



CÔNG TY CỔ PHẦN KINH DOANH KHÍ MIỀN NAM  
SOUTHERN GAS TRADING JOINT STOCK COMPANY



## SUCCESSFUL BREAKTHROUGH



SOUTHERN GAS TRADING JOINT STOCK COMPANY - ANNUAL REPORT 2017

### SOUTHERN GAS TRADING JOINT STOCK COMPANY

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2017 ANNUAL  
REPORT



LIST OF ABBREVIATIONS

|                          |                                          |
|--------------------------|------------------------------------------|
| AGM                      | Annual General Meeting of Shareholders   |
| BOD                      | Board of Directors                       |
| BOM                      | Board of Management                      |
| BOS                      | Board of Supervisors                     |
| CNG                      | Compressed Natural Gas                   |
| ISO                      | ISO Standards                            |
| IP/IZ                    | Industrial Park/Zone                     |
| LPG                      | Liquefied Petroleum Gas                  |
| OHSAS                    | Occupational Health and Safety Standards |
| PRU                      | Pressure Reducing Unit                   |
| PVGas/The Corporation    | PetroVietnam Gas Joint Stock Corporation |
| PV Gas South/The Company | Southern Gas Trading Joint Stock Company |
| PetroVietnam/The Group   | Vietnam National Oil and Gas Group       |

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## MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Valued Shareholders, Partners  
and All Employees,

In 2017, the world economy witnessed many positive changes. The Vietnam's economy also had an impressive year with GDP growth maintained at a high level of 6.81% and macroeconomic indicators exceeded the target. Oil prices rebounded in 2017, but in overall, the world's oil and gas market in the past year fluctuated quite strongly and fast before impacts of many market factors, geopolitical surprises.

For PVGas South, the year 2017 was the first year of operation with organization and many new mechanisms after the restructuring under guidelines of PetroVietnam and PVGas. With the close guidance of the Group and the Corporation, PVGas South's Management, with all resources, focused on active and flexible management and together with the solidarity and determination of all employees, 2017 production and business duties were all completed in excess of the plan, strictly followed the AGM and BOD's resolutions and decisions. Specifically:

- LPG volume reached 284,158 tons, exceeded 3.8% of the annual plan.
- LPG cylinders production reached 371,524 cylinders, 6.1% above the annual plan.
- CNG consumption volume amounted to 123.9 million Sm<sup>3</sup>, exceeded 7.7% of the annual plan.
- Net revenue was recorded at 6,090.9 billion VND exceeding 28.3% of the annual plan.
- Profit before tax exceeded 10.4% of the annual plan to 138.2 billion VND.
- Profit after tax/Chartered capital ratio amounted to 21.9%.

In 2018, the world economic outlook continue to be positive and Vietnam is expected to maintain a high GDP growth rate (6.8%). The market potential and positive prospects of the economy will be the driving force for PVGas South's business activities in 2018 as well as in coming years.

 **NET REVENUE**  
**6,090.9** billion VND  
**EXCEEDING 28.3% OF  
THE ANNUAL PLAN**

To take advantage of opportunities and make breakthroughs, the BOD continues to implement many synchronous solutions such as: Develop flexible response plans for fluctuations on the oil and gas market; Improve cost management to enhance the competitiveness; Carry out review of the entire organizational structure and work processes to improve efficiency; Improve staff capacity, promote creative spirit...

With synchronous, timely solutions and solidarity of all staffs together with support from the Group and Corporation, partners, customers, state agencies,... I believe that PVGas South will successfully conquer strategic objectives in the period up to 2020, building a strong position in market and society.

I would like to send my sincere thanks to you for accompanying PVGas South in the past years, and wish you and your family good health, success and happiness.

Best regards,

**DO TAN**  
Chairman of the Board of Directors





# IMPRESSION OF A LEADING BRANDNAME

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## GENERAL INFORMATION

|                 |                                                                                   |
|-----------------|-----------------------------------------------------------------------------------|
| Vietnamese name | <b>Công ty Cổ phần Kinh doanh Khí Miền Nam</b>                                    |
| English name    | <b>Southern Gas Trading Joint Stock Company</b>                                   |
| Abbreviation    | <b>PVGAS SOUTH JSC</b>                                                            |
| Stock symbol    | <b>PGS</b>                                                                        |
| Listing date    | <b>15/11/2007 on HNX</b>                                                          |
| Logo            |  |

Business Registration Certificate: No. 0305097236, first registration on 25/07/2007 issued by Ho Chi Minh City Department of Planning and Investment, latest (19th) registration amendment on 25/12/2017.

|                 |                                                                                                                 |
|-----------------|-----------------------------------------------------------------------------------------------------------------|
| Charter capital | <b>500,000,000,000 VND ( Five hundred billion VND)</b>                                                          |
| Head office     | <b>4<sup>th</sup> Floor, PetroVietnam Tower, No. 1 - 5 Le Duan, Ben Nghe Ward, District 1, Ho Chi Minh City</b> |
| Telephone       | <b>(84.28) 3910.0108 - 3910.0114</b>                                                                            |
| Fax             | <b>(84.28) 3910.0097 - 3910.0165</b>                                                                            |
| Website         | <b><a href="http://www.pgs.com.vn">www.pgs.com.vn</a></b>                                                       |







## DEVELOPMENT MILESTONES



### 2000 SOUTHERN GAS ENTERPRISE WAS ESTABLISHED

The predecessor of PetroVietnam Southern Gas JSC (now Southern Gas Trading JSC) was Southern Gas Products Trading Enterprise directly under Gas Products Processing and Trading Company (PV Gas) was established on 28/3/2000.

### 2006 PVGAS SOUTH COMPANY WAS ESTABLISHED

On 12/04/2006, PetroVietnam Southern Gas Company (PVGas South) was established on the foundation of Southern Gas Products Trading Enterprise directly under PV Gas and LPG Business Division of Oil and Gas Trading Company (Petechim).

### 2007 JSC MODEL OFFICIALLY PUT INTO OPERATION AND LISTED SHARES ON HNX

PVGas South JSC officially operated since 25/07/2007 with the charter capital of 150 billion VND. The Company's 15 million shares were officially listed on Hanoi Stock Exchange (HNX) with stock code of PGS.

### 2007 QUALITY, ENVIRONMENT, AND OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEM CERTIFIED

PVGas South was accredited and certificated by the British Standards Institute (BSI) for the Quality Management System according to ISO 9001: 2000, Environment Management System ISO 14001: 2000; and the Occupational Health and Safety Management System OHSAS 18001: 2000, and continuously upgraded to the new version in following years.



### 2009 PIONEERED IN SUPPLYING CNG

PVGas South is the pioneer of supplying CNG in market, and serves demand of using fuel for industrial zones and transportation vehicles.



### 2011 INCREASED CHARTER CAPITAL TO 380 BILLION VND

The Company successfully issued 22,124,400 shares, equivalent 221.244 billion VND for existing shareholders, employees and strategic shareholders to raise charter capital to 380 billion VND.



### 2015 15<sup>TH</sup> ANNIVERSARY. INCREASED CHARTER CAPITAL TO 500 BILLION VND

After 15 years of operation, LPG's trading output of the Company reached over 230,000 tons per year and revenue reached approximately 6,000 billion VND and has continued to grow strongly.

Additional 12 million shares were issued for existing shareholders, equivalently 120 billion VND, from owners' equity and raised the Company's charter capital to 500 billion VND.



### 2016 ORGANIZATIONAL RESTRUCTURING AND CHANGED THE COMPANY'S NAME

The organizational restructure was implemented through capital withdrawal in CNG Vietnam JSC, transforming Vietnam LPG One Member Co., Ltd. into VT GAS Branch, and Eastern LPG One Member Co., Ltd. into Eastern Branch. At the same time, PVGas South also officially changed the name to Southern Gas Trading Joint Stock Company in May 2016.

### 2017 BUSINESS ACTIVITIES GREW UP SIG- NIFICANTLY

After one year of restructuring, the Company's business activities has grown significantly. Total revenue exceeded 6,000 billion VND level to 6,101.5 billion VND, completed 128.6% of the plan and increased by 13.5% compared to 2016. Profit before tax was recorded at 138.2 billion VND, completed 110.4% of annual plan.







## ACHIEVEMENTS AND AWARDS

LABOR ORDER **SECOND CLASS**  
AWARDED BY THE STATE PRESIDENT

IN 2012



**EXCELLENT UNIT**

IN THE EMULATION MOVEMENT IN 2015

OF THE GOVERNMENT

**EXCELLENT UNIT**

IN THE EMULATION MOVEMENT IN 2012, 2014

OF THE MINISTRY OF INDUSTRY AND TRADE

CERTIFICATE OF

**“TRUSTED BRAND 2016”**

Organized by the International Organization for Assessment and Accreditation Interconformity (Federal Republic of Germany) in association with the Trade Alliance Council - Institute of Vietnamese Enterprises



TOP **30** TOP **30**

**MOST TRANSPARENT ENTERPRISES**  
IN 2015 - 2016  
OF HNX

**BEST ANNUAL REPORTS IN 2016**  
ORGANIZED BY HOSE AND  
SECURITIES INVESTMENT  
NEWSPAPER





## SHAREHOLDER'S STRUCTURE AND CAPITAL INCREASE HISTORY

### EQUITY SHARES

|                                         |   |                   |
|-----------------------------------------|---|-------------------|
| » Ordinary shares                       | : | 50,000,000 shares |
| » Outstanding shares                    | : | 49,998,794 shares |
| » Treasury shares                       | : | 1,206 shares      |
| » Number of free floating shares        | : | 50,000,000 shares |
| » Number of limited transferring shares | : | 0 shares          |

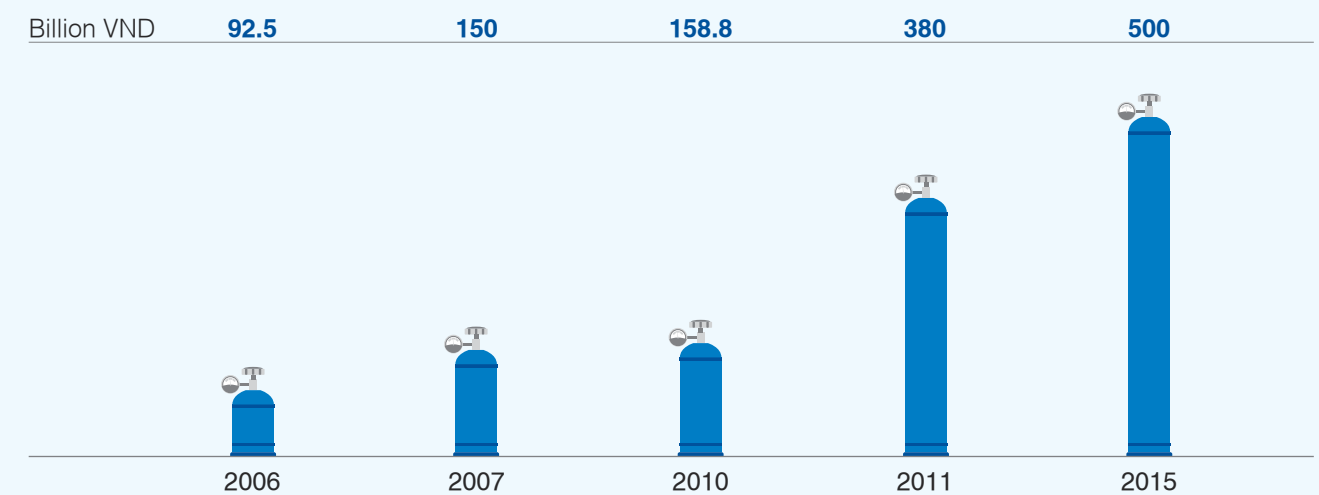
### SHAREHOLDERS' STRUCTURE (AS AT 31/12/2017)

| Type of Shareholders         | Number of shares  | % Charter capital |
|------------------------------|-------------------|-------------------|
| <b>Domestic Shareholders</b> | <b>42,691,960</b> | <b>85.38%</b>     |
| Individual                   | 24,635,914        | 49.27%            |
| Institution                  | 18,056,046        | 36.11%            |
| <b>Foreign Shareholders</b>  | <b>7,308,040</b>  | <b>14.62%</b>     |
| Individual                   | 297,584           | 0.60%             |
| Institution                  | 7,010,456         | 14.02%            |
| <b>Total</b>                 | <b>50,000,000</b> | <b>100.00%</b>    |

### LIST OF MAJOR SHAREHOLDERS (AS AT 31/12/2017)

| Name                                              | ID/Passport/ Business Registration number | Address                                                                            | Number of shares | Ratio (%) |
|---------------------------------------------------|-------------------------------------------|------------------------------------------------------------------------------------|------------------|-----------|
| PetroVietnam Gas Joint Stock Corporation (PV GAS) | 3500102710                                | PV GAS Tower, 673 Nguyen Huu Tho Street, Phuoc Kien Commune, Nha Be District, HCMC | 17,631,579       | 35.26%    |

### CAPITAL INCREASE HISTORY







## ORGANIZATION AND PERSONNEL



### GOVERNANCE MODEL

PVGas South is operating as a Joint Stock Company with a functional structure and does not invest in subsidiaries or associates.





## BOARD OF DIRECTORS



Mr **DO TAN**  
Chairman of BOD

**Date of birth:** 15/07/1972  
**Place of birth:** Hai Duong

**Qualifications:**

- » Master of Business Administration
- » Bachelor of Commercial Economy



Mr **VU QUY HIEU**  
Member of BOD cum Director

**Date of birth:** 01/01/1977  
**Place of birth:** Thai Binh

**Qualifications:**

- » Master of Business Administration
- » Bachelor of Finance and Accounting



Mr **TRAN VAN NGHI**  
Member of BOD cum Deputy Director

**Date of birth:** 16/09/1975  
**Place of birth:** Nam Dinh

**Qualifications:**

- » Geophysical Engineer

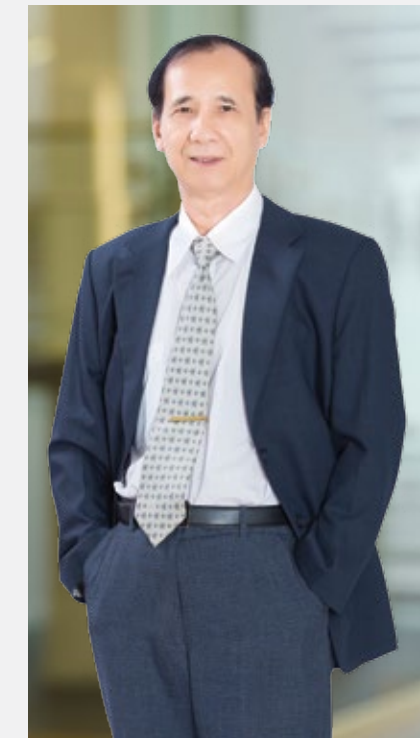


Ms **NGUYEN MINH NGOC**  
Fulltime Member of BOD

**Date of birth:** 27/04/1964  
**Place of birth:** Hai Phong

**Qualifications:**

- » Bachelor of Industrial Economic Management
- » Bachelor of Russian Literature



Mr **HA ANH TUAN**  
Independent Member of BOD

**Date of birth:** 10/09/1953  
**Place of birth:** Hai Phong

**Qualifications:**

- » Engineer of Petroleum Technology
- » Bachelor of Foreign Trade





## BOARD OF MANAGEMENT AND CHIEF ACCOUNTANT



Mr **VU QUY HIEU**  
*Member of BOD cum Director*

**Date of birth:** 01/01/1977  
**Place of birth:** Thai Binh

**Qualifications:**

- » Master of Business Administration
- » Bachelor of Finance and Accounting



Mr **TRAN VAN NGHI**  
*Member of BOD cum Deputy Director*

**Date of birth:** 16/09/1975  
**Place of birth:** Nam Dinh

**Qualifications:**

- » Geophysical Engineer



Mr **NGUYEN HAI LONG**  
*Deputy Director*

**Date of birth:** 20/06/1978  
**Place of birth:** Ha Nam

**Qualifications:**

- » Bachelor of Business Administration



Mr **DAO HUU THANG**  
*Deputy Director*

**Date of birth:** 17/05/1982  
**Place of birth:** Can Tho

**Qualifications:**

- » Bachelor of General Accounting



Mr **DANG VAN VINH**  
*Deputy Director*

**Date of birth:** 10/07/1967  
**Place of birth:** Nghe An

**Qualifications:**

- » Master of Business Administration
- » Bachelor of Economics



Mr **NGO AN HOA**  
*Chief Accountant*

**Date of birth:** 13/08/1984  
**Place of birth:** Long An

**Qualifications:**

- » Bachelor of Accounting and Auditing





## BOARD OF SUPERVISORS



Ms **TRAN THI THU HIEN**  
Member of BOS

**Date of birth:** 18/11/1975  
**Place of birth:** Hai Duong

**Qualifications:**

- » Bachelor of Accounting
- » Bachelor of Laws



Ms **NGUYEN THUC QUYEN**  
Head of BOS

**Date of birth:** 11/05/1970  
**Place of birth:** Ha Noi

**Qualifications:**

- » Bachelor of Finance and Accounting
- » Bachelor of English



Mr **PHAM TUAN ANH**  
Member of BOS

**Date of birth:** 15/06/1988  
**Place of birth:** Ba Ria - Vung Tau








**Qualifications:**

- » Bachelor of Finance and Accounting

## SCOPE OF BUSINESS AND KEY CUSTOMERS



### SCOPE OF BUSINESS

-  Trade LPG, CNG, cylinders and Petroleum products; Manufacture LPG cylinders.
-  Transport goods by using specialized vehicles: liquid trucks, liquefied gas vehicles, chemical trucks, refrigerated vehicles; Cargo transportation by container.
-  Design, construct, and consult in projects of liquefied gas, industrial gas, transferring technology, exploiting business, maintaining residential works related to liquefied petroleum gas.
-  Provide services related to liquefied petroleum gas and gas products in fields of industry, resident and transport.
-  Import and export of liquefied petroleum gas, materials, equipment and facilities for transporting, storing, packing and trading liquefied petroleum gas.
-  Trade petroleum, lubricant and other additives related to petroleum and viscid oil.
-  Trade fertilizer; Real estate; Goods handling services; Wholesale of machinery, equipment and other spare parts.

### KEY CUSTOMERS

#### LPG Business



#### LPG Cylinder Business



#### CNG Business







### LIQUEFIED PETROLEUM GAS (LPG)

#### LPG products

Liquefied Petroleum Gas (LPG), often referred as gas, is a group of hydrocarbon gases included mainly propane and butane (including Iso-Butane), released from the refining process of crude oil or extracting natural gas. LPG is gaseous, but it can be liquefied by compressing (without cooling) facilitating storage and transportation.

LPG is used for many **INDUSTRIAL** and **RESIDENTIAL** purposes:



Used as a fuel for vehicles. LPG burns more easily than diesel or petrol. Therefore, LPG is commonly used as fuel for vehicles around the world because of higher efficiency and environmental friendliness.



Used as the fuel in food processing industry, paper making, plastic bead making and even explosives.



Used as coolants.



Used as the fuel for running generator turbine.



Used as the input for chemical industry.



Used as the fuel for cooking.

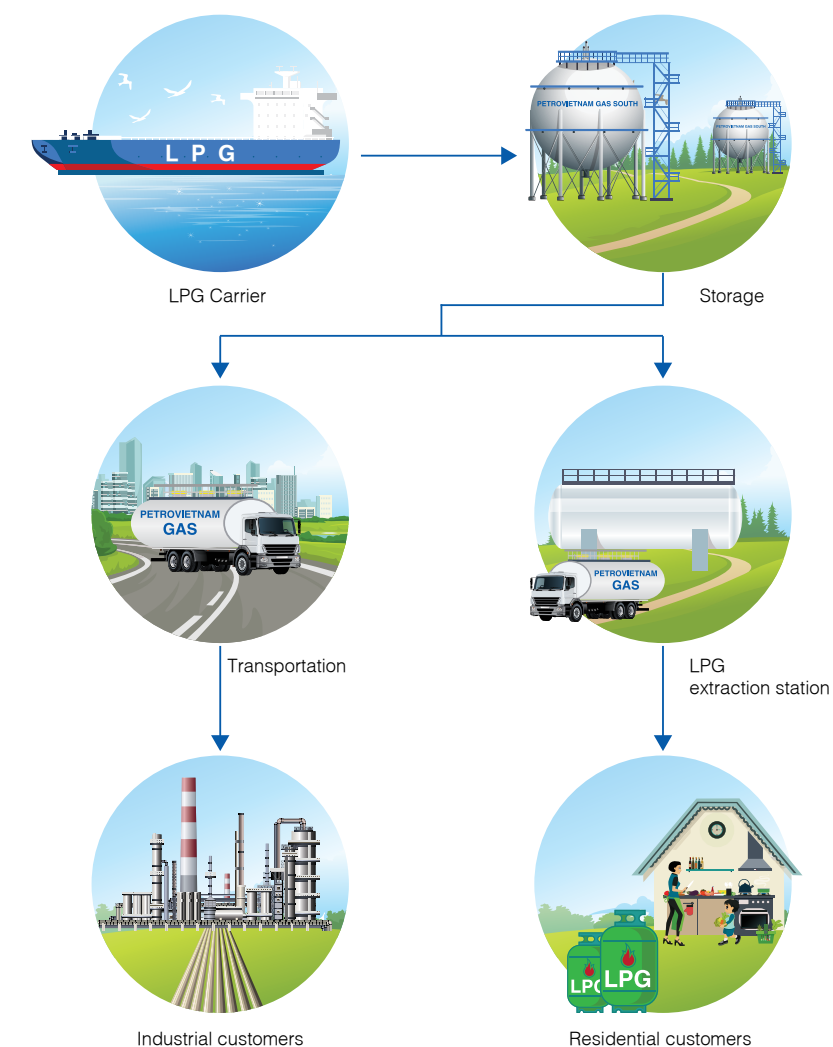


Used for drying agricultural products.



Used for heating.

### LPG BUSINESS MODEL AND DISTRIBUTION SYSTEM



**Receiving LPG** from LPG carriers.



Almost the Company's LPG inputs are supplied by **PetroVietnam Gas Joint Stock Corporation (PVGas)** and **Binh Son Petrochemical Company Ltd.**



LPG sources will be stored at **storage facilities**.



From storage, LPG will be transported to gas extraction stations to serve **residential customers**.



Or transported by vehicles/carriers to **industrial customers**.



## PRODUCTS - SERVICES AND BUSINESS SYSTEMS (CONTINUED)

### RESIDENTIAL LPG

#### Residential LPG products

Residential LPG are LPG extracted into 6kg, 12kg, 20kg and 45kg cylinders served for consumer's demands such as households, restaurants, hotels and canteens.

Appearing on the market from 2000, PVGas South has been experiencing strong growth in its LPG business. Over the years, PVGas South has achieved the highest market share in residential gas market.

All cylinders of PV Gas South are made by the imported steel source from Japan to ensure manufacturing standards such as DOT-4BA- 240, DOT-4BW-240, KGS-AC211 (Korea); and national technical standards about safety of steel cylinders contained liquefied petroleum gas QCVN04: 2013/BCT. The LPG cylinder under pressure when stored at operating pressure of 7kg-9kg/cm<sup>2</sup>, and are inspected and granted safety certificate by State authorities.



#### LPG Cylinder 06kg

Users: The 6kg LPG cylinder is launched to the market in 2017, mainly serve utility needs of students, workers ...

- » Cylinder Weight : 8.1 - 8.5 kg
- » LPG Weight : 6kg ± 50g



#### LPG Cylinder 12kg

Users: The 12kg LPG cylinder is mainly served the LPG consumption demand with small scale and retailers such as daily activities of households, small restaurants, and producers' demand with small gas cylinder.

- » Cylinder Weight : 12.1 - 14.5 kg
- » LPG Weight : 12kg ± 100g



#### LPG Cylinder 20kg

Users: The 20kg LPG cylinder is mainly served the LPG consumption demand with the medium scale such as restaurants, eateries, and producers using gas fuel.

- » Cylinder Weight : 19.2 - 19.8 kg
- » LPG Weight : 20kg ± 100g

This product is researched and developed by PV Gas South, based on real demands on market. PV Gas South is the pioneer of delivering 20 kg cylinders into market, and diversifying residential gas market.



#### LPG Cylinder 45kg

Users: The 45kg LPG cylinder is mainly served the LPG consumption demand with large scale such as restaurants, hotels, schools, canteens and factories with small or medium scale.

- » Cylinder Weight : 37- 40kg
- » LPG Weight : 45kg ± 200gram



### RESIDENTIAL LPG BUSINESS SYSTEMS

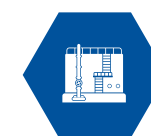
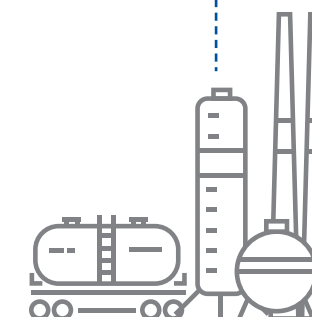
PVGas South is the leader of gas trading and distribution in the region as well as whole country with extensive business network for both LPG and CNG products.

The Company's LPG business network has covered all provinces from Quang Binh to Ca Mau, including the system of LPG storage and extraction stations in Southern provinces. In addition to the main market Ho Chi Minh City, PVGas South has focused on developing satellite extraction system located throughout the South West, South Central and South East markets; at the same time, the Company sets up a system of LPG distributing agents, periodically meets and exchanges policies in order to consolidate, push and unify the price level, and strengthen distribution system and competitiveness.

### STORAGE SYSTEMS

PVGas South's storage systems are leading the country with capacity of up to 8,100 tons. This not only brings the advantage of operation scale, but also helps the Company is more flexible in inventory management to limit LPG price fluctuation in market.

PVGas South's storage system includes 4 warehouses built from the Central to South West area with total capacity of 8,100 tons and increasing in the future. This not only offers the advantage of operation scale, but also gives more flexibility for the Company in inventory management to limit LPG price fluctuation in market.



#### STORAGE SYSTEM

# 4

 warehouses

from the Central  
to South West area



#### TOTAL CAPACITY

# 8,100

 tons

| No.   | Storage                 | Total capacity (Tons) | Address                                                                          |
|-------|-------------------------|-----------------------|----------------------------------------------------------------------------------|
| 1     | Can Tho Storage         | 1,600                 | Lot II.5, II.6, Tra Noc II IZ, Can Tho                                           |
| 2     | Go Dau Storage          | 4,000                 | Go Dau A Port, Phuoc Thai Commune, Long Thanh District, Dong Nai Province        |
| 3     | VT Gas Dong Nai Storage | 1,000                 | Dong Nai Port, Long Binh Tan Ward, Bien Hoa City, Dong Nai Province              |
| 4     | Dung Quat Storage       | 1,500                 | Dung Quat Eastern IZ, Binh Thuan Commune, Binh Son District, Quang Ngai Province |
| Total |                         | 8,100                 |                                                                                  |





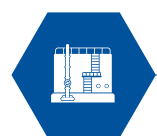
## PRODUCTS - SERVICES AND BUSINESS SYSTEMS (CONTINUED)

### EXTRACTION STATIONS



The extraction station system spreads from Quang Tri to Ca Mau to meet fully and timely the LPG demand of customers, and helps PVGas South maintain leader position in LPG business with 35.6% of market share at Southern market.

PVGas South's LPG extraction station system has total capacity of 20,240 tons/month, in which the Company owns 17 stations with total capacity of 14,800 tons per month and leases 16 stations with total capacity of 5,440 tons/month. PVGas South is continuing to push new investments and expand existing extraction stations.



**TOTAL CAPACITY**  
**20,240** tons/month

**35.6%**

**LPG MARKET SHARE  
IN SOUTHERN  
REGION**

| No.                                                                  | Unit                              | Province/<br>City | Owner       | Capacity<br>(tons/month) |
|----------------------------------------------------------------------|-----------------------------------|-------------------|-------------|--------------------------|
| <b>I VT Gas Branch</b>                                               |                                   |                   |             | <b>3,700</b>             |
| 1                                                                    | Quang Tri LPG Extraction Station  | Quang Tri         | PVGas South | 400                      |
| 2                                                                    | Dong Nai LPG Extraction Station   | Dong Nai          | PVGas South | 2,500                    |
| 3                                                                    | Da Nang LPG Extraction Station    | Da Nang           | PVGas South | 400                      |
| 4                                                                    | Lam Dong LPG Extraction Station   | Lam Dong          | PVGas South | 400                      |
| <b>II Eastern Branch</b>                                             |                                   |                   |             | <b>4,000</b>             |
| 1                                                                    | Vinh Loc LPG Extraction Station   | HCMC              | PVGas South | 1,800                    |
| 2                                                                    | Binh Thuan LPG Extraction Station | Binh Thuan        | PVGas South | 500                      |
| 3                                                                    | Vung Tau LPG Extraction Station   | BR - VT           | PVGas South | 600                      |
| 4                                                                    | Binh Phuoc LPG Extraction Station | Binh Phuoc        | PVGas South | 500                      |
| 5                                                                    | Tay Ninh LPG Extraction Station   | Tay Ninh          | PVGas South | 600                      |
| <b>III Western Branch</b>                                            |                                   |                   |             | <b>3,400</b>             |
| 1                                                                    | Can Tho LPG Extraction Station    | Can Tho           | PVGas South | 2,400                    |
| 2                                                                    | Tien Giang LPG Extraction Station | Tien Giang        | PVGas South | 400                      |
| 3                                                                    | Ca Mau LPG Extraction Station     | Ca Mau            | PVGas South | 600                      |
| <b>IV Central Branch</b>                                             |                                   |                   |             | <b>2,200</b>             |
| 1                                                                    | Binh Dinh LPG Extraction Station  | Binh Dinh         | PVGas South | 500                      |
| 2                                                                    | Dung Quat LPG Extraction Station  | Quang Ngai        | PVGas South | 1,200                    |
| 3                                                                    | Gia Lai LPG Extraction Station    | Gia Lai           | PVGas South | 500                      |
| <b>V South Central Branch</b>                                        |                                   |                   |             | <b>1,500</b>             |
| 1                                                                    | Nha Trang Extraction Station      | Nha Trang         | PVGas South | 800                      |
| 2                                                                    | Dak Lak Extraction Station        | Dak Lak           | PVGas South | 700                      |
| <b>Total Capacity of LPG Extraction of PVGas South (17 stations)</b> |                                   |                   |             | <b>14,800</b>            |

### LPG BUSINESS STORES



Besides storage systems, extraction stations, PVGas South has built up an extensive distribution network. In 2017, PVGas South continued to boost their retail strategy by investing in 51 retail stores, increasing total number of retail outlets up to 91 stores (compared to 40 stores in the end of 2016).



