" is a special gift the Leaders give to PVCFC's employees with the desire of increasingly developing human resources and training effectiveness from the habits in working and living.

One year later, Ca Mau Fertilizer has completed popularization of "7 Habits" to key managers, holding 4 training courses for leadership and middle management levels, 15 internal training courses for engineering level and above and applying 10 activities of "7 Habits" encouragement at organizational and department levels such as holding seminars, "Big Rock First", periodic meetings, and internal communication messages; providing "Right Job" and "Study Encouragement" books for all

employees; setting up book debate and implementation debate, etc closing to "7 Habits". The dedication to the program is shown in the fact that the speakers at training courses are the Company's leaders. This is also a special point rarely seen in other enterprises in Vietnam.

The efficiency of the program can be obviously seen when the spirit of "7 Habits" is diffused to each division, department and factory. The employees can see positive changes from physical to mental health and in behaviors. The diffusion is shown in each exciting meetings, creative teamwork with high spirit of collaboration and solidarity, business plans, operation solutions, optimal maintenance, brand development, health training movement, etc. which are actively and effectively implemented.

Mr. Huynh Tran Anh Quang - Marketing Manager in Southwest shared that right after attending the training courses of "7 Habits", he applied Habit 1 (Be proactive) and Habit 4 (Think Win-Win) in negotiation with customers, especially in difficult period of business operations. These two habits have helped Mr. Quang be more confident and brave. "Be an ambassador of Ca Mau Fertilizer brand, I always believe in the mission and core values of the Company, the products, the brand, and especially always ensure win-win principle. "Difficult problem" from customers somehow becomes an opportunity for the marketing team in general and me in particular to constantly apply flexible habits already trained". Mr. Quang also shared his own success in applying "Win-win thinking". Based on the deep trust and effective collaboration, he has successfully conquered many customers to sell Ca Mau Fertilizer products.

Physical training at PVCFC has been turned into a daily habit of each employee. Every afternoon after working time, the campus and the fitness rooms in dormitory of PVCFC become noisy and excited. The employees from main office to the Plant come here to do gymnastic exercise. The gym center is invested by the Company with modern equipment and facilities to help the employees have relaxing moments after hard working hours and strengthen physical health. In football field, the young guys are kicking the ball as professional players. Some other staffs are keen on the treadmill. In another corner, a group of female staffs are do exercises according to the coach. Everyone is happy and interested in their exercises. The physical training movement is really diffused from the leaders to the staffs.

Mr. Nguyen Anh Truc - Secretary of Youth Union and Shifting Manager of the Plant jogs every day to strengthen health and conquer all challenges. He told, "After training



"7 Habits", I understand the human health includes 2 parts: Physical health and mental health. Therefore, my health training is changed into a new model. Besides often doing exercises, it is necessary to read books and hold seminars to share values to spirit of book reading to the colleagues". Not only Mr. Truc, many employees of PVCFC find a suitable sport for themselves and turn it into a movement and competition.

Corporate culture is considered a foundation for enterprise development and is an intangible

asset in each member of the enterprise. If the enterprise can promote that asset, it will help the enterprise strongly develop and bring outstanding and sustainable success. Although the time for PVCFC to build a strong brand in corporate culture is not so long, with the determination of the leaders and the effort and consensus of the whole employees, Ca Mau Fertilizer culture will be really rooted and developed sustainably. The employees of Ca Mau Fertilizer will feel happy and positively contribute to raising values of the Company's brand and culture.



The launching ceremony of "Refresh Yourself, PVCFC 2016".





Mr. Pham Van Su and his family were happy to receive gifts from Ca Mau Fertilizer to continue the dream of getting rich.

## CA MAU FERTILIZER BRAND OF HUMANITY ACCOMPANYING THE FARMER

WITH THE MISSION OF PROVIDING NUTRITION SOLUTIONS TO THE PLANTS AND BRINGING “BUMPER CROPS”, CA MAU FERTILIZER ALWAYS DETERMINES TO BECOME A COMPANION TO SHARE DIFFICULTIES AND HELP THE FARMERS ENRICH IN THEIR OWN HOMETOWN.

### FROM THE EFFORTS TO LIVE...

It has been a long time, the story about “enriching” from rice of the young farmer Pham Van Su (living in Bac Chan II Hamlet, Tuyen Thanh Commune, Kien Tuong Town, Moc Hoa District, Long An Province) has been spread and has continued a mirror to encourage the people

here. Born in a poor farming family with many children, Mr. Su has early witnessed the hardship of his parents - the real farmers since his childhood. At the 11<sup>th</sup> grade of his school, Mr. Su’s father was affected with serious illness. No money to continue the study, Mr. Su decided

to leave school to undertake the family’s farming career and take care of his younger brothers and sisters. At that time, he worked in the field from dawn to sunset. In spite of his day by day and month by month nonstop working, the poverty still clutched his family like an obsession.

The thinking and dreams of enrichment have urged Mr. Su to improve the barren land to become a promise land. Accumulating experiences from the previous people and knowledge from the training courses about agricultural techniques and planting - fertilizer seminars or clubs of young farmers, etc., Mr. Su has carried out many tests and found out the way to best use fertilizers. “The seminars and training courses provided by PVCFC are very useful for the farmers like me, helping us clearly know about fertilizers, soil, and farming techniques to use fertilizers effectively and economically. This is really a bridge to connect the farmers, popularizing necessary knowledge to the farmers who rarely have a chance to approach science and technology as well as researches and applications in the world”, shared Mr. Su.

### CHANGE SOIL INTO “GOLD”

How to increase productivity and save costs in farming to gain highest economic efficiency is a daily question of Mr. Su in the situation precarious prices of agricultural products, increasing labor cost, climate changes, etc. which are making the farmers like Mr. Su worry very much.

Not following the “normal way” of many other farmers, Mr. Su has tried to improve productivity of the rice by applying properly the factors including weather, technique, fertilizer, etc. With new rice growth model, Mr. Su not only focuses on techniques of breed selection, planting, irrigation, etc. but also pays high attention to fertilizer selection and fertilizer efficiency.

Sharing his start-up experiences, Mr. Su told, “A few years ago, I grew rice according to the experiences of the previous generations and knew very little about fertilizers. At that time, Chinese fertilizers were usually applied thanks to low prices and the productivity was very low. When the fertilizer products become more and more, I was confused in choosing suitable fertilizer. After

that, I luckily knew Ca Mau Fertilizer and everything has changed surprisingly. When Ca Mau Fertilizer helped increase productivity year by year, my family has trusted and decided to choose this fertilizer as a friend of the farmers”.

Previously, the productivity from 5 hectares of rice field of Mr. Su was very low. However, at present, thanks to fertilizer efficiency, the productivity has reached 6 tons/ha, bringing a prosperous life for his family. According to Mr. Su, Ca Mau Fertilizer is selected to apply properly to each growth period of the rice. The current achievement of his family is thanks to the accumulated experiences and the right application of modern rice growth model. The productivity of Mr. Su has surprisingly increased. In 2016, Mr. Su luckily received a gift from the program of “For a Golden Harvest - Showing Gratitude” organized by PVCFC - that was the special prize with a tractor valued at VND500 million thanks to his efforts achievements in farming. “Tractor is a companion of the farmers, but, with the poor farmers, owning a tractor is a dream. It is so

expensive. I consider this tractor as a reward for the hard days I spent to gain the success today. Besides using the tractor for my family, I serve it for other households to get more income. If there were no this tractor, my family’s works and income would not be improved like this”, told Mr. Su.

Starting up from nothing, willpower, ambition and youth have promoted Pham Van Su to make his dream come true. With the spirit of dare-to-think and dare-to-do, Mr. Su has turned a barren land into a green and fertile land. Start-up story of the young farmer - Pham Van Su is an evidence for the dream of enriching from the “soil”. In anywhere, the shining examples like Mr. Su will be the pink bricks which are contributed to build the prosperous hometown. This is also the orientation of Ca Mau Fertilizer in the year 2017 and the coming years with the desire of accompanying and combining sustainable values with the young generation of farmers to write stories about nourishing dreams of enriching from their own hometown.



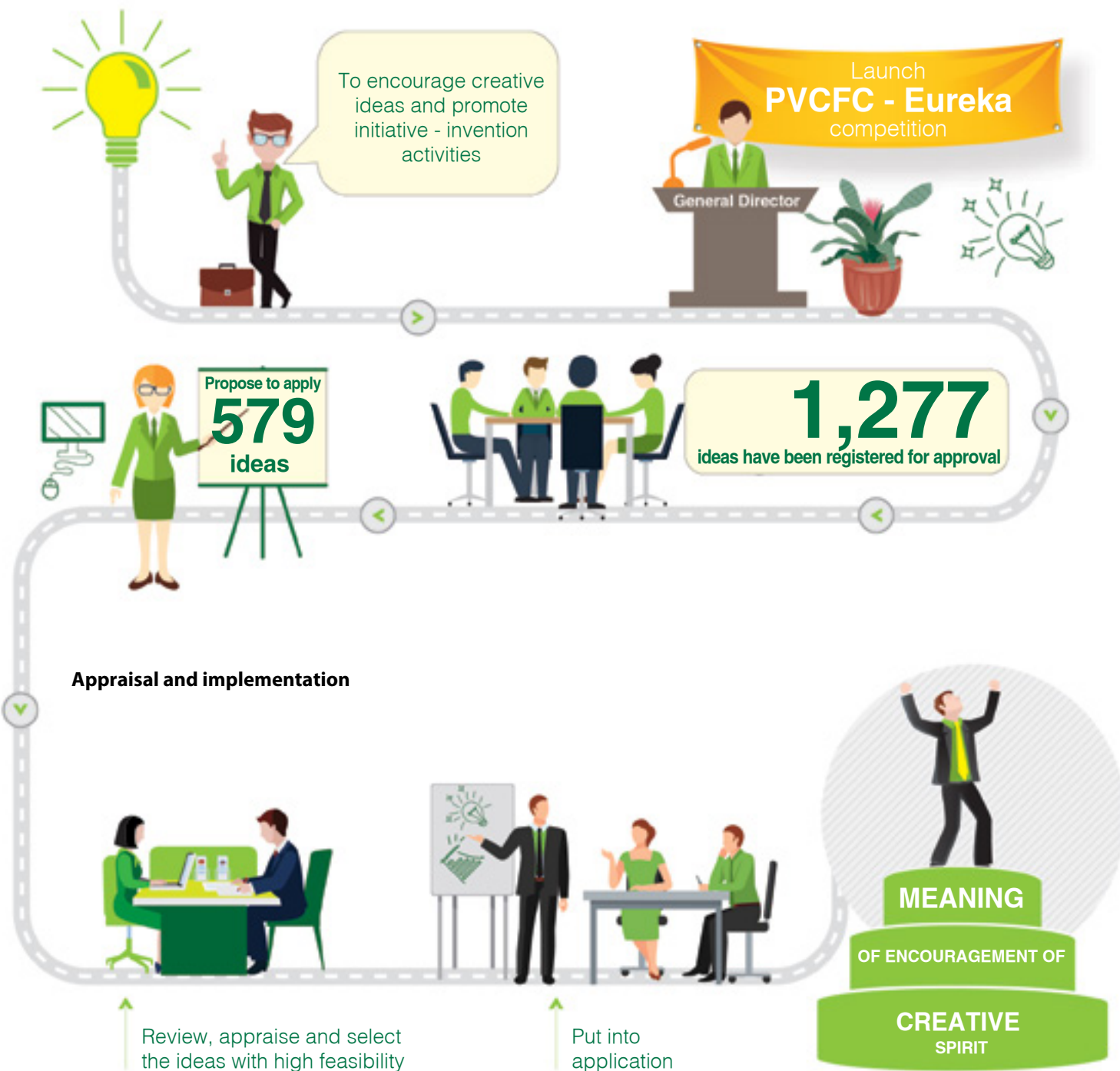
Mr. Bui Minh Tien - General Director of PVCFC (on right hand side) visited rice growth model of Mr. Pham Van Su



# INTELLECTUAL PROPERTY AND INITIATIVE - INVENTION ACTIVITIES

## ACTIVITIES TO PROMOTE INITIATIVE - INVENTION MOVEMENT IN THE COMPANY

### Organizing PVCFC - Eureka competition to promote creative ideas



## DETAILED RESULTS OF INITIATIVE - INVENTION ACTIVITIES IN 2016

### Total solutions registered to implement

In 2016, the Company had totally 159 solutions relating to production activities, production control, and maintenance applied and registered for initiative - invention approval.

### Total initiative - technical improvement certified

After evaluating the application results of 159 solutions, Science and Technology Council has reviewed and certified 116 solutions as initiative - technical improvement. In which,

- » 36 solutions were certified as initiative.
- » 80 solutions were certified as technical improvement.

### Benefits from applying initiative - invention

In 2016, total values gained from the first time applying 116 solutions as initiative - technical improvement was VND170 billion.

### Other benefits from applying initiative - technical improvement

- » Enhancing product quality.
- » Reducing requirement on materials in stock for the Plant.



- » Improving working environment for employees.

With the practical benefits gained, Science and Technology Council and functional divisions will continue to evaluate effectiveness of each initiative and deploy widely to increase benefits for the Company.

### Typical initiatives

- » "Optimizing and increasing capacity of Ammonia Workshop". The initiative helped increase capacity of NH<sub>3</sub> Workshop up to 110% without arising cost for new equipment investment and installation.
- » "Improving process of analyzing and determining HCHO in

granule, urea liquor and urea condensate". The initiative helped shorten analyzing time, quickly meeting technological demand to evaluate and control product quality, especially in testing or technological adjustment.

- » "Designing and additionally installing conveyor belt system from V06101 to V48007". The initiative helped ensure stable operation for the Plant in case of incident at V48002 and V48003.
- » "Changing operation method of granule forming group". The initiative helped enhance urea quality and reduce energy consumption.

## PLAN TO PROMOTE INITIATIVE AND IMPROVEMENT ACTIVITIES IN 2017

To ensure continuous and effective improvement, in 2017, PVCFC encourages all the employees to jointly build a working environment where initiative - improvement activities are not only a movement but also the culture of PVCFC. To gain this purpose, the Company assigns Technical and Technological Division to coordinate with other entities in the Plant to build and apply frequently Kaizen (continuous improvement) - the key for success of Japanese and then apply widely to the whole Company.



## PLANT OPERATION IN SAFETY

» APPLY ASK PROGRAM (SAFETY - 5S - KAIZEN) FOR ENTIRE PLANT TO BUILD SAFETY CULTURE, 5S WORKING ENVIRONMENT AND CONTINUOUS IMPROVEMENT (KAIZEN). THIS IS A FOUNDATION FOR APPLYING THE WORLD'S QUALITY MANAGEMENT MODELS SUCH AS TPM AND LEAN.

2016 was a challenging year for PVCFC in production management when the machinery and equipment did not work stably in early year, leading to a longer downtime than expected. However, the whole employees of Ca Mau Fertilizer Plant made efforts to find out technical solutions to improve product quality and capacity as well as implement the measures in production management and upgrade the capability of operation team. Thanks to that, urea output reached 101.35% of the plan and consumption of chemical materials was lower than the norm although the downtime was more than expected.