**TOTAL  
AFFILIATED STORES**  
**91** stores

### SOME RETAIL STORES BELONG TO PVGAS SOUTH:

| No. | Branch         | Store        | Address                                                                                  |
|-----|----------------|--------------|------------------------------------------------------------------------------------------|
| 1   | Eastern Branch | Number 1     | No. 1032 Lac Long Quan Street, Ward 08, Tan Binh District, HCMC.                         |
| 2   |                | Number 2     | 339 Dinh Bo Linh Street, Ward 26, Binh Thanh District, HCMC.                             |
| 3   |                | Number 4     | No. 131 Bach Dang Street, Ward 02, Tan Binh District, HCMC                               |
| 4   |                | Number 5     | No. 51 / 6E, Pham Van Chieu Street, Ward 14, Go Vap District, HCMC                       |
| 5   |                | Number 6     | No. 72/28 Ngo Tat To Street, Ward 19, Binh Thanh District, HCMC                          |
| 6   |                | Number 7     | 53 Nguyen Tuyen Street, Binh Trung Tay Ward, District 2, Ho Chi Minh City                |
| 7   |                | Number 8     | Phu Nhuan District, HCMC                                                                 |
| 8   |                | An Phong     | 02 Nguyen Luong Bang Street, Ward 9, Vung Tau City.                                      |
| 9   |                | Phuoc Hoa    | Ong Trinh village, Phuoc Hoa commune, Tan Thanh district, Ba Ria - Vung Tau province.    |
| 10  |                | Binh Thuan   | Group 06, Xuan Tai Village, Phong Nam Commune, Phan Thiet City, Binh Thuan Province      |
| 11  |                | Dong Nai     | No. 9A, Dong Khoi Street, Ward 11, Tan Phong Ward, Bien Hoa City                         |
| 12  |                | Tay Ninh     | Chanh Village, An Thanh Commune, Ben Cau District, Tay Ninh Province                     |
| 13  | Western Branch | Binh Phuoc   | Lot G, N4 road, North Dong Phu IZ, Dong Phu Town, Dong Phu District, Binh Phuoc Province |
| 14  |                | Tien Giang   | Tan My Chanh Industrial Group, Ward 9, My Tho City, Tien Giang Province                  |
| 15  |                | Thot Not     | National Road 91, Thoi An area, Thuan An Ward, Thot Not District, Can Tho City           |
| 16  |                | Cai Rang     | No. 63, Highway 1, Ba Lang Ward, Cai Rang District, Can Tho City                         |
| 17  |                | Binh Thuy 01 | No. 210 Vo Van Kiet Street, An Thoi Ward, Binh Thuy District, Can Tho City               |
| 18  |                | An Giang     | Lot G1, G2 Sao Mai urban area, Binh Khanh Ward, Long Xuyen City, An Giang Province       |



## PRODUCTS - SERVICES AND BUSINESS SYSTEMS (CONTINUED)

| No.   | Branch               | Store            | Address                                                                                  |
|-------|----------------------|------------------|------------------------------------------------------------------------------------------|
| 19 6  | Western Branch       | Phu Quoc         | Group 1, Nguyen Hue Street, Quarter 8, Duong Dong Town, Phu Quoc District, Kien Giang    |
| 20 7  |                      | Vinh Long        | 138C, Dinh Tien Hoang Street, Ward 8, Vinh Long City, Vinh Long Province                 |
| 21 8  |                      | Ca Mau           | No. 18/4 Ly Thuong Kiet Street, Ward 6, Ca Mau City                                      |
| 22 9  |                      | O Mon            | No. 322, Thoi Hoa Ward, Phuoc Thoi Ward, District, Can Tho City                          |
| 23 10 |                      | Ninh Kieu        | No. 390V.14B Nguyen Van Cu Street, An Khanh Ward, Ninh Kieu District, Can Tho City       |
| 24 11 | South Central Branch | Binh Thuy 02     | No. 162 / 40A Tran Quang Dieu St., An Thoi Ward, Binh Thuy Dist. Can Tho City            |
| 25 1  |                      | Da Lat           | No. 3 Bui Thi Xuan, Da Lat City                                                          |
| 26 2  |                      | Cam Ranh         | No. 155, Highway 1, Group 5, Loi Phuc Street, Cam Loi, Cam Ranh Town, Khanh Hoa Province |
| 27 3  |                      | Nha Trang        | No. 12A Le Hong Phong, Nha Trang City, Khanh Hoa Province                                |
| 28 4  |                      | Ninh Thuan       | No. 414 Ngo Gia Tu St., Kinh Dinh Ward, Phan Rang City, Ninh Thuan                       |
| 29 1  | Central Branch       | Quang Ngai 01    | No. 1036 Quang Trung St., Quang Ngai City                                                |
| 30 2  |                      | Quang Ngai 02    | No. 103 An Duong VuongSt., Quang Ngai City                                               |
| 31 3  |                      | Binh Dinh 1      | No. 1061 Tran Hung Dao St., Quy Nhon City, Binh Dinh Province                            |
| 32 4  |                      | Binh Dinh 2      | Group 13, Area 2, Nhon Binh Ward, Quy Nhon City, Binh Dinh Province                      |
| 33 5  |                      | Binh Dinh 3      | No. 853 Hung Vuong St., Quy Nhon City, Binh Dinh Province                                |
| 34 6  | VT Gas Branch        | Binh Dinh 4      | No. 111 Tran Phu St., An Nhon Town, Binh Dinh Province                                   |
| 35 7  |                      | Kon Tum          | No. 773 Phan Dinh Phung St., Kon Tum City                                                |
| 36 8  |                      | Duc Co Gia Lai   | No. 369 Quang Trung St., Tu Ty Town, Duc Co, Gia Lai Province                            |
| 37 1  |                      | VT Gas 1         | No. 20/20, Quarter 4, Ho Nai Ward, Bien Hoa City, Dong Nai Province                      |
| 38 2  |                      | VT Thu Duc       | No. 231 Vo Van Ngan, Linh Chieu Ward, Thu Duc District, HCMC                             |
| 39 3  | VT Gas Branch        | VT Gas Quang Tri | No. 90 Le Loi Street, Dong Le Ward, Dong Ha City, Quang Tri Province                     |
| 40 4  |                      | VT Gas Lam Dong  | No. 2A Nguyen Thai Hoc St., Ward 2, Ba Ria Town, Lam Dong.                               |

AT THE END OF 2017, PVGAS SOUTH HAS A TOTAL



**91** Affiliated stores  
**141** General agents  
**1,234** Agents  
**3,524** Agents of General Agents

| No.        | Item                                     | 2016       | 2017         | Newly developed |
|------------|------------------------------------------|------------|--------------|-----------------|
| <b>I</b>   | <b>Number of General Agent (Level 1)</b> | <b>112</b> | <b>141</b>   | <b>29</b>       |
| 1          | Eastern Branch                           | 39         | 47           | 8               |
| 2          | VT Gas Branch                            | 25         | 32           | 7               |
| 3          | Western Branch                           | 11         | 20           | 6               |
| 4          | South Central Branch                     | 30         | 34           | 4               |
| 5          | Central Branch                           | 7          | 11           | 4               |
| <b>II</b>  | <b>Number of Agents</b>                  | <b>849</b> | <b>1,234</b> | <b>385</b>      |
| 1          | Eastern Branch                           | 380        | 495          | 115             |
| 2          | VT Gas Branch                            | 81         | 212          | 131             |
| 3          | Western Branch                           | 142        | 202          | 60              |
| 4          | South Central Branch                     | 86         | 126          | 40              |
| 5          | Central Branch                           | 160        | 199          | 39              |
| <b>III</b> | <b>Number of Affiliated stores</b>       | <b>40</b>  | <b>91</b>    | <b>58</b>       |
| 1          | Eastern Branch                           | 13         | 41           | 28              |
| 2          | VT Gas Branch                            | 4          | 16           | 12              |
| 3          | Western Branch                           | 11         | 13           | 2               |
| 4          | South Central Branch                     | 4          | 6            | 6               |
| 5          | Central Branch                           | 8          | 15           | 10              |





## PRODUCTS - SERVICES AND BUSINESS SYSTEMS (CONTINUED)

### INDUSTRIAL LPG

The industrial LPG product is product stored in fixed tanks and supplied for manufactures, manufacturing

zones, gas trading companies,... in form of LPG dedicated carriers, tankers.



LPG storage at Dung Quat, being taken directly from Dung Quat Oil Refinery and supplying for gas consumption in Central region.



Tanker is being weighted before being pumped in Go Dau LPG storage (Dong Nai Province).



LPG Go Dau storage, Dong Nai Province (with the capacity of 4,000 MT) provides industrial LPG for South-eastern region.



Can Tho LPG storage and extraction station (with the capacity of 1,600 MT) provides industrial LPG and residential LPG for South-western region.

### LPG CYLINDER

PVGas South's cylinder factory has a closed integrated production line with more than 80% of automation imported from G7 countries (Japan, USA ...), and has reached the standard of KGS - AC211 (Korea), highly skilled staffs, and capacity of 1,000,000 cylinders/year



**1,000,000** cylinders/year  
CAPACITY OF  
PV GAS SOUTH'S CYLINDER FACTORY

### MAIN PRODUCTS AND MANUFACTURING FIELDS



Producing LPG cylinders with types of 6kg, 12kg, 20kg and 45kg according to DOT-4BA-240, DOT-4BW-240, KGS-AC211 (Korea) and QCVN 04: 2013-BCT.



Repairing, maintaining and producing new gas cylinders.



Trading materials and accessories for repairing the gas cylinder.





## PRODUCTS - SERVICES AND BUSINESS SYSTEMS (CONTINUED)

### COMPRESSED NATURAL GAS - CNG

#### WHAT IS CNG?

CNG is Compressed Natural Gas with main composition which is CH<sub>4</sub> - Methane (accounting for 85% to 95%) obtained from natural gas fields, oil fields (associated gas), or gas plant (obtained during the production of oil filtration plants), then treated and compressed at high pressures (200 to 250 bar) for storing in specialized tanks and transporting to consumers such as plants using thermal energy, filling stations for transportation vehicles or department buildings.

As the simple components are easy to reject toxic compounds such as SO<sub>x</sub>, NO<sub>x</sub>, CO<sub>2</sub>, not include benzene and aromatic hydrocarbon thus when CNG is burnt, it not release toxic gases such as SO<sub>2</sub>, NO<sub>2</sub>, CO..., and almost without smoke. Therefore, the replace of using traditional fuels with CNG such as DO, Coals will help to protect the environment and reduces costs.



#### CNG PRODUCTION AND BUSINESS PROCESS



##### Low pressure gas pipelines:

Natural gas supply system from PVGas D's low-pressure gas distribution system.



##### Metered Station:

Gas flow is controlled through the gas inlet metering station. The measuring system is designed to automatically update the gas component, pressure, temperature, exhibiting values in place and transmitting data to center for gas delivery.



##### CNG Compressors:

At the compressor, the low- pressure gas is delivered to specialized tractor- trailers with 250 bars.



##### CNG transportation:

Specialized tractor- trailers are used for transporting CNG to the receiving station of customer.



##### Pressure reducing unit at customer site



##### Gas receiving system of customers

#### CNG TRADING SYSTEMS

In order to seize this new and potential business opportunity, PVGas South invested in network of main stations and CNG Compressor Stations for supplying to transportation and industry segment.

**Currently, the Company has two CNG main compressor stations located in My Xuan A Industrial Zone and Hiep Phuoc Industrial Zone with the capacity of 150 million Sm<sup>3</sup>/year and 50 million Sm<sup>3</sup>/year respectively; and sub stations in Ba Ria - Vung Tau and Ho Chi Minh City.**



**150** million Sm<sup>3</sup>/year  
**MY XUAN A INDUSTRIAL ZONE**  
BA RIA - VUNG TAU



**50** million Sm<sup>3</sup>/year  
**HIEP PHUOC INDUSTRIAL ZONE**  
HO CHI MINH CITY



| Project                                                 | Total capacity                    | Description                                                                                                                         |
|---------------------------------------------------------|-----------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|
| <b>I. CNG MAIN STATION</b>                              |                                   |                                                                                                                                     |
| CNG Station - CNG My Xuan                               | 150 million Sm <sup>3</sup> /year | Completed to put into operation in 2010 with an initial capacity of 50 million Sm <sup>3</sup> , and continuously expanded capacity |
| CNG Station - CNG Hiep Phuoc                            | 50 million Sm <sup>3</sup> /year  | Completed to put into operation stage 1 in 2011, and continuously expanded capacity                                                 |
| <b>II. CNG SUB STATION</b>                              |                                   |                                                                                                                                     |
| CNG sub station (bus filling station) - Pho Quang       | 160 buses/day                     | Completed and put into operation in late 2009                                                                                       |
| 01 sub station at 449 Nguyen An Ninh St., Vung Tau City | 300 cars/day                      | Completed and put into operation at the end of 2011                                                                                 |
| 01 sub station at Tan Kien, Binh Chanh, HCMC            | 160 buses/day                     | Completed and put into operation in early 2012                                                                                      |
| 01 sub station at An Suong, HCMC                        | 160 buses/day                     | Completed and put into operation by the end of 2012                                                                                 |
| 01 sub station at My Xuan IZ                            | 200 cars/day                      | Completed and put into operation in early 2012                                                                                      |
| 01 sub station at HCMC National University              | 300 buses/day                     | Completed and put into use from the end of 2013                                                                                     |

#### BENEFITS OF CNG/LPG



##### Saving the fue

The using price of LPG/CNG is cheaper than other fuels, distributes to reduce cost of products, and enhances corporate competitiveness.



##### Using LPG/CNG is safer

The using LPG/CNG system operates under the closed cycle, whole specialized equipment is strictly tested before shipment; and checked firstly about safety by authorized State agencies before putting into use and doing periodic checks following stipulations. Especially, CNG is lighter than air so it quickly rises up when leakage, therefore, minimizing risks of fire and explosion due to gas accumulation.



##### Reducing maintenance costs

High efficiency of using fuel so prolong equipment's life compared with other fuels which are commonly used at present as DO, FO, fossil coal,...



##### Many preferential policies

The Government offers incentives for car owners, ships, and businesses to switch to LPG / CNG or other environmentally friendly fuels.



##### Reducing environment pollution

Burning LPG/CNG will not release CO, SO<sub>x</sub>, NO<sub>x</sub> - harmful fuels so the environment pollution is reduced.





## PETROLEUM - GREASE - LUBRICANT TRADING AND SERVICES



PVGAS SOUTH'S BUSINESS OF PETROLEUM, LUBRICANT AND GREASE IS MAINLY IN FORM OF TRADING IN THE DOMESTIC MARKET, INCLUDING DIRECT WHOLESALE (WHOLESALE) AND RETAIL.

PVGAS SOUTH IS A PIONEER OF PROVIDING PROFESSIONAL SERVICES RELATED TO GAS INDUSTRY SUCH AS: DESIGN CONSULTANCY, EQUIPMENT SUPPLY, INSTALLATION AND TECHNOLOGY TRANSFER OF LPG / CNG / LNG, USING TANKS, WAREHOUSES, EXTRACTION STATIONS AND LPG CYLINDERS.



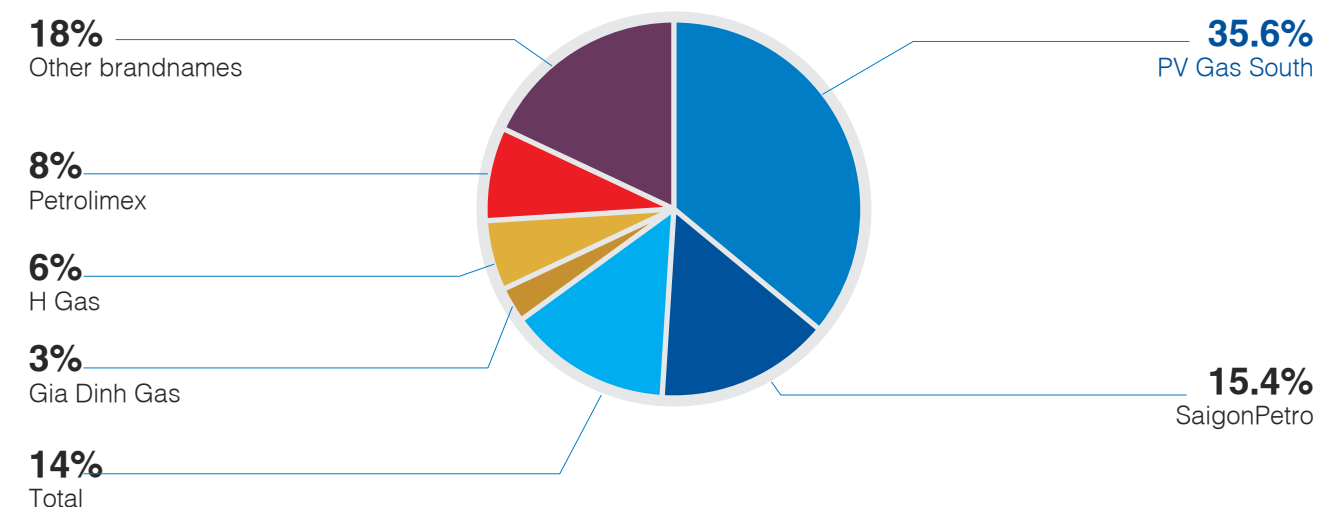
## THE POSITION OF PVGAS SOUTH

Thanks to constant efforts, PVGas South has been continuously growing, gaining prestige as well as affirming its position not only with customers but also with domestic and foreign partners.

The development of the Company creates not only the value for shareholders, improves material and spiritual life for employees; but also contributes to development of PETROVIETNAM GAS brand as well as industry's general development, and the country's economy.

In addition to continuing to pursue the goal of becoming a LPG leading trader in the South market with specific and correct strategies, PVGas South's success has made by significant contributions of advantages of Product, Human Resources, Technology, Infrastructure-Distribution Systems, and especially the close relationship with related parties.

## RESIDENTIAL LPG MARKET SHARE IN THE SOUTH REGION- 2017





## PVGAS SOUTH AND THE DIFFERENTIATIONS (CONTINUED)



### STRENGTH OF LPG/CNG PRODUCTS

LPG and CNG products that PVGas South is distributing have advantages over traditional fuels such as coal, FO, DO... The superiority is reflected in many aspects: technology, business safety, and especially environment. These are major advantages increasing the competitive capacity of PVGas South in market, especially when the trend of socio-economic development requires sustainable development, environmental protection, and responsibilities for community.

The superiority is reflected in many aspects

### TECHNOLOGY, BUSINESS SAFETY and especially ENVIRONMENT



### STRENGTH OF TECHNOLOGY

The Company determines that in order to improve the production capacity and product quality in parallel with ensuring safety of production and business activities, investment in technological innovations are a necessity.

Since then, PVGas South has continually selected and developed new technologies in production, distribution, and operation and management activities with the synchronous manner to ensure Quality - Safe - Effective operation.

The Company is applying and updating quality management systems such as:

- » Quality Management System ISO 9001: 2015



### STRENGTH OF HUMAN RESOURCES

The skilled human resource is always one of outstanding strengths of PVGas South. Over the years, the Company has focused on quality of HR in all facilities such as Commerce, Marketing, Finance, Law ... and especially technical resources related to the oil and gas industry. Specifically, the Company's employees have met requirements both in terms of qualification and technology, in which 100% members of the operating team are certified for safety techniques operating equipment under pressure. This action helps the Company ensure that staffs are capable of accomplishing strategic objectives assigned by the Company, full extraction commitments with investors and partners.

Beside the recruitment of talents, the Company always attaches importance to training for improving employees' skills to maintain their strengths.

### 100% % members of the operating team are certified FOR SAFETY TECHNIQUES OPERATING EQUIPMENT UNDER PRESSURE

- » Environmental Management System ISO 14001: 2015
- » Occupational Health and Safety Management System ISO/DIS 45001: 2016
- » Energy Management System ISO 50001
- » Integrated Quality - Safe - Environmental Management System: PAS 99: 2012
- » Business Executive System (BES) which contributes to build up the corporate culture and save management cost.



### STRENGTH OF INFRASTRUCTURE AND DISTRIBUTION SYSTEM

- » The Company has built the infrastructure system-outstanding distribution system including 4 storage tanks with total capacity of 8,100 tons, 17 extraction stations, 91 affiliated retail stores, 141 General agents, 1,234 Agents and 3,524 Agents of General agents spreading from Quang Binh to Ca Mau, 02 CNG main stations with total capacity of 200 million Sm<sup>3</sup> /year and 01 factory manufacturing gas cylinder with capacity of 1,000,000 cylinders/year
- » Besides existing advantages of input resources, potential finance and proper business strategies of BOM, PVGas South has taken the market

to become a trusted brand of consumers and business partners with a variety of quality products, in which LPG products are the strength..

- » As a result, the market share of main product, LPG, in South region was stable and maintained at 35.6%, leading in LPG business companies in South region; although PVGas South is facing with fluctuations of oil and gas industry, and increasing competition in residential LPG (LPG cylinder) and industrial LPG supply market where has the participation of not only domestic enterprises but also presence of many big fuel suppliers in the world.



### CLOSE RELATIONSHIP WITH RELATED PARTIES

- » In addition to business activities, PVGas South has always focused on building close relationships with related parties such as Government, PetroVietnam Gas Corporation (PVGas), Suppliers, Partners, Customers and Communities..
- » Especially, thanks to the close relationship with PetroVietnam Gas Corporation, PVGas South has the outstanding advantage of gas input resource being always stable, and ready to satisfy customer's demands.
- » All corporate activities of creating value always ensure benefits of Shareholders, Government, Communities, Partners to ensure success and sustainable development of the Company.

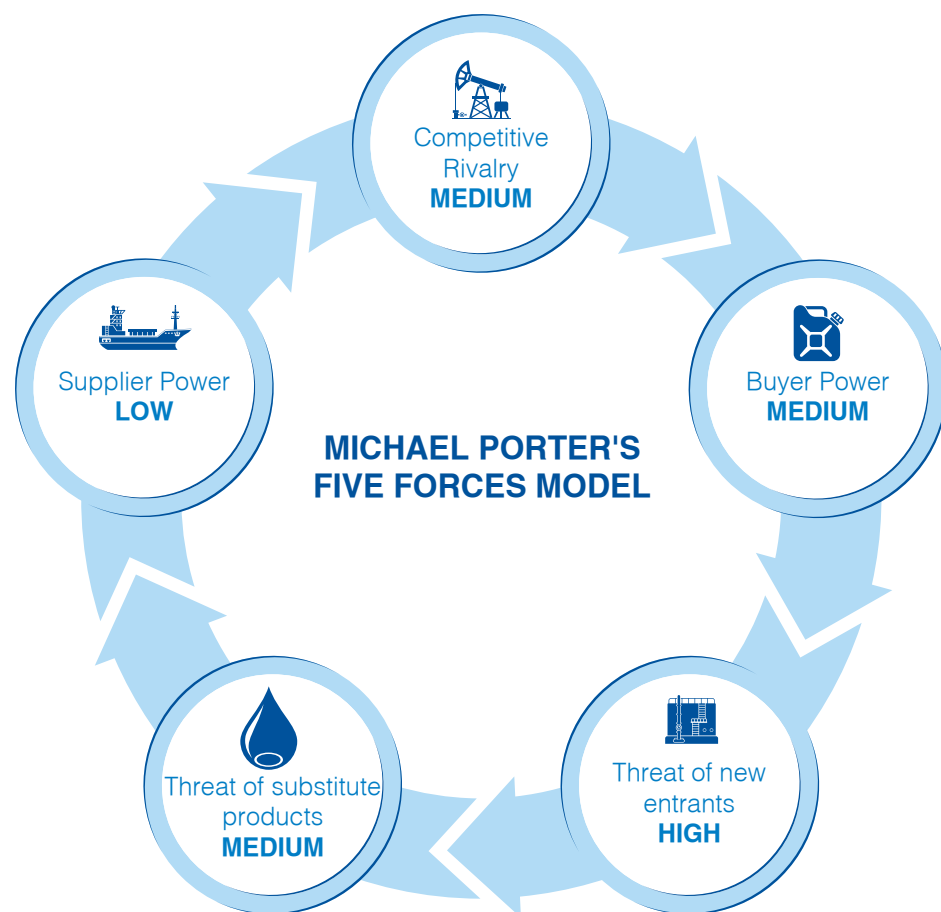






## FIVE FORCES MODEL ANALYSIS

Michael Porter's Five Forces model is considered as a useful and effective tool for understanding origin of profit; and more importantly, help to provide competitive strategies for enterprises for maintaining or increasing profit.



### SUPPLIER POWER: LOW

- » Natural gas is the main source of raw materials for business activities of PVGas South. At present, PetroVietnam Gas Corporation (PVGas) is supplying gas to the Company. Fluctuating supplies from PVGas will directly affect input materials of PVGas South.
- » However, PVGas South has always received support from PVGas during its operation. In addition, the Company has actively sought import sources to ensure supply and optimize input costs.



### BUYER POWER: MEDIUM

- » As analyzed in the Market Outlook section, demand for CNG and LNG is still very high and PVGas South's position in industry is quite solid. Besides, although there are many potential, current gas supply does not meet the demand so negotiation ability of buyers is still low.



### COMPETITIVE RIVALRY: MEDIUM

- » All CNG suppliers in the Vietnamese market are currently under PVGas and operates on the basis of mutual support, so competitiveness is still low. However, for the LPG business, competition level is quite high with participation of many foreign competitors and some domestic companies.



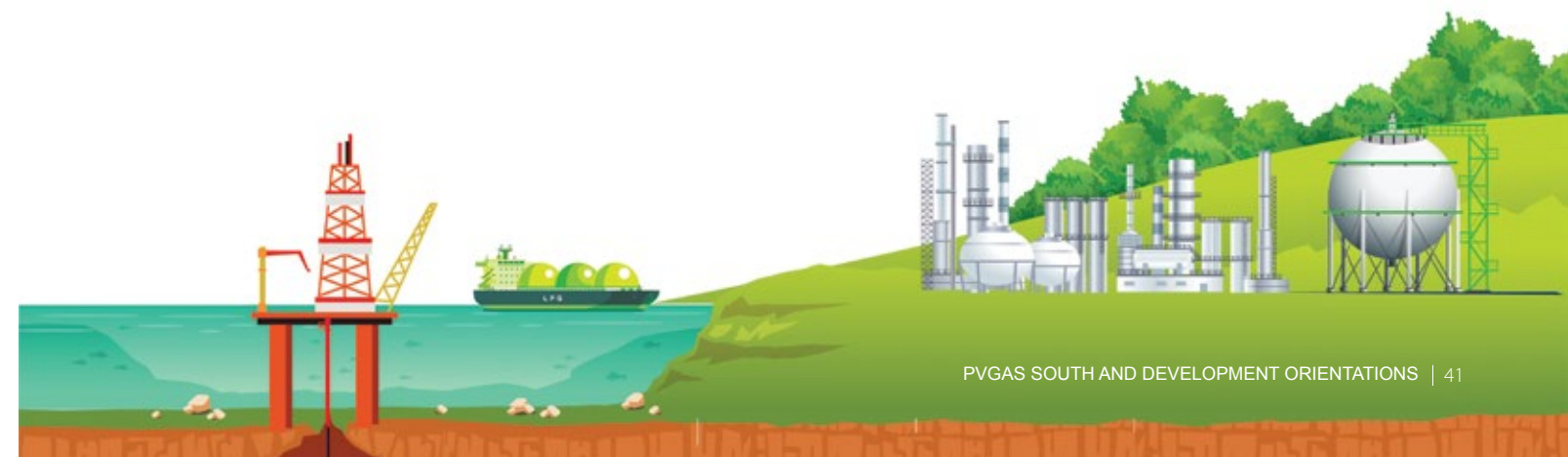
### THREAT OF SUBSTITUTE PRODUCTS: MEDIUM

- » CNG and LPG have to compete with other popular sources such as biomass, coal, rice husk, etc. The coal's competitiveness has been gradually reduced due to strong recovery price of this fuel as well as negatively impact on environment. Biomass is considered as the most competitor to CNG and LPG. However, the competition level has not been "too hot" as the current supply of biomass gas is still limited, and price stability is not high.



### THREAT OF NEW ENTRANTS: HIGH

- » With high risk business characteristics related to safety and environmental factors, thus requiring investment in modern facilities and technology and high quality human resources, etc. Entry barriers into the industry is quite high, especially trading fields of CNG, LPG and cylinders.





## OBJECTIVES AND DEVELOPMENT ORIENTATIONS FOR THE PERIOD UP TO 2020

Based on analysis of internal strengths and competitive risks, the Company has established a business objectives for short and long term.

### LONG-TERM OBJECTIVES IN 05 YEARS (PERIOD 2016 - 2020):



Being a fast growing company in volume, with a professional distribution system and a leading brand, is cherished and first choice of customers with high loyalty.



Successfully restructuring and applying a modern management and control model to bring sustainable development to HR with leadership skills, good profession, discipline, and high responsibility.



Being the company has the highest market share, leading in the Vietnam gas market with two main business segments: residential and industrial LPG. Continuing to maintain the leading position in CNG market, expected volume in 2020 at 150 million Sm<sup>3</sup>.



Developing, successfully applying remuneration policy based on individual performance, job description and labor market.



Successfully applying information technology in management and control, to reduce management costs.

### OBJECTIVES FOR THE YEAR 2018



Ensuring security and safety in business activities entire the Company.



Maintaining and developing CNG market for Industrial and Transportation customers.



Following the strategy of retail development of the Corporation in period of 2016-2020, orienting to 2025. Focusing on development of retail market, creating coverage, increasing market share and increasing level of brand identity. Especially in big cities in the South-Eastern region.



Strengthening business administration. Establishing, reviewing and updating appropriate norms of production and business activities of the Company. Regularly controlling, reducing costs and enhancing debt management to increase business efficiency.



Building a brand identity in general for the Company and its products (brand).



Promoting the exploitation and efficient use of Storages, Extraction stations, Cylinders Factory; Applying science and technology in management to reduce costs, enhance competitive advantages.



Focusing on production of LPG cylinders for PVGAS, meeting needs of internal and external customers.



# MPRESSION OF SOLIDARITY

## 02 REPORT OF THE BOARD OF MANAGEMENT

- 46 2017 financial highlights
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- 55 Business results in 2017



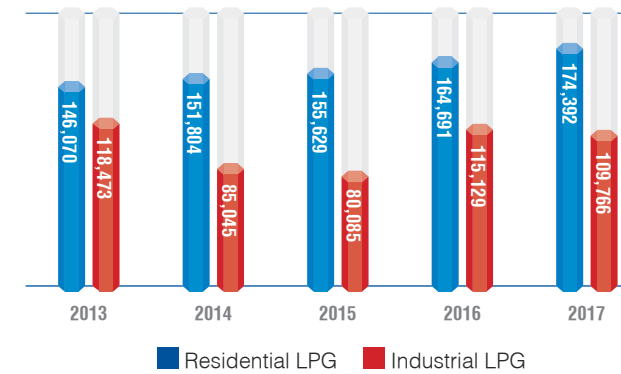




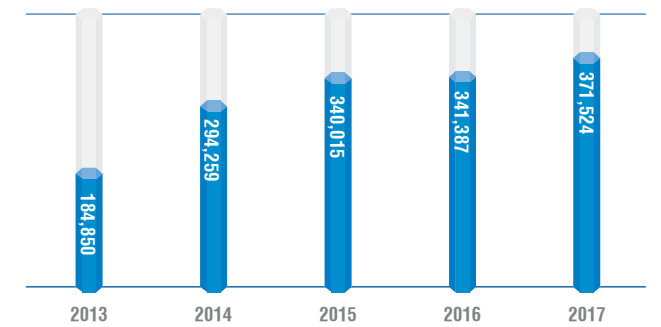
## 2017 FINANCIAL HIGHLIGHTS

| Year                                              | 2013    | 2014    | 2015    | 2016    | 2017    |
|---------------------------------------------------|---------|---------|---------|---------|---------|
| <b>BUSINESS OPERATIONS</b>                        |         |         |         |         |         |
| LPG consumption volume (Tons)                     | 264,543 | 236,849 | 235,714 | 279,820 | 284,158 |
| Residential LPG                                   | 146,070 | 151,804 | 155,629 | 164,691 | 174,392 |
| Industrial LPG                                    | 118,473 | 85,045  | 80,085  | 115,129 | 109,766 |
| New cylinder volume (cylinders)                   | 184,850 | 294,259 | 340,015 | 341,387 | 371,524 |
| CNG consumption volume (Million Sm <sup>3</sup> ) | 79.5    | 84.7    | 88.7    | 105.2   | 123.9   |
| <b>BUSINESS RESULTS (BILLION VND)</b>             |         |         |         |         |         |
| Net revenue                                       | 6,902.0 | 7,484.3 | 5,956.3 | 4,971.9 | 6,090.9 |
| Gross profit                                      | 1,096.0 | 1,148.1 | 1,129.3 | 941.0   | 1,125.7 |
| Net operating profit                              | 257.6   | 252.1   | 220.1   | 420.5   | 137.0   |
| Profit before tax                                 | 278.1   | 246.6   | 226.9   | 422.6   | 138.2   |
| Profit after tax                                  | 237.7   | 191.5   | 164.6   | 341.7   | 109.7   |
| <b>BALANCE SHEET (BILLION VND)</b>                |         |         |         |         |         |
| Total assets                                      | 3,069.7 | 3,202.6 | 2,647.0 | 2,249.6 | 2,289.0 |
| Owner's equity                                    | 913.5   | 941.6   | 1,068.8 | 966.8   | 961.3   |
| Charter capital                                   | 380.0   | 380.0   | 500.0   | 500.0   | 500.0   |
| <b>PROFITABILITY (%)</b>                          |         |         |         |         |         |
| Return on average total assets (ROAA)             | 7.9%    | 6.1%    | 5.6%    | 14.0%   | 4.8%    |
| Return on average owner's equity (ROEA)           | 20.8%   | 15.1%   | 11.1%   | 33.6%   | 11.4%   |
| <b>SHARE INFORMATION</b>                          |         |         |         |         |         |
| Outstanding shares (Million shares)               | 38      | 38      | 50      | 50      | 50      |
| EPS (VND)                                         | 4,711   | 3,691   | 2,228   | 6,834   | 1,696   |
| Book value per share (VND)                        | 24,040  | 24,779  | 21,375  | 19,337  | 19,226  |
| Year-end market price (VND)                       | 28,400  | 26,900  | 17,500  | 15,900  | 25,100  |
| Market capitalization (Billion VND)               | 1,079   | 1,022   | 875     | 795     | 1,250   |

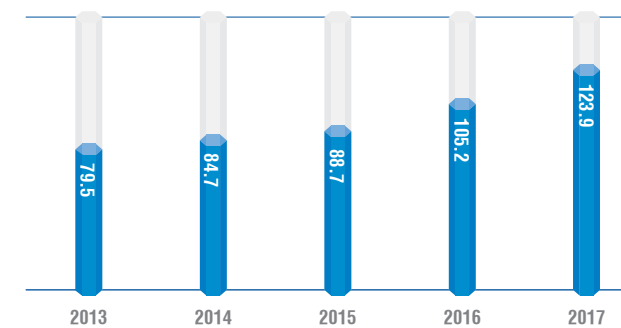
LPG CONSUMPTION VOLUME (TONS)



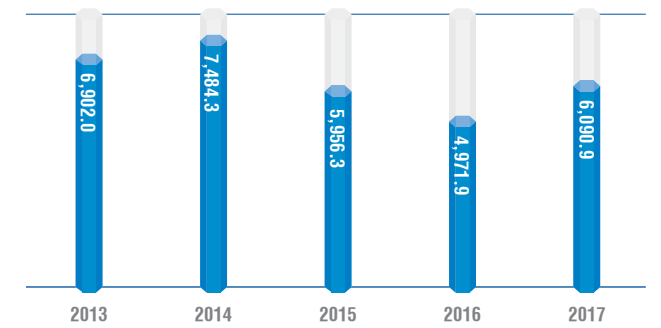
NEW CYLINDER VOLUME (CYLINDERS)



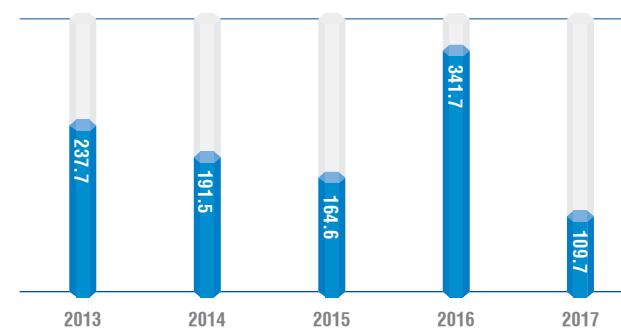
CNG CONSUMPTION VOLUME (MILLION SM<sup>3</sup>)



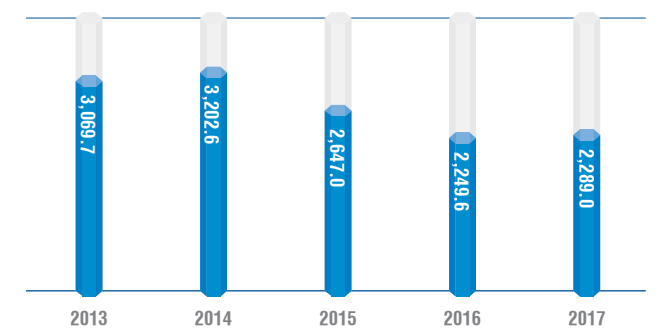
NET REVENUE (BILLION VND)



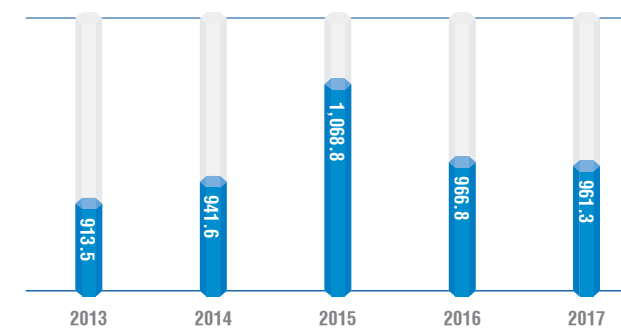
PROFIT AFTER TAX (BILLION VND)



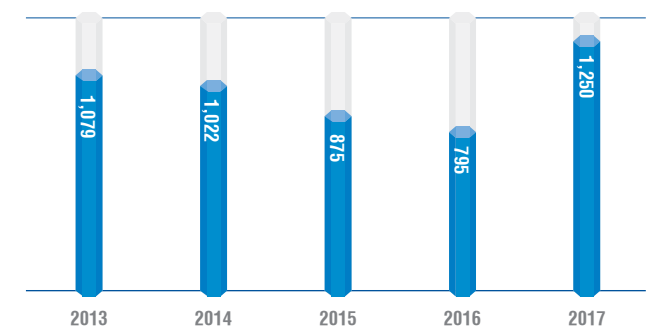
TOTAL ASSETS (BILLION VND)



OWNER'S EQUITY (BILLION VND)



MARKET CAPITALIZATION (BILLION VND)







## 2017 BUSINESS AND PRODUCTION CONTEXT

### THE WORLD ECONOMY RECOVERED STRONGLY. GDP GROWTH IN 2017 REACHED 3.6%

According to the International Monetary Fund (IMF), global economic growth last year reached 3.6%, much higher than the growth of 2.6% in 2016. With the recovery of energy and private investment, GDP growth of the largest economy in the world - US was 2.2%.

Growth drivers increasingly recognized the contribution of quality growth factors, including skilled workforce, digital process and increase in productivity. These factors are expected to continue to contribute to the future sustainable economic growth of world.

However, the global economy is still facing geopolitical worries, European economy's uncertainty, risk of trade war between US and China can negatively impact the growth.



### VIETNAM ECONOMY EXCEEDED TARGETS. GDP GROWTH REACHED

# 6.81%

### RECORD FOREIGN EXCHANGE RESERVES OF

# 51.5

**BILLION USD**

GDP growth of Vietnam in 2017 reached 6.81%, exceeded the assigned target of 6.7%. This was one of most impressive growth results for many years. While global economies were constantly experiencing crises as well as unpredictable changes, Vietnam's economy shown the great resilience and high growth rate compared to the world.

In the picture of growth in 2017, the manufacturing industry continued to be one of main drivers with growth of 14.4%. This was also the highest growth rate of manufacturing industry in past 7 years. Another positive factor was the agriculture, forestry and fishery sector also recovered with growth of 2.9% after severely affected by natural disasters and droughts in 2016.

Average CPI in 2017 was well controlled at 3.53%, lower than the 2017 target of 4%.

Trade surplus reached 2.7 billion USD. In which, total export value was estimated at 213.77 billion USD, increased by 21.1% and total import value was estimated at 211.1 billion USD, increased by 20.8% compared to 2016.

Foreign exchange reserves in 2017 reached 51.5 billion USD, increased by 12.5 billion USD compared to the end of 2016. This was the peak of foreign exchange reserves of Vietnam. With the ability to regulate supply and demand of foreign currency, the USD/VND exchange rate were stably maintained in 2017.

FDI flows into Vietnam in 2017 reached impressive numbers. Specifically, new FDI registered and increased capital reached 29.7 billion USD. FDI disbursement reached 17.5 billion USD the highest disbursement level so far. From the beginning of year to 20/12/2017, Vietnam had 2,591 newly licensed FDI projects with a registered capital of 21.3 billion USD, increased by 42.3% in value compared to same period of 2016.



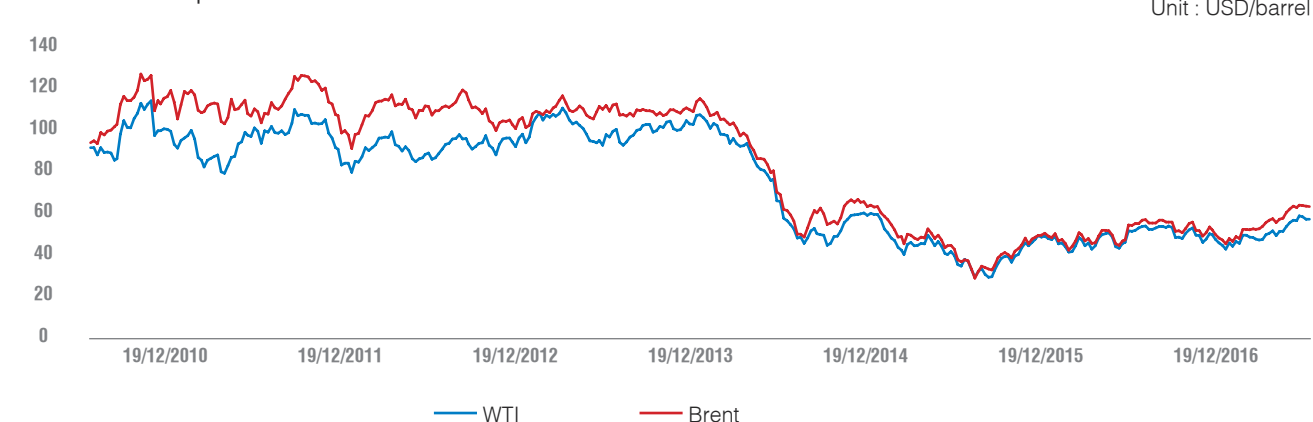
### OIL PRICES DRAMATICALLY RECOVERED BUT STRONGLY FLUCTUATED



The global oil market had a positive year in 2017 with a strong recovery of oil prices. Specifically, WTI crude oil prices had been rising constantly and exceeded 60 USD/barrel, soaring by 41% compared to the bottom of year. Brent crude oil prices also reached above 66 USD/barrel, the highest in two years.

Despite of strong recovery, the overall context of global oil and gas market in the past year was quite strong and fast, influenced by many unexpected geopolitical and market factors.

WTI and Brent oil prices in 2010 - 2017







## OUTSTANDING MANAGERIAL SOLUTIONS IN 2017

Although the average price of oil rebounded sharply in 2017, oil price fluctuations in the year was quite fast and strong, unexpected. This also made difficulties for PVGas South in operating and forecasting the market.

In that context, the BOD coordinated to provide timely and appropriate management solutions to ensure the stable of Company's operations, increased efficiency and accomplished well planned objectives.

### SOLUTIONS FOR SAFETY IN BUSINESS ACTIVITIES

Completing the upgrade to new version and continuing effective implementation of Safety-Quality-Environment Management System according to ISO9001: 2015, ISO14001: 2015 and ISO/DIS45001: 2016, Integrated Management System PAS 99: 2012, Energy Management System ISO 50001: 2011.

Equipment has strict requirements on labor safety, labor hygiene, measuring equipment is reviewed, planned, testing/calibrating according to legal requirements.

Internal safety inspecting, internal auditing periodically 3 months with the participation of representatives of BOM at business facilities, unexpected checking some establishments before holidays.

Organizing Emergency Response exercises, internal accidents with a frequency of 01 times per month in all business establishments.

Vehicles such as trucks, tank trucks, tractors and trailers were calibrated with the ratio of 100% according to regulations.

All business establishments purchased fire and explosion insurance according to regulations.

Maintaining good implementation of the STOP Program at LPG/CNG extraction stations and factories, 5S practice.

### SOLUTIONS FOR ORGANIZATION

Applying modern management and control standards to bring the Company sustainable development with a team being highly qualified, well-trained, disciplined, highly responsible.

Restructuring LPG business branches of the Company by region, strengthened the management and supervision.



## SOLUTIONS FOR BUSINESS ACTIVITIES



### LPG BUSINESS ACTIVITIES

#### Product:

The Company continued to focus on intensive investment in the quality of finished products, to increase the added value of products, make the difference, competitive advantage and gradually locate value of PetroVietnam Gas brand in minds of consumers.

From 01/01/2017, the Company started to apply anti-counterfeit electronic stamp accessing the origin on all cylinders of the Company. An stamp anti-counterfeit electronic trace is one of most advanced anti-counterfeiting technologies available today. This is considered as a step forward in counteracting the problem of counterfeiting to protect interests of consumers.

On 06/06/2017, the Company officially launched the "Call for Gas" App running on smartphones in both Android and IOS operating system, allowing consumers to order, control the source of product, update promotions, accumulating bonus points, etc., to enhance consumer's trust in PetroVietnam Gas products. The "Call for Gas" smart app will open up a new channel of communication, creating a link between the Company and end users.



Along with the launch of "Call for Gas" App, it is a communications program that educates consumers on how to install, use app, smart facilities and attractive offers.

In 06/2017, the Company launched 6kg gas cylinder to serve needs of students, workers ...

At the beginning of 09/2017, the Company deployed a protective net to protect gas cylinders during transportation and usage. In the first time, the Company equipped plastic net protecting 12kg gas cylinders which support for fishermen in sea areas: Vung Tau, Nha Trang, Binh Dinh, Can Tho. Because, at present, 12kg gas cylinders serving for customers being on ship are often seriously corroded due to erosion of seawater, leading to risks of fire explosion from spark by collision with each other. In addition, the continuous impact of gas cylinder in transportation and usage makes paint on gas be peeled, gas cylinder is prone to rust, leading to reduce cylinders' life and increase painting costs of the Company's annual repair.

In 12/2017, the Company integrated the QR code into anti-counterfeit electronic stamp trace, to increase control level of origin, position the brand name.







## OUTSTANDING MANAGERIAL SOLUTIONS IN 2017 (CONTINUED)



### Selling price:

Continuing to maintain price and competitive price policy, applying to each market on the basis of price regulation issued by the Company for each item, each customer and each market area.

### Market development, distribution system, seasonal employees:

The Company continued to develop distribution network through the channel of general agents, agents and affiliated stores. By the end of 2017, the Company has a total of 141 general agents, 1,234 agents, 91 affiliated stores.

A total of 182 seasonal employees were recruited with the main task to support General Agents and HORECA market development.

The Company applied and gradually improved KPIs for the market development employees to ensure fairness and encourage them to strive to complete task of sales.

Market research had been carried out to synthesize information and data: secondary agents, competitors' information in market areas, HORECA customers (restaurants, hotels, collective kitchens ....) in big cities.



### Communications:

Continuing to maintain activities and communication channels for brand promotion which achieved good results in 2016.

From 01/01/2017, accompanied with the program of launching stamp anti-counterfeit electronic trace was promotion program "Scratch for lucky win 2017". The program actively welcomed by consumers with more than 100,000 message for searching products and participation in program .

The official Fanpage <https://www.facebook.com/PVGasSouth/> is used as an effective internal and external communication channel: continuously updating company's information, connections, support customer for sending information.

From 15/08 to 15/10/2017, deployed the promotion "Giving instant offer, quickly downloading app" of the app "Call for Gas" across 27 provinces from the Central to South West. Accompanied with strong communication activities about promotion programs to consumers.

Advertising on outdoor and indoor advertising systems (OOH):

- » Advertising on outdoor advertising hoarding from Central to South West region: location for advertising hoarding is often the gateway of center of big cities (Quang Ngai, Binh Thuan, Ninh Thuan, Khanh Hoa, Dong Nai, Ba Ria Vung Tau, Ho Chi Minh City, Tien Giang, Long An, Can Tho and Bac Lieu).
- » Advertising on advertising systems at markets in Ho Chi Minh City (Ba Chieu, Xom Chieu, Tan My, Hoa Hung, Tan Chanh Hiep, Hoa Binh, Phu Lam, Tan Huong).
- » Advertising image, TVC at the system of buildings, hospitals, supermarkets, Tan Son Nhat Airport, Ben Thanh Market.



- » Communication promotions of the app "Call for Gas" on channels: PR on newspapers (paper and online), LCD, DP at building systems, hospitals, supermarkets, Ben Thanh Market, Tan Son Nhat Airport; advertising on digital channels: facebook, youtube, and nearly 120 websites with high access. In addition to existing communication channels, the Company also received information dissemination: more than 22 online newspapers reported simultaneously: vnexpress.net, baoconghuong.com.vn, petrotimes.vn, baodautu.com, tinmoi24h.com ...
- » Internal communication of the Company was also implemented seriously and professionally:
  - \* Media image: All affiliated stores and some agents were equipped with: standee, banner, leaflet with modern design and famous representative of MC Oc Thanh Van. Guiding clips were played at affiliates, stores.
  - \* Direct communication to consumers for the "Call for Gas" app and promotions: leaflets, roadshows were also promoted.

In term of PetroVietnam Gas brand promoting activities, the Company continued with direct broadcasting activities such as running a roadshow, distributing leaflets, guiding the safe use of gas for customers at populated areas such as apartment buildings, supermarkets, markets ... were implemented with high frequency and more investment accompanying with mini games, giving gifts to stimulate consumers interest and more involved.

Launching the movement in whole Company actively like, sharing photos and events of the Company on personal pages (Facebook, Zalo ..) to create the spread and promote image.

### CNG ACTIVITIES



Completing calculation and design planning of the expansion of My Xuan and Hiep Phuoc main stations to meet CNG demand for existing customers as well as new customers in the future.

Taking good care of old customers, tightened the relationship with existing customers to create trust for customers and help increase the usage of gas.

Actively and positively seek new customers, especially FDI clients, IZ Authority to build a central CNG supply station.

Actively promoting the development of customers in transportation field.

Actively communicating and advertising for clean fuels CNG: Completing clip on CNG, updating catalog to introduce products in accordance with changes in structure and scale of development of the Company.

### LPG CYLINDERS BUSINESS ACTIVITIES



Actively seeking customers in the country and overseas markets such as Bangladesh and some countries in Southeast Asia.

Ensuring the production schedule of cylinder, providing adequately and punctually cylinders for development of residential LPG market of branches directly under the Company and Corporation.

Continuously improving the prestige and quality of production of the factory, produced products to meet international quality standards.

Ensuring the source of raw materials for production and efficient business.





### SOLUTIONS FOR FINANCE - ACCOUNTING

Strictly controlling the price, and cost of goods sold, ensuring quality and price of goods and services at a reasonable level, increasing the Company's competency on market.

Effectively using financial resources of the Company through strengthening the control of debt not to overdue status. Managing well market forecasts to optimize inventory.

Analyzing and developing reasonably structure of assets- resources to ensure operational safety, as well as minimize financial costs.

Enhancing the analysis for projects, determining the capital structure and finding suitable and effective capital resource for investment projects of the Company.

Continuing to review costs of the Company to minimize costs and increase operational efficiency.



Although there were many difficulties and challenges, the determination to complete strategic objectives in accordance with resolutions of AGM, BOD strengthened the management and supervision, quickly proposed appropriate solutions to ensure business operation of the Company was stable and strong development, raising values for shareholders and related parties.

With the determination of employees together with close guidance from PetroVietnam and PV Gas and BOD, PVGas South achieved positive results in 2017.

### BUSINESS ACTIVITIES

LPG Business



**LPG VOLUME IN 2017 WAS**  
**284,158 tons**  
completed 103.8% of plan

In which:



**Residential LPG volume was**  
**174,392 tons**  
reached 100.3% of plan and  
increased by 5.9% compared to  
2016



**Industrial LPG volume was**  
**109,776 tons**  
reached 109.8% of 2017 plan



### CNG BUSINESS



**CNG VOLUME IN 2017 WAS**  
**123.9 million Sm<sup>3</sup>**  
completed 107.7% of 2017 plan,  
increased by 17.8% compared to  
2016.

PVGas South built up a diverse customer system of using CNG with a variety of production lines such as: construction materials, steels, consumer goods, electronics - refrigeration, traffic transportation, etc. . Therefore, the stability of production was ensured, dependence on a group of customers in the same production industry was also reduced.

In 2017, PVGas South supplied CNG to new customers: Net Detergent 2, Joton Paints, Nidec 2, Viet Thang Transport and Tourism Cooperative, EPS Company, Tay Nam Steel.

In 2017, the Company also signed the negotiation memorandum with industrial customers: Nam Hung Metal JSC, Dong Phong Aluminum Factory, TTCL Vietnam Company Ltd., Viet Vinh Steel Co., Ltd.- Hai Son IP, Cam Dat Glass Company, Tan A Dai Thanh Company (Long An), An Dai Hung Glass Company (Ba Ria-Vung Tau), Visa Steel (Long An), Esquel Garment Company, Duc Toan Phat Co., Ltd. (Binh Duong).

For industrial customers in IPs: being in negotiation process to sign a contract with Tan Hanh Pottery Industrial Complex Management Board; had signed a memorandum of cooperation with management board of Southeast Industrial Zone - Cu Chi.

**CNG for Transportation:** Following the direction of the Corporation, in 2017, PVGas South negotiated price increases with all customers; in particular, the Company increased selling price for transport customers from 60% DO to 66% DO, as well as signing price schedule from 2019 onwards, CNG prices for transportation vehicles will gradually increase to nearly equal price of alternative fuels (Diesel).

The number of vehicles using CNG as of 31/12/2017 was 423 vehicles, increased by 187 compared to the end of 2016.





## BUSINESS RESULTS IN 2017 (CONTINUED)

### LPG CYLINDERS BUSINESS



In 2017, Gas Cylinder Branch produced

**371,524** cylinders

completed 106.1% of 2017 plan and exceeded 8.8% compared to 2016.

PVGas South signed the maintenance contract for cylinders with Total Gaz VN, Saigon Petro, Sopet Gas One,... with average of 40,000 cylinders for each month



The volume of maintained, repaired cylinders in 2017 was

**448,272** cylinders

reached 128.1% of plan and increased by 42.5% compared to 2016.

The plan of maintained, repaired cylinders was updated including the volume of Western Branch and Central Branch.

### ACHIEVEMENT OF BUSINESS TARGETS



LPG VOLUME IN 2017 WAS

**284,158** tons

completed 103.8% of 2017 plan



CNG VOLUME IN 2017 WAS

**123.9** million Sm<sup>3</sup>

reached 107.7% of 2017 plan, increased by 17.8% compared to 2016.



The volume of new LPG cylinders in 2017 was

**371,524** cylinders

completed 106.1% of the plan and exceeded 8.8% compared to 2016.

### FINANCIAL TARGETS



PVGas South's revenue from sales and services in 2017 reached

**6,090.9** billion VND

Total revenue reached

**6,101.5** billion VND

completed 128.6% of 2017 plan and increased by 13.5% compared to actual figure in 2016.



Profit before tax in 2017 was

**138.2** billion VND

completed 110.4% of 2017 plan and increased by 29.2% compared to operating profit before tax in 2016.

### INVESTMENT ACTIVITIES

#### Completed projects

Project "Storage and LPG Extraction Station in Ca Mau": Completed the finalization in 07/2017.

#### Transition projects

Project "Extension and upgrading of Storage and LPG Extraction Station in Can Tho": Completed and finalized in 07/2017.

Project "Relocation of Dat Do LPG Extraction Station in Ba Ria - Vung Tau to Binh Thuan": Completed and put into operation in 11/2017.

Project "Renovation and upgrading of CNG station for transport vehicles at National University - Thu Duc": Completed and finalized in 12/2017.

Project "Relocation of Storage and LPG Extraction Stations of VT-Gas in Dong Nai" was adjusted and finalized investment projects according to new ground, adjusted total investment. Expected to complete in Q4/2018.

#### New projects

Project "Relocation, upgrading AGas extraction station in Vung Tau": Completed and put into operation in 10/2017.

Project "Upgrading CNG My Xuan Compressor Station": Completed and put into operation in 01/2018.

Project "Upgrading CNG Hiep Phuoc Compressor Station": Completed and put into operation in 01/2018.

Project "Upgrading painting and repair line of gas cylinders of Gas Cylinder Factory": Completed and put into operation in 12/2017.

Project "Buying nitrogenous fertilizer storage at Tra Noc IZ in Can Tho": Completed in 09/2017.

Project "Renovating, repairing and upgrading of Storages and Stations of the entire Company": Completed and put into operation in 12/2017.

### HUMAN RESOURCES - TRAINING

The number of employees in 2017 of PVGas South remained 985 people, as 100% of plan; the average salary was 14.1 million VND/person/month, exceeded 0.7% % of plan.

In 2017, PVGas South implemented professional training courses for 1,669 participants, helping improve skills, health safety and environment for employees with total cost of 3.34 billion VND.



### SOCIAL AND UNION ACTIVITIES

The Company's unions developed and implemented the plan seriously and fulfilled planned targets according to Resolution No. 3-NQ/DU dated 20/01/2017 of the Party Committee of the Company assigned.

Please see more details in Chapter 05- Sustainable development report



# MPRESSION OF DETERMINATION

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## BUSINESS ACTIVITIES AND FINANCIAL PERFORMANCE

### ANALYSIS OF BUSINESS RESULTS

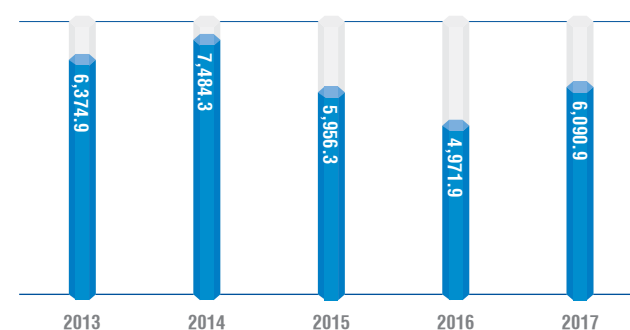


Revenue from sales and services reached

**6,090.9** billion VND  
increased by 22.5% compared to 2016

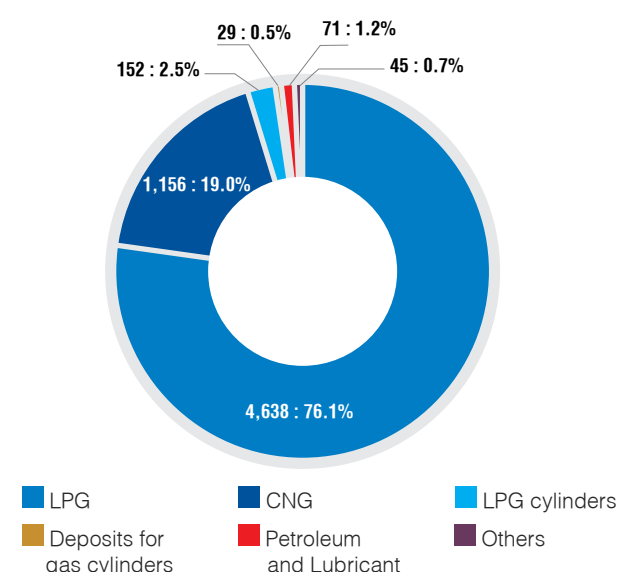
By the end of 2017, PVGas South's sales and service revenue reached 6,090.9 billion VND, increased sharply by 22.5% compared to 2016. This was also the highest revenue growth of PVGas South in 6 years.

#### Revenue (Billion VND)



In terms of revenue structure by products, LPG and CNG was still two main trading products of PVGas South in 2017. Specifically, LPG's revenue reached 4,638 billion VND, accounted for 76.1% of total net revenue in 2017. CNG's revenue reached 1,156 billion VND, accounted for 19% of total net revenue. Besides two main products, LPG and CNG, cylinders' revenue was 152 billion VND in 2017, accounted for 2.5% of total net revenue.

#### Net Revenue Structure of PVGas South in 2017 (Billion VND: %)



#### LPG revenue increased by 17.7% thanks to increase in consumption volume and recovery of gas price

PVGas South's LPG business in 2017 increased sharply in consumption volume with 284,158 tons, gained 103.8% of annual plan and increased by 1.6% compared to 2016. In which:



#### Volume of residential LPG reached

**174,392** tons

increased by 5.9% compared to 2016, completed 100.3% of annual plan



#### Volume of industrial LPG reached

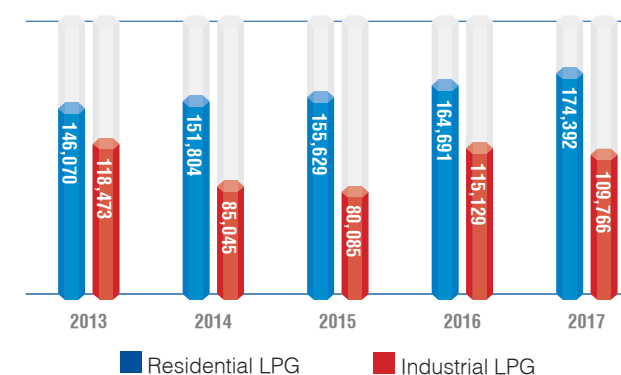
**109,766** tons

completed 109.8% of annual plan

In 2017, LPG business continued to face high competition from competitors in the industry as well as risks from alternative products. Nevertheless, the Company maintained the effectiveness in business by enhancing reasonable revenue promotion policies such as: expanding distribution network, increasing market share of new products, enhancing the brandname and strengthening sales policy ...

In addition to the increase in revenue, gas price's recovery trend was also an important factor contributing to growth of LPG trading. Specifically, the average price of LPG in 2017 reached 17,403 VND/kg, increased by 15.82% compared to average price in 2016.

#### LPG consumption volume (Tons)



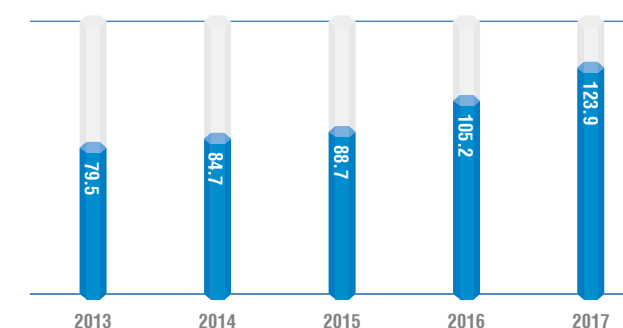
#### Having new customers, CNG consumption volume also increased positively by 17.8% over 2016

In 2017, CNG revenue reached 1,156 billion VND, increased by 42.8% compared to 2016. The driving force for revenue growth came from strong growth in consumption volume. Specifically, CNG consumption volume reached 123.9 million Sm<sup>3</sup>, increased sharply by 17.8% compared to 2016 and completed 107.7% of annual plan. This achievement was due to effective business solutions and market development implemented by the Company such as:

- » **Taking good care of existing customers.** Long-term customers such as Nam Kim Steel, Sojitz... increased consumption demand for CNG in the past year.
- » **Searching and expanding customer networks.** The Company signed contracts to provide gas for Tay Nam Steel Plant, Joton Paints, Binh An Plastic Concrete 2.
- » **Benefit from increasing CNG demand for transportation.** In 2017, the number of buses using CNG fuel in HCM City reached 423 vehicles, an increase of 187 vehicles compared to 2016.



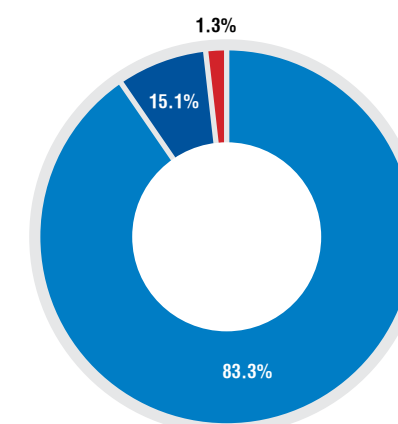
#### CNG consumption volume (mil Sm<sup>3</sup>)



#### Well controlled operating costs to improve business efficiency

With the characteristic of enterprise operating in field of natural gas production and distribution, cost of goods sold and selling expenses were two items accounting for highest proportion in the Company's cost structure. In particular, cost of goods sold accounted for 83.3% and selling expense accounted for 15.1% of total expenses.

#### Costs' structure (% of total expenses)



Costs of goods sold  
Selling expenses  
General and Administrative expenses

In comparison with the 2017 revenue ratio, cost of goods sold was 81.5%, only slightly increased compared to 2016. Although the oil price fluctuated, the Company's cost of goods sold was stable in 3 years thanks to ability of self-control of input materials. Accordingly, since 2016, the Company has been active in source of imported goods with gas unit price lower than 20 USD compared with market price. This helped to minimize the impact of fluctuations in input prices.



## BUSINESS ACTIVITIES AND FINANCIAL PERFORMANCE (CONTINUED)

Selling expenses/revenue ratio decreased to 14.8%, equivalent 900.9 billion VND. Despite the increase in expenses of selling and transportation in 2017, the effectiveness of marketing strategies and attracting customers helped PVGas South record strong growth in LPG and CNG consumption. As a result, the ratio of selling expenses not only increased but also improved in the past year.

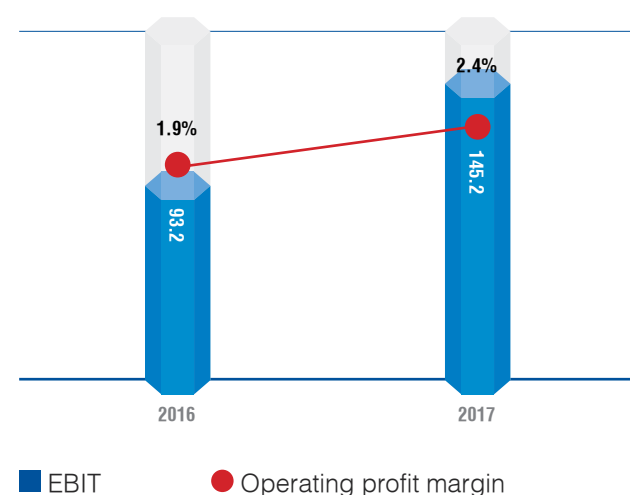
Besides selling expenses, the ratio of general and administrative expenses/revenue continued to improve down to 1.3%. The ratio of operating expenses improved continuously over the past 3 years. This showed the BOD's efforts to improve management quality and reduce costs production and business sectors as well as in other departments, contributing to the improvement of the Company's performance.

| Expenses/Total revenue              | 2015  | 2016  | 2017  |
|-------------------------------------|-------|-------|-------|
| COGS                                | 81.0% | 81.1% | 81.5% |
| Selling expenses                    | 12.1% | 15.4% | 14.8% |
| General and administrative expenses | 2.9%  | 1.6%  | 1.3%  |
| Financial expenses                  | 0.5%  | 1.4%  | 0.3%  |
| Other expenses                      | 0.1%  | 0.1%  | 0.0%  |

### Operating margin was improved

PVGas South's operating profit margin was 2.4% compared to the 1.9% profit margin in 2016. The improvement in operating profit margin came from:

- (1) Impressive revenue growth in 2017.
- (2) Cost management was highly effective when operating expense ratios (including COGS) recorded an improvement from only 98.1% (2016) to 97.6% (2017).



### Financial income decreased sharply due to no extraordinary revenue recognition

In 2017, revenue from financial activities of PVGas South reached 8.6 billion VND, financial profit loss over 8.2 billion VND. In which, financial income decreased by 98% mainly from:

- (1) PVGas South no longer recognized extraordinary revenue from the capital transfer of CNG Vietnam and merging with Eastern Branch as in 2016.
- (2) With the divestment from CNG Vietnam in 2016, PVGas South no longer received cash dividend from this company in 2017. Therefore, the Company did not generate revenue from dividends in 2017.



Profit before tax reached

**138.2** billion VND

exceeded 10.4% of plan. Profit after tax was over 109 billion VND

In the context of fierce competitions and challenges of cost increase, with the prompt and correct leadership of BOD as well as consensus and determination of all employees, PVGas South excellently completed the assigned target of profit. Profit before tax in 2017

reached 138.2 billion VND, exceeded 10.4% and up 29.2% compared to 2016 figures. Profit after tax also reached impressive figure of over 109 billion VND.

Looking generally at figures, 2017 profit before tax decreased sharply by 67.3% and profit after tax decreased by almost 68%. The reason for slump in profit was that PVGas South recorded extraordinary gains from divestment of CNG Vietnam and merger of Eastern Liquefied Gas Trading One Member Co., Ltd. into a branch in 2016. If this financial profit was eliminated, the profit of the Company recorded positive growth in 2017.

| Year (Billion VND)     | 2016           | 2017           | % Change    |
|------------------------|----------------|----------------|-------------|
| Short-term assets      | 1,135.5        | 1,125.8        | -0.8%       |
| Long-term assets       | 1,114.1        | 1,163.1        | 4.4%        |
| <b>Total assets</b>    | <b>2,249.6</b> | <b>2,289.0</b> | <b>1.8%</b> |
| Liabilities            | 1,282.8        | 1,327.7        | 3.5%        |
| Short-term liabilities | 1,121.8        | 1,170.5        | 4.3%        |
| Long-term liabilities  | 161.0          | 157.2          | -2.4%       |
| Owner's equity         | 966.8          | 961.3          | -0.6%       |
| <b>Total resources</b> | <b>2,249.6</b> | <b>2,289.0</b> | <b>1.8%</b> |

## ASSETS AND RESOURCES

In order to ensure sustainable development, reasonable allocation and management of assets, efficient use of resources, the Company always set the criteria of "Safety - Reasonableness - Effectiveness" as the orientation for all capital investment activities.





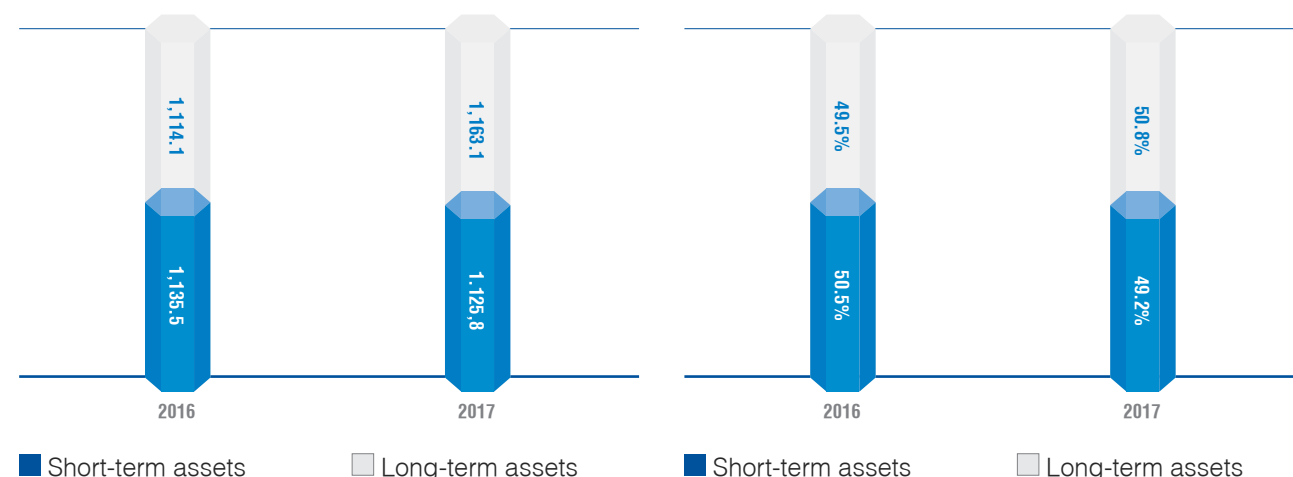


## BUSINESS ACTIVITIES AND FINANCIAL PERFORMANCE (CONTINUED)

### ASSETS

By the end of 2017, total assets of the Company increased by 1.8% compared to 2016, reaching 2,289 billion VND. In which, short-term assets were 1,125.8 billion VND and long-term assets were 1,163.1 billion VND. All resources of the Company were focused on the main business activities, there weren't investment activities spread out of the industry.