### Solutions to improve product quality and plant capacity

- » Researching to replace HCHO by UFC 85, testing to determine optimum concentration, decreasing product temperature, and piling and storing ways.
- » Replacing primary preforming catalyst, replacing pads of CO<sub>2</sub> separating towers then increasing capacity of Amo workshop to 110% in testing, meeting requirements and stably operating at the capacity of 108%.
- » Researching solutions to reduce materials in Ca Mau GPP phase to reduce gas flow from PV Gas Ca Mau. Firstly, the Company has

some useful solutions to increase capacity by 6%-7% higher than the capacity corresponding to the supplied gas volume.

### Production management and improvement of capability of operation team

- » Ammonia hands-on simulation: Optimizing production technology is one of the important duties to ensure effective, safe and stable operation. Therefore, in 2015 Ca Mau Fertilizer Plant established a team to implement Ammonia hands-on simulation on computer. Until now, static simulation has been completed and the Company is step-by-step completed dynamic simulation. With successful Ammonia hands-on simulation, the Company will continue conducting simulation for entire plant in the coming time. This will contribute to optimize the plant operation and solve actual operating situations on assumption basis to choose the best solution as well as learn experience and knowledge to deploy OTS project.

program for entire company and has assigned a team to undertake this duty. The program will help manage internal training better and build career development for each employee easier. The internal training program is expected to complete in 2017.

- » Training by videos in order to increase training effectiveness, support employees in their self-learning, and especially help popularize the standard operating procedures to employees quickly.
- » Applying Smart Pearl HR - training management software: Smart Pearl HR - training management software is studied and developed by the Company itself from the concerns about how to improve efficiency of training activities and training management, how to help each employee to self-manage their competencies and help the leaders to manage competencies of each divisions. This software is considered one of the positive solutions to those issues thanks to its advantages: Supporting time record/shift arrangement easily, accurately and effectively; help each manager and employee understand their capabilities to build appropriate training objectives; supporting online examination and integrated digital library for easy reference and self-learning.

### Plant safety

Apply ASK program (Safety - 5S - Kaizen) for entire plant to build safety culture, 5S working environment and continuous improvement (Kaizen). This is a foundation for applying the world's quality management models such as TPM and Lean.



# MAINTENANCE OF CA MAU FERTILIZER PLANT

## SCHEDULED AND UNSCHEDULED MAINTENANCE

*Scheduled maintenance:* The maintenance is preplanned and performed when the plant is normally operating. This is an important duty to ensure that machinery and equipment are always working correctly, safely and effectively.

**Performance contents are as follows:**

- » Building plan for monthly/ annual maintenance and repair, calibration inspection, and anti-corrosion.

- » Building procurement plan including: Substitute, replacement, tools, consumables, services for annual maintenance and repair and coordinating with Commercial Division in procurement.

- » Fully building instructions, options, work items, reports, and QA-QC checklist for maintenance.

*Unscheduled maintenance:* The maintenance does not previously planned and does not require stopping plant operation.

## TOTAL PRODUCTIVE MAINTENANCE

*Total productive maintenance (TPM):* The maintenance is carried out in a large scale, applying to thousands of machinery and equipment to ensure safe and stable operation of the plant. TPM is annually performed according to Rigmove - gas supply termination plan by Talisman. From its commencement date, November 2011, to August 2016, Ca Mau Fertilizer Plant has performed 6 successful TPMs with assurance on schedule, safety criteria, effectiveness, and cost savings.



The TPM focuses on the following matters: Outstanding issues relating to machinery and equipment during the operation; renovation and improvement of technique and technology; checking pressure equipment, piping, and safety valves; opportunity maintenance for main equipment (only when shut down).

### Total productive maintenance result in 2016

The TPM 2016 helped increase capacity to 110%, maintain safe and stable operation of machinery and equipment, and complete production plan for 2016.

### Work items in 2016

Work items under maintenance in 2016

No.	Work items	Total implemented items			Damaged/ Extraordinary items
		Scheduled	Unscheduled	Total	
1	Static equipment	454	37	491	131
2	Electric equipment	312	-	312	17
3	Measuring and control equipment	1,855	6	1,861	108
4	Dynamic and movement equipment	48	-	48	12
<b>Total</b>		<b>2,669</b>	<b>43</b>	<b>2,712</b>	<b>268</b>

In which, main items including replacing insulated concrete form of R04203, E04208 (Critical Path Method - CPM work items), replacing Catalyst for Primary Reformer F04201, replacing packing pad for CO<sub>2</sub> separating towers (C04301, C04302, S04301, and S04302) to support Ammonia capacity increase, replacing and installing new separator S06122 and adjust supporting system, repairing leakage in E04212, checking and measuring thickness of tube E06102, and applying anti-corrosion.

For equipment inspection, PVCFC always complies with the law and has verified 797 equipment, including 324 static pressure equipment, 72 pressure piping systems, 79 safety valves and 322 measuring instruments (PI).







Personnel participating in TPM 2016

There were more than 1,247 persons attending TPM 2016 including 450 persons of the Company, 783 persons from the contractor, and 14 foreigners.

TPM evaluation criteria

- » **Security/Safety:** Absolutely preventing machinery and equipment from being stolen. Fully complying with safety regulations and procedures, ensuring no effects from discharge to the environment.
- » **TPM quality criteria:** QA-QC Team is responsible for building standards and technical

requirements to ensure quality of each item. The team is also in charge of checking, controlling and evaluating the compliance with standards and technical requirements already approved.

- » **TPM schedule criteria:** TPM schedule is planned depending on operating schedule of machines, master schedule for CPM work items, and detailed schedule of each work item. Secretary of TMP is responsible for monitoring and ensuring TPM schedule.
- » **Criteria for cost management and savings:** Cost is managed according to "Top-Down" method. TPM is performed

based on the Company's annual budget. Cost management includes planning necessary materials in line with detailed maintenance plan, controlling material consumption according to norm, controlling personnel, equipment, tools, etc. For external maintenance service, minimizing arisen costs and evaluating damages of machinery and equipment prior to replacement are required.

At PVCFC, TPM is considered one of the most important annual tasks. The preparation for TPM is as important as preparation for a major project, including many phases as below:

Preparation and plan for TPM

The Company assigned Maintenance Division to manage the necessary preparation, based on main points of TPM work load. During TPM, Secretary Team will release preparation plan and schedule for TPM as well as closely control and follow up the implementation of the following work items: As the Head of Steering Committee, General Director is responsible for approving annual TPM procedure; deciding items and contents of maintenance; determining replaced materials for each item; determining work quantity, tools, personnel, and work items needed external maintenance service; building QA-QC documents on assessment of risks related to technique and safety; preparing WO

and detailed schedule on CMMS; and making cost estimates for TPM.

Implementation phase

Starting to shut down machines and perform maintenance according to scope of each specific work. In this phase, specialty organizations will hold pre-performance internal meetings to discuss and give out optimal technical solutions. In addition, Steering Committee for TPM holds daily meetings to continuously control maintenance progress and timely handle technical matters arisen during TMP.

Determining damaged equipment and taking corrective action are done daily. Work quality of contractors is strictly controlled.

Assessment on TMP results

Before successfully resuming the plant, all maintenance contents must be completed. To be specific: Arranging neatly and cleaning carefully, checking and accepting external services, completing documentary work and assessing TPM results, updating maintenance result of each work items on CMMS, and preparing for seminar to get experience after TPM.

To be available for next annual TPM, the Company has to prepare from October of previous year (right after completing TPM). Planning and purchasing materials and equipment as well as finding external services are done early. This is a series of annual works needed to be done continuously.





# SAFETY - HEALTH - ENVIRONMENT

## REPORT

“ TO ENSURE PERMANENT OCCUPATIONAL HEALTH FOR ALL EMPLOYEES, PVCFC ALWAYS STRICTLY COMPLIES WITH THE LEGAL REGULATIONS RELATING TO SAFETY - HEALTH - ENVIRONMENT AND BUILDS OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM IN LINE WITH OHSAS 18001:2001.



## SECURITY - SAFETY - OCCUPATIONAL HEALTH

### Security

» PVCFC frequently organizes regular and irregular investigations about security and order based on the approved security plan. The Company sets up internal security to check external security (PVS) and coordinates with public security of industrial park and security department of Ca Mau Province. In 2016, security and order and terrorism prevention at PVCFC were ensured. There were no incidents related to security and stealing.

### Safety, training, and propagandizing activities

» To ensure safety of human beings and occupational safety for all employees when working at the Plant, PVCFC fully provides safety equipment and personal protection equipment for employees.

» The Company always pays attention to internal training and professional training to enhance competencies of HSE Team.

» PVCFC actively propagandizes to increase awareness of HSE through AtSS program (Safety - 5S - Initiative). AtSS is a chain

including 3 programs: Safety observation - to minimize hazards and prevent accidents at work and occupational diseases; 5S production management - to improve working environment to enhance performance efficiency; and initiative recognition program - to promote initiation spirit. At present, the Company has recognized more than 13,000 initiatives in AtSS. Accordingly, safety culture is gradually strengthened. Occupational safety is always ensured without any accidents at work.

### Health care and improvement in sanitation at work

» Health of employees is a valuable asset of every enterprise. Being aware of this matter, PVCFC's Leaders have instructed HSE Division, apart from sufficiently performing periodic health and occupational disease examination for all employees as regulated, to expand scope of health examination to detect other diseases of employees.

» Quarterly, insecticide spraying is done at the Company's office and Plant to prevent diseases.

» The Company fully performed sanitation measuring and

environmental monitoring as regulated by law and took correct actions for the working areas not eligible to the standards and provided personal protection equipment for the employees working in those areas to ensure safety and health of employees. Therefore, there is no occupational diseases at PVCFC.

» The Company deploys "PVCFC culture recycle" program, living and working according to "The 7 Habits of Highly Effective People" - a well-known book by Stephen R. Covey, which is a favorite book of almost leaders and

successful businessmen in the world. In addition, the Company's Leader has launched physical training program with monthly examination to encourage employees to join in sport clubs for the purposes of enhancing physical health and helping increase working productivity.

» Besides, PVCFC frequently organizes health consultation seminar to help employees improve their knowledge in health care, screen diseases and get timely treatment.

### FIREFIGHTING AND FIRE PREVENTION

Firefighting and fire prevention plays an important role in protecting human beings and assets of enterprises. Particularly, for the Plant with large capacity and operating all the time, firefighting and fire prevention must be strictly controlled and thoroughly. During the past years, PVCFC has always put safety above all, according to which, firefighting and fire prevention has been implemented effectively and consistently.

» PVCFC applies periodic and non-periodic fire safety inspections. The Company has developed and improved the system of procedures and guidelines on fire prevention and fighting for inspection and maintenance of fire prevention and fighting systems and emergency situations to ensure that fire prevention and fighting systems and personnel are available to respond in any situations.

» The Company has organized fire safety inspection at daily, weekly, monthly and quarterly in order to maintain the fire prevention and fighting conditions strictly in accordance with the law (Circular No. 07/2016 / TT-BCA).

» Coordinating with concerned units to promptly overcome the shortcomings and failures of fire prevention and fighting systems, taking the initiative in upgrading

and improving fire prevention and fighting systems.

» Coordinating with related units to implement the plan for preparation and prevention of emergency situations in 2016 approved by the Board of Directors.

» Emergent case drill is always cared for and implemented as follows:

LEVEL  
1

Organizing 17 drills at level 1 (in the Company) with 239 participants.

LEVEL  
2

Organizing 02 drills at level 2 (coordinating with other entities in industrial park and functional entities of Ca Mau Province) with 106 participants.

# ENVIRONMENT AND ENERGY

## REPORT ON CONSUMPTION OF GAS, POWER AND WATER

Consumption	Unit	2016	2015	Decrease compared to 2015	Consumption for a ton of urea (conversion)	
					2016	2015
1. Natural gas	KSM³	488,454.326	498,872.227	10,417.90	0.587	0.620
	GJ (HHV)	19,379,477.7	19,928,235.3	548,757.60	23.291	24.783
2. Power	MWh	158,440.544	160,477.120	2,036.58	0.190	0.200
3. Water	M³	1,173,162	1,196,354	23,192.00	1.410	1.488

## SAVING SOLUTIONS

In 2016, after PVCFC increased capacity of the Plant up to 110%, consumption rate of gas, power and water strongly decreased, helping reduce energy consumption considerably and bring efficiency to the Company. In addition, PVCFC implemented some measures to save power and water, to be specific:

- Encouraging the employees to enhance awareness of power and water saving.
- Increasingly making investment in equipment with power saving technology.
- Installing total gauges and valves to control water consumption volume according to each purpose.
- Recording and analyzing figures in gauges to detect water loss and take correct actions.
- Repairing and replacing pipes and equipment in risk of water leakage.
- Cooling water is recycled without discharge.
- A part of condensing water is led to the demineralized water production station to reuse.

# ENVIRONMENTAL PROTECTION, EMISSION AND WASTE CONTROL

TO ENSURE COMPLIANCE WITH LEGAL REGULATIONS ON ENVIRONMENTAL PROTECTION AND MAKE ENVIRONMENTAL PROTECTION BECOME AN AWARENESS AND ACTION OF ALL EMPLOYEES, PVCFC HAS BUILT AND APPLIED ENVIRONMENTAL STANDARD ISO 14001: 2015.



Accordingly, the Company performs environment monitoring 4 times/year in line with the commitment on environmental impact assessment and periodically takes samples for testing in each shift to ensure compliance with the law on environmental protection. Results are as follows:

Type of waste	Monitoring criteria (*)
Air	Dust, SO <sub>2</sub> , NO <sub>x</sub> , NH <sub>3</sub> , CO, noise, vibration
Domestic water	Temperature, pH, BOD <sub>5</sub> , TSS, TDS, H <sub>2</sub> S, Nitrate, Phosphate, Coliforms.
Water serving production (oil and NH <sub>3</sub> contaminated)	Temperature, color, pH, BOD <sub>5</sub> , COD, total Nitrogen, total Phosphate, Oil, floating solids, Coliform, Ammonium, heavy metals (Asen, Hydrargyrum, Plumbum, Cadmium, Cuprum).
Cooling water	Temperature, pH, Cl <sub>2</sub> .



## ENVIRONMENTAL PROTECTION, EMISSION AND WASTE CONTROL (continued)

### WASTEWATER, EMISSION, WASTE, NOISE, AND VIBRATION

#### Wastewater

Declaration and payment for environmental protection fee for wastewater are always implemented by PVCFC in line with the interministerial Circular No.63/2013/TTLT-BTNMT-BTC.

» Production wastewater: Oil-contaminated wastewater, Ammonium-contaminated wastewater, and wastewater from cooling water are complied with the prevailing standards. Discharging indicators are eligible to QCVN 40:2011/BTNMT.

» Domestic wastewater: From the activities of employees. Discharging indicators are eligible to QCVN 14/2008/BTNMT.

» Reduction measures:

› Storm basin system of the Plant is separated. Domestic wastewater and production wastewater of the Plant are collected and treated at the Plant's wastewater treatment system.

› Total volume of wastewater of the Plant now is around 2,580m<sup>3</sup>/day (in theory). In 2017, the Company will install automatic monitoring system to control discharging parameters at general catch basin and ensure to comply with the prevailing standards.

» Treatment method: Physical chemistry and microbiology.

#### Emission

Emission from 3 chimneys and 4 torches is online monitored and sample of emission is regularly tested to ensure the emission within allowable limitation (QCVN19:2009/

BTNMT and QCVN21:2009/BTMT). The Company's emission is always complied with Decree No. 38/2015/NĐ-CP and Circular No. 36/2015/TT-BTNMT.

» Emission from sub-boilers and primary reforming: Main pollutant gases are CO and NO<sub>x</sub>.

» Emission from granule forming: Main pollutant gases are dust and NH<sub>3</sub>.

» Emission from safety valves when the Plant encounters incidents: NH<sub>3</sub>, H<sub>2</sub>, CH<sub>4</sub>, etc.

» Reduction measures:

› Emission of sub-boilers and primary reforming: The Company installs equipment to continuously analyze CO, NO<sub>x</sub>, and O<sub>2</sub> indicators. The volume of O<sub>2</sub> is properly adjusted to reduce CO and NO.

› Emission from granule forming is treated by washing tower to release dust and absorb NH<sub>3</sub> into water and washing liquid.

› Emission from valves when the Plant encounters incidents will be led to the torches to burn at the temperature of 1,050°C.

» Treatment method: Physical chemistry.

#### Waste

» **Normal waste:** From office, kitchen, canteen, WC, etc.

› Collection, storage and treatment method: Sign contract and transfer to Ca Mau Urban Infrastructure Company for treatment.

» **Production waste:** Wood chips, broken pallets, plastic, steel scraps, etc.

› Collection, storage and treatment method: Wood - sell or burn, cement - compact behind the Plant, the remained part - transfer to functional entities for treatment.

» **Hazardous waste:** Oil-contaminated rags, fluorescent lamps, waste oil, chemical waste of laboratories, etc.

› Collection, storage and treatment method: Sort and collect at source and transfer to functional entities for treatment. The 4<sup>th</sup> granted register of waste source and hazardous waste No. QLCTNH: 96.000016.T dated December 23<sup>rd</sup> 2014 of the Company was issued by Department of Natural Resources and Environment of Ca Mau Province.

#### Noise and vibration

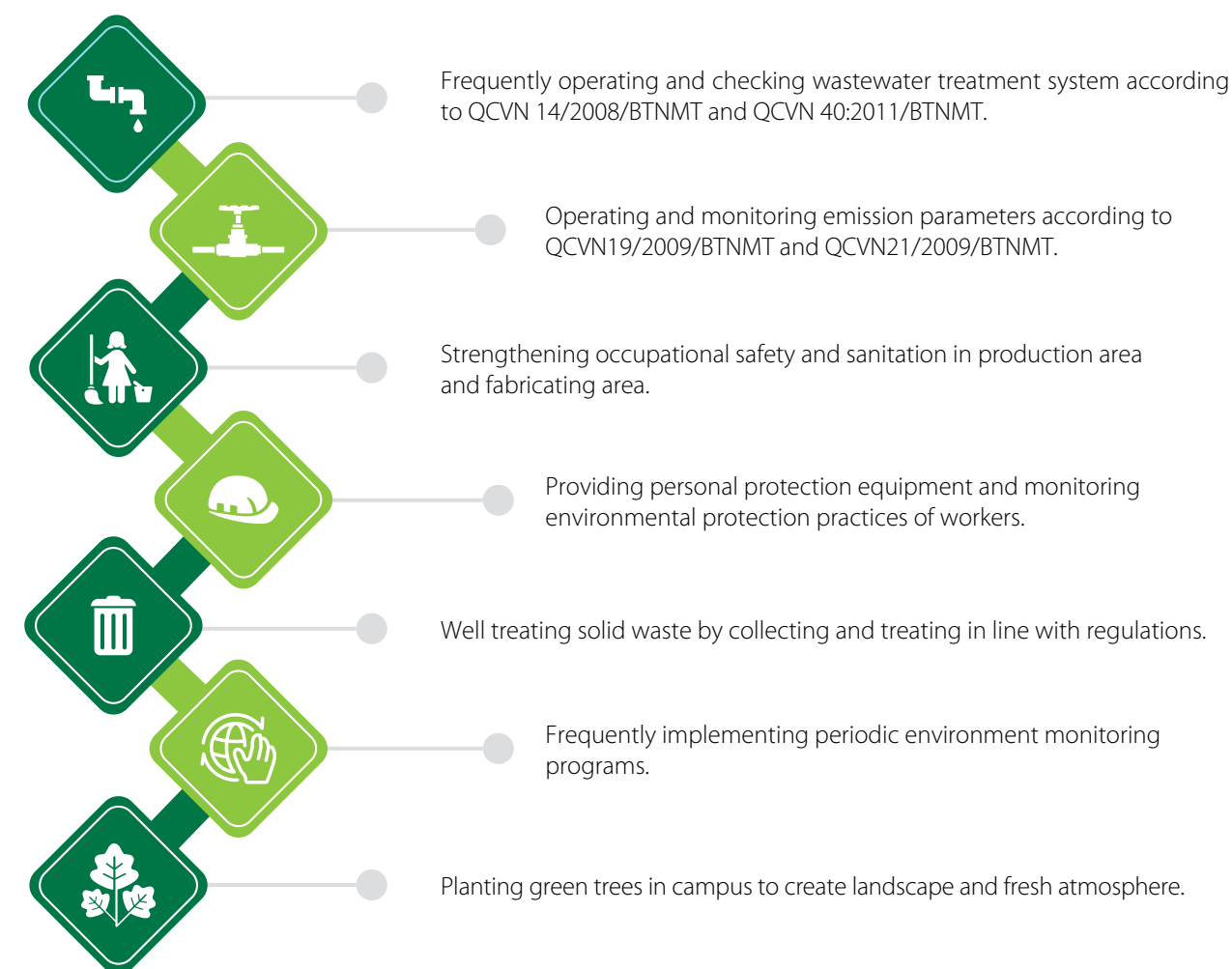
This impact is mainly resulted from the operation of machinery and equipment in production.

» Reduction method:

› Earplugs are regularly provided to the workers to limit impact to their health. Regular check and maintenance of machinery and equipment and check of working conditions are performed.

› Daily, monthly and quarterly safety check are carried out to timely detect and prevent the factors that may affect occupational health.

### SOLUTIONS TO COMPLETE ENVIRONMENTAL ACTIVITIES



# ENVIRONMENTAL PROTECTION, EMISSION AND WASTE CONTROL (continued)



## POLLUTION PREVENTION POLICY



## Instruments and methods to take environmental samples

Sampling method

No.	Parameter	Sampling method	No.	Parameter	Sampling method
<i>I. Wastewater quality</i>			11	Total N	TCVN 6638:2000
1	pH	TCVN 6492:2011	12	Total P	TCVN 6202:2008
2	Temperature	SMEWW 2550B:2012	13	Ammonium	TCVN 61-1:1996
3	Smell	Sensorial	14	Asen (As)	TCVN 6626:2000
4	TSS	SMEWW 2540D:2012	15	Hydrargyrum (Hg)	TCVN 7877:2008
5	TDS	SMEWW 2540C:2012	16	Plumbum (Pb)	TCVN 9163B:1996
6	BOD <sub>5</sub>	TCVN 6001-1:2008	17	Cadmium (Cd)	TCVN 6193B:1996
7	COD	SMEWW 5220-C:2012	18	Cuprum (Cu)	TCVN 6193:1996
8	Sunfua (SO42-)	SMEWW 45000-SO42-E:2012	19	Mineral oil	TCVN 5070-1995
9	Nitrat (NO3-)	TCVN 6180:1996	20	Total Coliform	TCVN 6187-1:2009
10	Photphat (PO43-)	TCVN 6202:2008	21	Cl <sub>2</sub>	SMEWW 4500-Cl2-G:2012





## ENVIRONMENTAL PROTECTION, EMISSION AND WASTE CONTROL (continued)

Measurement method at site

No.	Items	Measurement method	Detection limitation	Measurement limitation	Remark
<i>I.</i>	<i>Emission quality</i>				
1	Noise	TCVN 7878-2:2010		30 - 130 dB	
2	Vibration	TCVN 6963:2001		20 - 110 dB	
3	Dust	US.EPA Method 5	7.2 mg/Nm <sup>3</sup>		
4	SO <sub>2</sub>	TCVN 7246:2003	5.4 mg/Nm <sup>3</sup>		Testo 350
5	NOx	TCVN 7245:2003	1.5 mg/Nm <sup>3</sup>		
6	NH <sub>3</sub>	TQKT	1.12mg/Nm <sup>3</sup>		
7	CO	TCVN 7242:2003	2.73 mg/Nm <sup>3</sup>		
<i>II.</i>	<i>Wastewater quality</i>				
1	pH	TCVN 6492:2011	-	0 - 14	Equipment
2	Temperature	SMEWW2550B:2011	-	0 - 7°C	Equipment
3	Smell	-	-	-	Sensorial
4	TSS	-	-	-	-
5	TDS	SMEWW2540C:2012	0 - 1,999mg/L	-	-
6	BOD <sub>5</sub>	TCVN 6001-1:2008	1mg/L	-	-
7	COD	SMEWW-5220.C:2012	1.4mg/L	-	-
8	Sulfur (SO42-)	SMEWW 4500-SO42-.E:2012	1mg/L	-	-
9	Nitrate (NO <sub>3</sub> )	TCVN 6180:1996	0.014mg/L	-	-
10	Phosphate (PO43-)	TCVN 6202:2008	0.007mg/L	-	-
11	Total N	TCVN 6638:2000	1mg/L	-	-
12	Total P	TCVN 6202:2008	0.007mg/L	-	-
13	Ammonium	TCVN 6179-1:1996	0.026mg/L	-	-
14	Asen (As)	TCVN 6626:2000	0.002mg/L	-	-
15	Hydrargyrum (Hg)	TCVN 7877:2008	3×10-4mg/L	-	-
16	Plumbum (Pb)	TCVN 6193B:1996	33×10-4mg/L	-	-
17	Cadmium (Cd)	TCVN 6193B:1996	45×10-5mg/L	-	-
18	Cuprum (Cu)	TCVN 6193:1996	0.028mg/L	-	-
19	Mineral Oil	TCVN 5070-1995	0.3mg/L	-	-
20	Total coliform	TCVN 6187-2:2009	2 bacteria/100mL	-	-
21	Cl <sub>2</sub>	SMEWW 4500-Cl2-G:2012	0.01mg/L	-	-

### Monitoring results

Parameters and monitoring result of air quality

Year/ Item	2015			2016			Unit	QCVN19:2009/BTNMT
	KT1	KT2	KT3	KT1	KT2	KT3		
Dust	42	58	68	54	42	62	mg/m <sup>3</sup>	160
CO	6	2	<1.14	30.9	30.9	<1.14	mg/m <sup>3</sup>	800
NOx	136	186	<1.9	62.6	62	<1.23	mg/m <sup>3</sup>	800
SO <sub>2</sub>	<2.26	<2.66	<2.26	<2.66	<2.66	<2.66	mg/m <sup>3</sup>	400
NH <sub>3</sub>	KPH	KPH	3.8	0	0	KPH	mg/m <sup>3</sup>	40

Remark:

KT1: Emission at primary reforming chimney (Z04201).

KT2: Emission at sub-boiler chimney (Z29101).

KT3: Emission at granule forming chimney (Z07601).

Parameters and monitoring results of production wastewater quality

Year/Item	2015			2016			Unit	QCVN40:2011/ BTNMT
	NT1	NT2	NT3	NT1	NT2	NT3		
pH	7.3	8.9	8.1	7.7	8.52	7.7		5.5-9
TSS	6	26	45	20	24	29	mg/l	81
COD	11	18	10	106	16	97	mg/l	121.5
BOD5	5	10	6	31	11	31	mg/l	40.5
Total N	31.1	26.6	3.22	14.36	15.6	4.98	mg/l	32.4
Total P	0.624	0.66	0.672	0.458	0.074	0.236	mg/l	4.86
Ammonium	1.48	KPH	0.624	0.396	1.98	0.978	mg/l	8.1
Asen	KPH	KPH	KPH	KPH	KPH	KPH	mg/l	0.081
Hydrargyrum	KPH	KPH	KPH	KPH	KPH	KPH	mg/l	0.0081
Plumbum	0.014	0.009	0.006	0.021	0.032	0.019	mg/l	0.405
Cadmium	0.003	0.002	KPH	0.017	0.051	KPH	mg/l	0.081
Mineral oil	5.2	1.1	1.4	6.9	0.9	0.9	mg/l	8.1
Cuprum	0.099	0.075	0.079	0.075	0.063	0.056	mg/l	1.62
Temperature	30.8	33.1	35.1	31.2	35.6	40	°C	40
Total Coliform	1,200	1,000	2,000	3,300	2,200	4,000	MPN/100 ml	5,000

Remark:

NT1: Discharge of oil-contaminated wastewater treatment system

NT2: Discharge of ammonium-contaminated wastewater treatment system

NT3: Discharge of general pipe connecting to river

# REPONSIBILITY

## TO PRODUCTS

### COMMITMENT ON PRODUCT QUALITY

In 2016, PVCFC continued to provide the market with fertilizers produced by the Company such as granular urea and N.Humate+TE and new product N46.Plus. In addition, PVCFC imported other fertilizers such as DAP and Kali to provide for the customers in Vietnam and Cambodia.

In spite of producing or importing, PVCFC is always committed to the product quality. Besides, the Company promotes researches to diversify products and develop products with high efficiently, environmental friendliness, and meeting demand of the market.

### REGULATIONS ON PRODUCT LABELING

All fertilizers produced and distributed by PVCFC are complied with the regulations on labelling and information about ingredients, manual instruction, packing, etc. to facilitate the farmers in applying the products.

### PROCEDURE FOR CUSTOMER COMPLAINT SETTLEMENT





## SOCIAL AND COMMUNITY ACTIVITIES

THE DEVELOPMENT OF EACH ENTERPRISE AS WELL AS THE GENERAL DEVELOPMENT OF SOCIETY AND COMMUNITY IS BUILT ON THE FOUNDATION OF SHARING RESPONSIBILITY AND STRENGTHENING COORDINATION AMONG PARTIES. THAT CLOSE ATTACHMENT DOES CREATE BASIC VALUES FOR SUSTAINABLE DEVELOPMENT.

In the context of difficulties and challenges in domestic economy, the fierce competition in fertilizer market and the pressure to maintain and promote business performance to develop the brand Đạm Cà Mau - For a Golden Harvest, during the past 5 years, PVCFC has totally spent VND235 billion on meaningful social security activities. The management team determines that this is not only a duty but also a big policy of the Group: Business development has to be combined with social security.

PVCFC has continued to implement meaningful activities such as building up schools for educational development, supporting to build up houses for families under preferential treatment policy and the poor, setting up medical centers, giving scholarship to poor students with good studying achievement, etc. to actively contribute to eliminating poverty and hunger as well as developing education in the community.