Compared to 2016, the Company's assets shifted in structure. Specifically, the proportion of short-term assets was 49.2%, slightly down from 50.47% in 2016, the proportion of long-term assets increased, accounting 50.8% of total assets.



### Short-term assets

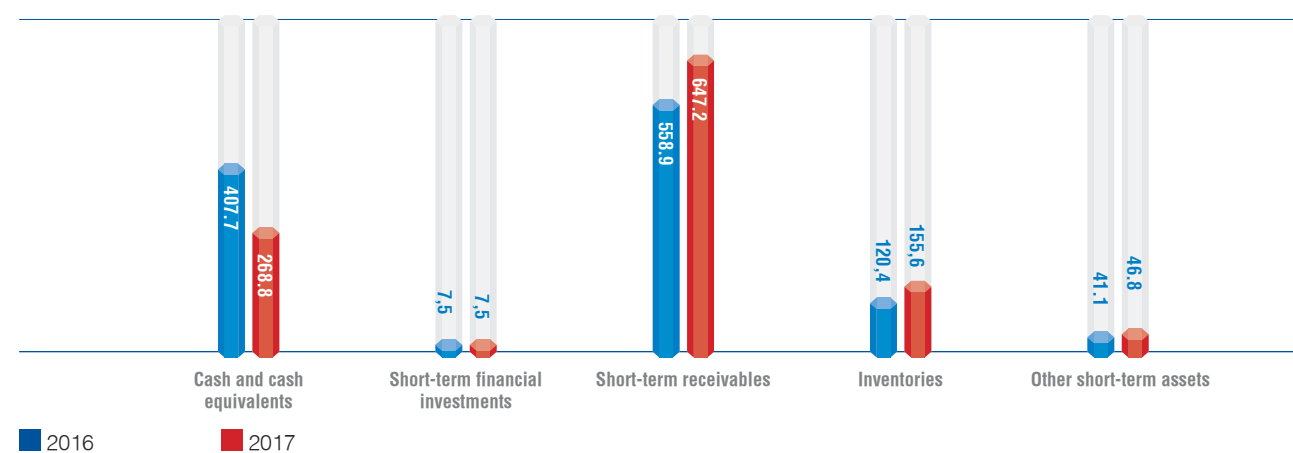
Short-term assets of PVGas South were mainly in cash, cash equivalents and short-term receivables. In particular, short-term receivables accounted for the highest proportion, over 57.5%. Cash and cash equivalents accounted for 23.9%.

Cash and cash equivalents reached 268.8 billion VND, decreased by 34% compared to 2016. The decline in cash and cash equivalents came from fixed capital expenditure in 2017. This was the strategy was focused in the past year to increase the competitiveness, and the ability to store raw materials in time for business continuity of the Company.

Short-term receivables increased by 16%, reached 647.2 billion VND. Accounts receivable growth was mainly from the expansion of credit policy for customers. This was one of the strategies to increase attractiveness and attract more customers in 2017. By the end of 2017, short-term receivables of customers increased by 23%, reached more than 598 billion VND.

PVGas South's inventories increased by 29% compared to at the end of 2016. The strong growth of inventories (mainly LPG) enabled the Company to be active and take advantage of the strong recovery in oil prices in last year.

### Short-term asset structure (Billion VND)



### Long-term assets

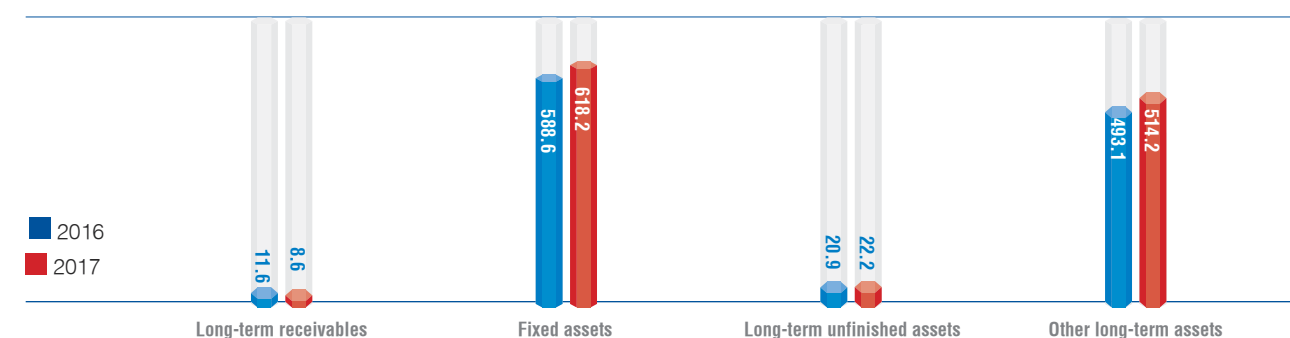
PVGas South's long-term assets mainly focused on tangible fixed assets of 618.2 billion VND, accounted for 27% of total assets and other long-term assets of 514.2 billion VND, accounted for 22.5% of total assets.

By the end of 2017, total fixed assets of PVGas South were 618.2 billion VND, increased by 5% compared to the end of last year. Fixed assets increased in the year mainly came from the basic investment projects

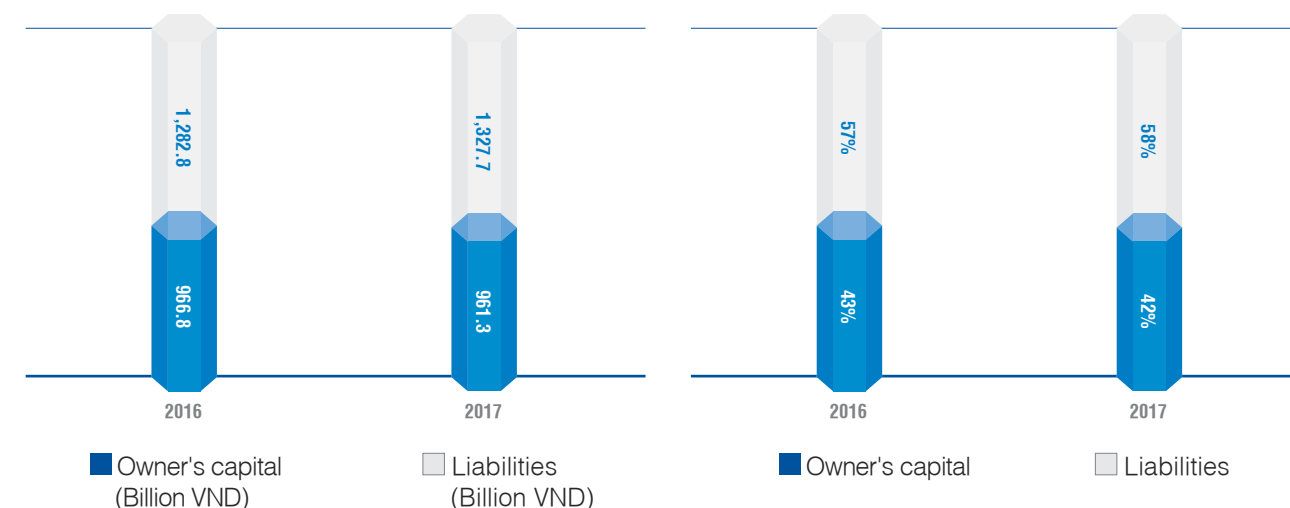
completed and put into operation. Along with VTGas Storage and Extraction station relocation, capacity upgrading for the Company's Storage and Extraction stations was also a factor in the increase in fixed assets of PVGas South in 2017.

Other long-term assets also increased by the end of 2016 at 514.2 billion VND, accounted for 22.5% of total assets. The addition of other assets came from an increase in the cost of LPG cylinders of 334.6 billion VND to be allocated, increased by 5.9 billion VND compared to the end of 2016.

### Cơ cấu Long-term assets (Billion VND)



### RESOURCES

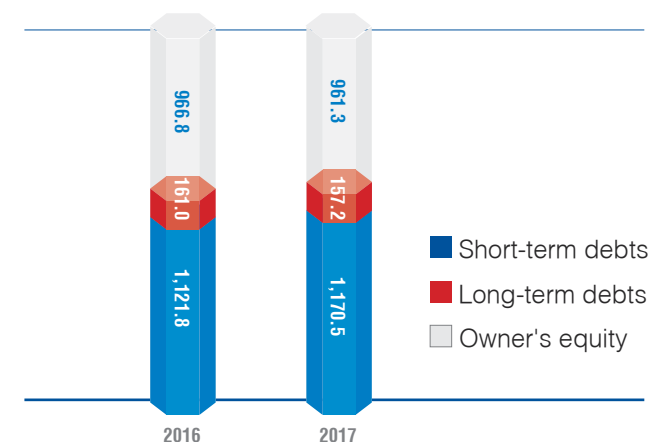


### Liabilities

In 2017, liabilities were still the largest source of financing for PVGas South's business activities with 1,327.69 billion VND, accounted for 58% of resources; equity accounted for 42%.

In liabilities, short-term debt accounted for 88.2%, equivalent to 1,170.5 billion VND. Long-term debt was 157.2 billion VND, equivalent to 11.8%.

Debt restructuring activities have been promoted by PVGas South in recent years, decreased the ratio of Debt/Total Assets only at 12.9%.





## BUSINESS ACTIVITIES AND FINANCIAL PERFORMANCE (CONTINUED)

### Equity

By the end of 2017, equity was 961 billion VND, decreased slightly by 0.57% compared to the end of 2016 and accounted for 42% of resources. Equity was

mainly Owners' contributed capital of 500 billion VND, Investment and development fund of 363 billion VND and Retained earnings of 53 billion VND.

### FINANCIAL ANALYSIS

|                                         | Đơn vị | 2014  | 2015  | 2016  | 2017  |
|-----------------------------------------|--------|-------|-------|-------|-------|
| <b>Profitability ratios</b>             |        |       |       |       |       |
| Gross margin                            | %      | 15.3% | 19.0% | 18.9% | 18.5% |
| EBIT margin                             | %      | 3.6%  | 4.0%  | 1.9%  | 2.4%  |
| EBITDA margin                           | %      | 7.4%  | 8.1%  | 4.8%  | 4.2%  |
| Net profit margin                       | %      | 2.6%  | 2.8%  | 6.9%  | 1.8%  |
| Return on owner's equity average (ROEA) | %      | 15.1% | 11.1% | 33.6% | 11.4% |
| Return on total assets average (ROAA)   | %      | 6.1%  | 5.6%  | 14.0% | 4.8%  |
| <b>Liquidity ratios</b>                 |        |       |       |       |       |
| Current ratio                           | Time   | 1.01  | 0.95  | 1.01  | 0.96  |
| Quick ratio                             | Time   | 0.91  | 0.84  | 0.90  | 0.83  |
| Cash ratio                              | Time   | 0.34  | 0.30  | 0.36  | 0.23  |
| <b>Efficiency ratios</b>                |        |       |       |       |       |
| Day of receivables                      | Day    | 40.66 | 46.06 | 40.17 | 32.49 |
| Day of inventories                      | Day    | 11.18 | 12.49 | 12.07 | 10.14 |
| Day of payments                         | Day    | 73.45 | 86.61 | 71.84 | 54.39 |
| Total assets turnover                   | Time   | 2.39  | 2.04  | 2.03  | 2.68  |
| Total owner's equity turnover           | Time   | 8.07  | 5.93  | 4.88  | 6.32  |
| <b>Leverage ratios</b>                  |        |       |       |       |       |
| Short-term debts / Total assets         | %      | 57%   | 52%   | 50%   | 51%   |
| Total debts / Total assets              | %      | 13.7% | 16.6% | 14.3% | 13%   |
| Liabilities / Total assets              | %      | 64.6% | 59.6% | 57.0% | 58%   |
| Owner's equity / Total assets           | %      | 29.4% | 40.4% | 43.0% | 42%   |

(EBIT is calculated on the basis of operating profit, excluding income from financial and other activities)

### Profitability ratios

Gross margins slightly decreased by 18.5%. Despite strong impact from oil prices, PVGas South consistently maintained its gross profit margin over the years. The Company's gross profit margin remained stable at 18% - 19%, indicating the efficiency in material cost management. In 2017, the Company implemented reasonable business and operational solutions. EBIT margin increased, reached 2.4% indicated that business solutions and efforts to reduce costs were delivering positive efficiency.

Return on average asset (ROAA) and Return on average equity (ROEA) in 2017 decreased as compared to 2016. However, in the long-term, ROAA and ROEA still remain stable. In 2016, PVGas South recorded extraordinary profit from capital transfer and branch merger, hence dramatically increasing the ROAA and ROEA.

### Liquidity ratios

Liquidity ratios decreased in the past year. Current ratio was 0.96 times, slightly decreased by 1.01 times compared to 2016. The reason for the decline of the liquidity ratios was from:

- (1) An increase of 6.1% in short-term trade payables. The main reason was that at the end of 2017, the Company received support for deferred payment policy from Gas Trading Company.
- (2) Other short-term payables accounted for only a small proportion but increased by 28% compared to end of 2016.
- (3) The most liquid assets of the Company was Cash and cash equivalents decreased by 34%. This was due to the promotion of fixed asset investment in 2017.

### Efficiency ratios

PVGas South's average day of receivables decreased compared to 2016, reached more 32.5 days. Given the competitive pressure maintained in the market, the Company increased credit policies, loosened the day of receivables to increase competitiveness and support the ability to expand market share. The result was that the Company's revenue has impressive growth in 2017.

The average day of inventories was over 10 days, improved with a compared to the 12 days in 2016. The Company's day of inventories continuously improved in recent years. The policy of effective sales promotion helped the Company's consumption volume and revenue grow well.

The average day of payments was 54 days, slightly decreased with a compared to 2016.

Turnover total assets increased with a compared to 2016, reached 2.68 times showing the high efficiency in the use of assets for business activities of the Company.

### Leverage ratios

The increase in payables led to a 1% increase in the ratio of short-term debt/total assets of PVGas South compared to the end of 2016. However, the ratio of debt/total assets was well improved.

In 2017, the Company restructured loans in line with the reduction of debt financing to business activities. The debt ratio accounted for 12.9% of resources by the end of 2017.

### CASH FLOW ANALYSIS

| Year                                                    | 2013         | 2014         | 2015           | 2016         | 2017           |
|---------------------------------------------------------|--------------|--------------|----------------|--------------|----------------|
| Net cash generated from operating activities            | 526.3        | 515.1        | 147.1          | 106.9        | 118.1          |
| Net cash generated from investing activities            | (61.5)       | (295.2)      | (202.0)        | 418.1        | (141.7)        |
| Net cash generated from financing activities            | (314.1)      | (193.9)      | (156.2)        | (194.9)      | (115.4)        |
| <b>Net (decrease)/increase in cash</b>                  | <b>150.8</b> | <b>26.0</b>  | <b>(211.0)</b> | <b>330.2</b> | <b>(138.9)</b> |
| Cash and cash equivalents at the beginning of the year  | 443.0        | 593.8        | 619.8          | 77.5         | 407.7          |
| <b>Cash and cash equivalents at the end of the year</b> | <b>593.8</b> | <b>619.8</b> | <b>408.9</b>   | <b>407.7</b> | <b>268.8</b>   |

Positive business growth helped net cash generated by operating activities continue to grow in 2017. Specifically, net cash generated by operating activities of the Company in 2017 was 118.1 billion VND.

In 2017, the investment in the construction of new extraction stations was made by the Company, which made the Company record over 150 billion VND in expenses for procurement, construction of fixed assets and other long-term assets. Besides, no more dividend

from the capital contribution to CNG Vietnam made the income of loans, dividends and distributed profits to just only 8 billion VND. This was the reason that net cash generated by investing activities was negative more than 141 billion VND in 2017.

Meanwhile, net cash generated by financing activities was negative 115 billion VND, mainly due to paying dividend of 88 billion VND and repayment of 20 billion VND from financial leasing activities.





## MARKET OUTLOOK AND DEVELOPMENT ORIENTATIONS IN 2018

### OIL PRICE OUTLOOK IN 2018

In 2018, oil prices are expected to maintain a recovery trend due to extended agreement to cut output of OPEC. It is estimated that average oil prices in 2018 will reach 52.77 USD/barrel for WTI crude oil and 57.26 USD/barrel for Brent crude oil. However, the level of recovery of oil prices in 2018 will have many challenges when:

(1) Shale oil competition will rebound as shale oil producers gain extra leverage to take advantage of a recovery in oil prices. The increase in US volume will put pressure on OPEC and Russia's compliance capacity in 2018.

(2) The growth of alternative fuels. In particular, the rise in solar and wind power comes from the change in China, India and Europe's energy policy.

The recovery of global oil prices will exert a strong influence on the trend of natural gas prices as global natural gas prices remain highly correlated with fluctuations in oil prices. This is expected to support the upward trend in global gas prices in 2018.

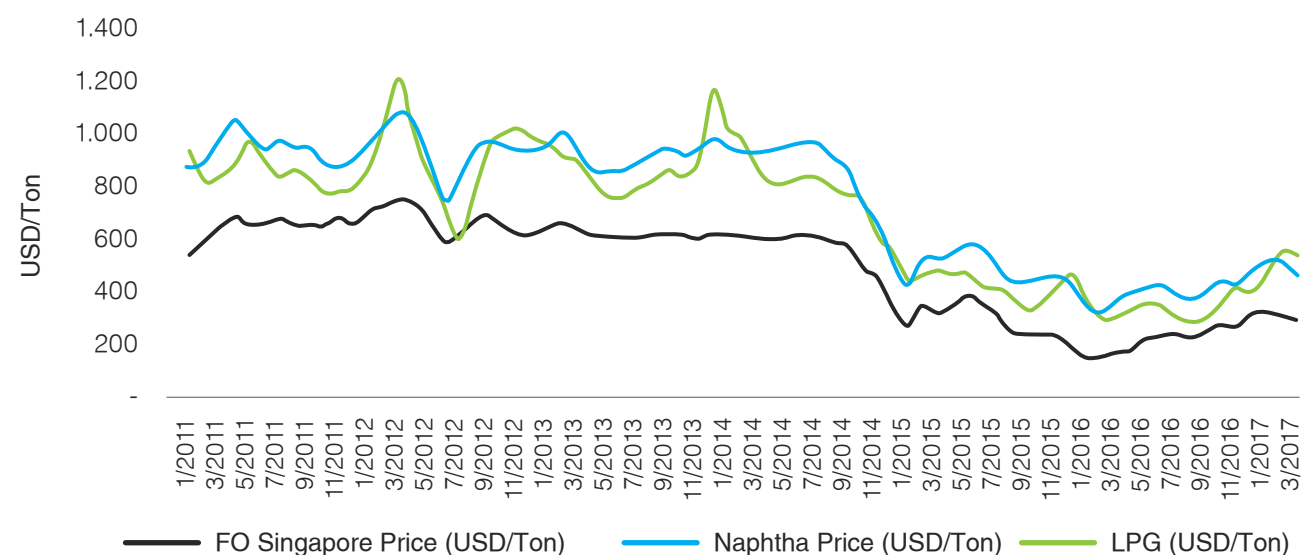
#### World oil price forecasts for 2018

Unit: USD/barrel

|                 | 2015  | 2016  | 2017  | 2018 (F) |
|-----------------|-------|-------|-------|----------|
| WTI Crude Oil   | 48.67 | 43.33 | 50.56 | 52.77    |
| Brent Crude Oil | 52.32 | 43.74 | 53.88 | 57.26    |

Sources: Forecasts of Goldman Sachs, JP Morgan, Credit Suisse

#### Correlation of LPG and FO prices



Source: Bloomberg

### Asia Pacific plays a key role in the global gas industry

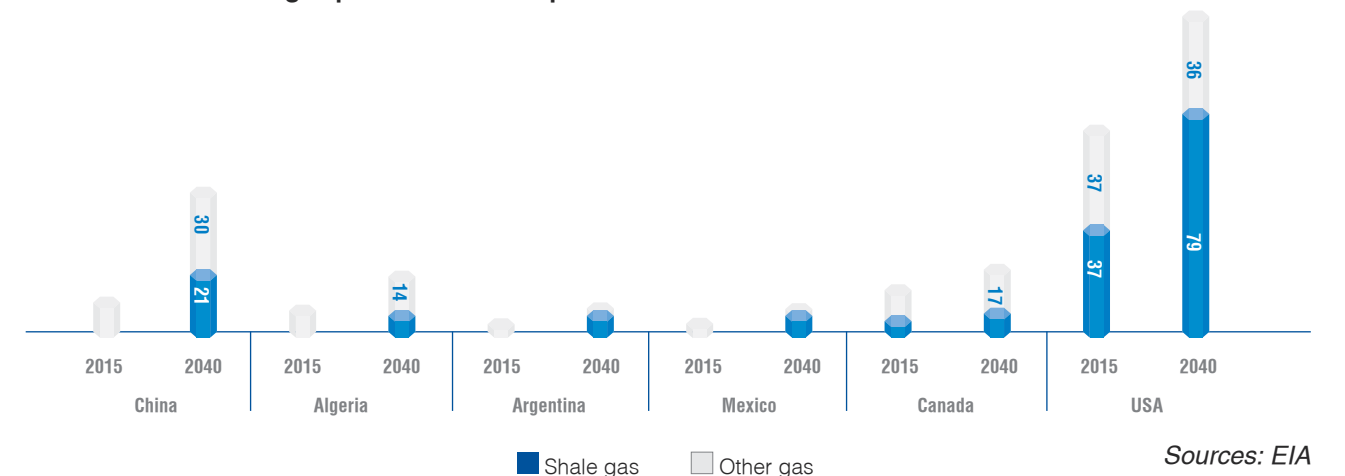
The imbalance of supply and demand of LPG has been going on for many years but the difference is not too great. Specifically, supply surplus is expected to reach 5.9 million tons by 2015, but the supply and demand balance has reversed in the coming years (lack of supply of 0.2 million tons in 2016). It is estimated that by 2020, the world will face a shortage of LPG supply due to a sharp increase in global demand for LPG (estimated consumption volume growth of 2.7%/year). In addition, the growth dynamics of LPG consumption will be regionally distributed with a focus on growth coming from the Asia Pacific region. In which, Asia Pacific region, with major pillars: Japan, China and India, are expected to be the three countries with the strongest LPG consumption in the region.

### Shale gas revolution in the United States will change the global gas industry in the long-term

The rise of US shale oil technology has become a threat to OPEC's dominant position in the oil market over the years. The growth of shale oil extraction also directly increases the supply of natural gas with shale gas. The explosion and production of shale gas will create a long-term revolution in the global gas industry.

It is estimated that by 2040, global shale gas output will grow sharply compared to traditional gas products with 2 key countries: USA and China. In particular, the demand for shale gas from the United States is expected to grow more than 2 times in the period 2015-2040.

#### Estimation of natural gas production in the period 2015-2040



Sources: EIA

### Growth rate of gas volume in Vietnam is in the high growth group of the world

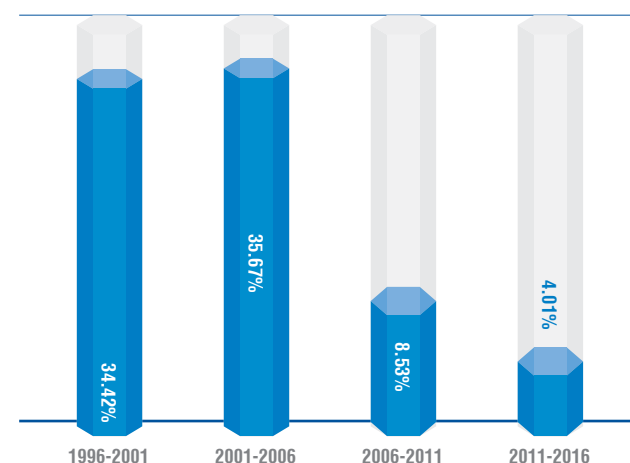
The global's natural gas consumption growth has fallen sharply compared to the period from 2001 to 2011; however, in overall, Vietnam's Gas Industry still has large rooms for growth when the size of the economy is constantly expanding. The five-year growth rate CAGR (2011-2016) of gas consumption in Vietnam was 4%, in the group of countries and regions which have higher growth rate than the global as at 1.5%.





## MARKET OUTLOOK AND DEVELOPMENT ORIENTATIONS IN 2018 (CONTINUED)

### Five-year growth rate (CAGR) of gas consumption in Vietnam

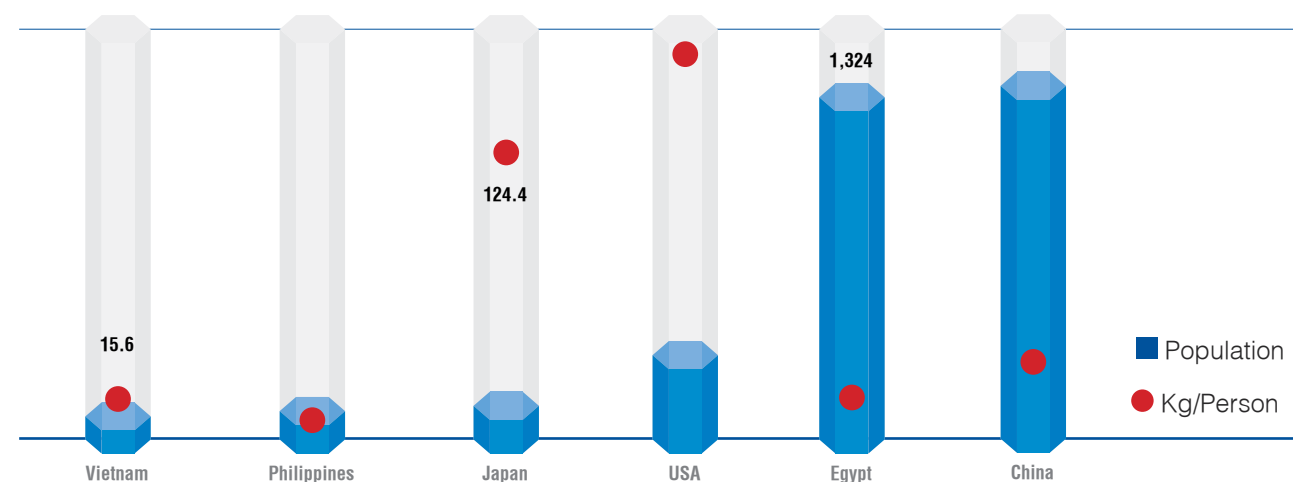


### The consumption of LPG in Vietnam is still low.

Vietnam's per capita gas consumption is only 15.6 kg/person/year. This is a low gas consumption compared to other major countries in the region such as China (16.9 kg/person/year) and Japan (124.4 kg/person/year). Vietnam is in a period of "golden population" with 70% of working-age population (15-64 years), the current low gas consumption per capita will open up the opportunity for consumption volume in the coming year.

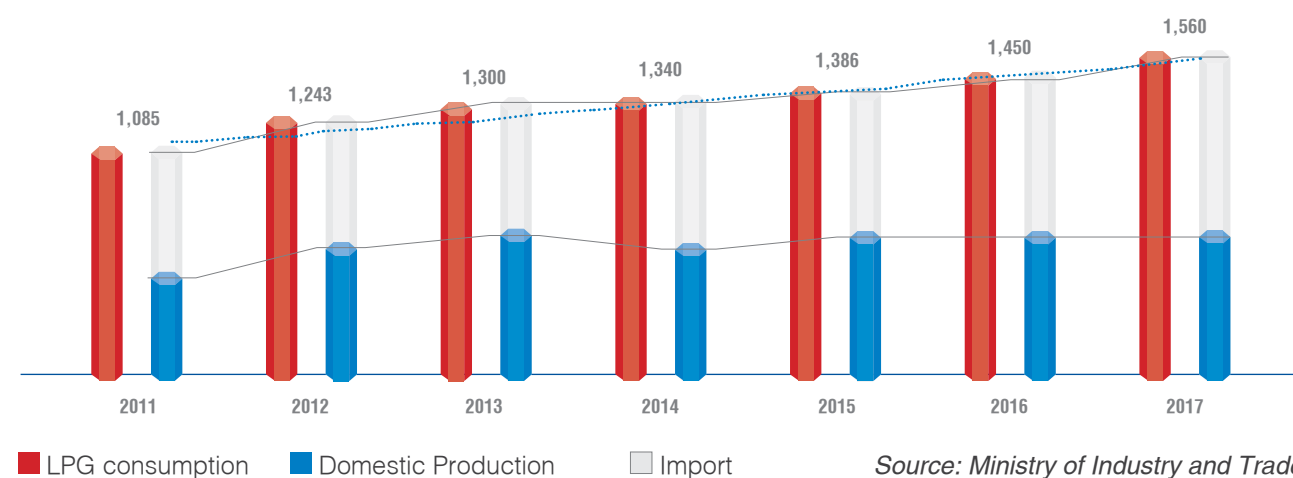
### Consumption of LPG per capita in 2016

Sources: World Bank



LPG supply in the country don't meet the demand. Currently, Vietnam still imports nearly 60% of LPG to meet the demand of domestic consumption. With the forecast of population growth of at least 1%/year in the

coming year, demand for LPG will also create plenty of growth for the LPG mining and processing industry in the long-run.



Source: Ministry of Industry and Trade

### Take advantage of the exciting flow of international investment in Vietnam

In 2017, Vietnam's FDI inflows were impressive. Accordingly, total registered FDI reached 35 billion USD, the highest number since 2007 and disbursed FDI reached over 17 billion USD - the highest disbursement rate ever.

In 2018, the country will continue to welcome the excitement of foreign capital spread across many provinces and cities. In particular, with the advantages of (1) the abundant labor force, (2) benefiting from free trade agreements already signed, (3) the infrastructure is actively invested, (4) together with becoming targets for investment policy reforms in Vietnam, key economic areas such as Ho Chi Minh City, Ha Noi, Hai Phong, Da Nang, Binh Duong, Vung Tau, Dong Nai ... will attract strong capital inflows. Industrial development policy and FDI will motivate the number of enterprises and expand the scale of production. Therefore, the demand for fuel for construction and production is forecasted to increase sharply in the future. For PVGas South, this is a great opportunity when the business area of the Company is the focus of FDI.

### Public transportation uses environmental friendly fuel

Beside from supplying gas to industrial customers, the supply of CNG for public transportation is still a potential segment of the Company. The usage of clean and environmental friendly fuel is still a top priority for the development of public transportation. In particular, the usage of CNG fuel's buses are being promoted in the near future.

According to statistics, the number of buses using CNG in HCM City by the end of 2017 reached 423 vehicles under the management of many units such as Union of Transport Cooperative Ho Chi Minh City, Cooperative 19/5, Saigon Bus Service ... The HCM City Department of Transportation has a project to convert about 1,000 buses with the time's usage over 10 years to new CNG buses in the period 2018-2020. In response to the growing number of CNG buses, PVGas South has also invested in 6 CNG extraction stations scheduled for operation in early 2018 to enhance fuel efficiency and reduce costs for transportation enterprises.

### Potential from the Real estate market and Building materials

The Real estate market in 2018 is expected to maintain stable growth thanks to macroeconomic stability, high housing demand and rapid urbanization.

In particular, real estate market integration is expected to be a major shift in the real estate market in 2018, especially as the retail real estate market will open up to 100% foreign retailers. The need to buy houses and settlements of foreigners in Vietnam will increase the attractiveness of the real estate market in Vietnam for foreign investors.

If 2017 is a "sweet" harvest year for residential apartment segments, 2018 is expected to witness the rise of the resort real estate segment by benefiting from the trend of residential tourism development. According to the Vietnam National Administration of Tourism, by the end of October 2017, Vietnam received nearly 10.5 million international visitors, increased by 28% compared to the same period last year. In particular, domestic tourists reached 63.1 million and 30.5 million visitors. In line with the development of the tourism industry, many big tourist areas such as Khanh Hoa, Phu Quoc, Quang Ninh ... are expected to attract investment capital and pull the trend of urbanization for many coming years.

For the real estate market in Ho Chi Minh City, the trend of urbanization is accelerating, large infrastructure projects such as Long Thanh Airport, extension of Metro system with Binh Duong and Dong Nai will promote the industry development.








With a positive trend from the real estate market, the construction material business group (mainly account for PVGas South's customer structure) will continue to maintain positive development. The Ministry of Construction has also oriented and planned to promote the production capacity of many building materials products in the coming years to meet the development needs of the market.