Ensuring good performance of social security is also implementing policy of the Party and the Government on economic development, sharing responsibility with the community and enhancing attachment with the farmers. New roads, bridges, schools, etc. are a visible evidence for PVCFC's sense of responsibility to the social security.



Ca Mau Fertilizer awarded scholarships for students of Tay Nguyen University.

### » Building community association programs

- › Accompanying farmers with a series of programs such as consulting farmers on cultivation techniques, guiding customers to identify good quality products, and honoring exemplary farmers.
- › Actively participating in "4-side connection program" with the cooperation among farmer - State - scientist - businessman to enhance competitive advantages and bring values to the society.
- › Actively attending the national fertilizer market stabilization program to always ensure benefits of the farmers.

### » Recognition from the community

#### a. Merits

- › "Third-class Labor Medal" in 2010 awarded by the State.
- › "Enterprise for farmers" for the first time awarded by the Ministry of Agriculture and Rural Development in 2015.
- › Merit "Typical enterprise with significant contribution to new rural development"



Company's Labour Union gave gifts to the poor in Central.

in 2010 - 2015, given by the Government.

- › Top 50 "Enterprises with good implementation of social security and community development" in 4 consecutive years from 2013 - 2016, honored by the Ministry of Planning and Investment.
- › "For the career of environmental protection" awarded by the Ministry of Industry and Trade in 2014.
- › Certificate for "Enterprise with national green environment criteria" for the 2<sup>nd</sup> time, given by General Department of Environment - Ministry of Natural Resources and Environment in 2014.
- › Top 10 "Excellent enterprises for community development" in 2014, honored by the Vietnam Journalists Association.
- › "Typical enterprise for national green environment" honored by General Department of Environment - Ministry of Natural Resources and Environment in 2013.

#### b. Certificates and awards

- › "National Brand" awarded by the Ministry of Industry and Trade 2014, 2016.
- › The second "Vietnam Golden Rice Awards" awarded by the Ministry of Agriculture and Rural Development in 2015.
- › Certificate for "Vietnamese high quality goods" voted by consumers in 2015 and 2016.
- › Top 100 "Vietnam Golden Star" honored by Vietnam Young Entrepreneurs Association in 2013 and 2015.
- › Award for "Typical equitized enterprise" voted by M&A Vietnam Forum in 2014 - 2015.
- › Certificate for "Typical agricultural products" given by Farmer's Union in 2013.



Ca Mau Fertilizer gave gifts to poor students in flooding in Central provinces.



REPORTS RELATING TO

# GREEN CAPITAL MARKET

FROM ITS ESTABLISHMENT, **GREEN FOUNDATION** IS CHOOSEN BY **PVCFC** AND IS CONSIDERED **A LODESTAR** FOR ALL BUSINESS ACTIVITIES OF THE COMPANY.

The whole production line and equipment at Ca Mau Fertilizer Plant is the most advanced technology from developed countries. Accordingly, a number of solutions to enhance efficiency and save fuels and energy in production, R&D activities to create environmentally friendly products, researches to increase nutrition for plants and many other programs for environmental protection, and so on have been implemented by PVCFC during the last time. With sustainable development orientation, the Company focuses on R&D activities to create green products, limiting negative impacts to water, soil, and air environment such as N-Humate+TE and N46.Plus and, accordingly, step-by-step deploys investment projects and uses capital for “GREEN” purpose, willing to overcome all challenges to gain success.





4

## CONSOLIDATED FINANCIAL STATEMENTS



CATCH UP

INCREASE PRODUCTIVITY

# Technology



**PETROVIETNAM CAMAU FERTILIZER JOINT STOCK COMPANY**  
(Incorporated in the Socialist Republic of Vietnam)

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2016**

March 2017

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## STATEMENT OF THE BOARD OF DIRECTORS

The Board of Directors of PetroVietnam Camau Fertilizer Joint Stock Company (the “Company”) presents this report together with the Company’s consolidated financial statements for the year ended 31 December 2016.

### BOARDS OF MANAGEMENT AND DIRECTORS

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

#### Board of Management

Mr. <b>Nguyen Duc Thanh</b>	Chairman
Mr. <b>Bui Minh Tien</b>	Member
Ms. <b>Tran Thi Binh</b>	Member
Mr. <b>Tran Chi Nguyen</b>	Member
Mr. <b>Tran My</b>	Member

#### Board of Directors

Mr. <b>Bui Minh Tien</b>	General Director
Mr. <b>Hoang Trong Dung</b>	Deputy General Director
Mr. <b>Van Tien Thanh</b>	Deputy General Director
Mr. <b>Nguyen Duc Hanh</b>	Deputy General Director
Mr. <b>Le Ngoc Minh Tri</b>	Deputy General Director

### BOARD OF DIRECTORS' STATEMENT OF RESPONSIBILITY

The Board of Directors of the Company is responsible for preparing the consolidated financial statements, which give a true and fair view of the financial position of the Company and its subsidiary as at 31 December 2106, and their financial performance and their cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. In preparing these consolidated financial statements, the Board of Directors is required to:

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



STATEMENT OF THE BOARD OF DIRECTORS (Continued)

BOARD OF DIRECTORS’ STATEMENT OF RESPONSIBILITY (Continued)

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 that the consolidated financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting. The Board of Directors is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

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

For and on behalf of the Board of Directors,



Le Ngoc Minh Tri  
Deputy General Director  
20 March 2017

No.: 612/VN1A-HN-BC

INDEPENDENT AUDITORS’ REPORT

To: Shareholders  
The Board of Management and Board of Directors  
PetroVietnam Camau Fertilizer Joint Stock Company

We have audited the accompanying consolidated financial statements of PetroVietnam Fertilizer Company Limited (the “Company”), prepared on 20 March 2017, as set out from page 134 to page 159, which comprise the consolidated balance sheet as at 31 December 2016, the consolidated income statement and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Directors’ Responsibility for the Consolidated Financial Statements

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

Auditors’ Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, and their financial performance and their cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.

Emphasis of Matters

- The Company has been officially transformed into a joint stock company since 15 January 2015. The consolidated financial statements for the year ended 31 December 2016 do not include any adjustments that may arise related to the determination of the State capital portion as the Company has not had a minutes of determination of the State capital portion as at the official date of the Company’s transformation into a joint stock company.
- As stated in Note 9 of the Notes to the consolidated financial statements, the Company has been recording a receivable from Vietnam Oil and Gas Group related to the equitization phase with the amount of approximately VND 276.8 billion. Such amount is the Company’s profit for the period from 01 January 2014 to 14 January 2015, which has been overpaid to the Group. The Board of Directors determined that this receivable would be recovered when the Company performs finalization regarding the State capital portion with Vietnam Oil and Gas Group.

Our opinion is not modified in respect of these matters.



**Khúc Thị Lan Anh**  
**Deputy General Director**

Audit Practising Registration Certificate  
No. 0036-2013-001-1

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

20 March 2017  
Hanoi, S.R. Vietnam



**Vu Manh Hung**  
**Auditor**  
Audit Practising Registration Certificate  
No. 2737-2013-001-1

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

FORM B 01-DN/HN

Unit: VND				
ASSETS	Codes	Notes	Closing balance	Opening balance
<b>A. CURRENT ASSETS</b>	<b>100</b>		<b>4,034,415,094,113</b>	<b>4,431,356,579,753</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>5</b>	<b>813,518,747,412</b>	<b>1,215,079,331,489</b>
1. Cash	111		481,518,747,412	183,079,331,489
2. Cash equivalents	112		332,000,000,000	1,032,000,000,000
<b>II. Short-term financial investments</b>	<b>120</b>	<b>6</b>	<b>2,300,000,000,000</b>	<b>2,702,555,555,556</b>
1. Held-to-maturity investments	123		2,300,000,000,000	2,702,555,555,556
<b>III. Short-term receivables</b>	<b>130</b>		<b>481,716,332,388</b>	<b>79,842,093,989</b>
1. Short-term trade receivables	131	7	6,814,108,300	7,261,327,710
2. Short-term advances to suppliers	132	8	18,741,754,171	14,976,365,167
3. Other short-term receivables	136	9	456,160,469,917	57,604,401,112
<b>IV. Inventories</b>	<b>140</b>	<b>10</b>	<b>374,120,518,186</b>	<b>391,329,837,679</b>
1. Inventories	141		375,625,582,334	392,042,685,352
2. Provision for devaluation of inventories	149		(1,505,064,148)	(712,847,673)
<b>V. Other short-term assets</b>	<b>150</b>		<b>65,059,496,127</b>	<b>42,549,761,040</b>
1. Short-term prepayments	151	11	29,671,646,612	22,065,115,079
2. Value added tax deductibles	152		32,040,550,899	20,046,317,478
3. Taxes and other receivables from the State budget	153	17	3,347,298,616	438,328,483
<b>B. NON-CURRENT ASSETS</b>	<b>200</b>		<b>8,932,636,790,069</b>	<b>10,047,262,662,133</b>
<b>I. Long-term receivables</b>	<b>210</b>		<b>3,000,000</b>	<b>3,000,000</b>
1. Other long-term receivables	216	9	3,000,000	3,000,000
<b>II. Fixed assets</b>	<b>220</b>		<b>8,754,407,466,113</b>	<b>9,848,605,814,914</b>
1. Tangible fixed assets	221	12	8,691,967,185,395	9,780,140,333,873
- Cost	222		13,861,770,166,630	13,678,066,136,232
- Accumulated depreciation	223		(5,169,802,981,235)	(3,897,925,802,359)
2. Intangible assets	227	13	62,440,280,718	68,465,481,041
- Cost	228		95,872,466,668	81,168,329,895
- Accumulated amortisation	229		(33,432,185,950)	(12,702,848,854)
<b>III. Long-term assets in progress</b>	<b>240</b>	<b>14</b>	<b>79,196,837,346</b>	<b>95,437,715,195</b>
1. Construction in progress	242		79,196,837,346	95,437,715,195
<b>IV. Other long-term assets</b>	<b>260</b>		<b>99,029,486,610</b>	<b>103,216,132,024</b>
1. Long-term prepayments	261	11	99,029,486,610	103,216,132,024
<b>TOTAL ASSET (270 = 100 + 200)</b>	<b>270</b>		<b>12,967,051,884,182</b>	<b>14,478,619,241,886</b>



## CONSOLIDATED BALANCE SHEET (Continued)

As at 31 December 2016

FORM B 01-DN/HN

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
<b>C. LIABILITIES</b>	<b>300</b>		<b>7,116,808,808,039</b>	<b>8,245,426,462,266</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>2,535,800,653,695</b>	<b>2,424,036,133,222</b>
1. Short-term trade payables	311	15	688,405,588,269	298,270,780,042
2. Short-term advances from customers	312	16	64,450,940,342	153,444,525,172
3. Taxes and amounts payable to the State budget	313	17	3,374,874,622	6,319,345,837
4. Payables to employees	314		47,541,974,859	69,044,339,084
5. Short-term accrued expenses	315	18	67,875,659,036	342,691,984,116
6. Other current payables	319	19	248,030,850,984	205,977,072,683
7. Short-term loans and obligations under finance leases	320	20	1,359,162,384,314	1,319,172,808,870
8. Bonus and welfare funds	322		56,958,381,269	29,115,277,418
<b>II. Long-term liabilities</b>	<b>330</b>		<b>4,581,008,154,344</b>	<b>5,821,390,329,044</b>
1. Other long-term payables	337	19	1,055,667,075	33,175,238,300
2. Long-term loans and obligations under finance leases	338	20	4,538,380,155,040	5,753,087,866,042
3. Scientific and technological development fund	343		41,572,332,229	35,127,224,702
<b>D. EQUITY</b>	<b>400</b>		<b>5,850,243,076,143</b>	<b>6,233,192,779,620</b>
<b>I. Owner's equity</b>	<b>410</b>	<b>21</b>	<b>5,850,243,076,143</b>	<b>6,233,192,779,620</b>
1. Owner's contributed capital	411		5,294,000,000,000	5,294,000,000,000
- Ordinary shares carrying voting rights	411a		5,294,000,000,000	5,294,000,000,000
2. Investment and development fund	418		161,063,726,429	372,637,865,219
3. Retained earnings	421		368,288,538,698	543,413,599,711
- Retained earnings accumulated to the prior period end	421a		570,337,282	1,645,600,058
- Retained earnings of the current year	421b		367,718,201,416	541,767,999,653
4. Non-controlling interests	429		26,890,811,016	23,141,314,690
<b>TOTAL RESOURCES (440 = 300 + 400)</b>	<b>440</b>		<b>12,967,051,884,182</b>	<b>14,478,619,241,886</b>






**Dinh Nhat Duong**  
Preparer

**Dinh Nhu Cuong**  
Chief Accountant

**Le Ngoc Minh Tri**  
Deputy General Director

20 March 2017

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

FORM B 02-DN / HN

Unit: VND

ITEMS	Codes	Notes	Current year	From 15/01/2015 to 31/12/2015
<b>1. Gross revenue from goods sold and services rendered</b>	<b>01</b>	<b>24</b>	<b>4,971,748,943,654</b>	<b>5,669,707,612,058</b>
2. Deductions	02	24	61,578,260,352	87,468,200,037
<b>3. Net revenue from goods sold and services rendered (10=01-02)</b>	<b>10</b>		<b>4,910,170,683,302</b>	<b>5,582,239,412,021</b>
4. Cost of sales	11	25	3,595,507,736,544	3,950,628,153,058
<b>5. Gross profit from goods sold and services rendered (20=10-11)</b>	<b>20</b>		<b>1,314,662,946,758</b>	<b>1,631,611,258,963</b>
6. Financial income	21	27	281,352,006,888	226,410,038,132
7. Financial expenses	22	28	432,719,478,011	663,674,008,733
- In which: Interest expense	23		206,622,388,743	232,444,268,230
8. Selling expenses	25	29	275,833,011,237	276,442,817,062
9. General and administration expenses	26	29	254,753,830,327	205,377,286,383
<b>10. Operating profit (30=20+(21-22)-(25+26)</b>	<b>30</b>		<b>632,708,634,071</b>	<b>712,527,184,917</b>
11. Other income	31		26,209,791,117	6,845,641,304
12. Other expenses	32		27,031,577	4,574,358,241
<b>13. Profit/(Loss) from other activities (40=31-32)</b>	<b>40</b>		<b>26,182,759,540</b>	<b>2,271,283,063</b>
<b>14. Accounting profit before tax (50=30+40)</b>	<b>50</b>		<b>658,891,393,611</b>	<b>714,798,467,980</b>
15. Current corporate income tax expense	51	31	34,551,571,563	2,338,287,768
<b>16. Net profit after corporate income tax (60=50-51)</b>	<b>60</b>		<b>624,339,822,048</b>	<b>712,460,180,212</b>
16.1. Equity holders of the Holding Company	61		619,831,354,510	708,078,630,765
16.2. Non-controlling interests	62		4,508,467,538	4,381,549,447
<b>17. Basic earnings per share</b>	<b>70</b>	<b>32</b>	<b>1,011</b>	<b>1,175</b>






**Dinh Nhat Duong**  
Preparer

**Dinh Nhu Cuong**  
Chief Accountant

**Le Ngoc Minh Tri**  
Deputy General Director

20 March 2017

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2016

FORM B 03-DN/HN

Unit: VND

ITEMS	Codes	Current year	From 15/01/2015 to 31/12/2015
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>1. Profit before tax</b>	<b>01</b>	<b>658,891,393,611</b>	<b>714,798,467,980</b>
<b>2. Adjustments for:</b>			
Depreciation and amortisation	02	1,292,036,751,160	1,227,663,327,392
Provisions	03	792,216,475	712,847,673
Foreign exchange loss arising from translating foreign currency items	04	72,779,573,574	301,519,401,097
(Gain) from investing activities	05	(155,766,178,207)	(166,800,194,704)
Interest expense	06	206,622,388,743	232,444,268,230
Other adjustments	07	15,000,000,000	-
<b>3. Operating profit before movements in working capital</b>	<b>08</b>	<b>2,090,356,145,356</b>	<b>2,310,338,117,668</b>
Changes in receivables	09	(422,503,226,805)	(14,122,315,350)
Changes in inventories	10	16,417,103,018	(192,868,174,446)
Changes in payables (excluding accrued loan interest and corporate income tax payable)	11	(32,280,566,034)	87,662,596,361
Changes in prepaid expenses	12	(3,419,886,119)	52,825,029,738
Interest paid	14	(204,848,817,000)	(241,907,743,186)
Corporate income tax paid	15	(6,006,124,720)	(33,716,530,306)
Other cash inflows	16	-	102,527,500
Other cash outflows	17	(64,190,319,665)	(65,195,567,014)
Balance of investment and development fund transferred to the Group		(286,574,832,277)	-
Cash from equitization transferred to the Group		-	(1,581,808,975,597)
<b>Net cash generated by operating activities</b>	<b>20</b>	<b>1,086,949,475,754</b>	<b>321,308,965,368</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition and construction of fixed assets and other long-term assets	21	(172,907,748,871)	(157,724,934,512)
2. Proceeds from sale, disposal of fixed assets and other long-term assets	22	-	354,577,637
3. Cash outflow for lending, buying debt instruments of other entities	23	(5,100,000,000,000)	(3,963,556,166,262)
4. Cash recovered from lending, selling debt instruments of other entities	24	5,502,555,555,556	4,427,282,094,080
5. Interest earned, dividends and profits received	27	164,284,492,616	164,044,760,321
<b>Net cash generated by used in investing activities</b>	<b>30</b>	<b>393,932,299,301</b>	<b>470,400,331,264</b>

## CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the year ended 31 December 2016

FORM B 03-DN/HN

Unit: VND

ITEMS	Codes	Current year	From 15/01/2015 to 31/12/2015
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Proceeds from borrowings	33	142,496,074,020	13,662,715,542
2. Repayment of borrowings	34	(1,390,029,720,486)	(1,263,747,735,281)
3. Dividends and profits paid	36	(634,944,650,000)	(390,233,293,375)
<b>Net cash (used in) financing activities</b>	<b>40</b>	<b>(1,882,478,296,466)</b>	<b>(1,640,318,313,114)</b>
<b>Net (decrease) in cash (50=20+30+40)</b>	<b>50</b>	<b>(401,596,521,411)</b>	<b>(848,609,016,482)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60</b>	<b>1,215,079,331,489</b>	<b>2,063,705,227,684</b>
Effect of changes in foreign exchange rates	61	35,937,334	(16,879,713)
<b>Cash and cash equivalents at the end of the year (70=50+60+61)</b>	<b>70</b>	<b>813,518,747,412</b>	<b>1,215,079,331,489</b>

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

  
**Dinh Nhat Duong**  
 Preparer

  
**Dinh Nhu Cuong**  
 Chief Accountant

  
**Le Ngoc Minh Tri**  
 Deputy General Director

20 March 2017



statements

1. GENERAL INFORMATION

Structure of ownership

PetroVietnam Camau Fertilizer Joint Stock Company (the "Company"), formerly known as PetroVietnam Camau Fertilizer Company Limited - a subsidiary of Vietnam Oil and Gas Group, was established in Vietnam under Corporate Registration Certificate No. 2001012298 issued by Camau Province's Department of Planning and Investment on 24 March 2011.

PetroVietnam Camau Fertilizer Company Limited was officially transformed into a Joint Stock Company with the name of PetroVietnam Camau Fertilizer Joint Stock Company under Corporate Registration Certificate for Joint Stock Company No. 2001012298 issued by Camau Province's Department of Planning and Investment on 15 January 2015, with the charter capital of VND 5,294,000,000,000. The Company's stocks were listed on Ho Chi Minh City Stock Exchange on 31 March 2015 under the stock code as "DCM".

The parent company of the Company is Vietnam Oil and Gas Group.

The number of the Company's employees as at 31 December 2016 was 1,053 (as at 31 December 2015: 1,042).

Operating industry and principal activities

The operating industry of the Company includes:

- Production of fertilizers, nitrogen compounds and basic chemicals.
- Wholesale of fertilizers, chemicals used in industry - agriculture.
- Retail of fertilizers, chemicals used in industry - agriculture.
- Architectural activities and consultancy on techniques using fertilizers and chemicals.
- Warehousing, storage and handling cargo.
- Research and experiment development of natural science and engineering, testing and analysing techniques.
- Machinery and equipment repair and maintenance.

The principal activity of the Company is fertilizer production and trading.

Normal production and business cycle

The Company's normal production and business cycle is carried out for a period of 12 months or less.

The Company's structure

The subsidiary of the Company is PetroVietnam Packaging Joint Stock Company. General information about the subsidiary is as below:

	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Principal activity
PetroVietnam Packaging Joint Stock Company	Bac Lieu	51.03%	51.03%	Package manufacturing

1. GENERAL INFORMATION (CONTINUED)

The Company's structure (Continued)

The Company has one branch namely PetroVietnam Ca Mau Fertilizer Joint Stock Company. - Project Management Unit was established under Decision No. 1109/ QD-PVCFC dated 01 June 2016 of the Board of Management. The branch is a dependent accounting unit, located in plot D, Ward 1 Industrial Zone, Ngo Quyen Street, Ward 1, Ca Mau City, Ca Mau Province, has its own seal for transaction and is allowed to open accounts at banks in accordance with Vietnamese laws.

Disclosure of information comparability in the consolidated financial statements

Comparative figures are the figures of the audited consolidate financial statements for period from 15 January 2015 to 31 December 2015.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

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

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

Financial year

The Company's financial year begins on 01 January and ends on 31 December.

3. ADOPTION OF NEW ACCOUNTING GUIDANCE

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Estimates

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) for the year ended 31 December 2016. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

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

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

Intragroup transactions and balances are eliminated in full on consolidation.

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

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 Company has the positive intent or ability to hold to maturity, including bank term deposits 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 consolidated 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventory includes direct materials, direct labour costs and overheads, where applicable, that have been incurred in bringing the inventories to their present location and condition. Issue cost is calculated using the weighted average method. Net realisable 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 realisable 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). 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 recognised 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 and structures	5 - 25
Machinery and equipment	5 - 12
Motor vehicles and transmission equipment	5 - 6
Office equipment	3 - 6
Others	3 - 6

The Company's tangible fixed assets were revalued when it uses equitized as a state-owned enterprises. Their cost and accumulated depreciation are adjusted based on the revaluation value approved by competent authorities as regulated. Adjusted depreciation was applied when the Company officially started operating as a joint stock company.

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 recognised in the consolidated income statement.



4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets and amortisation

Intangible assets represent land use rights, copyright, patents and computer software that are stated at cost less accumulated amortisation.

Land use rights increase because of the revaluation and transfer to another form in which the State assigns land to the enterprise in exchange of land use fee, allowing the Company to record an increase in payables to the State when being transformed into a Joint Stock Company.

Intangible assets are amortised using the straight-line method over their estimated useful lives as follows:

	Current year (Years)
Land use rights	20 - 50
Copyright, patents	3
Computer software	3

The Company's intangible assets were revalued when it was equitized as state-owned enterprises. Their cost and accumulated amortisation are adjusted based on the revaluation value approved by competent authorities as regulated. Adjusted amortisation was applied when the Company officially started operating as a joint stock company.

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 directly attributable costs in accordance with the Company'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 investment 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.

Prepayments

Prepayments are expenses which have already been paid but relate to results of operations of multiple accounting periods. Prepayments comprise the cost of Camau Fertilizer Production Plant's asset insurance, goodwill and other types of long-term prepayments.

The Company's goodwill arises as a result of determining the business value for equitization. This goodwill will be allocated to operating expenses in 3 years since the Company officially operates as a joint stock company.

Other types of long-term prepayments comprise cost of catalyst, small tools, supplies issued for consumption, cost of fixed asset repair, etc which are expected to provide future economic benefits to the Company for one year or more. These expenditures have been capitalised as long-term prepayments, and are allocated to the consolidated income statement using the straight-line method over the period from fourteen (14) to thirty six (36) months.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Science and Technology Development Fund

Science and Technology Development Fund is appropriated in order to invest for science and technology activities of the Company. This Fund was formed on the basis of the Company's development demand and technology innovation and is recognized in the operation results of the year.

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 consolidated income statement.

As guided by Official Letter No. 4360/DKVN-TCKT dated 30 June 2015 and Official Letter No. 7526/BTC-TCDN dated 08 June 2015 issued by Ministry of Finance on the exchange rate of foreign currencies, the Company applied the buying rate announced by Joint Stock Commercial Bank for Foreign Trade of Vietnam to translate monetary items denominated in foreign currencies as at 31 December 2016. The above mentioned rate differs from that stated in Circular No. 200/2014/TT-BTC dated 22 December 2014 issued by the Ministry of Finance guiding the accounting regime for enterprises ("Circular 200").

Revenue recognition

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

- a. the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b. the Company retains neither continuing managerial involvement to the degree usually associated with the ownership or 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 Company; and
- e. the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

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

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

Borrowing costs

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

#### 4. 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 consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

According to Investment Certificate No. 61101000153 dated 04 December 2012 issued by the People's Committee of Camau Province, the Company is entitled to tax incentives with regard to Camau Fertilizer Plant as follows:

- Corporate income tax: The Company is entitled to preferential tax rates, tax exemption and reduction in accordance with provisions of the prevailing law on corporate income tax.
- Land tax: The Company is exempted/reduced from land use tax, land use fees, rentals and water surface rental in accordance with provisions of the prevailing laws on land and tax.
- Import duty: The Company is exempted from import duty with regard to equipment, materials, motor vehicles and other goods for the implementation of investment projects in accordance with the law on import/export duties.

For income from main business activities arising from Camau Fertilizer Plant Project, the company is in the period of corporate income tax exemption. 2016 was the first year the Company was granted a 50% reduction of tax payable. For other business activities than Camau Fertilizer Plant Project, the Company is obliged to pay corporate income tax at the applicable rate based on taxable income.

Corporate income tax of PetroVietnam Packaging Joint Stock Company (the Company's subsidiary - PPC) is applied according to Decision No. 22/2010/QĐ-UBND dated 01 September 2010 issued by People's Committee of Bac Lieu province regarding promulgation of regulations and policies on investment encouragement, support and incentives in Bac Lieu province and the first Investment Certificate No. 60221000003 dated 23 June 2013 issued by Bac Lieu Industrial Zones Management Unit. Accordingly, PPC is entitled to tax incentives as follows: Preferential tax rate of 20% for 10 years and tax exemption for 2 years from the first year PPC has taxable income (2012), 50% tax reduction in tax payable for the next 4 years applicable to newly established enterprises of Investment Projects in areas with difficult socio-economic conditions. 2016 is the third year in which PPC is entitled to 50% tax deduction in tax payable.

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

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realised. 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. As at 31 December 2016, there was no significant temporary difference between carrying amount of assets and liabilities on the balance sheet and the corresponding tax bases.

#### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Taxation (Continued)

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

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

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

#### 5. CASH AND CASH EQUIVALENTS

	Closing balance VND	Opening balance VND
Cash on hand	84,430,897	304,023,932
Cash in bank	481,434,316,515	182,775,307,557
Cash equivalents (*)	332,000,000,000	1,032,000,000,000
	<b>813,518,747,412</b>	<b>1,215,079,331,489</b>

(\*) Cash equivalents represent the deposits in VND at commercial banks with original terms of three months or less.

Bank deposits and cash equivalents are deposited at commercial banks in Vietnam. The Company's Board of Directors regularly evaluates and believes that the above deposits expose to no risk of recoverability or liquidation.

#### 6. FINANCIAL INVESTMENTS

	Closing balance		Opening balance	
	Cost VND	Carrying amount VND	Cost VND	Carrying amount VND
<b>Short-term held-to-maturity investments</b>				
Term deposits with maturity over 3 months	2,300,000,000,000	2,300,000,000,000	2,702,555,555,556	2,702,555,555,556

#### 7. SHORT-TERM TRADE RECEIVABLES

	Closing balance VND	Opening balance VND
Phu My Chemical and Construction Co., Ltd.	3,600,130,403	6,817,482,477
Tuong Nguyen Trading Service Import Export Company Limited	3,102,057,200	-
Others	111,920,697	443,845,233
	<b>6,814,108,300</b>	<b>7,261,327,710</b>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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### 8. SHORT-TERM ADVANCES TO SUPPLIERS

	Closing balance VND	Opening balance VND
Tri Viet Trading Engineering Company Limited	6,785,642,866	-
Vimico Equipment and Accessories Co., Ltd.	2,115,198,796	-
Petro Enertech Joint Stock Company	-	4,405,376,200
Hanoi University of Agriculture	1,800,000,000	1,800,000,000
Sac Mau Trading Service Production Company Limited	-	2,011,606,003
Other suppliers	8,040,912,509	6,759,382,964
	<b>18,741,754,171</b>	<b>14,976,365,167</b>

### 9. OTHER RECEIVABLES

	Closing balance VND	Opening balance VND
<b>Other short-term receivable</b>		
Receivable from Oil and Gas Group	393,555,154,634	-
- Estimated gas receivable for the year ended 31 December 2016 (i)	116,793,453,543	-
- Receivable related to the equitization phase (ii)	276,761,701,091	-
Accrued interest receivable from term deposits	24,203,716,668	32,722,031,077
Capital granted to Camau Gas - Electricity - Fertilizer Project Management Unit (iii)	19,718,000,000	19,718,000,000
Advances to employees	6,366,971,000	1,858,444,400
Receivable from PVI Insurance Ho Chi Minh City	4,053,625,704	-
Collateral, deposits	390,000,000	1,486,690,397
Other receivables	7,873,001,911	1,819,235,238
	<b>456,160,469,917</b>	<b>57,604,401,112</b>
<b>Other long-term receivables</b>		
Long-term deposit paid	3,000,000	3,000,000
	<b>3,000,000</b>	<b>3,000,000</b>
<b>Other short-term receivables from related parties (details presented in Note 34)</b>	<b>415,245,932,412</b>	<b>25,041,611,111</b>

- (i) Estimated gas receivable from Vietnam Oil and Gas Group for the year ended 31 December 2016 was determined and adjusted by the Company at the temporarily settled price in 2016 of USD 1.959/million BTU based on Decision No. 1110/QD-DKVN dated 27 February 2017 of the Chief Executive Officer of Vietnam Oil and Gas Group.
- (ii) Represent profit of the period from 01 January 2014 to 14 January 2015, which had been transferred to Vietnam Oil and Gas Group. This receivable will be recovered when the Company performs finalization regarding the State capital portion with Vietnam Oil and Gas Group.
- (iii) The balance of capital granted to Camau Gas - Electricity - Fertilizer Project Management Unit ("Project Management Unit") represents the amount the Company transferred to the Project Management Unit since 2013 to settle liabilities. This capital funding has no collateral and bears no interest.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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### 10. INVENTORIES

	Closing balance		Opening balance	
	Cost VND	Provision VND	Cost VND	Provision VND
Raw materials	178,516,791,621	-	140,654,588,724	-
Tools and supplies	1,686,454,799	-	1,313,881,821	-
Work in progress	56,423,373,299	(1,505,064,148)	182,631,367,618	(712,847,673)
Finished goods	56,484,144,839	-	37,091,051,516	-
Merchandise	27,061,792,000	-	-	-
Goods on consignment	55,453,025,776	-	30,351,795,673	-
<b>Total</b>	<b>375,625,582,334</b>	<b>(1,505,064,148)</b>	<b>392,042,685,352</b>	<b>(712,847,673)</b>

As at 31 December 2016, the Company made provision of VND 1,505,064,148 for some commercial wastes of which historical cost was higher than net realizable value.