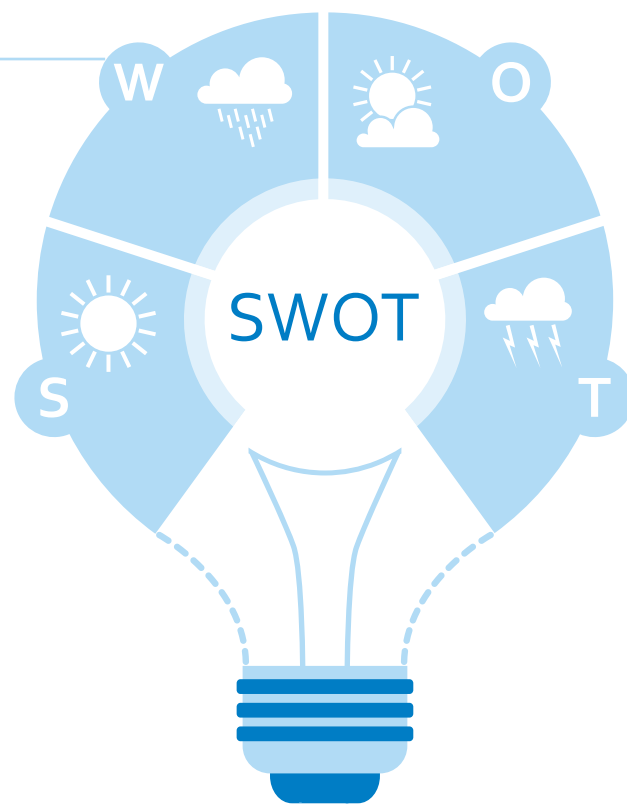
## MARKET OUTLOOK AND DEVELOPMENT ORIENTATIONS IN 2018 (CONTINUED)

### 07 OBJECTIVES FOR THE YEAR 2018

-  Ensure security and safety in production and business activities throughout the Company.
-  Stick to the strategy of retail development of the Corporation in the period of 2016-2020, with orientation to 2025. Focus on developing retail market, creating coverage, increasing market share and increasing brand identity level. Especially in big cities in the South East.
-  Build a brand identity for the Company and products (brand) that the Company is doing business.
-  Focus on production of LPG cylinders for PVGAS, meet the needs of internal and external customers.
-  Maintain and develop CNG market for Industrial customers and Transportation.
-  Strengthen business administration. Establish, review and update norms of business activities of the Company. Regularly control, reduce costs and strengthen debt management to increase business efficiency.
-  Promote the exploitation and efficient use of the system of Storages, Extraction Stations, Gas Cylinders; apply science and technology in management to reduce costs, enhance competitive advantage.

### SWOT ANALYSIS OF PVGAS SOUTH'S BUSINESS ACTIVITIES

The business context in 2018 is forecasted to be more positive, but the difficulties and challenges still coexist. In light of the complicated world economic context, the Management acknowledges the need to define the competitive position as well as understand the strength of PV Gas South. From there strategic orientations are appropriate to constantly increase the competitiveness, reputation and business efficiency.



### STRENGTH (S)



- » PVGas South always receives support from the Group, the Corporation in ensuring the source of goods so business activities of the Company is always stable.
- » The technical infrastructure of the Company is constantly improving, attaching importance to the construction and renovation of tanks and extraction stations to meet the requirements of production and business.
- » Thanks to the efforts in production, sales with the motto "Always aiming for customers", the Company has gradually become a prestige brand in the market, from which customers and partners also use more PVGas South products.
- » High adaptability to changes in the business environment. New business strategies take advantage of the rapid development of information technology applied by the Company to increase the competitiveness of the business.
- » Operating in the business sector with many specific risks, the Company always maintains focus on risk management in production and transportation. The options to improve the safety in business, improve the quality of production lines are regularly implemented by the Company. The achievement was that the Company did not record any incidents that had a great impact on PVGas South business and prestige.
- » The current business network extends from Quang Tri to Ca Mau, so the Company has easy access to various customer segments, grasping and offering solutions to meet their needs.
- » For the management, the Company improved the organization streamlined and effective, while ensuring that the opinions of all individuals in the Company are always heard, without affecting the process of making decision.
- » The Company's management always grasp the market situation, promptly set out the right policies, directions to effectively use the resources of the Company combined with the advantages from the outside. Besides, the employees has unity, unanimously in efforts to implement the plan targets, sticking to the Resolution that the AGM has approved since the beginning of the year.

### WEAKNESS (W)



- » In the South market, PVGas South has the largest share, but its market share is still in the provinces, while the potential markets such as the South East and Ho Chi Minh City isn't exploited. The Company has penetrated into the Ho Chi Minh City through becoming a major supplier of CNG buses system.
- » The brand identity system is not strong, the contact and customer care after the sale has been focused but still not meet the needs of the market. However, PVGas South has partially improved this weakness with a series of investments in branding programs in the past year.
- » Gas supply is dependent on PV GAS.



## OPPORTUNITY (O)



- » Domestic enterprises in general and PVGas South in particular have been stepping into the sea when Vietnam is increasingly integrated with international friends. Trade agreements are becoming more and more focused on integration and global commercialization. Specifically, Vietnam and 10 other countries in the world officially signed the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP) in Chile on March 9, 2018.
- » The Company is facing big opportunities to expand investment and develop market share to many regions and in the world, especially in ASEAN countries when CPTPP officially adopted in the future.
- » The stable growth of the world economy and the possibility of a breakthrough in the Vietnamese economy will bring many opportunities for the Company to increase consumption volume and revenue.
- » The business environment is becoming more and more equal due to improvements in the Party's policies and the laws of the State. As a result, PVGas South will be able to improve its reputation, expand its customer base, and improve its production and business capabilities.

## THREATEN (T)



- » The competition in the market is more and more fierce with the participation of not only domestic enterprises but also foreign ones. PVGas South is required to have the right business strategy to maintain the Company's production capacity while building own culture, step by step to create a difference and competitive advantage in the market.
- » Trade frauds in LPG business still exist in most market sectors, while the sanctioning framework is not strong enough to challenge the PVGas South business. In the past year, strategies that apply technology in the treatment of fake gas products have been boosted by the Company and have had positive effects.
- » As a business operating in the oil and gas industry, PVGas South's revenue is directly affected by world oil prices. In 2017, the recovery prospects of oil prices have been more positive but the possibility of strong growth in prices still need to be carefully assessed, the potential risks affecting oil prices still exist.
- » In the integration period, the relevant laws will change more or less. The issue for the Company is to understand these regulations as well as the trade agreements that Vietnam participates in, and invest in the improvement, application of new science and technology into the production process to fair and healthy, step by step asserting the Company's position in the region and in the world.



Based on the strengths, weaknesses, opportunities and challenges, the Management proposed solutions to maintain the growth momentum.

## SAFETY IN PRODUCTION AND OPERATION

Maintain and continuously improve the Safety - Quality - Environment Integrated Management System.

Maintain and promote the implementation of 5S practice throughout the Company.

Regularly strengthen the supervision of security, fire safety and operate and maintain of gas works to prevent the risk of incidents and accidents, ensure equipment in the good condition situation.

Organize training courses for employees to raise awareness about environmental protection, occupational safety & health and fire & explosion prevention.

Select, transfer, apply and master modern and environmental friendly technologies into business activities.

Protect environment by using new technologies to save resources, raw materials, energy, environmental friendly.

Strengthen the internal inspection and safety inspection at all business establishments according to the regulations of the Corporation and the Company.



- » Enhance the opening of retail stores to support agents, HORECA customers and increase the level of brand identity.
- » Hire seasonal staff to support the general agent to develop the market to avoid conflict with the distribution channel.
- » Conduct M&A deals with LPG trading companies to increase competition in the industry.

Deploy seasonal sales staff together with sales staff of the Company and sales staff at the general agents, market development agents in the area. Continuously update the KPIs for seasonal staffs to match the market situation.

Continue to implement effective programs and media in 2018.

Establish the Customer Service Centers in major cities, central areas in large cities and provinces, create brand's position in the after-sales stage, contribute to increase the confidence of users.

Focus on building brand by building strategy, brand identity and investing heavily in communication to increase awareness and popularity of customers to reduce dependence on distribution agents. Build up professional marketing staffs.

The Company will focus on improving and modernizing modern technology, ensuring efficient operation of extraction stations. Invest in the tank cleaning system at the extraction stations to ensure the tank of PVGas South is always new and beautiful.

## BUSINESS ACTIVITIES

### LPG BUSINESS:

The Company will focus on improving product quality, creating brand's position: widely applied the use of LPG Cylinders protection grid and QR code electronic stamp.

Development of distribution channels:

- » Develop distribution channel in the direction of developing general agent/agent/stores. Effectively manage available distribution channels.
- » Build key distribution channels, develop strategies, policies and sales methods for the South East region.
- » Strengthen the retail market in key market areas, develop the distribution network through the development of the 2nd level agent system to create a deep and wide coverage in the market.





## SOLUTIONS (CONTINUED)



### CNG BUSINESS

Take care and regularly visit to existing customers, ensure the supply of CNG to customers is safe and continuous.

Study and apply scientific and technological advances in the use of CNG to increase the efficiency of CNG business; receive higher CNG input prices in the coming years.

Update the situation of alternative fuel sources such as FO, DO, LPG in order to advise timely and reasonably to customers.

Complete the brand identity for CNG.

Complete the planning of CNG filling stations for transport in Ho Chi Minh City and neighboring provinces, 2018-2020 with vision of 2025; This will serve as a basis for CNG development.

Promote the search for customers using CNG fuel in industry and transport in 3 main directions:

- » Direct access to customers who are using FO and LPG to negotiate, persuade them to switch to using CNG.
- » Coordinate, sign cooperation agreement with Industrial Zones Authority to invest in central gas supply stations, develop customer focus, minimize investment and operation costs.
- » Sign agreements with the Department of Trade Promotion of Embassies of other countries to invest in Vietnam (India, Korea ...) to catch new potential investors.

### CYLINDERS BUSINESS

The Company actively update information on the material production of cylinders, prepare the raw materials to ensure the production schedule and supply cylinders to the Corporation and customers.

Upgrade the factory following the Smart Factory model to reduce production costs, create competitive advantage over other competitors and initiating the need for maintenance and repair of cylinders in the coming years.

Take initiative in finding new customers in the country and overseas.

### RESTRUCTURE BUSINESS MANAGEMENT MODEL

Continue to focus on restructuring the whole Company in the direction of high specialization, reducing many central management layers in order to exploit business opportunities, improve efficiency, rearrange personnel to streamline the organization and cut costs.

Restructure the entire sales system according to the professional model, control the system in each period appropriate to serve the end users. Take advantage the system to diversify other product lines the same distribution channel, serve the same people, recruit appropriate and highly qualified personnel with the system of market compensation payment.

Accelerate the application of information technology in management through Distributor Management System (DMS), Customer Relationship Management (CRM).

Access to new technology and focus on diversification of products, especially the cylinder to serve the different needs of residential and industrial customers.

Concentrate on leading the consumption gas market through the effective implementation of M&A strategy.



### FINANCE - ACCOUNTING

Take advantage the credit capital of financial institutions, capital sources of Corporations and Groups to ensure capital for investment, production and business demands.

Strictly control the cost of goods and services at reasonable prices. Organize the inspection and supervision to promptly correct matters arising.

Review operation costs to reduce costs and prices to increase competitiveness with other brands and increase production efficiency.

Focus on the recovery of debts, not to overdue debts.

### HUMAN RESOURCE DEVELOPMENT - TRAINING

Arrange and employ reasonable laborers, not recruit labor when the volume of work does not increase.

Develop training plans linked to production and business tasks, propose personnel to attend training courses for the right people in accordance with the requirements of each job title.

Develop the compensation policy for each function and task and the capacity of each department, staff.

Build, maintain and develop young, dynamic and creative human resources.



## 2018 BUSINESS PLAN

### BUSINESS ACTIVITIES

| No. | Item             | Unit                | 2017 Actual | 2018 Plan | Compared |
|-----|------------------|---------------------|-------------|-----------|----------|
| 1   | LPG              | Tons                | 284,158     | 296,955   | 104.5%   |
| -   | Industrial LPG   | Tons                | 109,766     | 100,000   | 91.1%    |
| -   | Residential LPG  | Tons                | 174,392     | 196,955   | 112.9%   |
| 2   | New LPG Cylinder | Cylinder            | 371,524     | 370,000   | 99.6%    |
| 3   | CNG              | Mil Sm <sup>3</sup> | 123.9       | 125       | 100.9%   |

### FINANCIAL

| No. | Item              | Unit        | 2017 Actual | 2018 Plan | Compared |
|-----|-------------------|-------------|-------------|-----------|----------|
| 1   | Total revenue     | Billion VND | 6,101.5     | 5,927     | 97.1%    |
| 2   | Profit before tax | Billion VND | 138.2       | 136       | 98.4%    |

### INVESTMENT IN BASIC CONSTRUCTION

| No.      | Item                                         | Unit               | Accumulated disbursement | Plan in 2018 |
|----------|----------------------------------------------|--------------------|--------------------------|--------------|
| <b>1</b> | <b>Disbursed capital</b>                     | <b>Billion VND</b> | <b>69.2</b>              | <b>308.7</b> |
|          | Basic construction and Equipment procurement | Billion VND        | 69.2                     | 298.7        |
|          | Equipment procurement                        | Billion VND        | -                        | 10.0         |
| <b>2</b> | <b>Capital</b>                               | <b>Billion VND</b> |                          | <b>308.7</b> |
|          | Owner's equity                               | Billion VND        | 20.7                     | 99.6         |
|          | Loans and other                              | Billion VND        | 48.4                     | 209.1        |

### NEWLY STARTED PROJECTS

| No. | Project                                                                                         | Unit        | Plan of disbursement in 2018 |
|-----|-------------------------------------------------------------------------------------------------|-------------|------------------------------|
| 1   | Relocation of VTGas's LPG storage and gas station at Dong Nai Port                              | Billion VND | 35                           |
| 2   | Removing and upgrading the paint line of the gas cylinder in the West                           | Billion VND | 9                            |
| 3   | Upgrading of Binh Phuoc LPG station                                                             | Billion VND | 8                            |
| 4   | Renovation of Tay Ninh LPG extraction station                                                   | Billion VND | 10                           |
| 5   | Renovation, repair, upgrading, relocation of warehouses and stations for the entire PVGAS South | Billion VND | 21                           |
| 6   | Renovation and expansion of CNG system for 02 existing customers (Nam Kim 03 and Vina One)      | Billion VND | 23,1                         |
| 7   | Pipeline, CNG equipment for 03 new customers (Viet Thanh Steel, Yu Yang Textile, Zahomero VN)   | Billion VND | 15                           |
| 8   | CNG Gas Supply Station for 03 new customers                                                     | Billion VND | 33.2                         |
| 9   | Central CNG station in Long Giang                                                               | Billion VND | 24.1                         |
| 10  | CNG station for transportation of bus station Dist. 8                                           | Billion VND | 15.8                         |
| 11  | CNG station for transportation in Tan Phu Dist.                                                 | Billion VND | 15.8                         |
| 12  | CNG station for transportation in 23/09 Park                                                    | Billion VND | 15.8                         |
| 13  | CNG station for transportation in Cho Lon bus station                                           | Billion VND | 25.2                         |
| 14  | CNG station for transportation in Cu Chi bus station                                            | Billion VND | 15.8                         |

### SALARY AND TRAINING

| No.      | Item                        | Unit                 | 2017 Actual  | 2018 Plan    | Compared    |
|----------|-----------------------------|----------------------|--------------|--------------|-------------|
| <b>1</b> | <b>Labor and salary</b>     |                      |              |              |             |
|          | Average number of employees | Person               | 985          | 985          | 100%        |
|          | Average salary              | Mil VND/person/month | 14.1         | 14.5         | 103%        |
| <b>2</b> | <b>Training</b>             | <b>Participant</b>   | <b>1,669</b> | <b>2,218</b> | <b>132%</b> |
| <b>3</b> | <b>Training cost</b>        | <b>Bil VND</b>       | <b>3.34</b>  | <b>3.16</b>  | <b>94%</b>  |



# IMPRESSION OF STRATEGIC THINKING

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## REPORT OF THE BOARD OF DIRECTORS

In 2017, the BOD has fulfilled roles and responsibilities in accordance with the Company's regulations, Charter and in accordance with the law. In particular, BOD focused on 4 key tasks:



In 2017, the BOD held 01 Annual General Meeting of Shareholders, 04 regular meetings of BOD and several written comments from BOD members to consider and timely resolve the tasks of BOD in 2017.

### Some of the Resolutions / Decisions issued by the BOD in 2017 are as follows:

| No. | Number of Resolutions / Decisions | Date       | Content                                                                                                                                                                                                                                                                       |
|-----|-----------------------------------|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1   | 01/NQ-KMN                         | 10/01/2017 | Approved the adjustment of PV Gas South's revenue for the year 2016                                                                                                                                                                                                           |
| 2   | 02/NQ-KMN                         | 20/01/2017 | BOD's regular meeting in QIV/2016; Approved the report on business results in 2016; Approved the final registration date to exercise the right to attend the AGM and the date of participating AGM in 2017; Approved the establishment of the Organizing Board of AGM in 2017 |
| 3   | 05/NQ-KMN                         | 20/03/2017 | Approved the Plan for business results in 2017 of the Company                                                                                                                                                                                                                 |
| 4   | 06/NQ-KMN                         | 21/04/2017 | BOD's regular meeting in QI/2017: Approved documents submitted to AGM in 2017                                                                                                                                                                                                 |
| 5   | 218/QD-KMN                        | 09/05/2017 | Approved the establishment of Branch and appointment of the head of Eastern Branch in Binh Thuan                                                                                                                                                                              |
| 6   | 08/NQ-KMN                         | 17/05/2017 | Approved the remaining dividend payment in 2016                                                                                                                                                                                                                               |
| 7   | 327/QD-KMN                        | 29/06/2017 | Approved the establishment of Branch and appointment of the head of Central Branch in Quang Nam                                                                                                                                                                               |
| 8   | 09/NQ-KMN                         | 20/07/2017 | BOD's regular meeting in QII/2017: Approved the report on business results in the first 6 months of 2017, the mission of the business plan in the last 6 months of 2017.                                                                                                      |
| 9   | 385/QD-KMN                        | 07/08/2017 | Approved the establishment of Branch and appointment of the head of Western Branch in Long An.                                                                                                                                                                                |
| 10  | 408/QD-KMN                        | 18/08/2017 | Closing the operation of Vietnam Liquefied Petroleum Gas One Member Company Limited                                                                                                                                                                                           |
| 11  | 10/NQ-KMN                         | 05/10/2017 | The BOD's regular meeting in QIII/2017: Approved the report on business results in the first 9 months of 2017, the mission of the business plan in the last 3 months of 2017; Approved the dividend payment of the first phase in the year 2017.                              |







## REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

### MEMBERS OF THE BOARD OF DIRECTORS

The BOD maintained operation in accordance with the law, the Charter and the regulation of the Company. The BOD has 5 members, all members have knowledge, skills and experience in the oil and gas industry in order to ensure the highest efficiency.

The composition of the BOD and the number of shares held/represented are shown in the table below:

| No. | Full name           | Position                  | Number of holding shares | Number of shares represented for PV GAS | Ratio/Charter Capital |
|-----|---------------------|---------------------------|--------------------------|-----------------------------------------|-----------------------|
| 1   | Mr Do Tan           | Chairman                  | 0                        | 6,376,073                               | 12.75%                |
| 2   | Mr Vu Quy Hieu      | Member of BOD             | 0                        | 6,355,506                               | 12.71%                |
| 3   | Mr Tran Van Nghi    | Member of BOD             | 0                        | 1,900,000                               | 3.80%                 |
| 4   | Ms Nguyen Minh Ngoc | Fulltime Member of BOD    | 0                        | 3,000,000                               | 6.00%                 |
| 5   | Mr Ha Anh Tuan      | Independent Member of BOD | 13,157                   | 0                                       | 0.03%                 |

**Committees of the Board of Director:** None

#### Participation in Management Training Courses of the BOD's members

All members of the BOD and the BOM (including those from the Secretary and above) have corporate governance certification.

### BOD'S ACTIVITIES IN 2017

The BOD consists of 5 members, including 01 Chairman, 02 members, 01 full-time member and 01 independent member.

In 2017, the BOD conducted 10 meetings, 11 times seeking consent in writing. The BOD issued Resolutions and Decisions with the following important contents:

#### Q1/2017

- » Approved the adjustment of PV Gas South's revenue for the year 2016.
- » Approved the business results in 2016.
- » Approved the final registration date to exercise the right to attend the AGM and the date of participating AGM in 2017.
- » Approved the establishment of the Organizing Board of AGM in 2017.
- » Approved the Company's 2016 salary fund.
- » Approved the close the operation of Vietnam Liquefied Petroleum Gas One Member Company Limited in Da Nang.
- » Approved the Plan for business results in 2017 of the Company and Branches of the Company.

#### Q2/2017

- » Approved and issued salary and compensation policies of the Company.
- » Approved documents submitted to AGM in 2017.
- » Approved the working capital limit for business activities in 2017 of the Company.
- » Approved and issued regulations on decentralization of investment decisions and management of bidding.
- » Approved the establishment of Branch and appointment of the head of Eastern Branch in Binh Thuan.
- » Approved the remaining dividend payment in 2016.
- » Approved and issued Company's safety reward policy.
- » Approved the personnel plan of the Company for the period of 2017 - 2021.
- » Approved the establishment of Branch and appointment of the head of Central Branch in Quang Nam.

#### Q3/2017

- » Approved the report on business results in the first 6 months of 2017, the mission of the business plan in the last 6 months of 2017.
- » Approved the establishment of Branch and appointment of the head of Western Branch in Long An.
- » Approved the close the operation of Vietnam Liquefied Petroleum Gas One Member Company Limited.

#### Q4/2017

- » Approved the report on business results in the first 9 months of 2017, the mission of the business plan in the last 3 months of 2017.
- » Approved the payment of cash dividend of the first phase in the year 2017.
- » Approved the personnel work at branches under the Company.
- » Approved the reappointment of Chief Accountant of Dong Nai Branch.
- » Approved and issued the Regulation on salary payment, bonus payment and remuneration for the BOD, BOM, BOS of the Company.
- » Approved the Salary Fund of the Company for the plan in 2017.



## REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

### ACTIVITIES OF INDEPENDENT MEMBER OF BOD

- » The BOD's members participated in all meetings. With their experience, provided comments, consultations in strategic direction as well as supervision and administration work,...
- » In general, in 2017, the oil and gas market has prospered together with optimistic outlook of the world economy and in the country. However, the fast and strong fluctuation of the oil price made business management and planning, business plan encountered many difficulties.
- » In this context, the BOD made great efforts to help the Company overcome the business plan entrusted by the AGM. The corporate governance system was constantly improved, met regulatory standards, actively rearranged the organizational structure for the highest efficiency. The BOD and BOM had been active in the spirit of high professionalism, devotion and transparency for the benefit of the Company and shareholders.

### INVESTOR RELATIONS (IR)

- » Responsibility for shareholders was always focused by the BOD for many years. In 2017, the BOD continued to direct the disclosure of information to shareholders in accordance with the current regulations of the Ministry of Finance and the State Securities Commission. For events affecting the price of PGS shares, the BOD ensured timely and accurate transmission of information to shareholders and the investor community.
- » Regularly updated the Website of the Company, posted information related to the management and operation of the Company's business on the Company's Website.
- » The Company always fulfilled its tax obligations and other financial obligations in accordance with the law, ensured the balance and harmony of the interests of the parties with a high consensus between the shareholders and the employees.



In 2017, the Company paid a total dividend of

**90 billion VND**

including the remaining dividend of 2016 at the rate of 8% of chartered capital (40 billion VND) and first phase dividend in 2017 with the rate of 10% of charter capital (50 billion VND).



### EVALUATION OF THE BOD ABOUT BUSINESS ACTIVITIES

#### Management, supervision of the operation of the BOM and Management

The members of the BOD carried out the task of directing and supervising the operation of the BOM, specifically as follows:

- » Attended and directed in the important BOM's meetings on the implementation of resolutions and decisions of the BOD, or on the preparation of projects and projects to submit to the BOD.
- » Attended and had guidance in regular BOM's meetings.
- » Monitored and undertook the process of business activities, through the reports, the document that sent to the BOD by BOM.
- » Directly directed and commented with BOM on some important issues arising in the process of business activities.

General evaluation, the BOD always directed to the modern governance standards of joint stock company, this work actually in the past year achieved results, meet the requirements in accordance with the provisions of the Public Charter Company's operating regulations and the provisions of law. The supervision, prompting, sharing of the BOD helped the BOM

implement the resolutions and decisions of the BOD quickly in time and the business of the Company stable and efficient.

As monitoring business activities of the BOM, the BOD evaluated in 2017 BOM implemented well the strategies, resolutions and decisions of the BOD, together with the leadership of the Company, contributing significantly to the business results of the Company in 2017.

#### Evaluation of the business performance of the Company in 2017

In 2017, the strong recovery of global oil prices brought new wind to the natural gas market. Specifically, the average price of LPG in 2017 reached 17,683 VND/kg, increased by 17.68% compared to 2016. CNG prices also reached a strong recovery of 26.3% compared to the average price of 2016.

Along with the advantages, the challenges remained when oil prices fluctuated quite strong in the past year, causing difficulties in negotiating input and output gas prices. The strong recovery of oil prices also created some disadvantages in finding new customers.

However, with the business and market approach was reasonable, the continuous efforts of the BOD and all employees, the Company exceeded all targets of business plan entrusted by the AGM.

#### Output volume and financial situation



##### LPG VOLUME REACHED

**284,158** tons

EXCEEDED 3.8% OF ANNUAL PLAN



##### CYLINDERS VOLUME WAS

**371,524** cylinders

EXCEEDED 6.1% OF ANNUAL PLAN



##### CNG VOLUME REACHED

**123.9** million Sm<sup>3</sup>

EXCEEDED 7.7% OF ANNUAL PLAN



##### NET REVENUE REACHED

**6,090.9** billion VND

EXCEEDED 28.3% OF ANNUAL PLAN



##### PROFIT BEFORE TAX REACHED

**138.2** billion VND

EXCEEDED 10.4% OF ANNUAL PLAN



##### PROFIT AFTER TAX / CHARTERED CAPITAL REACHED

**21.9 %**





## REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

### BUSINESS ACTIVITIES

#### LPG Business

- » Developed of LPG retailing in the market of PVGas South, focused on business development towards direct consumption customers to increase business efficiency.
- » Promoted marketing activities, enhanced the brand identity of PETROVIETNAM GAS/Gas Dau khi / VT - Gas.
- » Strengthen the work of counterfeit goods such as the application of electronic price tags traceability, integrated QR Code.
- » Applied new and modern LPG trading solutions such as gas calling application to facilitate and respond quickly to consumers, helped consumers to control the origin of products as well as update the promotion, reward points. The application of this new application not only improved the trust of customers but also improved management effectiveness for LPG business activities.
- » Diversify products to meet consumer demand: 6 kg gas bottle for students and workers, plastic net protect gas tank 12 kg for fishermen use on board.

#### CNG Business

- » Continued to seek and promote the development of the CNG market. In 2017, the Company supplied gas for 7 new customers, negotiated and signed with 6 customers. In the process of negotiating with many industrial customers and industrial parks to promote market share and develop customers in the direction of diversification of the industry.
- » Supplied CNG for the Transportation Sector, the Company negotiated raising gas prices.

#### Cylinder Business

- » Focused on the production of cylinders to meet the needs of internal customers and improved the repair system to meet the needs of the market for the coming period.
- » Promoted the seek new customers in the domestic and overseas markets such as Bangladesh and Southeast Asian Markets.
- » Signed maintenance contract for Total Gas VN, Saigon Petro, Sopot Gas One, ... average about 40,000 cylinders/month.

### ADMINISTRATION

- » Applied and gradually improved KPIs for market development tem-staff to ensure fairness and encourage them to make good sales.
- » Implemented 5S: Completed implementation of 5S Practice Program at the Company Office, Dong Nai Branch, Gas Cylinder Branch.

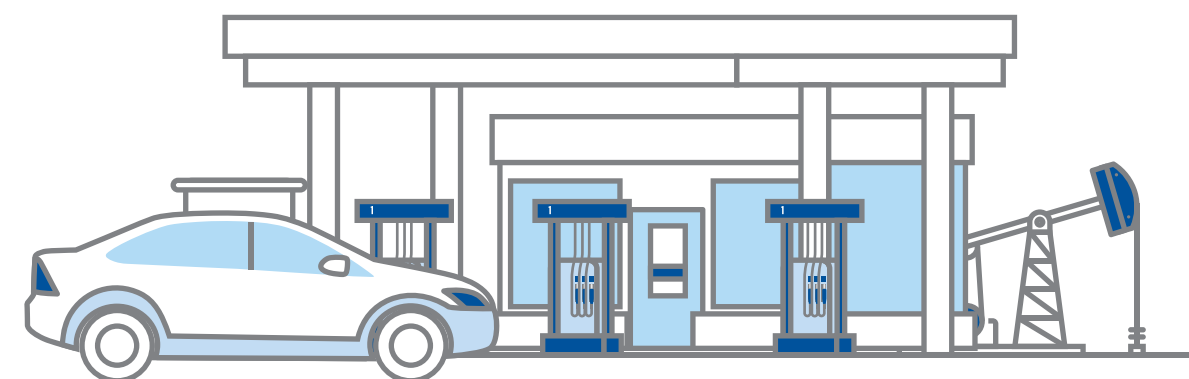


### SAFETY ACTIVITIES

- » In the past year, the Company ensured security and safety at warehouses, stations, transportation and distribution systems of LPG, CNG and gas cylinders. Helped to ensure continuous production safety and meet customer needs.
- » Updated the training materials, upgraded the Safety-Quality-Environment Management System with standards in 2015.
- » Carried out the inspection, testing and calibration of 100% of machinery, equipment and materials with strict requirements on labor safety, labor hygiene and calibration of measuring devices according to legal requirements.
- » Training was monitored and fully implemented. Safety training activities 1, 2 and 3 were fully implemented and recruited annually.

### FINANCE

- » Enhanced business administration. Established, reviewed and updated production and business norms in accordance with the Company's operations.
- » Controlled, reduced costs and enhanced debt management to increase business efficiency for the Company.
- » Enhanced debt supervision, minimize bad debt generation, ensured benefits for the Company. Collaborated with Sales Dept. to periodically assess the financial capability - activities of customers.
- » Ensured the capital source, meet the obligations of payment with partners, ensured Company's prestige and business activities.





## REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

### INVESTMENT AND CONSTRUCTION

- » Project "Storage and LPG Extraction Station in Ca Mau": Completed the finalization in July 2017.
- » Project "Extension and upgrading of Storage and LPG Extraction Station in Can Tho": Completed and finalized in July 2017.
- » Project "Relocation of the LPG Dat Do Station - Ba Ria - Vung Tau to Binh Thuan": Completed and put into operation in November 2017.
- » Project "Renovation and upgrading of CNG station for transport vehicles at National University - Thu Duc": Completed and finalized in December 2017.
- » Project "Relocation of Storage and LPG Extraction Stations of VT Gas in Dong Nai" was adjusted and finalized investment projects according to new ground, adjusted total investment. Transitted to the 2018 plan.
- » Project "Renovation and upgrading of AGas LPG extraction station Vung Tau": Completed and put into operation in December 2017.
- » Project "Upgrading CNG My Xuan Compressor Station": Completed and put into operation in January 2018.
- » Project "Upgrading CNG Hiep Phuoc Compressor Station": Completed and put into operation in January 2018.
- » Project "Upgrading the gas tank repair line of Gas Cylinder Factory" : and put into operation in December 2017.
- » Project "Buying nitrogenous fertilizer at Tra Noc Can Tho Industrial Zone" : Completed in September 2017.
- » Project "Renovation, repairing and upgrading of Storages and Stations entire the Company" : Completed and put into operation in December 2017.

### ACHIEVEMENTS AND AWARDS IN 2017

In 2017, with good and stable business results, PGS shares attracted the attention of investors in the stock market, with high value, and the Company received many titles, prizes awarded by prestigious organizations in the past year, specifically as follows:



As one of the

# 30

**BEST CORPORATE  
GOVERNANCE OF THE  
HNX 2016-2017**



and one of the

# 30

**Companies  
MOST TRANSPARENT**

of the Hanoi Stock Exchange from  
2013 to 2016



CONTINUING SUCCESSFULLY  
IN 2013, 2014, 2015, 2016, 2017,  
THE COMPANY WON THE

**Top 30  
BEST ANNUAL REPORT  
IN 2016**

organized by the Ho Chi Minh City Stock  
Exchange and the Securities Investment  
Review. This was the fifth time the Company  
won this award.

### BOD'S PLAN AND ORIENTATIONS FOR THE YEAR 2018



The world economy is expected to remain stable in 2018. Investment, manufacturing and trade are expected to maintain a positive recovery. According to the World Bank, GDP growth rate of the world economy could increase to 3.1% amidst the possibility of increasing global production capacity.

However, the growing picture still contains the potential risks from (1) the limitation of stimulus measures of many developed countries after the crisis, (2) tightening monetary policy, increasing the interest rate of the US economy, along with (3) the possibility of commercial warfare when the US will strengthen trade protectionism.

Therefore, economic growth will have a strong divide between national groups in the world. The world's leading growth driver will come from emerging markets and developing economies, with a forecast of a GDP growth rate of 4.5% due to growth potential in the exporting countries raw materials. Vietnam's economy is expected to benefit from this diversification trend when converging to its full potential to maintain Asia's highest economic growth potential. However, in order to maintain sustainable economic growth, the domestic economy also needs to pay attention to potential risks from rapid growth such as inflation, sort of young labor and issues related to the environment.

Along with the potential for economic growth, the gas industry in 2018 will continue to wait for more optimistic

signals of the oil and gas market. The global oil prices strongly recover over the past year and are expected to continue to prolong the recovery trend in 2018. The recovery of global oil prices will support the ability to increase margins and profits, forecast future growth of the Company.

In addition to supporting factors, the gas market is still facing difficulties that can not be solved thoroughly due to commercial fraud in LPG business still exist in most market sectors.

With the general trend of such situation, in order to ensure the fulfillment of the tasks of the plan in 2018, the BOD determine the main contents as follows:

- » Continue to improve and maintain activities of the BOD in accordance with the provisions of the law and regulations of the Company. Build and improve the BOD according to international standards.
- » Maintain regular meetings in accordance with regulations and organize extraordinary meetings when necessary to deal with matters falling under the authority of the BOD and attend to all meetings of the BOM as prescribed or approved by the BOD or be invited to the management team to handle timely work. Responsibility for shareholders will continue to be emphasized by the BOD.