### 11. PREPAYMENTS

	Closing balance VND	Opening balance VND
<b>Short-term</b>		
Assets insurance for Camau Fertilizer Plant	16,920,110,765	14,615,383,401
Advertising pano	2,677,433,264	-
Other short-term prepaid expenses	10,074,102,583	7,449,731,678
	<b>29,671,646,612</b>	<b>22,065,115,079</b>
<b>Long-term</b>		
Goodwill (*)	46,513,175,754	93,026,351,508
Chemical catalyst	23,398,011,981	-
Fixed asset repair expense	20,130,240,727	-
Other long-term prepaid expenses	8,988,058,148	10,189,780,516
	<b>99,029,486,610</b>	<b>103,216,132,024</b>

(\*) The Company's goodwill represents the value of goodwill arising from the determination of enterprise value for the purpose of equitisation. Such goodwill is recognized in profit or loss within 3 years from the date on which the Company officially started operating as a joint stock company. The amount recognized as expense for the year was VND 46,513,175,754.

12. INCREASES, DECREASES IN TAGIBLE FIXED ASSETS

	Buildings and structures	Machinery and equipment	Motor vehicles and transmission equipment	Office equipment	Others	Total
	VND	VND	VND	VND	VND	VND
<b>COST</b>						
Opening balance	3,242,652,668,990	10,272,377,836,062	53,400,164,384	50,946,875,552	58,688,591,244	13,678,066,136,232
Transfer from construction in progress	123,590,615,088	6,935,094,850	-	-	-	130,525,709,938
New purchases	9,003,234,501	34,317,513,322	5,278,728,740	5,431,061,169	-	54,030,537,732
Disposals	(852,217,272)	-	-	-	-	(852,217,272)
Closing balance	3,374,394,301,307	10,313,630,444,234	58,678,893,124	56,377,936,721	58,688,591,244	13,861,770,166,630
<b>ACCUMULATED DEPRECIATION</b>						
Opening balance	1,053,129,972,067	2,781,043,053,898	26,060,564,925	21,933,451,348	15,758,760,121	3,897,925,802,359
Charge for the period	295,223,404,928	958,567,858,993	9,111,074,089	9,231,974,828	595,083,310	1,272,729,396,148
Disposals	(852,217,272)	-	-	-	-	(852,217,272)
Closing balance	1,347,501,159,723	3,739,610,912,891	35,171,639,014	31,165,426,176	16,353,843,431	5,169,802,981,235
<b>NET BOOK VALUE</b>						
Closing balance	2,026,893,141,584	6,574,019,531,343	23,507,254,110	25,212,510,545	42,334,747,813	8,691,967,185,395
Opening balance	2,189,522,696,923	7,491,334,782,164	27,339,599,459	29,013,424,204	42,929,831,123	9,780,140,333,873

As stated further in Note 20, PetroVietnam Camau Fertilizer Joint Stock Company (the Holding Company) has pledged the entire fixed assets constructed from Camau Fertilizer Plant Project which have the carrying value of VND 8,346,611,298,925 as at 31 December 2016 (as at 31 December 2015: VND 9,594,410,781,795) to secure bank loans.

As stated in Note 20, PetroVietnam Packaging Joint Stock Company (the subsidiary) has pledged the entire fixed assets formed from Bac Lieu Packaging Production Plant Project and the fixed assets formed from loans granted to it with the total carrying amount of VND 49,061,353,253 as at 31 December 2016 (as at 31 December 2015: VND 46,891,412,496) to secure loans from Vietnam Joint Stock Commercial Bank for Industry and Trade - Bac Lieu branch.

The cost of the Company's fixed assets as at 31 December 2016 includes VND 88,796,025,913 (as at 31 December 2015: VND 81,791,815,789) of fixed assets which have been fully depreciated but are still in use.

13. INCREASES, DECREASES IN INTANGIBLE ASSETS

	Land use rights	Royalty, patents	Computer software	Total
	VND	VND	VND	VND
<b>COST</b>				
Opening balance	33,333,655,327	26,039,905,000	21,794,769,568	81,168,329,895
New purchases	-	618,949,108	6,836,837,600	7,455,786,708
Transfer from construction in progress	-	5,531,100,065	1,717,250,000	7,248,350,065
Closing balance	33,333,655,327	32,189,954,173	30,348,857,168	95,872,466,668
<b>ACCUMULATED AMORTISATION</b>				
Opening balance	1,851,265,406	3,322,116,196	7,529,467,252	12,702,848,854
Charge for the period	1,926,896,459	10,502,066,971	8,300,373,666	20,729,337,096
Closing balance	3,778,161,865	13,824,183,167	15,829,840,918	33,432,185,950
<b>NET BOOK VALUE</b>				
Closing balance	29,555,493,462	18,365,771,006	14,519,016,250	62,440,280,718
Opening balance	31,482,389,921	22,717,788,804	14,265,302,316	68,465,481,041

14. CONSTRUCTION IN PROGRESS

	Closing balance VND	Opening balance VND
<b>Construction in progress</b>		
- Complex fertilizer production lines from melted Ure	27,028,312,486	2,228,951,028
- Bac Lieu Petroleum Fertilizer Factory (i)	25,511,944,151	-
- Public housing area clearance cost	19,217,326,485	19,217,326,485
- Enterprise human resources managing system	3,434,800,673	2,296,400,065
- Ure storage house	-	70,503,986,360
- Others	4,004,453,551	1,191,051,257
	79,196,837,346	95,437,715,195

(i) PetroVietnam Packaging Joint Stock Company (the Company's subsidiary - PPC) have pledged the entire value of Bac Lieu Petroleum Fertilizer Factory to secure the bank loans.

15. SHORT-TERM TRADE PAYABLES

	Closing balance		Opening balance	
	Amount VND	Amount able to be paid off VND	Amount VND	Amount able to be paid off VND
Vietnam Oil and Gas Group (*)	494,320,135,459	494,320,135,459	163,690,892,638	163,690,892,638
PetroVietnam Power Corporation	33,178,233,697	33,178,233,697	27,038,360,664	27,038,360,664
Others	160,907,219,113	160,907,219,113	107,541,526,740	107,541,526,740
	688,405,588,269	688,405,588,269	298,270,780,042	298,270,780,042
Trade payables to related parties (details represented in Note 34)	544,674,749,629	544,674,749,629	201,621,359,072	201,621,359,072

(\*) Payable to Vietnam Oil and Gas Group mainly represents the amount payable by the Company to purchase natural gas of Block PM3 CAA and Block 46-Cai Nuoc under Contract Annex No. 04 dated 17 November 2014 amending Gas Purchases & Sales Contract No. 3918/HD-DKVN dated 23 May 2012 between the Company and the Holding Company - Vietnam Oil and Gas Group.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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### 16. SHORT-TERM ADVANCES FROM CUSTOMERS

	Closing balance VND	Opening balance VND
Dang Lan Private Enterprise	11,259,334,800	9,813,473,200
Tuong Nguyen Import & Export Trading and Services Co., Ltd.	5,381,802,353	10,787,671,950
The Man Single Member Limited Liability Company	4,584,358,900	1,598,494,250
Nguyen Khoa Trading., Ltd.	4,017,834,899	4,903,795,499
Hung Thanh Private Enterprise	3,023,291,970	11,003,434,219
Duy Thanh Co., Ltd.	992,381,200	12,992,033,500
Thai Son Trading and Services Co., Ltd.	974,646,000	19,808,755,500
Other customers	34,217,290,220	82,536,867,054
	<b>64,450,940,342</b>	<b>153,444,525,172</b>
Advances from related parties (details represented in Note 34)	-	<b>3,165,961,760</b>

### 17. TAXES AND OTHER RECEIVABLE FROM/PAYABLES TO THE STATE BUDGET

Items	Opening balance VND	Movement in the period			Closing balance VND
		Amount payable VND	Amount net-off VND	Amount paid VND	
<b>a) Receivables</b>					
VAT	-	-	-	157,422,454	157,422,454
Corporate income tax	-	-	-	2,792,529,557	2,792,529,557
Land rental fee	397,346,605	61,920,420	-	61,920,420	397,346,605
Other payables	40,981,878	40,981,878	-	-	-
<b>Total</b>	<b>438,328,483</b>	<b>102,902,298</b>	<b>-</b>	<b>3,011,872,431</b>	<b>3,347,298,616</b>
<b>b) Payables</b>					
VAT	475,239,219	10,035,572,382	-	9,457,572,401	1,053,239,200
Import duty	-	9,559,894,476	-	9,559,894,476	-
Corporate income tax (*)	1,355,379,989	34,551,571,563	32,381,736,667	3,213,595,163	311,619,722
Natural resources tax	91,601,280	945,787,580	-	945,788,520	91,600,340
Other taxes	4,397,125,349	25,909,274,362	-	28,387,984,351	1,918,415,360
License tax	-	3,000,000	-	3,000,000	-
Personal income tax	4,267,999,193	24,026,204,799	-	26,985,106,405	1,309,097,587
Other taxes	129,126,156	1,880,069,563	-	1,399,877,946	609,317,773
<b>Total</b>	<b>6,319,345,837</b>	<b>81,002,100,363</b>	<b>32,381,736,667</b>	<b>51,564,834,911</b>	<b>3,374,874,622</b>

(\*) In the last accounting period in which the Company operated as a one member limited liability company owned by Vietnam Oil and Gas Group, the Company had declared and paid corporate income tax arising on time deposits interest with the amount of VND 32,381,736,667.

As per Official Letter No. 183/CT-TT-HTNNT dated 14 February 2015 issued by the Tax Department of Camau Province regarding corporate income tax incentives, the Company is entitled to preferential corporate income tax from Camau Fertilizer Production Plant as it meets the requirement that the area has especially difficult socio-economic conditions. Therefore, incomes from deposit interest or services rendered are subject to preferential corporate income tax. During the year, the Company offset the above mentioned corporate income tax with the amount of corporate income tax payable in 2016.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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### 18. SHORT-TERM ACCRUED EXPENSES

	Closing balance VND	Opening balance VND
Accrued expenses payable to Vietnam Oil and Gas Group	-	261,721,055,666
- Estimated gas expenses payable for the period from 1 January 2014 to 31 December 2014	-	163,962,886,631
- Estimated gas expenses payable for the period from 15 January 2015 to 31 December 2015	-	97,758,169,035
Interest expense payable	58,538,290,059	56,764,718,316
Guarantee fees	3,948,609,528	4,217,691,813
Insurance and welfare expenses	-	16,387,000,000
Others	5,388,759,449	3,601,518,321
	<b>67,875,659,036</b>	<b>342,691,984,116</b>
Advances from related parties (details represented in Note 34)	-	<b>261,721,055,666</b>

### 19. OTHER PAYABLES

	Closing balance VND	Opening balance VND
<b>Other short-term payables</b>		
Camau Gas - Power - Fertilizer Project Management Unit	75,571,633,412	75,571,633,412
- Input VAT for purchasing gas in the construction period before official commercial operations	69,617,285,554	69,617,285,554
- Other payables	5,954,347,858	5,954,347,858
Vietnam Oil and Gas Group	151,271,487,337	119,494,557,567
- Completed "Camau Fertilizer Production Plant" Project handed over (i)	78,515,027,920	78,515,027,920
- Profit payable (ii)	40,732,029,647	40,732,029,647
- 2014 CIT overpayment	32,381,736,667	-
- Payable for equitization	247,500,000	247,500,000
- Other payables	(604,806,897)	-
Safety reward fund (iii)	968,785,241	559,651,591
Trade union fee	884,990,682	1,867,411,036
Short-term deposit received	2,184,282,500	413,527,500
Corporate income tax payable in the period from 01/01/2015 to 14/01/2015	1,176,849,040	1,176,849,040
Other short-term payables	15,972,822,772	6,893,442,537
	<b>248,030,850,984</b>	<b>205,977,072,683</b>
<b>Other long-term payables</b>		
Payable to the State Budget for land use right handed over (iv)	1,055,667,075	33,175,238,300
	<b>1,055,667,075</b>	<b>33,175,238,300</b>
<b>Other payable to related parties (details presented in Note 34)</b>	<b>226,843,120,749</b>	<b>195,066,190,979</b>

19. OTHER PAYABLES (CONTINUED)

- (i)

According to Decision No. 1989/QD-DKVN dated 25 March 2014 issued by the Members’ Council of Vietnam Oil and Gas Group on approval of final accounts of the completed project with regard to Camau Fertilizer Production Plant project, the Company took over fixed assets and current assets of Camau Fertilizer Plant according to the finalized value. The Company temporarily recognized the difference between the handed over value and the charter capital and received loans as a payable to Vietnam Oil and Gas Group. The payable balance will be adjusted when the Company performed capital finalization with the Group.
- (ii)

Represent carried-forward effects on profit payable to Vietnam Oil and Gas Group due to adjustments to the consolidated financial statements for the period from 01 January 2014 to 14 January 2015 based on recommendations of the State Auditor. The profit payable balance will be adjusted when the Company performs the State capital finalization with Vietnam Oil and Gas Group.
- (iii)

The Company made appropriation to safety reward fund under Official Letter No. 3514/LDTBXH-LDTL dated 16 September 2013 issued by the Ministry of Labour-Invalids and Social Affairs regarding safety reward in order to pay beneficiaries who are workers and staff of Camau Fertilizer Plant.
- (iv)

Represent the amount payable to the State budget because the Company received land use rights according to Vietnam Oil and Gas Group’s Decision on corporate valuation for equitization purpose. This amount has not been approved by the People’s Committee of Camau Province yet and might be adjusted upon final approval of competent authority. During the year, the Company temporarily paid land use fee with the amount of VND 32 billion to the State budget.

20. LONG-TERM LOANS AND OBLIGATIONS UNDER FINANCE LEASES

Items	Opening balance		In the year		Closing balance	
	Amount	VND	Increase	Decrease	Amount	VND
Long-term loans						
BNP Paribas Bank, Credit Agricole Bank, Export - Import Bank of China (i)	3,947,680,000,000		-	449,570,000,000	3,498,110,000,000	3,498,110,000,000
Vietnam Joint Stock Commercial Bank for Industry and Trade (ii)	2,384,475,921,878		-	452,623,301,607	1,931,852,620,271	1,931,852,620,271
The Vietnam Public Joint Stock Commercial Bank - Can Tho Branch (iii)	709,372,930,794		-	335,811,996,325	373,560,934,469	373,560,934,469
National Commercial Joint Stock Bank - Sai Gon Branch (iv)	-		70,000,000,000	11,667,000,000	58,333,000,000	58,333,000,000
Vietnam Joint Stock Commercial Bank for Industry and Trade - Bac Lieu Branch (v)	30,731,822,240		13,306,162,374	8,352,000,000	35,685,984,614	35,685,984,614
Contract No. 11160128/HDTD dated 28/01/2011 (vi)	28,961,053,491		-	7,880,000,000	21,081,053,491	21,081,053,491
Contract No. 57.140613/HDTD dated 20/6/2013 (vi)	1,770,768,749		-	472,000,000	1,298,768,749	1,298,768,749
Contract No. 64.1104/2016 dated 11/4/2016 (vii)	-		5,289,679,386	-	5,289,679,386	5,289,679,386
Contract No. 64.2006/2016 dated 30/6/2016 (viii)	-		8,016,482,988	-	8,016,482,988	8,016,482,988
Other short-term loan contracts	-		59,189,911,646	59,189,911,646	-	-
Total	7,072,260,674,912		142,496,074,020	1,317,214,209,578	5,897,542,539,354	5,897,542,539,354
In which:						
Amount due for settlement within 12 months	1,319,172,808,870				1,359,162,384,314	
Amount due for settlement after 12 months	5,753,087,866,042				4,538,380,155,040	



20. LONG-TERM LOANS AND OBLIGATION UNDER FINANCE LEASES (CONTINUED)

According to Decisions No. 533/QĐ-DKVN and 534/QĐ-DKVN dated 19 January 2013 issued by the Chief Executive Officer of Vietnam Oil and Gas Group (the “Group”), since 15 January 2013, the Group has transferred to the Company responsibilities, duties and rights of the Borrower (except the loan withdrawal), as prescribed in Credit Agreements. The details of the Credit Agreements are as follows:

- (i) This is the loan obtained from the Group under Equity Credit Agreement between a group of banks, i.e. BNP Paribas Bank, Export - Import Bank of China and Credit Agricole Bank, with Vietnam Oil and Gas Group as the borrower. The agreement was signed on 15 September 2011 with the principal of USD 220,000,000. The purpose of the loan is to invest in “Camau Fertilizer Plant” project. The loan term is 120 months from the date of the first disbursement which falls on 25 July 2012. The interest rate is 6-month LIBOR for due term and adjusted once every 06 months from the first withdrawal date. The loan interest is paid once every 6 months.
- (ii) This is the loan obtained from the Group under State Investment Credit Agreement No. HDTDDT-CM/PV-VIETINBANK2009 dated 25 September 2009 between Vietnam Oil and Gas Group (the borrower) and Vietnam Joint Stock Commercial Bank for Industry and Trade (Vietinbank - the lender) with the principal of USD 220,000,000 in order to finance “Camau Fertilizer Plant” project. The loan term is 120 months from the first disbursement date; in which the grace period is 30 months from the first disbursement date, the principal repayment period is 90 months from the end of the grace period. The interest rate (calculated on the outstanding balance for due term) is the USD -6-month saving deposit interest paid in arrears of Vietinbank plus (+) 2.5% per annum; the interest rate is adjusted once every 6 months from the first withdrawal date. The overdue interest rate equals the interest rate for due term plus 1% per annum. The loan interest is paid once every 3 months.
- (iii) This is the loan under Credit Agreement No. 235/HDV-PVB-CNCT dated 31 October 2014 between the Company and Vietnam Public Joint Stock Commercial Bank - Can Tho Branch with the credit limit of USD 48,071,638.74 in order to restructure the loan that is used to finance “Camau Fertilizer Plant” project according to State Investment Credit Agreement No. 01/2010HDTDDT-NHPT dated 17 June 2010 between the Group and Vietnam Development Bank. The maximum loan term is 38 months from the first disbursement date. Loan interest rate is determined by reference interest plus margin interest (3.15% per annum and fixed during the loan term) on specified date and this interest rate does not exceed 5% at any time of the loan term. The applicable interest rate for the first year is 4% per annum. Interest will be paid monthly on the first day of the month.

Vietnam Oil and Gas Group and the Company have pledged fixed assets including buildings and structures, machinery, equipment of Camau Fertilizer Plant to secure the loans above.

- (iv) This is the loan under Credit Agreement No. 197/16/HDCV/101 dated 10 June 2016 between National Commercial Joint Stock Bank (“NCB”) - Sai Gon Branch and the Company with the credit limit of VND 105,200,000,000, for the purpose of recovering investment capital and investing in the Project of “Packed Ure Warehouse construction with the capacity of 10,000 tons at Ca Mau Fertilizer Plant”. The loan term is 36 months from the first drawdown. The lending interest rate is determined by the average deposit interest rate for individuals with 12-month maturity period and interests paid in arrears of five (05) banks: Joint Stock Commercial Bank for Investment and Development of Viet Nam, Vietnam Joint Stock Commercial Bank for Foreign Trade of Viet Nam, Viet Nam Bank for Agriculture and Rural Development, Vietnam Joint Stock Commercial Bank for Industry and Trade and NCB at the time of adjusting lending interest rate plus (+) a margin of 2% per annum.

Long-term loans between PetroVietnam Packaging Joint Stock Company (the Company’s subsidiary - PPC) and Vietnam Joint Stock Commercial Bank for Industry and Trade - Bac Lieu Branch include the two following loans:

- (v) On 28 January 2011, PPC signed long-term loan contract with Vietnam Joint Stock Commercial Bank for Industry and Trade - Bac Lieu Branch with the principal of VND 60,000,000,000 and not exceeding 70% of

20. LONG-TERM LOANS AND OBLIGATION UNDER FINANCE LEASES (CONTINUED)

total investment cost of “Construction of Bac Lieu Packaging Production Plant” Project. The loan term is 96 months from the first disbursement date. The loan interest rate is that applicable to long-term loans, floating, adjustable over time and the interest is payable monthly. The principal will be repaid after the grace period ends (12 months from the first disbursement which falls on 04 July 2011) and then it will be repaid in instalments from 30 September 2012 to 30 September 2019. PPC has pledged the entire fixed assets formed from “Construction of Bac Lieu Packaging Production Plant” Project to secure this loan.

- (vi) On 20 June 2013, PPC signed long-term loan contract with Vietnam Joint Stock Commercial Bank for Industry and Trade - Bac Lieu Branch with the principal of VND 3,500,000,000 and total balances of all effective loan contracts not exceeding VND 44,811,053,491 at any time. The purpose of this loan is to supplement and purchase fixed assets. The loan term is 6 years from the first disbursement date. The loan interest rate is that applicable to long-term loans, floating, adjustable over time and the interest is payable monthly. PPC has pledged the entire fixed assets formed from the loan to secure this loan.
- (vii) On 11 April 2016, PPC signed long-term loan contract with Vietnam Joint Stock Commercial Bank for Industry and Trade - Bac Lieu Branch with the principal of VND and total balances of all effective loan contracts not exceeding VND 5,726,000,000. The purpose of this loan is to purchase 02 weaving machine and 01 yarn machine, the loan term is 5 years from the first disbursement date. The applicable interest rate for the first year is 7.1% per annum, from 13<sup>th</sup> month, loan interest rate is determined by reference interest plus a margin of 2.8% per annum. PPC has pledged the entire fixed assets formed from the loan to secure this loan. As a specific repayment schedule has not yet been agreed, the Board of Directors has assessed and believes that this is a medium-term loan and the repayable schedule of this loan is presented from 3 to 5 years.
- (viii) On 30 June 2016, PPC signed long-term loan contract with Vietnam Joint Stock Commercial Bank for Industry and Trade - Bac Lieu Branch with the principal of VND and total balances of all effective loan contracts not exceeding VND 22,000,000,000. The purpose of this loan is to supplement for Bac Lieu Fertilizer Factory Project, the loan term is 7 years from the first disbursement date. The applicable interest rate for the first year is 7.4% per annum, from 13<sup>th</sup> month onwards, loan interest rate is determined by reference interest plus a margin of 1.8% per annum. PPC has pledged the entire fixed assets formed from the loan to secure this loan. As a specific repayment schedule has not yet been agreed, the Board of Directors has assessed and believes that this is a medium-term loan and the repayable schedule of this loan is presented after 5 years.

Long-term loans are repayable as follows:

	Closing balance VND	Opening balance VND
Within one year	1,359,162,384,314	1,319,172,808,870
In the second year	1,043,072,350,155	1,319,172,808,871
In the third to fifth year	2,487,831,321,897	2,953,535,057,170
After five years	1,007,476,482,988	1,480,380,000,001
	<b>5,897,542,539,354</b>	<b>7,072,260,674,912</b>
Less: Amount due for settlement within 12 months (presented in short-term loans and liabilities)	1,359,162,384,314	1,319,172,808,870
<b>Amount due for settlement after 12 months</b>	<b>4,538,380,155,040</b>	<b>5,753,087,866,042</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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### 21. OWNER'S EQUITY

#### Movement in owner's equity

	Owner's contributed capital VND	Investment and development fund VND	Retained earnings VND	Non-controlling interests VND
<b>Prior year's opening balance</b>	<b>5,294,000,000,000</b>	<b>287,032,617,231</b>	<b>6,713,350,648</b>	<b>22,870,897,075</b>
Profit for the year	-	-	708,078,630,765	4,381,549,447
Appropriation to investment and development fund (i)	-	85,605,247,988	(85,605,247,988)	-
Appropriation to bonus and welfare funds	-	-	(85,773,133,714)	(913,331,832)
Dividends distribution for non-controlling interests	-	-	-	(3,197,800,000)
<b>Current year's opening balance</b>	<b>5,294,000,000,000</b>	<b>372,637,865,219</b>	<b>543,413,599,711</b>	<b>23,141,314,690</b>
Profit for the period	-	-	619,831,354,510	4,508,467,538
Appropriation to investment and development fund (i)	-	75,000,693,487	(75,000,693,487)	-
Appropriation to bonus and welfare funds (i)	-	-	(84,675,722,036)	(758,971,212)
Payments for equitization	-	(286,574,832,277)	-	-
Dividends declared	-	-	(635,280,000,000)	-
<b>Current year's closing balance</b>	<b>5,294,000,000,000</b>	<b>161,063,726,429</b>	<b>368,288,538,698</b>	<b>26,890,811,016</b>

(i) The appropriation amounts include the amounts distributed to the Investment and Development Fund and the Bonus and Welfare Funds of the Company and the Subsidiary under the Resolution of the General Meeting of Shareholders of the Company and the Subsidiary.

#### Shares

	Closing balance VND	Opening balance VND
Number of shares issued to the public		
+) <i>Ordinary shares</i>	529,400,000	529,400,000
Number of outstanding shares in circulation		
+) <i>Ordinary shares</i>	529,400,000	529,400,000
An ordinary share has par value of VND 10,000		

#### Charter capital

The charter capital of the Company is VND 5,294,000,000,000. As at 31 December 2016, the charter capital has been fully contributed by shareholders, as follows:

Shareholders	Per Corporate Registration Certificate		Contributed capital at closing date
	VND	%	VND
Vietnam Oil and Gas Group	4,000,230,570,000	75.56%	4,000,230,570,000
Other shareholders	1,293,769,430,000	24.44%	1,293,769,430,000
	<b>5,294,000,000,000</b>	<b>100%</b>	<b>5,294,000,000,000</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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### 21. OWNER'S EQUITY (CONTINUED)

#### Dividends

According to Resolution No. 851/NQ-DHDCD dated 21 April 2016, the General Shareholders of PetroVietnam Camau Fertilizer Joint Stock Company (the Holding Company) decided to pay dividend in 2015 at the rate of 8% of charter capital, equivalent to the amount of VND 423,520,000,000 and expected to pay dividends in 2016 at the rate of 9% of charter capital.

According to Decision No. 2191/QD-DKVN dated 22 November 2016, the General Director of PetroVietnam Camau Fertilizer Joint Stock Company (the Holding Company) decided to temporarily pay the dividends for the first time in 2016 (from remaining profit in 2015 and profit in 2016) at the rate of 4 % of charter capital, equivalent to the amount of VND 211,760,000,000.

#### Non-controlling interests

Non-controlling interests represent other shareholders' proportion of net assets and operation result of the subsidiary. Non-controlling interest ratio in the subsidiary is determined as follows:

	Amount VND
Charter capital of the subsidiary	40,812,490,000
<i>Including:</i>	
Contributed capital of the Company	20,826,250,000
Contributed capital of non - controlling shareholders	19,986,240,000
<b>Non-controlling interest ratio</b>	<b>48.97%</b>

Non-controlling interests are equal to net assets as at the reporting date of the period as follows:

	Closing balance VND	Opening balance VND
Total assets	57,026,342,620	41,830,035,751
Total liabilities	(30,135,531,604)	(18,688,721,061)
<b>Net assets</b>	<b>26,890,811,016</b>	<b>23,141,314,690</b>
<i>Details are as follows:</i>		
Charter capital	19,986,240,000	15,988,995,918
Other funds	1,848,770,291	1,191,543,951
Retained earnings	5,055,800,725	5,960,774,822

### 22. OFF-BALANCE SHEET ITEMS

	Closing balance	Opening balance
<b>Foreign Currency</b>		
USD	3,052,136	847,539
EUR	1,280.3	0.3



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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### 23. BUSINESS AND GEOGRAPHICAL SEGMENTS

The Company's principal activities are manufacturing and trading fertilizers used in agriculture. Accordingly, the financial information presented in the consolidated balance sheet as at 31 December 2016 and all revenue and expenses presented in the consolidated income statement for the year ended 31 December 2016 are related to manufacturing and trading fertilizers. Revenue and cost of sales per each goods item and business activity are presented in Note 24 and Note 25.

The Company carries out the distribution of fertilizer products primarily in the Southwest, Southeast and Central Highlands markets. During the year, the Company exported Camau Fertilizer Products to Cambodia with revenue of about VND 411 billion (export turnover in the period from 15 January 2015 to 31 December 2015 was about VND 263 billion) - accounting for negligible proportion of gross revenue from goods sold and services rendered of the Company. Thus, almost the entire production and business activities of the Company are carried out in the territory of Vietnam.