## BOD'S PLAN AND ORIENTATIONS FOR THE YEAR 2018 (CONTINUED)

- » Urge, supervise the implementation of Resolutions and Decisions of the BOD. Enhance the direction and supervision of the operation of the BOM, the business situation in order to support and guidance in time and quickly.
- » Focus on directing the BOM and all employees to complete the objectives, production plan set out in the Resolution of AGM.
- » Orientation of business development and development of human resources towards sustainable, quality and efficiency, completion of business plan approved by the AGM as follows:
  1. Develop flexible response plans for oil and gas market fluctuations. Improve the efficiency of using costs to increase competitiveness. Together with the BOM to work with affiliated branches to remove difficulties and create conditions for the Branch to complete tasks in 2018.
  2. Ensure the security and safety in business activities of the Company.
  3. Strive to complete and exceed the objectives of 2018 of the development strategy retail LPG of Vietnam Gas Corporation under the rapid growth plan in the South and South Central. In addition to the business solutions in progress, the Company will increase the M&A activities of LPG stores, speed up market expansion.
  4. Increase the efficiency of CNG business activities and production of gas cylinders.
  5. Review the management apparatus of business activities, stream the machinery and raise the efficiency of operation.
  6. Continue to promote cost control in accordance with the workload and plan approved by the AGM. Carry out cost reduction in all activities. This will reduce the cost of CNG business activities (excluding gas purchase costs) by at least 5%.
  7. Monitor and evaluate of investment projects in accordance with the current regulations of the State, the Group and the Corporation.
  8. Review, calibrate, determine the necessary capacity and organize training to ensure that 100% employees have sufficient capacity to perform the task (as required by law, understand the machinery and equipment, understanding of management regulations, proficiency in professional procedures, operation procedures, maintenance, repair etc)
  9. Enhance the training of human resources, improve professional skills to increase the efficiency of work. Take control and develop incentive policies that encourage employee motivation.
  10. Encourage and promote the creativeness of all employees in business activities.
  11. Encourage and promote the creativeness of all employees in business activities:
    - » Complete the finalization of projects: Upgrading of My Xuan CNG Compressor Station, Upgrading of Hiep Phuoc CNG Compressor Station, Upgrading of Gas Cylinder Factory's Refining Painting Line, Binh Thuan LPG Extraction Station ... in Q3/2018.
    - » Invest in the project of relocation and storage of LPG of VTGas at Dong Nai port.
    - » Remove, upgrade the paint line of the gas cylinders in the West, expected completion in Q4/2018.
    - » Upgrade of Binh Phuoc LPG Extraction Station, expected to be completed and put into use in Q4/2018.
    - » Remove of Tay Ninh LPG Extraction Station, expected to be completed and put into use in Q4/2018.
    - » Renovate, repair, upgrade, relocate of warehouses and stations for the entire KMN, expected to be completed and put into use in Q4/2018.
  12. Invest in CNG supply projects for industrial customers and CNG stations for transport according to the practical situation of production and business, ensuring high economic efficiency.



## STRUCTURE OF THE BOARD OF SUPERVISORS

| No. | Fullname             | Position    | Number of holding shares | Owner ratio |
|-----|----------------------|-------------|--------------------------|-------------|
| 1   | Ms Nguyen Thuc Quyen | Head of BOS | 14,473                   | 0.029%      |
| 2   | Mr Pham Tuan Anh     | Member      | 0                        | 0%          |
| 3   | Ms Tran Thi Thu Hien | Member      | 6,578                    | 0.013%      |

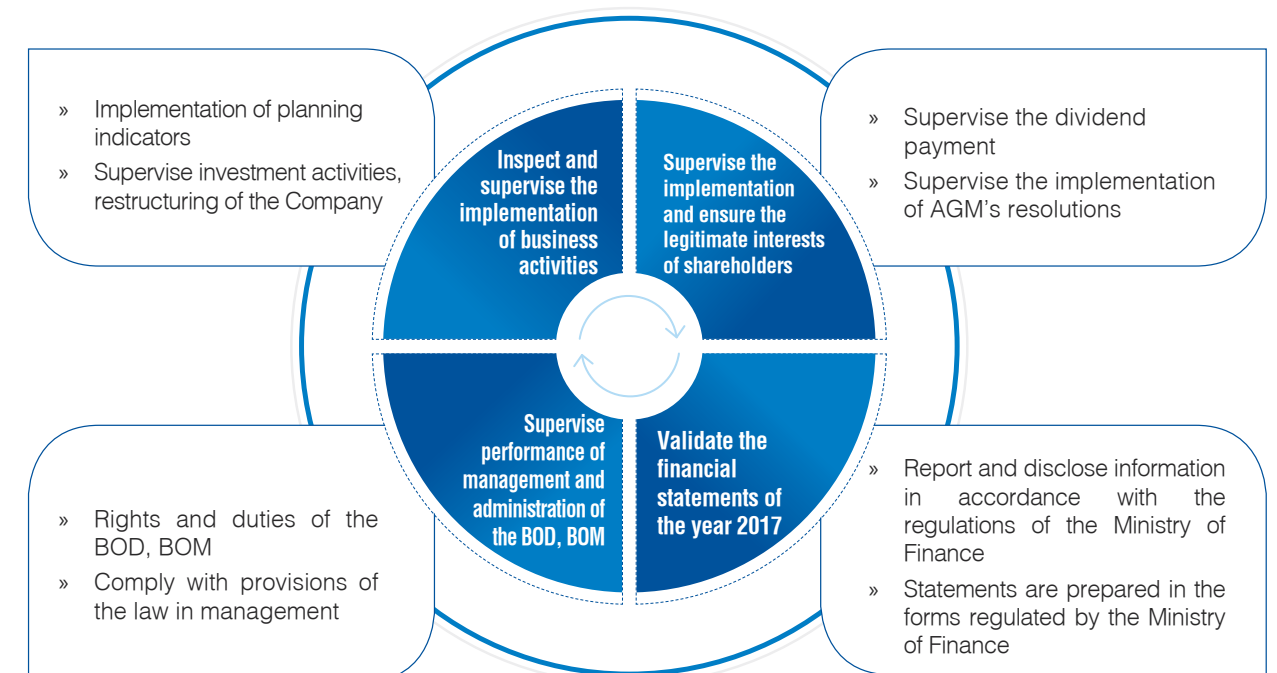
## ACTIVITIES OF BOARD OF SUPERVISORS IN 2017

Pursuant to the powers and duties of the BOS stipulated in the Law on Enterprises, the Charter of the Company and the tasks assigned by the BOS approved by the AGM in 2017, follow up the mission plan approved by the AGM to supervise, monitor and supervise the implementation and reporting of the Company, especially the BOD and the BOM, to the extent of their duties and rights specified in the Law on Enterprises and the Charter of the Company. Specifically:

- » Supervise compliance with the Charter of organization and operation of the Company, comply with the current law. Inspect and supervise the implementation of production and business plans. Supervise the implementation of Resolutions of the AGM.
- » Verify financial reports quarterly and yearly, ensure accuracy and transparency in the reports. Assist the BOD in analyzing and evaluating the financial position, ability to preserve and develop the capital of the Company.
- » Monitor, inspect and supervise the system in order to capture the current status and effectiveness

of the Company, help detect and remedy the shortcomings in the system of management, operation and control system. On a quarterly basis, the BOS shall draw up a plan on inspection, supervision and assignment of responsibilities to each member according to each domain, conduct the inspection and supervision according to the set plans and sum up the Supervision Report.

- » In 2017, the BOS has coordinated with the inspection team of the Company to supervise the units in the Company, check and assess the compliance with the regulations on financial management of the State and internal control processes related to financial management throughout the Company. At the end of the year, BOS's members supervise the inventory of assets and assets at the end of the year at the units of the Company.
- » Participate in supervising the inventory of financial capital at the units in the Company. Supervision is also carried out through inspection and audit results of state management agencies and higher levels such as internal audit of the Corporation.

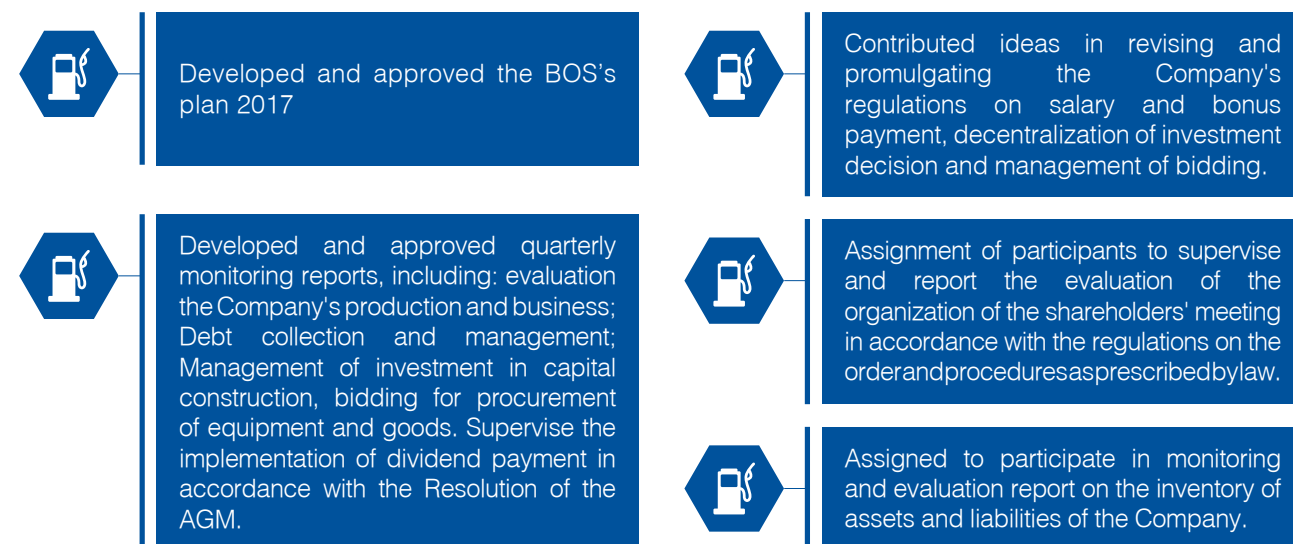




## REPORT OF BOARD OF SUPERVISORS (CONTINUED)

### SUMMARY OF THE MEETINGS OF THE BOARD OF SUPERVISORS

In 2017, the BOS held 4 regular meetings and 1 extraordinary meeting to elect the Head of the BOS. The contents of the meetings included:



### RESULTS OF SUPERVISION IN 2017

#### Business activities in 2017

Unit: Bil VND

| No. | Item                    | Actual in 2017 | Actual in 2016 |
|-----|-------------------------|----------------|----------------|
| 1   | Net revenue             | 6,090.9        | 4,971.9        |
| 2   | Gross profit            | 1,125.7        | 941.0          |
| 3   | Operating profit        | 137.0          | 420.5          |
| 4   | Other income            | 1.2            | 2.0            |
| 5   | Profit before tax       | 138.2          | 422.6          |
| 6   | Profit after tax        | 109.8          | 341.7          |
| 7   | Earning per share (VND) | 1,695          | 6,334          |

### Implementation of the 2017 business plan

| No. | Item                        | Plan in 2017 | Actual in 2017 | % Plan/Actual |
|-----|-----------------------------|--------------|----------------|---------------|
| 1   | Total net revenue (bil VND) | 4,745.6      | 6,090.9        | 128%          |
| 2   | Profit before tax (bil VND) | 125.2        | 138.2          | 110%          |

#### Implementation of planning indicators

Compared with the targets of production and business plan in 2017 by the AGM: The production targets exceeded the plan. Specifically: LPG production reached 103.8% of planned volume, CNG reached 107.7% of planned volume.

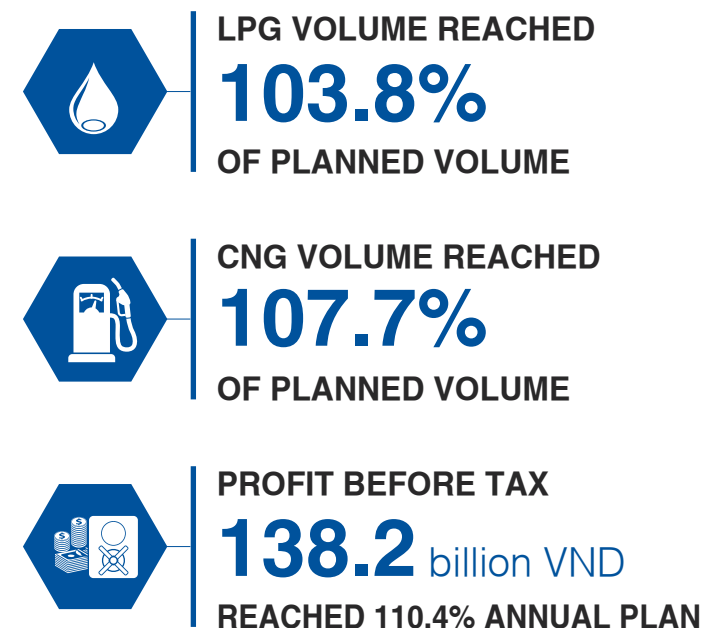
The financial targets in the business plan in 2017 by the AGM was built on the basis of oil prices 50 USD/barrel, LPG price 376.5 USD / MT. In fact, in 2017, average oil price was 54 USD/barrel, price was about 323 USD/MT (72% of plan).

Compared with the financial targets in the plan: Revenue reached 6,090.9 billion, equaling 128% of the plan in 2017, profit before tax was 138.2 billion, reached 110.4% annual plan.

Compared with the results of production and business in 2016, the results recorded the growth in production targets and turnover, especially the target profit before tax decreased compared with 2016 because in 2016 the Company has profit from capital transfer and dividends about 330 billion VND.

Investment in construction and procurement of equipment is carried out on schedule and promptly put into operation to meet production and business requirements. Details:

- » Complete and put into operation the following projects: "Relocation of LPG Dat Do, Ba Ria to Binh Thuan", Project "Renovation and upgrading of CNG station for transportation vehicles at VNU", Project " Relocation, upgrade the AGas extraction station in Vung Tau", the project "Upgrade the paint line of Gas Cylinder Factory", the project "Renovation, repair and upgrading of depots and stations of the Company".



- » Continue to construct and complete the project "Upgrading CNG My Xuan compressor station", "Upgrade CNG Hiep Phuoc compressor station".
- » Completion of payment for project "Ca Mau LPG depot and extraction station", project "Extension and upgrading of Can Tho LPG depot and storage".
- » Works were implemented in accordance with the Law on Procurement, the regulations on quality management, the management of construction costs. Currently, the works were completed procedures for finalization of investment capital of works completed in accordance with regulations.

### Supervise the implementation of AGM's resolutions and ensure the legitimate interests of shareholders

- » The Company paid the remaining dividend in 2016 of 8%/chartered capital in cash in accordance with the Resolution of the AGM approved in 2016; The first dividend in 2017 is 10%/chartered capital in cash.
- » The Resolutions and Decisions of the BOD have complied with the Charter of the Company and the Resolution of the BOD. Resolutions and Decisions of the BOD implemented by the BOM in accordance with the requirements.





## REPORT OF BOARD OF SUPERVISORS (CONTINUED)

### Results of 2017 financial statement verification

#### Financial ratios

| No.        | Item                              | Unit | 31/12/2017 | 31/12/2016 |
|------------|-----------------------------------|------|------------|------------|
| <b>I</b>   | <b>Assets Structure</b>           |      |            |            |
| 1          | Long-term Assets / Total Assets   | %    | 49.52      | 50.81      |
| 2          | Short-term Assets / Total Assets  | %    | 50.48      | 49.19      |
| <b>II</b>  | <b>Capital Structure</b>          |      |            |            |
| 1          | Liabilities / Resources           | %    | 58         | 57         |
| 2          | Owner's equity/ Resources         | %    | 42         | 43         |
| <b>III</b> | <b>Liquidity ratios</b>           |      |            |            |
| 1          | Quick ratio                       | Time | 0.83       | 0.90       |
| 2          | Current ratio                     | Time | 0.96       | 1.01       |
| <b>IV</b>  | <b>Profitability ratios</b>       |      |            |            |
| 1          | Profit after tax/ Total Assets    | %    | 4.8        | 15.18      |
| 2          | Profit after tax / Owner's equity | %    | 11.41      | 35.3       |

The Company made and published the periodical financial report in accordance with the regulations of the SSC. The report is presented in the form prescribed by the Ministry of Finance.

The financial statements of the Company have been accurately and completely reflected in the financial position of the Company as at 31 December 2017. The results of business operations in 2017, the situation of cash flow Comply with the current Vietnamese accounting system and relevant legal regulations. To record, open accounting books, classify economic contents according to the accounting standards promulgated by the Ministry of Finance.

The Company has periodically reported and disclosed information on the Hanoi Stock Exchange (HNX) in accordance with the regulations of the Ministry of Finance on the disclosure of information on the stock market.

The financial indicators showed that the financial situation of the Company in 2017 was healthy and the ability to pay debts was guaranteed. The Company preserved, developed capital, the profit ratio reached the plan.

The Company's 2017 financial statements have been audited in accordance with the Company's Charter and the General Meeting of Shareholders' Resolution 2017, conducted by Deloitte Vietnam Limited.

### Implement dividend payment plan and other resolutions of the AGM

The Company paid the remaining dividend in 2016 of 8%/chartered capital in cash in accordance with the Resolution of the AGM approved in 2017. Cash dividend for 2017 was 10%/chartered capital.

Other contents were implemented in accordance with the Resolutions of the AGM

### Results of monitoring the performance of management and tasks of the BOD and the BOM

Review the BOS's oversight of the management and administration tasks of the BOD and BOM, in the past year, BOD and BOM strictly performed their duties and authorities in accordance with the regulations. Regarding the responsibilities, obligations and transaction activities

of managers and related persons, in 2017, the BOS did not record any violations of the regulations on responsibilities and obligations of the Company's BOD. Transactions with managers and related persons are fully disclosed in accordance with the law.

The BOD and BOM also supported and facilitated the BOS to perform their duties and responsibilities. BOM meetings have the presence and supervision of the BOS. Opinions of the BOS on BOD and BOM were fully and timely reflected.



#### Results of monitoring the performance of management tasks of the BOD

The BOD held regular and extraordinary meetings in accordance with Charter of the Company.

The BOD issued Resolutions and Decisions related to the Company's activities within the scope of their responsibilities and competence. Resolutions and Decisions of the BOD issued in accordance with the order, in accordance with the authority and in accordance with the legal basis in accordance with the law and the Charter of the Company. In 2017, the BOD discussed and decided on some important issues related to the Company's operations. The BOS assessed the performance of the BOD in a timely manner to meet the Company's production and business requirements in the year of 2017.

The BOD supervised the activities of the BOM in implementing the resolutions of the AGM, the Resolutions, Decisions of the BOM and production and business activities of the Company. Coordinating with the BOM to direct and manage all activities of the Company contributing significantly to the completion of production and business plan in 2017 according to the Resolution of the AGM.



#### Results of monitoring the performance of management tasks of the BOM

BOM fully implemented the Resolutions of the BOD, strictly exercised other rights and duties in accordance with the Company's Charter and the Laws. Completed in excess of the assigned production and business plan.

The BOM strictly exercised their rights and obligations with a high sense of responsibility for the legitimate interests of the Company and shareholders. Specifically, the Company's leaders taken measures to preserve capital such as: Buy full property insurance, goods. Debt collection work is paid close attention, using many measures to recover debts, reduce bad debts and outstanding debts. Strictly follow the compliance of Cash-in-Debt Management regulations to limit risks. Make provisions such as provisions for stock price decrease, bad debts, provision for loss of financial investments, appropriation of financial reserve fund in full and in accordance with regulations.

The Company's leaders have done well the rotation of staff, the organizational structure, the consistency in management, the decentralization to create the initiative in production, business for member units.

The recruitment, use and transfer of labor, ensure effectiveness in production and business activities. The payment of salary, bonuses and use of funds to ensure fairness and transparency in accordance with the approved regulations. The performance of the labor contract between the employer and the employee shall be implemented in accordance with the regulations of the State. The Company to pay social insurance, health insurance in time as regulated. The Company's leaders have paid attention to fully and promptly implement policies and regimes for employees in accordance with the law.



#### Comply with the provisions of law in management

Works shall be implemented in accordance with the provisions of the law on Tendering, regulations on quality management and management of construction costs. Works shall be carried out procedures for settlement of investment capital of works completed in strict accordance with regulations.

Ensure the periodical reporting and disclosure according to the regulations of the Ministry of Finance.

### Evaluate the coordination between the BOS and the BOD, BOM

The BOS and the BOD, the BOM always has close cooperation. The BOS received the cooperation from the BOD, BOM in carrying out duties, such as the provision of information and documents, sending staff to work with the BOS.

The BOS was invited to attend most meetings of the BOD, meetings of the Company. BOD's meetings have a presence and supervision from the BOS to ensure the strategic planning and operation of the Company.

BOD's meetings have a presence and supervision from the BOS to ensure the strategic planning and operation of the Company. The BOS shall appraise the financial report before submitting to the BOD and the AGM. The quarterly inspection report of the BOS is sent to the BOD and the BOM.



## REPORT OF BOARD OF SUPERVISORS (CONTINUED)

### OPERATION PLAN OF THE BOARD OF SUPERVISORS IN 2018

In 2018, the BOS continue to carry out careful and systematic monitoring and inspection in order to catch up with the real situation and efficiency of the Company, thus detecting problems in time, the management system, internal control system of the Company and find solutions.

In addition, the supervision of the BOS should not block the normal activities of the BOD as well as the production and business of the Company.

Some priorities of the BOS in 2018 are as follows:



Supervising the implementation of the Resolution of the AGM in 2018. Supervising the observance of the Charter and internal management regulations of the Company. Monitoring the implementation of the production and business plan in 2018 and the development strategy to 2020.



Coordinating with the BOD and the BOM, functional departments of the Company to inspect and supervise the management at the units as well as at the Company office.



Monitoring, checking and supervising the preparation, implementation and settlement of investment projects.



Verifying financial statement, management evaluation report of the BOD in 2018. Analysis and assessment of financial status, management and use of capital, operational efficiency and debt repayment capability of Company.



Monitoring the implementation of dividends payment to shareholders and the implementation of the Resolutions of the AGM.



Studying and promptly updating new mechanisms and policies to promulgate, supervising and proposing amendments and supplements to inappropriate matters in order to ensure strict compliance with the provisions of law.



Selecting and proposing an independent auditing firm capable, experienced and reputable to provide auditing and financial reporting services in 2018.



## TRANSACTIONS, SALARY AND OTHER BENEFITS OF BOD, BOS, BOM

### SALARY AND OTHER BENEFITS OF THE BOD, BOS, BOM

The Company applies the salary regime for members of the BOD, the BOS and the BOM in accordance with the law, with the Company's annual salary and salary policy, commensurate with the capacity and performance of each member. The bonus and welfare fund of the

welfare fund is deducted from the profit after tax of the Company based on the results of the implementation of the business plan in 2017 approved by the AGM. Other benefits and bonuses are subject to the PVGas South Collective Labor Regulations and Arrangements.

In 2017, according to the Decision of the AGM, the Company paid the salary, compensation to members of the BOD, the BOS and the BOM as follows:

| No.                         | Full name         | Position                   | Salary/<br>Compensation<br>(VND) | Remuneration<br>(VND) | Total<br>(VND) |
|-----------------------------|-------------------|----------------------------|----------------------------------|-----------------------|----------------|
| <b>BOARD OF DIRECTORS</b>   |                   |                            |                                  |                       |                |
| 1                           | Do Tan            | Chairman                   | 975,607,899                      | -                     | 975,607,899    |
| 2                           | Vu Quy Hieu       | Member cum Director        | 976,418,527                      | -                     | 976,418,527    |
| 3                           | Nguyen Minh Ngoc  | Fulltime Member            | 814,196,717                      | -                     | 814,196,717    |
| 4                           | Tran Van Nghi     | Member cum Deputy Director | 824,816,717                      | -                     | 824,816,717    |
| 5                           | Ha Anh Tuan       | Independent Member         | -                                | 36,000,000            | 36,000,000     |
| <b>BOARD OF SUPERVISORS</b> |                   |                            |                                  |                       |                |
| 1                           | Nguyen Thuc Quyen | Head of BOS                | 781,901,699                      | -                     | 781,901,699    |
| 2                           | Tran Thi Thu Hien | Member                     | 350,790,875                      | -                     | 350,790,875    |
| 3                           | Pham Tuan Anh     | Member                     |                                  | 16,399,996            | 16,399,996     |
| <b>BOARD OF MANAGEMENT</b>  |                   |                            |                                  |                       |                |
| 1                           | Dang Van Vinh     | Deputy Director            | 739,554,175                      | -                     | 739,554,175    |
| 2                           | Dao Huu Thang     | Deputy Director            | 768,236,336                      | -                     | 768,236,336    |
| 3                           | Nguyen Hai Long   | Deputy Director            | 744,497,881                      | -                     | 744,497,881    |

### TRANSACTIONS OF SHARES OF INTERNAL SHAREHOLDERS

In 2017, the BOD, BOS, BOM did not transact PVGas South shares.

### STOCK TRANSACTIONS OF RELATED PERSONS

In 2017, the related persons of the members of the BOD, BOS, BOM did not transact PVGas South shares.

**Contract or transaction with internal shareholders:** None.

### THE IMPLEMENTATION OF CORPORATE GOVERNANCE REGULATIONS

The Company always takes the initiative in grasping the relevant legal regulations and timely updating the Company's internal management regulations, on the one hand increasing the efficiency of management, on the other hand promoting equality and transparency. In the process of handling incidents and errors arising, stabilizing and raising the efficiency of production and business for the Company.





## RISK MANAGEMENT

PVGas South was committed to risk management, which includes key operational risks as well as extraordinary risks.

Good governance helped minimize the potential risk effects, thereby increased operational efficiency, ensured the achievement of strategic objectives and contributed to the Company's sustainable development.

### Risk Management Process at PVGas South

PVGas South's risk management process was designed in a consistent and clear step to ensure effective management and report.

**Step 1:** Identify the environment, business conditions of the Company.

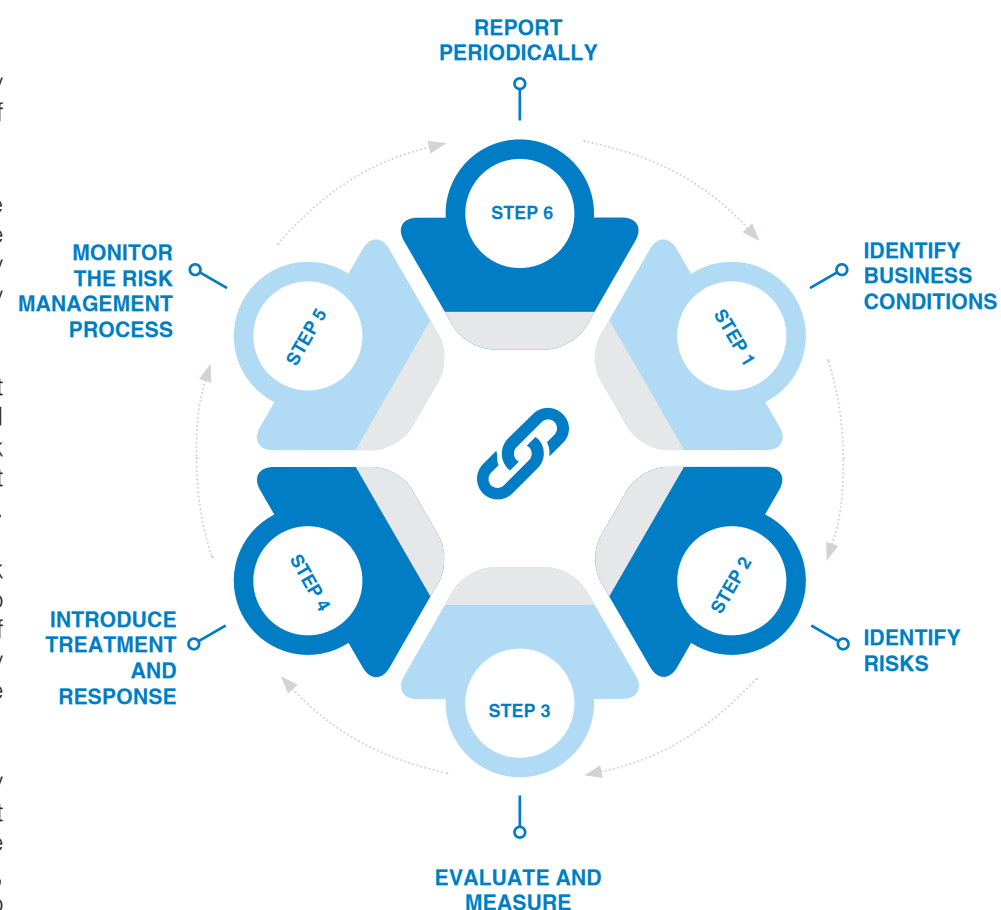
**Step 2:** Identify risks that may affect the accomplishment of the objectives.

**Step 3:** Evaluate and measure the impact of the risks on the Company's business. Identify important risks that the Company focuses resources to cope.

**Step 4:** Introduce the most appropriate treatment and response for each type of risk to minimize the impact that risks can bring to the Company.

**Step 5:** Monitor the risk management process to ensure the effectiveness of the response to risk, quickly propose solutions to improve management efficiency.

**Step 6:** Report periodically to BOM on risk management activities: risks that the Company was facing, measures and solutions to increase the effectiveness of risk management.



### Risk management activities at PVGas South

#### Risk management activities were regularly implemented:

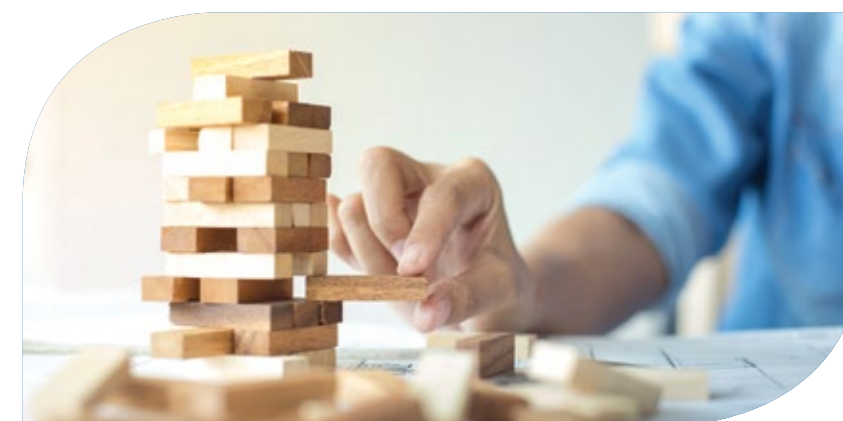
- » The BOM and employees of each department in the Company identified, daily monitored, timely prevented, accurately and promptly remedy the losses incurred to ensure the continuity, safety and efficiency of business activities.

#### Risk management activities associated with strategies:

- » Risk management was always accompanied by the development of business plans as well as development strategies of each department and the entire Company. Risk management strategy was an important part in the business of PVGas South.

#### Supervision and management:

- » Heads of departments (Safety and Environment, Finance, Investment, Human Resources ...), BOS, BOM and BOD established and supervised the risk management, identified major risks that the Company may encounter during the year, as well as regularly monitored the risks associated with each department/Company. Collaborating with other departments to minimize risk without affecting the effectiveness and consistency of business strategies. Annually, the risk management process has been evaluated and improved to be consistent with changes in internal factors of the Company as well as the external business environment.



### Risks and Solutions for risk management

PVGas South has identified significant risks that the Company must prioritize: (1) Economic risk, (2) Competition risk (3) Business risk, (4) Environmental risk, (5) Legal risk, and (6) Specific risks of the oil and gas industry.





## RISK MANAGEMENT (CONTINUED)

### ECONOMIC RISK

#### Context:

Business activities of the oil industry in a whole and PVGas South in particular were directly influenced by global oil prices. Although oil prices continued to maintain a positive recovery, the year of 2017 was still considered a volatile of this factor. OPEC's policy of reducing output were more consistent, but the recovery of the shale oil industry in the United States has made oil prices volatile. Besides geopolitical risks, the dollar's volatility made forecasting oil prices even more difficult. With high sensitivity to world oil prices, has made management of output prices difficult, affecting not only the ability to manage revenue but also profit of PVGas South.

#### Solution for risk management:

- » Actively captured information related to micro, macro and market changes to forecast the upcoming situation; find out appropriate solution and ensure business activities stably maintained.
- » Actively took preventive measures against unexpected macro fluctuations.
- » Build up the method of input material management and invested in large storage system for stockpiling, helping to effectively manage the inventory.
- » Build and enhanced relationships with customers, partners and suppliers, helped to facilitate the Company in the management of raw materials, production, storage and distribution.



#### Achievements in 2017:

PVGas South was active in importing gas at a cost less than USD 20 compared to the market.

The good forecast helped the Company to make timely adjustments in input/output price negotiations as well as to develop a reasonable inventory policy.

As a result, the Company improved operational efficiency as well as the efficiency of using financial resources with the remarkable achievement of 19% gross profit margin in 2017.

### COMPETITION RISK

#### Context:

With great potential for the economy and life, the LPG market was witnessing the emergence of more competitive companies. The presence of large multinational corporations, large LPG firms with capital, production experience and a network of small companies had placed PVGas South in a fierce competition with many challenges. However, with the advantage of prestige and brand name, PVGas South's LPG business was and continued to be successful, bringing high profit for the Company.

Concerns about poor quality LPG products still existed over time when the situation of trade fraud, illegal gas extraction was still complicated in the market. This action not only affected the reputation of the major brands, including PVGas South, but also implied the danger for customers when buying imitation goods, poor quality.

#### Solution for risk management:

With the drastic competition of the market, PVGas South actively established specific solutions to maintain stable business activities, focusing on:

- » Improved the management level and promoted customer care, trade promotion, publicity ...
- » Improved and completed perfect marketing strategies. Particular attention was paid to the development of consumption networks, new potential consumption channels in the market.



### BUSINESS RISK

#### Context:

As a company active in the gas production and distribution, PVGas South was always faced with risks from the macro factors, the market directly affected the business activities. The unexpected fluctuations in oil prices would have a complex impact on the market and the ability to manage costs and sales prices of the Company. In addition, with a large investment in fixed assets with complex expertise, any asset incidents would cause the Company to spend more time repairing, possibly affecting to the business process of the Company.

#### Solution for risk management:

PVGas South always strived to find the best solution for good management of input costs, selected appropriate stocking time to bring the cost of the Company to the lowest possible level, regularly upgraded and maintained storage system, extraction station to maintain quality and active in the production.

Regarding the infrastructure, the Company regularly monitored and supervised the operation of machinery, equipment, storage and production systems from which timely detecting the damage to overcome, ensuring the stable business activities of the Company.

Established teams to inspect the quality of construction, made plans for periodic inspection and maintenance and repaired machines and equipment to ensure stable and safe operation of production capacity.

Regarding the management of capital investment projects, the Company always emphasized the ability of managing resources to maintain the effectiveness of investment projects. Implemented flexible and appropriate contracting strategies to minimize potential costs and risks during project implementation. In addition, the Company also focused on building and specializing the project management department, combined the professional expertise and experience of the Company with the financial potential of the partner company to increase the effectiveness of new investment projects.

#### Achievements in 2017:

Cost management was focused in 2017. Thanks to good cost management, the total cost was only 5,963.3 billion VND. This helped the Company achieve profit before tax of 138.2 billion VND, exceeded 10.4% of annual plan.

- » Built a distribution network, which stretches from Quang Tri to the Southern provinces, allowed the Company to reach many customers in different areas.
- » Increased investment in satellite extraction system. Currently, the Company's extraction system was present in the markets of the Southwest, South Central and Southeast. In order to limit the source of smuggled gas into the market, the Company had a policy of discounting agents.
- » Promoted the care of customers, timely listen to feedback in order to make appropriate adjustments.
- » Investment, application of science and technology to production was also focused, aiming to increase labor productivity and reduce production costs.
- » Took advantage of supply, brand and trust of customers to expand business, improve production capacity to suit the new development.
- » Implemented appropriate governance measures to ensure continued adaptability to the continued movement of regional and global gas markets.

#### Achievements in 2017:

With appropriate and effective management measures, in 2017, the Company achieved encouraging results when the consumption of LPG and CNG had a strong growth.

#### Specifically:

- » LPG consumption reached 284,158 tons, increased 1.6% compared to 2016. In which, residential LPG reached 174,392 tons, increased 5.9% compared to 2016; industrial LPG of 109,766 tons.
- » CNG volume reached 123.9 million Sm<sup>3</sup>, increased by 17.7% compared to 2016.





## RISK MANAGEMENT (CONTINUED)

### LEGAL RISK



#### Context:

As a listed company on the stock exchange, PVGas South was influenced and governed by the Laws of Enterprise Law, Securities Law, Tax Law, International Law, International Trade Law ... Decrees, The Circular and other relevant legal documents.

In recent years, Vietnam's economy has been strongly changed, gradually expanded and integrated into the dynamic market of the world. In order to catch up with the general trend and create more favorable conditions for the enterprises, the Vietnamese legal system was also in the process of updating and improving. The regulations and sanctions were also more specific and rigorous, ensuring transparency and fairness.

#### Solution for risk management:

The Company was always conscious of actively updating and studying legal information related to the economy and the industry, to actively adjust the operating mechanism in accordance with the law of the State, avoid the pit risks can adversely affect the business activities of the Company.

Carried out disciplinary compliance programs, identified changes in the legal context, changes in system and procedures to ensure strict adherence to legal requirements that directly affected business activities of the Company

### SPECIFIC RISKS OF THE OIL AND GAS INDUSTRY

#### Context:

With explosive characteristics, preserving, transporting and distributing gas products always required meticulous and high safety. Incidents caused by that work not only affected the chain of production activities of the Company, caused damage to people and property but also created many negative impact on the brand and the object of sustainable development of PVGas South.

#### Solution for risk management:

- » In order to limit the serious impact that this risk brings, during development milestone, PVGas South always strictly implemented the technical standards, complied with the assurance process, production and transportation. In each stage of design, manufacture, operation and distribution, the Company aimed to safeguard workers and users on the first.
- » The storage, warehouse and gas products of the Company meet the standards of storage size and quality of storage.
- » Coordinated with agents, regularly guided the process of safe storage and use products for the Company, so that agents can guide customers again.

#### Achievements in 2017:

There was no serious accident involving fire or explosion that was caused by technical errors or transportation.

### OTHER RISKS

#### Context:

Other risks such as natural disasters, epidemics, fire etc was unexpected risks that could cause significant damage to people and property for the Company.

#### Solution for risk management:

The Company was aware of these risks as much as possible by:

- » Ensured safety measures in labor, production, use of forms of insurance for people and property, actively carried out environmental protection commitments to reduce pollution and disaster.
- » Purchased fire and explosion insurance at business units to minimize losses in the event of accident.

### ENVIRONMENTAL RISK

#### Context:

Specific activities in the gas industry, incidents and damages in business activities can negatively impact on the surrounding environment. In addition, wastes, wastewater from production activities can also cause environmental pollution if not handled in a timely and secure manner.

#### Solution for risk management:

The Company always complied with environmental protection laws, invested in new technologies to minimize the risk of gas leakage, raised staff awareness in energy saving use - water, strictly adhere to the waste treatment, waste water ...

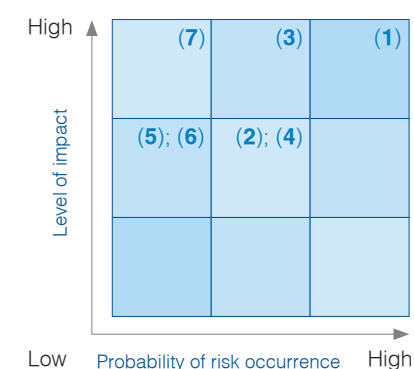
In addition, the Company always attached great importance to raising environmental awareness in the production and operation of all employees, binded the business efficiency with the objectives of quality, health and safety of the environment.

#### Achievements in 2017:

In 2017, the Company did not have environmental incidents, not sanctioned violations of environmental regulations

#### Evaluation matrix for impact of risks on PVGas South's business activities

- (1) Economic risk
- (2) Competition risk
- (3) Business risk
- (4) Environmental risk
- (5) Legal risk
- (6) Specific risks of the oil and gas industry
- (7) Other risks





# IMPRESSION OF SHARING

## 05 SUSTAINABLE DEVELOPMENT REPORT

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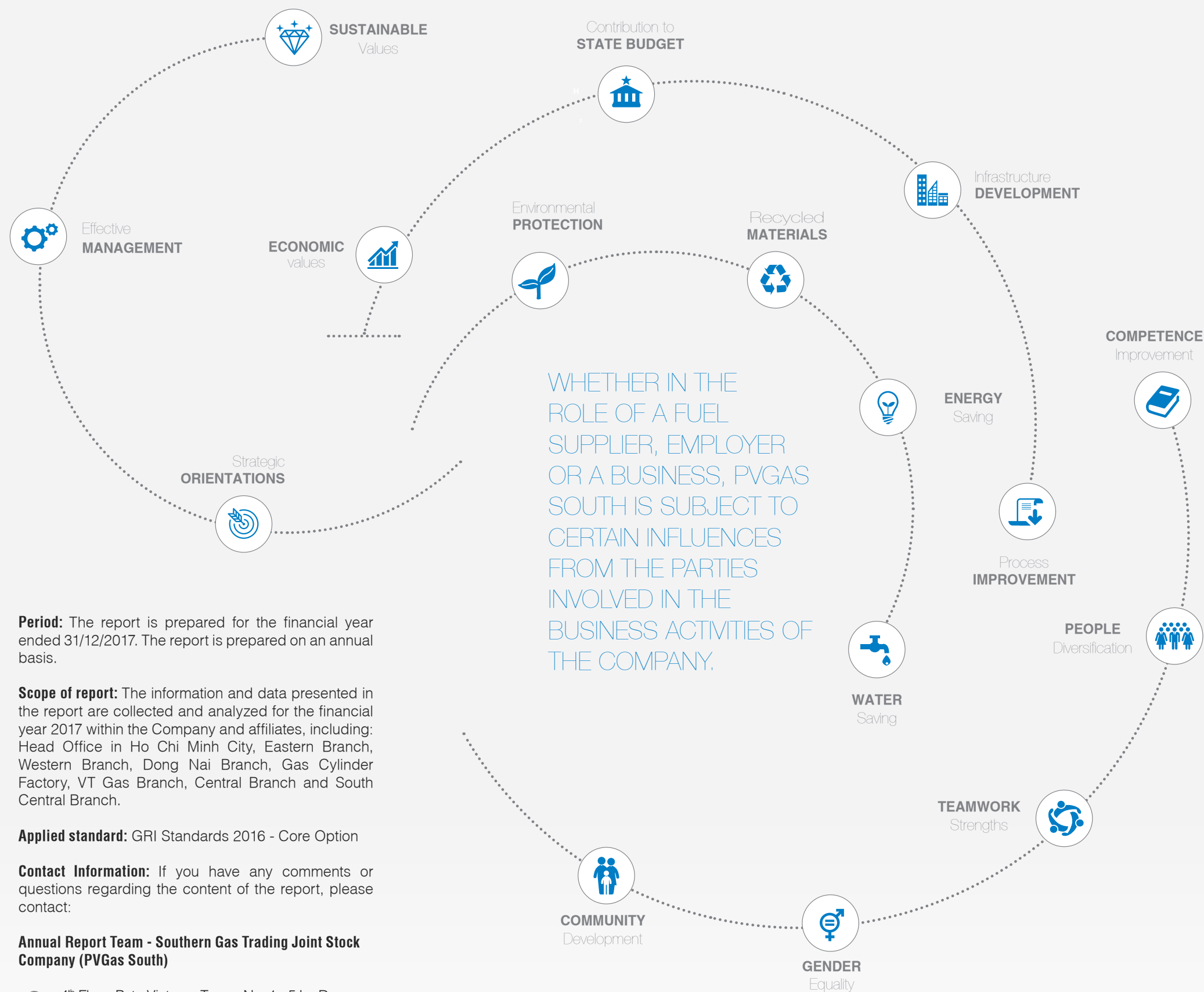






## GENERAL INFORMATION

**THIS SUSTAINABLE DEVELOPMENT REPORT IS PREPARED BY PVGAS SOUTH FOR THE FINANCIAL YEAR ENDED 31/12/2017 AND INTEGRATED INTO THE ANNUAL REPORT, AND FOCUSES ON MAJOR FIELDS WHICH ARE NOT YET COVERED ELSEWHERE IN THE ANNUAL REPORT.**



**Period:** The report is prepared for the financial year ended 31/12/2017. The report is prepared on an annual basis.

**Scope of report:** The information and data presented in the report are collected and analyzed for the financial year 2017 within the Company and affiliates, including: Head Office in Ho Chi Minh City, Eastern Branch, Western Branch, Dong Nai Branch, Gas Cylinder Factory, VT Gas Branch, Central Branch and South Central Branch.

**Applied standard:** GRI Standards 2016 - Core Option

**Contact Information:** If you have any comments or questions regarding the content of the report, please contact:

**Annual Report Team - Southern Gas Trading Joint Stock Company (PVGas South)**

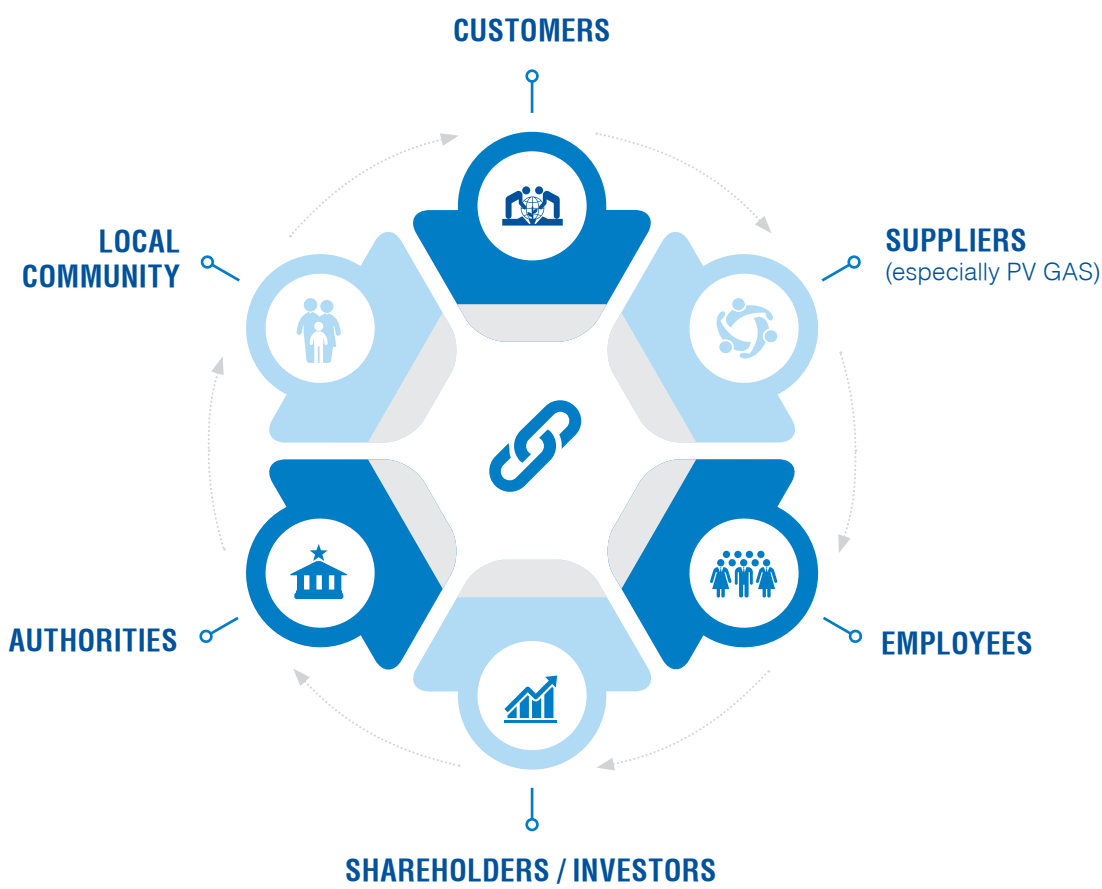
- 📍 : 4<sup>th</sup> Floor, PetroVietnam Tower, No. 1 - 5 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City
- ☎ : (84.28) 3910.0108 - 3910.0114
- 📠 : (84.28) 3910.0097 - 3910.0165
- 🌐 : [www.pgs.com.vn](http://www.pgs.com.vn)

ENGAGEMENT OF IMPORTANT RELATED PARTIES

Whether in the role of a fuel supplier, employer or a business, PVGas South is subject to certain influences from the parties involved in the business activities of the Company. Consequently, building a sustainable and regular relationship with the stakeholders has a strong influence on the sustainable development of the Company.

Different stakeholders will have different issues, expectations and impacts on the Company's operations. PVGas South not only builds strong relationships with stakeholders, but also regularly exchanges and consults to gather information to meet their expectations.

AFTER ANALYSIS AND EVALUATION, PV GAS SOUTH HAS IDENTIFIED THE IMPORTANT STAKEHOLDERS THAT THE COMPANY NEED TO FOCUS ON, NAMELY

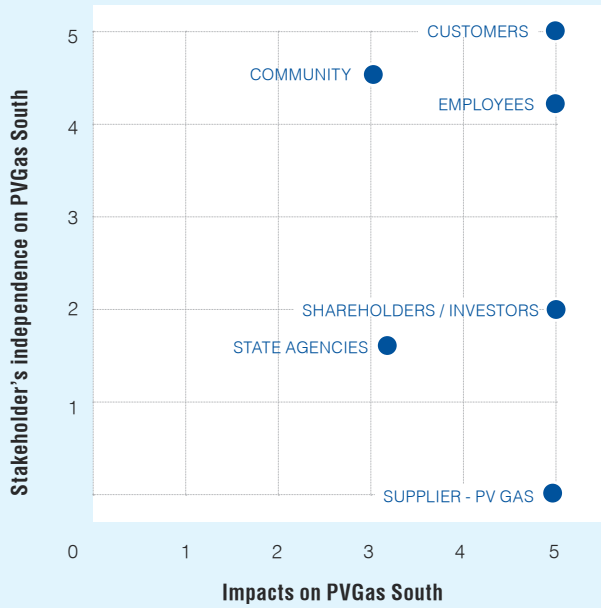


CONSULTATION CHANNELS AND EXPECTATIONS OF RELATED PARTIES

Based on stakeholder consultations, PVGas South can identify issues that they are interested in and expect. Consultation also helps the Company to identify the content that the Sustainable Development Report needs to focus on in order to meet those interests and expectations. These are also problems that the Company can find affecting the sustainable development strategy of the Company.

| Related party              | Consultation channels                                                                                                                                    | Concerns and expectations                                                                                                                                                                                                            |
|----------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| CUSTOMERS, SUPPLIERS       | Customer, supplier conference; Exchange program<br>Survey and evaluate the satisfaction of customers<br>Meet, negotiate directly                         | Satisfaction of quality, price of products and services<br>Terms and conditions of the contract / sale agreement<br>Strong financial capacity, stable operation<br>Safety in operation and transportation, Impact on the environment |
| EMPLOYEES                  | Employee conference<br>Periodical evaluation<br>Activities of the Trade Union<br>Training program                                                        | Labour regime: salary, bonus, insurance, occupational safety ...<br>Working environment and promotion opportunities<br>Achievement and prestige of the company on economics, environment, society                                    |
| SHAREHOLDERS / INVESTORS   | Direct meeting<br>General Meeting of Shareholders<br>Website and communication channels                                                                  | The Company's performance in many fields: economy, society and environment<br>Investor relations, information disclosure                                                                                                             |
| AUTHORITIES/STATE AGENCIES | Participate in conferences and seminars by the Government, Ministries / Departments/Industry and PVGas, PetroVietnam<br>Join organizations, associations | Working environment, health and safety<br>Sewage and waste management, environmental issues<br>Compliance with the law.<br>Contribute to the local community                                                                         |
| LOCAL COMMUNITY            | Meet face-to-face, in collaboration with local authorities, management agencies to find out the thoughts and aspirations of local community.             | Environment, production safety and benefits for local workers<br>Contribute to the local community                                                                                                                                   |

The importance of the stakeholders for PVGas South



MATERIAL ISSUES IN THE REPORT

Based on analyzing and evaluating the importance of stakeholders, analyzing expectations through consultation and feedback, we identify the key issues addressed in the Sustainable Development Report including:

- 1. Effective operation of the Safety - Quality - Environment Integrated Management System (IMS).
- 2. Improve work efficiency through application of advanced management tools and practices such as BES - Business Executive System and 5S Practice.
- 3. Environmental responsibility management expressed in the following areas: Energy (GRI 302), Water (GRI 303), Sewage and Waste (GRI 306), and Environmental Compliance (GRI 307).
- 4. Social responsibility management expressed in the following areas: Employment (GRI 401), Employee/ Management Relations (GRI 402), Occupational Health and Safety (GRI 403), Education and Training (GRI 404), Local Community (GRI 413).
- 5. Economic Performance expressed in: Direct economic value generated and distributed (GRI 201-1).





INTEGRATED MANAGEMENT SYSTEM (IMS)  
AT PVGAS SOUTH

In 2017, PV Gas South successfully completed operational strategy as well as achieved satisfactory results when all the business and operation targets assigned by the AGM were exceeded.

Besides the efforts of BOM and all employees, this result also showed the extremely important role and effectiveness of the Safety - Quality - Environment Integrated Management System applied at PVGas South.

PVGas South applied the Safety-Quality-Environment Integrated Management System (IMS) in accordance with standards accredited and certified by the British Standards Institute (BSI) as follows:



|                                               |                                                                                                                                                                                                                    |
|-----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>OHSAS 18001<br/>và ISO/ DIS 45001:2016</b> | Identify occupational safety and health risks and the introduce control measures to ensure the safety and health of workers as well as property damage while complying with law on safety and occupational health. |
| <b>ISO 14001:2015</b>                         | Identify environmental hazards in business processes and introduce control measures to minimize environmental impacts and compliance with environmental protection legislation.                                    |
| <b>ISO 9001:2015</b>                          | Establish the Company's operational processes and control operations through performance measurement metrics, through continuous improvement to improve product quality for customers.                             |
| <b>ISO 50001</b>                              | Improve energy efficiency, reduce greenhouse gas emissions and other related environmental impacts as well as energy costs through systematic energy management.                                                   |
| <b>PAS 99:2012</b>                            | Integrated Management System (IMS): Safety - Quality - Environment.                                                                                                                                                |

The Integrated Management System is intended to prevent and ensure that there is no damage to people, property and environment; besides, minimize energy wastage, energy saving and efficiency in production, storage, transportation and distribution of gas products, toward satisfying the increasing demand of customers for fuel.

PVGas South's Integrated Management System is deployed and applied throughout the system and the Company's operations. The integrated management system has been accredited by the British Standards Institute (BSI).

The benefits of implementing Integrated Management System

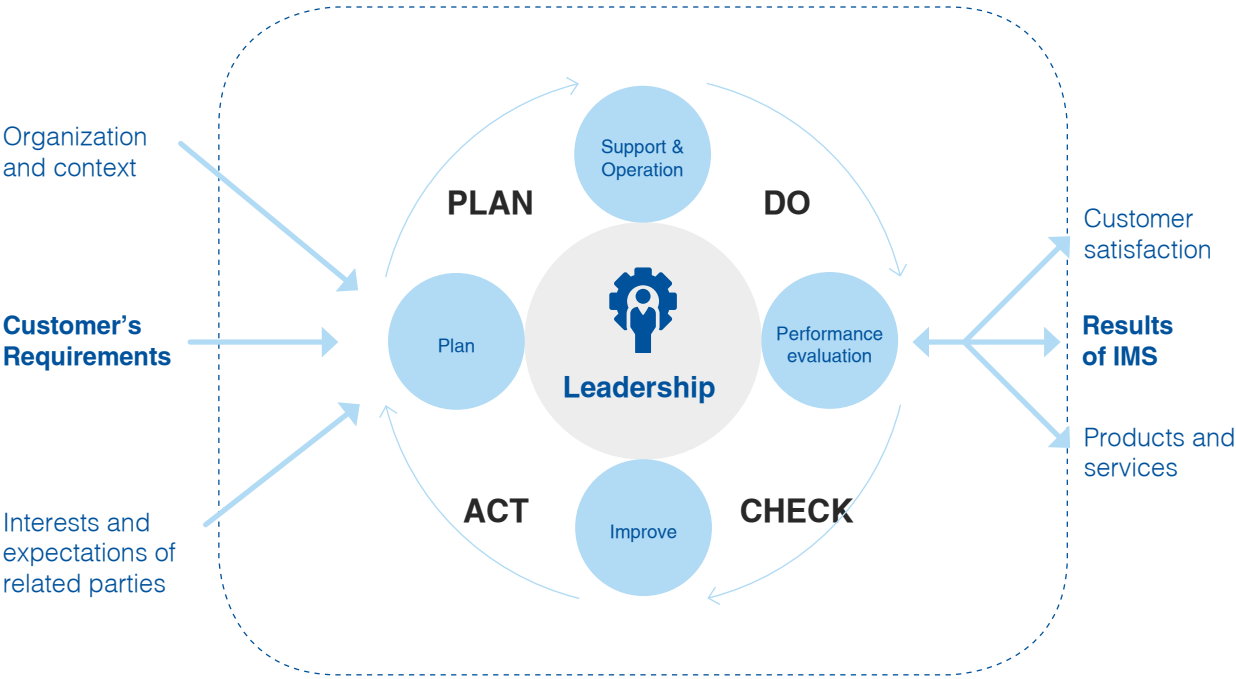
The implementation of the Integrated Management System in business activities helped the Company:

- » Reduce duplication, help the same work components (such as risk evaluation, system evaluation, etc.) to work smoothly.
- » Minimize conflicts between organizational components, processes or tasks. Maximize operational efficiency.
- » Inputs for analytical work for management, strategic management will be better.
- » Optimize the use of resources, thereby improving quality/productivity/environment...
- » The Company's activities and functions improve productivity through continuous improvement.

Integrated management principles

The Integrated Management System at PV Gas South is based on the Deming principles of continuous improvement (PDCA): Plan - Do - Check - Act (Plan - Support & Operation - Performance evaluation - Improve).

SAFETY-QUALITY-ENVIRONMENT INTEGRATED MANAGEMENT SYSTEM



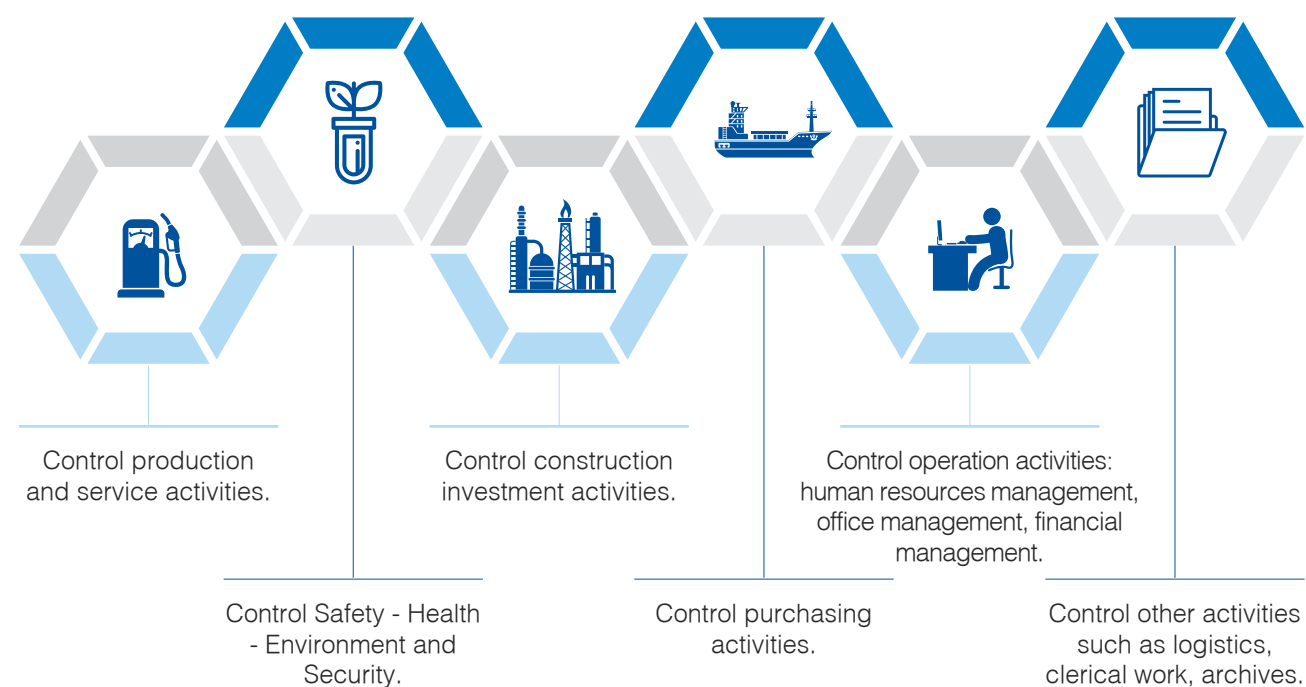


## PRINCIPAL PROCESSES / PROCEDURES

One of the focuses of the management system is the application of operational control processes to achieve the objectives. Based on the business context, the specific characteristics of each job, the functions and duties of each department, the Company built the process both to ensure the objective of control standards

compliance and to create favorable conditions, helped the overall Company achieve positive business results.

In 2017, the Company issued more 15 processes, brings the total number of processes up to the number 33 processes, focusing on:



## EVALUATION OF THE GENERAL OBJECTIVES IN 2017

| NO. | Objectives                                                                                              | Total indicators | Number of indicators failed | Details of failed indicators/Causes |
|-----|---------------------------------------------------------------------------------------------------------|------------------|-----------------------------|-------------------------------------|
| 1   | Ensure quality, output provided to customers.                                                           | 4                | 0                           | -                                   |
| 2   | Preventing incidents in the operation, maintenance, repair and building of gas construction.            | 5                | 0                           | -                                   |
| 3   | Control activities likely to cause environmental impacts.                                               | 2                | 0                           | -                                   |
| 4   | Successfully transformed Safety - Quality - Environment Management System into new version: 31/12/2017. | 1                | 0                           | -                                   |

## CUSTOMER SATISFACTION

The Sales Department is primarily responsible for the marketing, promotion and sales of products, as well as the coordination, customer care after sales, especially the evaluation satisfaction of customers with the frequency of 6 months to constantly improve the quality of products and services.

Periodically, before 15 May and 15 November, the Sales Department developed a set of criteria for evaluating customer satisfaction and once approved by the BOM, would issue the paper to the customer. The results would be analyzed in detail to constantly improve the quality of products and services, increase customer loyalty to the Company and attract new customers.

Depending on the category of goods and services, there would be changes in the criteria, but generally the satisfaction of the customers is evaluated based on the following 8 factors (with the classification from Good - Fair - Average - Weak):

|  |                                                                                         |
|--|-----------------------------------------------------------------------------------------|
|  | Quality of products provided by the Company                                             |
|  | Delivery time to customers                                                              |
|  | Attitude, working style and professionalism of the Operational Staff                    |
|  | Attitude, working style and professionalism of the Sales Staff                          |
|  | Attitude, working style and professionalism of the Payable Accountant                   |
|  | Attitude, working style and professionalism of the Receivable Accountant                |
|  | Attitude, working style and profession of the Driver                                    |
|  | How to handle complaints and petitions (price, volume, payment, after-sales service...) |

## DETAILED EVALUATION OF THE 2017 IMS PERFORMANCE

In 2017, the Company conducted a regular customer satisfaction survey in June and December as prescribed. This activity in the year 2017 was very interested and appreciated when the number of feedback returned in general increased quite strongly. With the thoroughness of the BOM, the quality of products was strictly controlled by the number of times the loss/difference ratio decreased sharply over the previous year. Most of the responses were satisfied with the Company's products. Customer satisfaction feedback has been collected and evaluated by the Company to provide precautionary measures to ensure the satisfaction of customer needs.

| Customer        | Number of satisfaction reviews and customer feedback |      |
|-----------------|------------------------------------------------------|------|
|                 | 2016                                                 | 2017 |
| Residential LPG | 80                                                   | 632  |
| Industrial LPG  | 23                                                   | 21   |
| LPG Cylinder    | 7                                                    | 4    |
| CNG             | 28                                                   | 27   |







## DETAILED EVALUATION OF THE 2017 IMS PERFORMANCE (CONTINUED)

### SAFETY IN THE WHOLE OF PRODUCTION - BUSINESS PROCESSES

There are many high risk factors in the oil and gas industry; therefore, safety in business is one of the most important tasks of PV Gas South, to ensure the safety of employees, property as well as community and help increase efficiency.

The Company continuously promoted investment, construction, process improvement, supervision and inspection activities of all units, thus detecting errors and finding solutions for each case.

#### Maintaining and repairing to ensure safety in operation

In 2017, the Company undertook a review of all activities, conducted a risk evaluation to update the list of risks, identified environmental impacts and proposed measures to reduce risk for activities. Also within the framework of review, the list of equipment and technological lines was also carefully monitored, and supplemented with all consumables and spare parts to ensure that the operation was suspended due to lack of equipment supplies.

From the beginning of the year, the Company actively worked out the repair and maintenance plan for all equipments, machinery and means of the Company to ensure the reliability of the equipment was always maintained at the highest level.

#### Results of maintenance, repair and prevention in 2017

| Year | Preventive maintenance |        |               | Unexpected maintenance |        |               |
|------|------------------------|--------|---------------|------------------------|--------|---------------|
|      | Plan                   | Actual | % Actual/Plan | Plan                   | Actual | % Actual/Plan |
| 2016 | 537                    | 537    | 100%          | 301                    | 301    | 100%          |
| 2017 | 509                    | 509    | 100%          | 348                    | 347    | 99%           |



#### Registration, inspection and insurance

**Registration:** In order to ensure the safe transport of gas to customers and business locations, transportation vehicles such as trucks, tank trucks, tractors and trailers were registered in accordance with the law.

The Company performed a full inventory for the means of transport to ensure safe transportation.

| No. | Total equipment            | Registered equipment       | Completion ratio |
|-----|----------------------------|----------------------------|------------------|
| 1   | Tanker transported LPG: 11 | Tanker transported LPG: 11 | 100%             |
| 2   | Truckload tanker: 41       | Truckload tanker: 41       | 100%             |
| 3   | CNG towed vehicle: 8       | CNG towed vehicle: 8       | 100%             |

#### Inspection, calibration

The Company always performed the registration, inspection and calibration of all means, equipment and machinery with regulations on registration and inspection of rigorous safety techniques and validity of certificates ... still valid use.







Number of equipment inspected, calibrated/total number of tested equipment .

| No. | Total                                                             | Number of equipment inspected, calibrated | Completion ratio |
|-----|-------------------------------------------------------------------|-------------------------------------------|------------------|
| 1   | Monitoring and measuring equipment                                | 1,616                                     | 100%             |
| 2   | Machines, equipment, materials with strict requirements on safety | 918                                       | 100%             |

#### Insurance

In order to prevent risks, as well as to minimize losses in the event of an accident, PV Gas South actively bought full insurance for offices, storages and extraction stations, CNG compressors, CNG gas station for transportation and PRU stations at customer, product insurance,...

#### Emergency Response (ER)

|                                                                                       |                                                                                                                                                             |                                                                                       |                                                                                                                                                                                                          |
|---------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|  | Regularly upgrade the ER Steering Committee of the Company, update the ER phonebook in case of any change.                                                  |  | Every year, PVGas South organize the training workshops/exercises with the coordination of provincial fire prevention and fighting forces, the Preventive Medicine Center and other units in the sector. |
|  | Develop fire plans for transport vehicles.                                                                                                                  |  | Compliance with the direct assignment of incidents in the holidays, Tet, rainstorms.                                                                                                                     |
|  | Deploy emergency procedures in accordance with the ISO and OHSAS standards, develop specific ER case studies at the unit and organize the planned training. |  | Prepare materials and tools for flood and storm control and how to deal with natural disasters.                                                                                                          |



## DETAILED EVALUATION OF THE 2017 IMS PERFORMANCE (CONTINUED)

### Achievements in 2017:

The total number of Emergency Response plans issued and updated: 100

Exercising ratio of 100%: the whole options were rehearsed at least once a month/unit.