### 24. REVENUE

	Current year	From 15/01/2015 to 31/12/2015
	VND	VND
Sales of ure	4,469,266,949,185	5,307,053,911,180
- Domestic sales	4,057,791,404,100	5,043,230,014,360
- Export	411,475,545,085	263,823,896,820
Sales of Amoniac	92,613,549,214	112,730,522,160
Sales of Merchandise	371,541,205,636	214,323,492,660
Sales of Commercial waste	18,113,256,608	24,387,151,858
Sales of packaging	20,045,716,647	-
Other sales	168,266,364	11,212,534,200
	<b>4,971,748,943,654</b>	<b>5,669,707,612,058</b>
<b>Sales deduction</b>		
Trade discounts	61,077,760,352	82,425,685,037
Sales rebates	500,500,000	5,042,515,000
	<b>61,578,260,352</b>	<b>87,468,200,037</b>
<b>Sales in the year with related parties (details represented in Note 34)</b>	<b>3,697,908,000</b>	<b>69,420,000,000</b>

### 25. COST OF SALES

	Current year	From 15/01/2015 to 31/12/2015
	VND	VND
Cost of Ure sold	3,180,817,736,403	3,674,922,909,614
Cost of Amoniac sold	71,536,461,448	65,400,323,277
Cost of Merchandise and Packaging sold	342,361,322,218	209,592,072,494
Provision of inventories devaluation	792,216,475	712,847,673
	<b>3,595,507,736,544</b>	<b>3,950,628,153,058</b>

### 26. PRODUCTION COST BY NATURE

	Current year	From 15/01/2015 to 31/12/2015
	VND	VND
Raw materials and consumables	1,778,288,848,720	2,232,063,415,966
Labours	414,593,032,744	304,270,103,459
Depreciation and amortisation	1,292,036,751,160	1,227,663,327,392
Out-sourced services	290,489,285,625	508,536,312,068
Other monetary expenses	99,486,096,068	79,099,028,761
	<b>3,874,894,014,317</b>	<b>4,351,632,187,646</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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### 27. FINANCIAL INCOME

	Current year	From 15/01/2015 to 31/12/2015
	VND	VND
Bank deposit interest	155,766,178,207	166,445,617,067
Foreign exchange gain during construction period of Camau Fertilizer Production Plant	-	53,261,535,084
Foreign exchange gain	125,585,828,681	6,702,885,981
	<b>281,352,006,888</b>	<b>226,410,038,132</b>

### 28. FINANCIAL EXPENSES

	Current year	From 15/01/2015 to 31/12/2015
	VND	VND
Interest expense	206,622,388,743	232,444,268,230
Foreign exchange loss	211,446,671,982	411,557,413,857
Guarantee fee	14,539,142,286	16,216,828,877
Other financial expenses	111,275,000	3,455,497,769
	<b>432,719,478,011</b>	<b>663,674,008,733</b>

### 29. SELLING EXPENSES AND GENERAL AND ADMINISTRATION EXPENSES

	Current year	From 15/01/2015 to 31/12/2015
	VND	VND
<b>Selling expenses</b>		
Transport, loading and storage expenses	116,952,914,055	79,480,193,743
Social welfare security expenses	43,308,612,978	75,270,924,800
Advertising and communication expenses	42,307,639,338	75,917,878,358
Other expenses	73,263,844,866	45,773,820,161
	<b>275,833,011,237</b>	<b>276,442,817,062</b>
<b>General and administration expenses</b>		
Administrative staff expenses	66,542,584,989	52,644,520,000
Management fee payable to Vietnam Oil and Gas Group	22,689,734,166	26,308,033,440
Depreciation and amortization expenses	27,322,966,531	15,090,800,214
Provision for science and technology development fund	15,000,000,000	-
Goodwill	46,513,175,754	43,925,928,545
Other expenses	76,685,368,887	67,408,004,184
	<b>254,753,830,327</b>	<b>205,377,286,383</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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### 30. OTHER INCOME AND OTHER EXPENSE

	Current year	From 15/01/2015 to 31/12/2015
	VND	VND
<b>Other income</b>		
Over-counted inventory (*)	23,214,404,415	-
Insurance gain - premium collection	-	3,536,640,541
Penalty for break of contract	407,646,593	1,379,534,904
Other income	2,587,740,109	1,929,465,859
	<b>26,209,791,117</b>	<b>6,845,641,304</b>
<b>Other expense</b>		
Cost of goods damaged	-	3,537,027,135
Tax penalties	-	945,413,470
Other expense	27,031,577	91,917,636
	<b>27,031,577</b>	<b>4,574,358,241</b>
<b>Other profit</b>	<b>26,182,759,540</b>	<b>2,271,283,063</b>

(\*) According to Volume Examination Certificates of PetroVietnam Energy Corporation - Joint Stock Company for unsold Urea in storage of the Company at 31 December 2016 and 30 June 2016, the estimated value of Urea in stock on such certificates was larger than the book value recored in the Company accounting books by VND 23,214,404,415. The Board of Directors decided to record the amount of unpacked Urea in stock mentioned above into other income line item and determined that such recognition is in accordance with current prevailing regulations.

### 31. CURRENT CORPORATE INCOME TAX EXPENSE

	Current year	From 15/01/2015 to 31/12/2015
	VND	VND
Corporate income tax from production of ure (*)	33,113,858,381	-
Corporate income tax from production of packages (**)	1,084,636,971	994,138,952
Corporate income tax from other activities	353,076,211	1,344,148,816
	<b>34,551,571,563</b>	<b>2,338,287,768</b>

(\*) According to Official Letter No. 4641/TCT-CS issued by the General Department of Taxation on 02 December 2008 in a reply to Vietnam Oil and Gas Group on tax incentives for Camau Fertilizer Plant Project, the Company is entitled to tax incentives for corporate income tax rate of 10% for 15 years since the beginning of production and business activities, corporate income tax exemption for 4 years from having taxable profit and 50% reduction in tax payable for the 9 years thereafter. 2016 is the first year the Company is entitled to 50% reduction in tax payable regarding profit generated by the main operating activities of Camau Fertilizer Production Plant Project.

For operations other than Camau Fertilizer Production Plant Project, the Company is obliged to pay corporate income tax at the normal tax rate for taxable profit from other activities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FORM B 09-DN/HH

### 31. CURRENT CORPORATE INCOME TAX EXPENSE (CONTINUED)

(\*\*) Corporate income tax of PetroVietnam Packaging Joint Stock Company (the Company's subsidiary - PPC) is applied according to Decision No. 22/2010/QĐ-UBND dated 01 September 2010 issued by People's Committee of Bac Lieu province regarding promulgation of regulations and policies on investment encouragement, support and incentives in Bac Lieu province and the first Investment Certificate No. 60221000003 dated 23 June 2013 issued by Bac Lieu Industrial Zones Management Unit, PPC is entitled to tax incentives as follows: Preferential tax rates of 20% for 10 years and tax exemption for 2 years from the first year PPC has the taxable income (2012), 50% tax reduction in tax payable for next 4 years applicable to newly established enterprises of Investment Projects in areas with difficult socio - economic condition. 2016 is the third year in which PPC is entitled to 50% tax deduction in tax payable.

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.

### 32. BASIC EARNINGS PER SHARE

	Current year	From 15/01/2015 to 31/12/2015
	VND	VND
<b>Profit after corporate income tax</b>	<b>619,831,354,510</b>	<b>708,078,630,765</b>
- Appropriation to bonus and welfare funds	(84,675,722,036)	(85,773,133,714)
<b>Earnings for the purpose of calculating basic earnings per share</b>	<b>535,155,632,474</b>	<b>622,305,497,051</b>
Weighted average number of ordinary shares	529,400,000	529,400,000
<b>Basic earnings per share</b>	<b>1,011</b>	<b>1,175</b>

### 33. OTHER COMMITMENTS

- According to Gas Sales Agreement No. 3918/HD-DKVN dated 23 May 2012 between Vietnam Oil and Gas Group and PetroVietnam Camau Fertilizer Company Limited (currently known as PetroVietnam Camau Fertilizer Joint Stock Company), the Company will purchase natural gas of Block PM3 CAA and Block 46 - Cai Nuoc from the Group within 20 years from the official operation date with the output of 457.38 million m<sup>3</sup> of standard gas per year.
- According to Contract Annex No. 04 dated 27 November 2014, gas price in the contract is the price to ensure the efficiency of producing fertilizers of the Holding Company with the average return on equity of 12% per year (excluding VAT and other indirect taxes). Gas price in the contract temporarily calculated to issue invoices and to make monthly payment in the year is the price stated in a document approving the annual business plan which is released by Vietnam Oil and Gas Group.
- According to the Decision No. 615/QĐ-PVCFC dated 24 March 2016, the Board of Management of PetroVietnam Fertilizer Company (The Holding Company) approved the Feasibility Study Report of the "Project for Composite Fertilizer Production from melted Urea" with the capacity of 300,000 Ton/year with total investment including value added tax of VND 879,588,574,880. The expected implementation period of the project is 33 months with the structure of investment capital comprising 70% of the loan and 30% of the equity of the Company. As of 31 December 2016, the value of the project was about VND 27 billion.
- According to the Decision No. 06/QĐ-PPC-HĐ dated 14 April 2016, the Board of Management of PetroVietnam Packaging Joint Stock Company (the Company's subsidiary - PPC) approved the Feasibility Study Report of the "Bac Lieu Fertilizer Factory Project", with the capacity manufacturing Black Urea from Urea of 30,000 Ton/year. The project has total investment of VND 31,512,637,193, is expected to completion and run on the business on quarter 1 2017.



34. RELATED PARTIES TRANSACTIONS AND BALANCES

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

Related parties	Relationship
Vietnam Oil and Gas Group	Holding Company
Subsidiaries, joint ventures and associates of Vietnam Oil and Gas Group	Entities under the same owner

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

	Current year	From 15/01/2015 to 31/12/2015
	VND	VND
<b>Sales</b>		
South-East PetroVietnam Fertilizer and Chemicals JSC	1,860,000,000	69,420,000,000
PetroVietnam Fertilizer and Chemicals Corporation	1,837,908,000	-
	<b>3,697,908,000</b>	<b>69,420,000,000</b>
<b>Purchases</b>		
Vietnam Oil and Gas Group	832,982,241,043	1,578,820,673,284
PetroVietnam Power Corporation	157,120,921,245	199,148,803,439
Petroleum Industrial Materials Distribution Company	-	21,552,975,000
PVI Insurance Corporation - Ca Mau Branch	2,277,930,830	4,912,793,640
PetroVietnam Urban Development Joint Stock Company	-	1,639,450,725
PetroVietnam Security Service Corporation	13,018,149,462	11,579,812,533
PetroVietnam Transportation Vung Tau Joint Stock Company	11,305,896,000	5,033,160,000
Branch of Vietnam Petroleum Institute - PetroVietnam Research and Development Center for Petroleum Processing	9,661,405,451	6,980,252,083
PVI South Company	51,055,989,330	48,610,713,297
Branch of Vietnam Petroleum Institute - Center for Technology Application and Transfer	-	2,003,660,000
PetroVietnam Maintenance and Repair Joint Stock Company	842,003,431	4,936,621,961
Drilling Mud Corporation	680,143,340	4,501,704,308
PetroVietnam Drilling Technology and Trading Joint Stock Company	-	3,707,156,898
Binh Son Refining and Petrochemical Co., Ltd	-	300,937,990
PetroVietnam Infrastructure and Urban Investment Joint Stock Company	-	32,138,100,000
PTSC Production Services Joint Stock Company	-	2,182,168,201
PetroVietnam Energy Technology Joint Stock Company	-	5,476,652,067
PVI Sunlife Insurance Co., Ltd	30,151,542,679	12,374,500,000
PetroVietnam Machine and Equipment Joint Stock Company	611,846,772	6,591,233,368
PetroVietnam Manpower Training College	2,438,319,987	2,440,137,149
Vietnam Petroleum Institute	9,661,405,451	1,626,319,117
Central Gas Energy Joint Stock Company	-	21,155,278,117
Petroleum Equipment Assembly and Mental Structure Joint Stock Company	10,490,729,955	-
Dam Phu My Packaging Joint Stock Company	429,335,983	-
PetroVietnam Central Fertilizer and Chemicals Joint Stock Company	12,164,542,336	218,802,709
	<b>1,144,892,403,295</b>	<b>1,977,931,905,886</b>
Remuneration paid to Board of Directors and Management	11,444,499,720	11,310,086,488

34. RELATED PARTIES TRANSACTIONS AND BALANCES (CONTINUED)

Significant related party balances were as follows:

	Closing balance VND	Opening balance VND
<b>Other short-term receivables</b>		
Capital granted to Camau Gas - Power - Fertilizer Project Management Unit	19,718,000,000	19,718,000,000
Accrued interest receivable from The Vietnam Public Joint Stock Commercial Bank - Can Tho Branch	1,972,777,778	5,323,611,111
Other receivable from Vietnam Oil and Gas Group	393,555,154,634	-
	<b>415,245,932,412</b>	<b>25,041,611,111</b>
<b>Short-term trade payables</b>		
Vietnam Oil and Gas Group (PetroVietnam)	494,320,135,459	163,690,892,638
PetroVietnam Power Corporation (PV Power)	33,178,233,697	27,038,360,664
PetroVietnam Urban Development Joint Stock Company	75,485,181	1,010,621,230
Vietnam Petroleum Institute - Center for Technology Application and Transfer	4,007,466,690	1,542,818,200
Vietnam Petroleum Institute - Research and Development Center for Petroleum Processing	-	529,574,070
PetroVietnam Security Service Corporation	3,068,115,764	999,784,848
PetroVietnam Transportation Vung Tau Joint Stock Company	2,064,947,000	666,608,000
PetroVietnam Drilling Trading and Technical Service Joint Stock Company	-	2,854,510,812
PetroVietnam Maintenance and Repair Joint Stock Company	-	2,046,948,653
PetroVietnam Maintenance and Repair Corporation	1,886,785,338	1,241,239,957
Petroleum Equipment Assembly and Mental Structure Joint Stock Company	6,073,580,500	-
	<b>544,674,749,629</b>	<b>201,621,359,072</b>
<b>Short-term advances from customers</b>		
South-East PetroVietnam Fertilizer and Chemicals JSC	-	3,165,961,760
	-	<b>3,165,961,760</b>
<b>Short-term accrued expenses</b>		
Vietnam Oil and Gas Group	-	261,721,055,666
	-	<b>261,721,055,666</b>
<b>Other current payables</b>		
Ca Mau Gas - Power - Fertilizer Project Management Unit	75,571,633,412	75,571,633,412
Vietnam Oil and Gas Group	151,271,487,337	119,494,557,567
	<b>226,843,120,749</b>	<b>195,066,190,979</b>

  
Dinh Nhat Duong  
Preparer

  
Dinh Nhu Cuong  
Chief Accountant

  
Le Ngoc Minh Tri  
Deputy General Director



20 March 2017



**VIETNAM OIL AND GAS GROUP**

**PETROVIETNAM CA MAU FERTILIZER JOINT STOCK COMPANY**

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