### Effective implementation of STOP Program

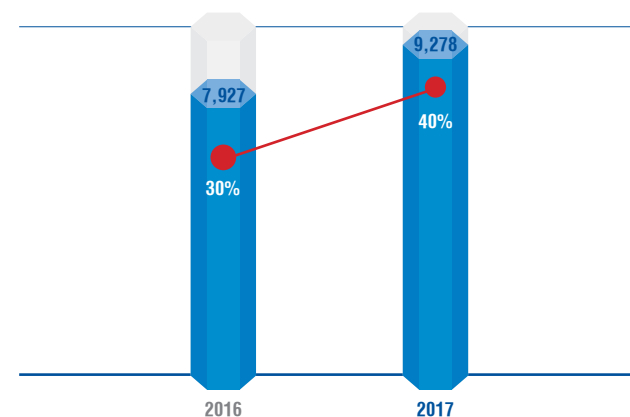
In 2017, PVGas South recorded 9,278 STOP cards, 1.8 times higher than the number of cards in 2016, with a 40% increase in the number of employees.

| Item                        | 2016  | 2017  |
|-----------------------------|-------|-------|
| Total cards                 | 7,927 | 9,278 |
| Participant/Total employees | 30%   | 40%   |



**9,278**  
STOP CARDS

### STOP PROGRAM



■ Total cards ● Participants/Total employees

STOP is a Safety Observation Training Program that aims to prevent accidents and injuries. STOP is designed specifically for employees in each organization and helps each individual to be aware of the safety, identification and elimination of unsafe behaviors or conditions that can cause human and property injury.

PVGas South has been applying the STOP program since 2014. Unnecessary acts, conditions or misconceptions about Safety - Health - Environment will be discovered and exchanged by employees in the safety record card (STOP Card), which will then be collected and analyzed by the Company for improvements in safety management.

### Network of safety officers

In 2017, a network of safety officers includes 116 employees has been active in the work of labor safety and hygiene, instructed new employees to recruit safety procedures, urged people compliance with internal labor regulations, safety regulations at work, the safety and hygiene has detected and reminded some workers have not strictly comply with safety rules, internal labor rules such as parking in the wrong place, ... contribute to minimize the accident, labor accident occurs. The Company organized training courses on the safety and hygiene of the Company's network of safety and hygiene.



### Results of safety management in 2017

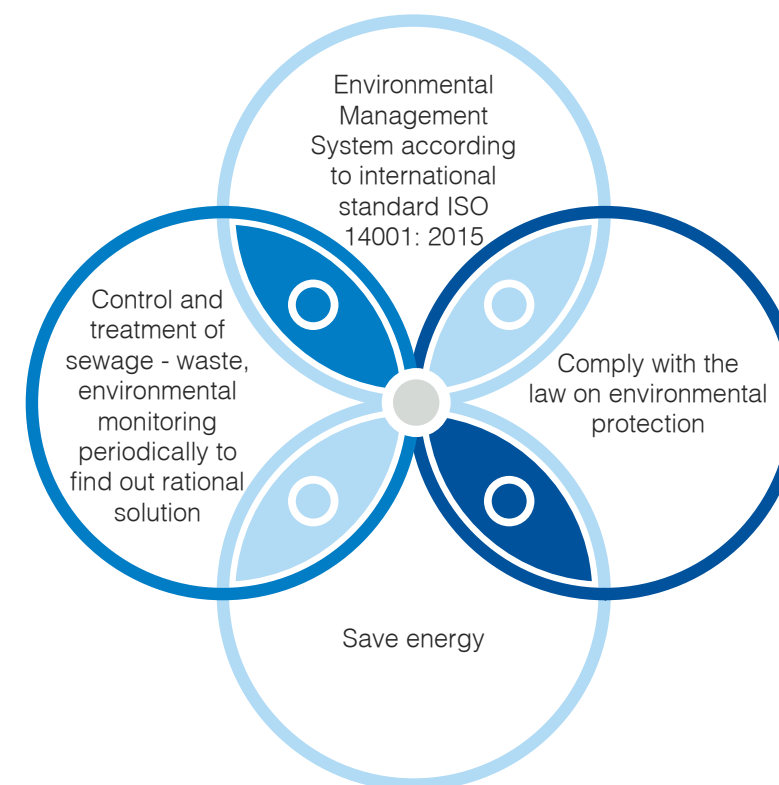
With the effort in safety management in 2017, the Company accomplished all safety objectives in production and business.

| Item                                                | Measure   |
|-----------------------------------------------------|-----------|
| Safe working hours                                  | 2,697,988 |
| Safe operating hours                                | 165,505   |
| Partial stop hours due to problems                  | 0         |
| Ratio of safe operating hours / gas operating hours | 100%      |

## MANAGEMENT OF ENVIRONMENTAL RESPONSIBILITY

In the context of sustainable development is concerned in the global community, environmental responsibility is focused by PVGas South throughout the Company's development milestone. Compliance with environmental responsibility is not only a manifestation of responsibility to the social community, but also a "plus point" to the prestige of the Company's brand, thereby promoting sustainable business growth. This is especially important when the Company active in the field of processing and distribution of gas, environmentally friendly fuel.

The Environmental Management System at PVGas South focused on 4 key elements:



In 2017, besides maintaining the environmental performance as in previous years, 20 projects of the Company have had Environmental Registration or Environmental Protection Commitments. The Company always focuses on investing in new technologies that save resources, raw materials, energy and environmentally friendly. The management of wastewater, hazardous wastes, and periodic environmental monitoring are strictly implemented, as required by law, and are not fined for violations of environmental regulations.

**See more detailed statistics on the effectiveness of environmental responsibility in "Environmental Responsibility" section.**





PVGas South was currently implementing a Business Executive System (BES). This is a system to help the BOM manage most of the Company's work through the Internet or local network through 3 main functions:

| ADMINISTRATIVE MANAGEMENT     | INTERNAL COMMUNICATION     | INFORMATION EXCHANGE   |
|-------------------------------|----------------------------|------------------------|
| » Workflow management         | » Weekly calendar          | » Internal Chat        |
| » News management             | » Personal calendar        | » Internal Forum       |
| » Document management         | » Company directory        | » Email                |
| » Title management            | » Organizational structure | » File sharing         |
| » General document management | » Statistic report         | » SMS                  |
| » User administration         | » Work plan                | » Look for information |
| » Notification management     |                            |                        |
| » Group management            |                            |                        |

The application of the BES system was contributing to professionalism, building corporate culture, improving productivity and reducing management costs, as shown by:

### INCREASING PRODUCTIVITY

- » Clear work plan and assignments, help to perform fluently, high efficiency.
- » Reduce the severity of workflows.
- » Easily inherit the work experience by reviewing the work done.
- » Adaptable to personnel changes.
- » Reduce conflicts in the Company as all information about the work is transparent.

### SAVING COST

- » Reduce telecommunication costs by reducing telephone time to operate and exchange work.
- » Reduce printing costs.
- » Reduce costs due to travel between branches.
- » Reduce the number of meetings and meeting times.

In addition to developing and implementing an Integrated Management System, to further improve management effectiveness, operation and safety, PV Gas South researched and implemented 5S practices throughout the Company.

| Japanese | English                   | Vietnamese | Detailed meaning                                                                                                                                                                                                                     |
|----------|---------------------------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Seiri    | Sort                      | Sàng lọc   | Sorting things that are necessary and unnecessary, eliminating unnecessary things, identifying exactly quantity for the things that are needed.                                                                                      |
| Seiton   | Systematize /Stabilize    | Sắp xếp    | Arranging the necessary things in a orderly, scientific order, arranging the right things in place, arranging the position of tools, machines, workers ... so that the work flow smoothly and continuously, no obstruction or delay. |
| Seiso    | Sweep /Shine              | Sạch sẽ    | Keeping the workplace, equipment and tools always clean, dirty, indiscriminate SOURCE, always cleaning with "Conscious".                                                                                                             |
| Seiketsu | Sanitize /Standardize     | Săn sóc    | Establishing a program to maintain regular and conscious implementation of the 3S, organizing the emulation and performing evaluation among units to sustain and increase the interest of many people about 5S.                      |
| Shitsuke | Self-discipline / Sustain | Sẵn sàng   | Performing well, regular, disciplined and self-aware the above 4S.                                                                                                                                                                   |



The implementation of this model helped the Company improve clean, neat and more disciplined work environment, helped cut labor costs, and provided quick and effective workplace solutions effective, contributed to the positive results achieved in 2017.

### Awareness training, assessment of 5S in 2017

In 2017, the Company organized 5S awareness training for 100% staffs of the Company's offices, Dong Nai Branch, Gas Cylinder Branch, Eastern Branch, Western Branch, VT- Gas Branch. At the same time, training of 5S internal auditors was conducted for 69 staff members.

### POINTS TO BE IMPROVED

- (1) The legal system changed a lot and increasingly demanding, lack of specific documents guiding the implementation. Therefore, compliance with procedural requirements, time requirements and had not been fully implemented as prescribed.
- (2) Production area of PVGas South was dispersed in many customer stations, working in shifts, so the organization of the process, training awareness of safety - quality - environment management system was difficult.
- (3) At present, PVGas South hires 16 extraction stations, the outsourcing is risky, such as safety management, quality management, the amount of extraction is difficult.

The 5S practice has been implemented the entire of the Company since 2016. For the successful implementation, the Company developed documents and production system, including the integration of content 5S activities such as 5S activities was daily conducted, 5S testing criteria, departments and individuals were responsible for 5S inspection activities, implementation of training activities, inspection organization evaluates the 5S implementation. At the same time, presented the forms of emulation and commendation for collectives and individuals who have achieved good results in 5S practice and stepped up the improvement movement and put more optimal methods for the Company.





## ENVIRONMENTAL RESPONSIBILITY

As a oil and gas company, PVGas South understands the importance of protecting the environment and strives to minimize the impact of Company's business activities on the surrounding environment.

With consistent vision and strategy, the Management thoroughly grasp the spirit of compliance with environmental protection laws, prioritize investment in new technologies to minimize the risk of gas leakage, raise staff awareness in the use of energy - water saving, periodic monitoring, environmental monitoring to take appropriate measures.

### COMPLIANCE WITH THE LAW ON ENVIRONMENTAL PROTECTION

Thanks to the clear strategy and consistent implementation, the Company always comply with the provisions of the law on environmental protection. In 2017, PVGas South didn't have any violations related to the environment laws.

PVGas South developed detailed plan and organized many practical activities such as:

- » Applied Safety - Quality - Environment Management System ISO 9001: 2015, ISO 14001: 2015, OHAS 18001: 2007 and Integrated Management System PAS 99: 2012 for LPG and CNG business.

At the same time, the Company also enhances the promotion and use of LPG and CNG in production and transportation, contributing to reduce negative impacts on the environment.

Through environmental management measures, the Company not only shows responsibility to the community but also is a good strategy to increase the prestige, create sympathy and sticking of customer, constantly improving business results.

- » Comply with the regulations on chemicals, tanks, extraction stations of the Company always meet the requirements of quality and technical requirements, regularly check and timely correct problems, not to affect the business activities of the Company as well as bad impact on the environment.
- » Develop waste treatment procedures, classify, store and sign contracts with functional agencies to handle hazardous waste according to regulations.
- » Survey and evaluate the conditions of labor hygiene, periodic environmental survey and timely processing of unfavorable factors.
- » Continue to popularize, bring CNG products to more customers.
- » Youth Union organize environmental activities on the annual world environmental day such as: pledging not to litter into the environment, organizing tree planting activities, scavenging beach ...

### ENERGY SAVING

PVGas South's energy control work is carried out in accordance with ISO 50001 to improve energy efficiency, reduce greenhouse gas emissions and other environmental impacts as well as energy costs via energy management systematically.

In 2017, the Company's electricity and water usage were as follows:

- » Electricity consumption increased by 19.9% compared to 2016, at 9,561,688 kWh.
- » Water consumption increased by 27.1%, at 61,128 m<sup>3</sup>.
- » Natural gas consumption increased by 6.7%, at 4,278,971 million m<sup>3</sup>.
- » Volume of DO decreased by 1.5% to 161,568.4 tons.

Electricity and water consumption increased mainly due to the increasing demand of customers, as well as the expand of geographical area of the Company.

| Material                  | 2016      | 2017      | % Change |
|---------------------------|-----------|-----------|----------|
| LNG (mil m <sup>3</sup> ) | 4,011,577 | 4,278,971 | 6.7%     |
| LPG (tons)                | 104.54    | 114.96    | 10.0%    |
| DO diesel (tons)          | 163,968.7 | 161,568.4 | -1.5%    |
| Water (m <sup>3</sup> )   | 48,111    | 61,128    | 27.1%    |
| Electricity (Kwh)         | 7,972,911 | 9,561,688 | 19.9%    |

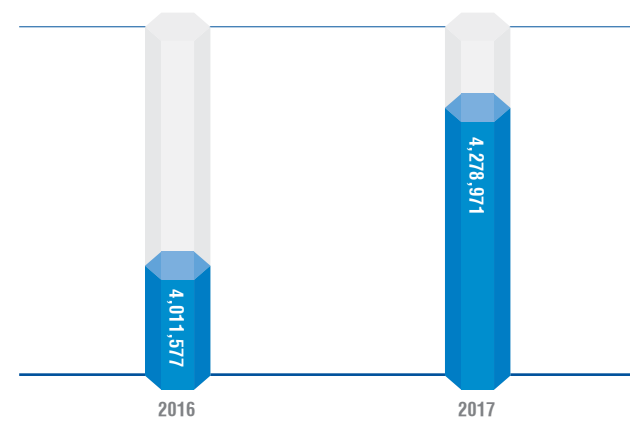




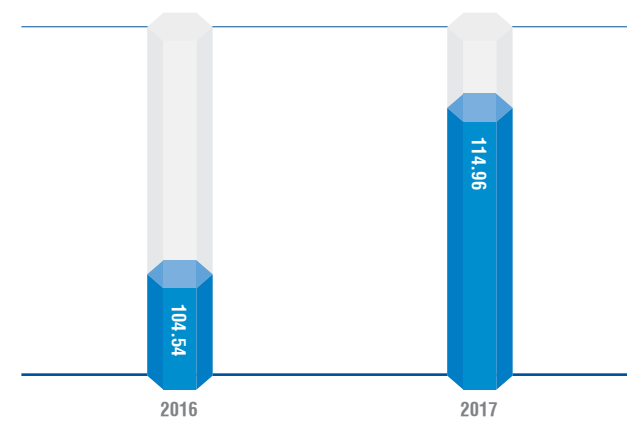


## ENVIRONMENTAL RESPONSIBILITY (CONTINUED)

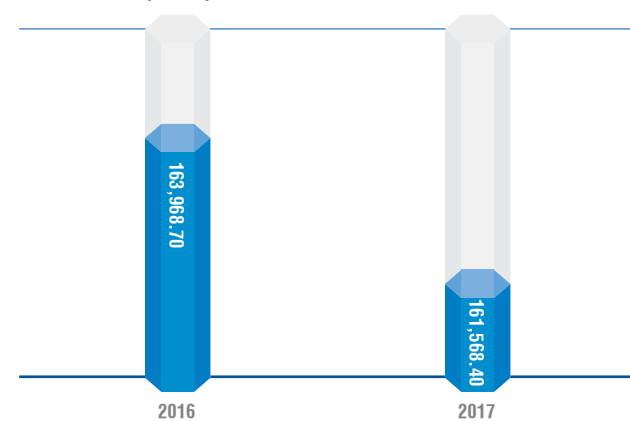
LNG (mil m³)



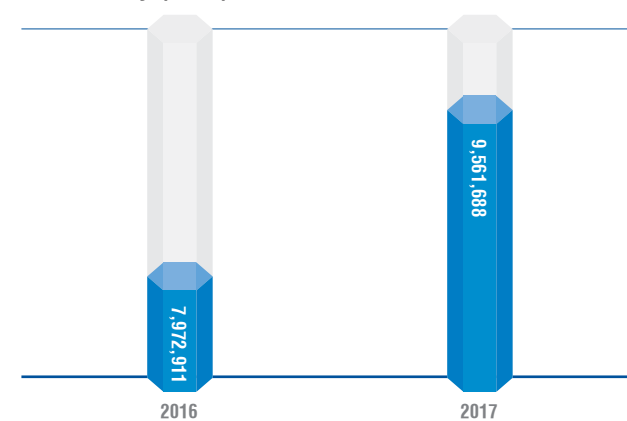
LPG (tons)



DO diesel (tons)



Electricity (Kwh)



## SEWAGE TREATMENT AND MANAGEMENT

PVGas South has strict compliance with ISO 14001: 2015 to identify environmental hazards in the production and business process and take control measures to minimize the environmental impact.

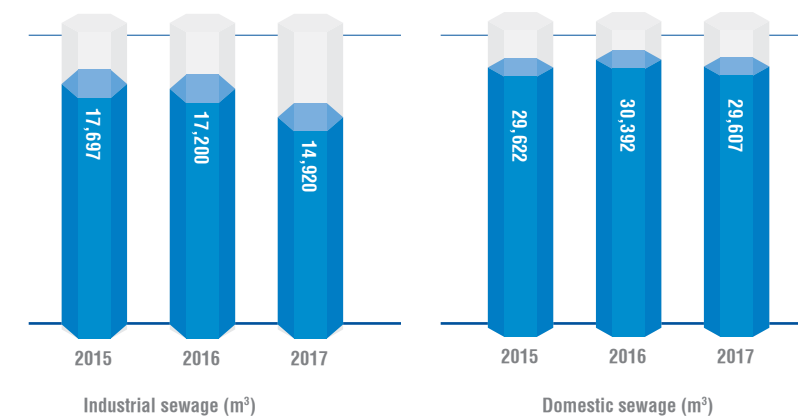
**Sewage:** All waste water (industrial - daily) is processed through the treatment system of the IZ.

Thanks to the communication and guidance employees in energy-water saving, the amount of industrial sewage in 2017 decreased by 13.3%.

The Company's industrial sewage is mainly used for gas cleaning. With the increase of LPG consumption and the increase in gas volume, the waste volume decreased sharply in the past year, showing the efforts of the Company as well as all employees in environmental protection.



| Sewage                 | 2015   | 2016   | 2017   | %Change |
|------------------------|--------|--------|--------|---------|
| Industrial sewage (m³) | 17,697 | 17,200 | 14,920 | -13.3%  |
| Domestic sewage (m³)   | 29,622 | 30,392 | 29,607 | -2.6%   |
| Rate of treatment      | 100%   | 100%   | 100%   | N/A     |

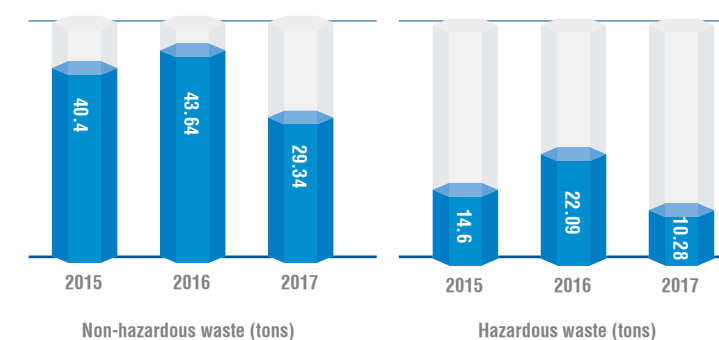


**Solid Waste:** The volume of non-hazardous solid waste decreased by 32.8% to 29.34 tons, while hazardous solid waste decreased by 53.5% to 10.28 tons.

For solid wastes, the Company classifies and packages according to each type and in appropriate packages, meet the requirements of safety and labeled according to regulations. At the same time contracts with the service company to handle these types of waste, in accordance with the requirements of the law on environment. Periodically, the Company conducts observation to assess the environment inside and around the factory, to take measures to overcome pollution (if any).



| Waste                      | 2015 | 2016  | 2017  | %Change |
|----------------------------|------|-------|-------|---------|
| Non-hazardous waste (tons) | 40.4 | 43.64 | 29.34 | -32.8%  |
| Hazardous waste (tons)     | 14.6 | 22.09 | 10.28 | -53.5%  |



### Atmosphere and water monitoring

Twice a year, the Company performs monitoring of atmosphere and water at extraction stations and storages according to regulations, with the number of monitoring indicators increasing year by year. In 2017, the monitoring resulted show that the indicators were consistent with QCVN.



## ENVIRONMENTAL RESPONSIBILITY (CONTINUED)

### Atmosphere Monitoring Program in 2017

| Project / Project Management Unit              | Total number of monitoring indicators |      | The total number of indicators does not reach QCVN |      | Notes |
|------------------------------------------------|---------------------------------------|------|----------------------------------------------------|------|-------|
|                                                | 2016                                  | 2017 | 2016                                               | 2017 |       |
| Gas Cylinder Branch                            | 09                                    | 09   | 0                                                  | 0    |       |
| <b>Dong Nai Branch:</b>                        |                                       |      |                                                    |      |       |
| My Xuan CNG extraction station                 | 04                                    | 05   | 0                                                  | 0    |       |
| Hiep Phuoc CNG Compressor Station              | 04                                    | 05   | 0                                                  | 0    |       |
| Samsung CNG Gas Supply Station                 | 06                                    | 06   | 0                                                  | 0    |       |
| Go Dau Gas Station                             | 05                                    | 05   | 0                                                  | 0    |       |
| <b>South Central Branch:</b>                   |                                       |      |                                                    |      |       |
| Nha Trang LPG extraction station               | 09                                    | 09   | 0                                                  | 0    |       |
| Dak Lak LPG extraction station                 | 06                                    | 06   | 0                                                  | 0    |       |
| <b>Western Branch:</b>                         |                                       |      |                                                    |      |       |
| Can Tho LPG Port storage                       | 09                                    | 09   | 0                                                  | 0    |       |
| Tien Giang LPG extraction station              | 05                                    | 05   | 0                                                  | 0    |       |
| Ca Mau LPG extraction station                  | 0                                     | 04   |                                                    |      |       |
| <b>Easten Branch:</b>                          |                                       |      |                                                    |      |       |
| Tay Ninh LPG extraction station                | 08                                    | 08   | 0                                                  | 0    |       |
| Vinh Loc LPG extraction station                | 06                                    | 06   | 0                                                  | 0    |       |
| Binh Phuoc LPG extraction station              | 06                                    | 06   | 0                                                  | 0    |       |
| Petrol stations                                | 17                                    | 17   | 0                                                  | 0    |       |
| LPG Binh Thuan extraction station              | 0                                     | 17   | 0                                                  | 0    |       |
| Vung Tau LPG extraction station                | 17                                    | 17   | 0                                                  | 0    |       |
| <b>Central Branch:</b>                         |                                       |      |                                                    |      |       |
| Dung Quat LPG warehouse and extraction station | 06                                    | 10   | 0                                                  | 0    |       |
| Binh Dinh LPG extraction station               | 07                                    | 08   | 0                                                  | 0    |       |
| Gia Lai LPG extraction station                 | 07                                    | 07   | 0                                                  | 0    |       |
| <b>VT-Gas Branch:</b>                          |                                       |      |                                                    |      |       |
| Dong Nai LPG extraction station                | 10                                    | 10   | 0                                                  | 0    |       |
| Da Nang LPG extraction station                 | 14                                    | 14   | 0                                                  | 0    |       |
| Quang Tri LPG extraction station               | 09                                    | 09   | 0                                                  | 0    |       |
| Lam Dong LPG extraction station                | 10                                    | 10   | 0                                                  | 0    |       |

### Water Monitoring Program in 2017

| Project / Project Management Unit              | Total number of monitoring indicators |      | The total number of indicators does not reach QCVN |      | Notes |
|------------------------------------------------|---------------------------------------|------|----------------------------------------------------|------|-------|
|                                                | 2016                                  | 2017 | 2016                                               | 2017 |       |
| Gas Cylinder Branch                            | 09                                    | 09   | 0                                                  | 0    |       |
| <b>Dong Nai Branch:</b>                        |                                       |      |                                                    |      |       |
| My Xuan CNG extraction station                 | 10                                    | 10   | 0                                                  | 0    |       |
| Hiep Phuoc CNG Compressor Station              | 11                                    | 11   | 0                                                  | 0    |       |
| Samsung CNG Gas Supply Station                 | 12                                    | 12   | 0                                                  | 0    |       |
| Go Dau Gas Station                             | 12                                    | 12   | 0                                                  | 0    |       |
| <b>Western Branch:</b>                         |                                       |      |                                                    |      |       |
| Can Tho LPG Port storage                       | 08                                    | 08   | 0                                                  | 0    |       |
| Tien Giang LPG extraction station              | 0                                     | 0    | 0                                                  | 0    |       |
| Ca Mau LPG extraction station                  | 0                                     | 07   | 0                                                  | 0    |       |
| <b>South Central Branch:</b>                   |                                       |      |                                                    |      |       |
| Nha Trang LPG extraction station               | 06                                    | 06   | 0                                                  | 0    |       |
| Dak Lak LPG extraction station                 | 20                                    | 20   | 0                                                  | 0    |       |
| <b>Eastern Branch:</b>                         |                                       |      |                                                    |      |       |
| Tay Ninh LPG extraction station                | 06                                    | 06   | 0                                                  | 0    |       |
| Vinh Loc LPG extraction station                | 08                                    | 08   | 0                                                  | 0    |       |
| Binh Phuoc LPG extraction station              | 10                                    | 10   | 0                                                  | 0    |       |
| Petrol stations                                | 10                                    | 10   | 0                                                  | 0    |       |
| Binh Thuan LPG extraction station              | 0                                     | 10   | 0                                                  | 0    |       |
| Vung Tau LPG extraction station                | 10                                    | 10   | 0                                                  | 0    |       |
| <b>Central Branch:</b>                         |                                       |      |                                                    |      |       |
| Dung Quat LPG warehouse and extraction station | 16                                    | 17   | 0                                                  | 0    |       |
| Binh Dinh LPG extraction station               | 08                                    | 09   | 0                                                  | 0    |       |
| Gia Lai LPG extraction station                 | 08                                    | 08   | 0                                                  | 0    |       |
| <b>VT-Gas Branch:</b>                          |                                       |      |                                                    |      |       |
| Dong Nai LPG extraction station                | 06                                    | 06   | 0                                                  | 0    |       |
| Da Nang LPG extraction station                 | 07                                    | 07   | 0                                                  | 0    |       |
| Quang Tri LPG extraction station               | 08                                    | 08   | 0                                                  | 0    |       |
| Lam Dong LPG extraction station                | 12                                    | 12   | 0                                                  | 0    |       |
| LPG Dong Nai Warehouse                         | 08                                    | 08   | 0                                                  | 0    |       |





## SOCIAL RESPONSIBILITY



### HUMAN RESOURCES AND EMPLOYMENT

Human resources are important to any business. At PVGas South, the Management determines the strategy to ensure professional human resources, high professional qualifications, a spirit of hard work and long-term commitment. This is the driving force for sustainable development for the Company in the future.



#### NUMBER OF EMPLOYEES

**985** persons  
(AS OF 31/12/2017)

#### LABOR FORCE IN 2017

The number of employees in the Company as of 31/12/2017 was 985 persons, with the specific labor structure as shown in the table below.

| Item                                     | Number of persons | Ratio |
|------------------------------------------|-------------------|-------|
| <b>Labor structure by qualifications</b> |                   |       |
| Bachelor degree and Master's degree      | 395               | 40%   |
| College's degree, Intermediate degree    | 180               | 18%   |
| Technical workers / General labor        | 410               | 42%   |
| <b>Labor structure by contract</b>       |                   |       |
| Unlimited term                           | 719               | 73%   |
| Limited term from 12 to 36 months        | 266               | 27%   |

| Item                           | Male | Female | % of Female |
|--------------------------------|------|--------|-------------|
| BOD                            | 04   | 01     | 20%         |
| BOM                            | 05   | 0      | 0%          |
| BOS                            | 01   | 02     | 67%         |
| Head/Director of branch office | 11   | 1      | 8%          |
| Total labor force              | 775  | 210    | 27%         |

### WORK ENVIRONMENT

The Company strived to bring the best working conditions possible, create a comfortable psyche, thereby improving labor productivity as well as long-term commitment.

100% of employees were arranged jobs according to their professional capacity and there was no case of job loss, stopped work, contributing to the Company to maximize resources on personnel.

Work 40 hours/week, in case of need for overtime workforce would be calculated by the overtime or arranged by the units.

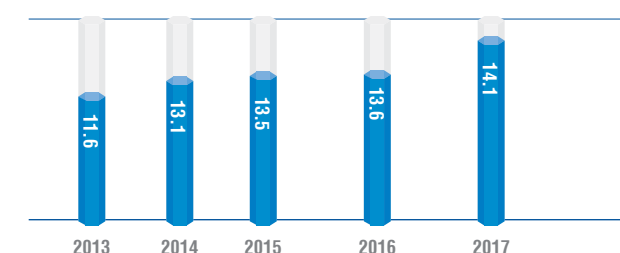
For employees working under shifts: Working hours 8 hours/day or 12 hours/day (comply with Official Letter No. 12257 / BCT-TCCB dated 30/11/2015 by Ministry of Industry and Trade) for employees of PV Gas to apply working time and rest as stipulated in Circular No. 24/2015 / TT-BCT dated July 31, 2015) to ensure no more than 48 hours/week.

The working environment always ensures the regulations on labor safety and hygiene and labor protection.

#### Average salary of employees

|                                       | 2013 | 2014 | 2015 | 2016 | 2017 |
|---------------------------------------|------|------|------|------|------|
| Average salary (Mil VND/person/month) | 11.6 | 13.1 | 13.5 | 13.6 | 14.1 |

#### Average salary (Mil VND/person/month)



### TRANSPARENT, SCIENTIFIC SALARY SYSTEM

In parallel with building a working environment that meets the standards, the Company also:

- » Invest to promote the transparent and scientific recruitment, training, payment of compensation.
- » Organize other activities to improve the material and spiritual life of employees.
- » Implement transparent and scientific compensation regulations.

In 2017, employees in the Company received an average salary of 14.1 million VND/person/month. This is a great effort of the Management in order to stabilize the income of employees, stabilize the human resources and maintain the business efficiency of the Company.

Salary and bonus levels for employees are specifically and clearly defined by the Company in the Regulations on compensation. Accordingly, salary system for employees includes basic salary and efficient salary. The salary bases on the productivity, quality and efficiency of the work according to the specific job title assigned.



## SOCIAL RESPONSIBILITY (CONTINUED)



Every year, the Company consider to raise salary as Regulations for employees. The assessment of salary raising as well as reward is based on KPI rating system, on qualitative and quantitative criteria.

In addition, the Company also paid attention to the material life of the employees through rewarding on occasions, Tet, anniversary of the Company. Bonuses are deducted from funds and considered, distributed in

a fair and equitable manner. PVGas South also awards innovations, examples in the production process to enhance creative initiative as well as recognize the contributions of employees.

### Record feedback through Employee Conference, Democracy Regulation

Every year, the Company organizes Employee Conference. In addition to the evaluation of production and business activities, the Management conduct a public evaluation on the implementation of the Collective Labor Agreement, the Internal Labor Regulations, the Democracy Regulation and commendation and annual plans for the use of the welfare fund ... In addition, opinions and feedback of employees are received and evaluated according to the Democracy Regulation.

In 2017, the Company implemented a "comment box" and "idea house" for employees to contribute ideas and ideal solutions. The Company will help the author develop ideas to initiatives and apply them to reality.

### Recruit and appoint talents, train succession team

The Company prioritizes the appointment and promotion of internal human resources, only recruiting when the demand for work increases or the need for new human resources with special expertise to meet the development needs of the Company.

In 2017, the Company promoted management positions for 14 employees, and new recruits in the year were 24 people.

| Number of employees promoted, appointed, recruited in 2017 | 2015 | 2016 | 2017 |
|------------------------------------------------------------|------|------|------|
| Total employees                                            | 985  | 985  | 985  |
| Number of persons newly recruited                          | 83   | 38   | 24   |
| Number of persons appointed                                | 14   | 24   | 14   |

### Training and professional experience sharing

The Company regularly organizes training courses and technical training for employees, at the same, sends typical managers and typical employees to attend training courses and improve their skills by other organizations. In addition, training courses on safety, internal training on operational safety, maintenance

and repair are also organized for employees to work in the environment with many risk factors.

Along with the training, the units have policies to encourage employees to share experiences in the production process. Thanks to the good performance

of this work, the level of skilled workers has been improved, the incident occurs due to safety and techniques regulations significantly reduced.

In 2017, the Company continued to strengthen internal and external training, basically meeting the requirements of providing knowledge, skills, updating legal documents, improving skills, hygiene and safety for employees to meet the requirements of production and business activities of the Company.

### Number of participants and training costs in 2017

| Number of participants |        |                  | Cost for training activities (Bil VND) |        |                  |
|------------------------|--------|------------------|----------------------------------------|--------|------------------|
| Planned                | Actual | % Actual/ Budget | Planned                                | Actual | % Actual/ Budget |
| 1,643                  | 1,669  | 102%             | 3.34                                   | 3.34   | 100.0%           |



The Organization and Administration Department also completed the establishment of a legal training matrix. Successfully organized the tests of employees competency assessment on safety, Safety-Quality-Environment management system, Labor Law, Internal Regulations, the Collective Labor Agreement for employees from head of unit down.

In total, in 2017, PVGas South implemented professional training courses for 1,669 participants, improving skills, safety and environmental health for employees with the cost of 3.34 billion VND.







## SOCIAL RESPONSIBILITY (CONTINUED)

### Training courses at PVGas South in 2017

| No.                           | Training Course                                                                                     | Number of courses held | Number of participants | Actual/Plan | Cost (Mil VND) |
|-------------------------------|-----------------------------------------------------------------------------------------------------|------------------------|------------------------|-------------|----------------|
| <b>I. Outsourced training</b> |                                                                                                     |                        |                        |             |                |
| 1.                            | Training in firefighting                                                                            | 5                      | 331                    | 100%        | 95,9           |
| 2.                            | Training in rescue                                                                                  | 3                      | 158                    | 100%        | 100,8          |
| 3.                            | Occupational Health and Safety (Groups I, II, III, IV) according to Decree 44/2016 / ND-CP          | 3                      | 249                    | 100%        | 80             |
| 4.                            | Safety management in the oil and gas sector in accordance with Circular 41/2011 / TT-BCT            | 1                      | 26                     | 100%        | 13             |
| 5.                            | Safety in gas trading in accordance with Decree 19/2015 / ND-CP                                     | 3                      | 40                     | 100%        | 45,4           |
| 6.                            | Safety in transportation of hazardous industrial goods in accordance with Circular 44/2012 / TT-BCT | 1                      | 12                     | 100%        | 6              |
| 7.                            | Measurement in LPG trading                                                                          | 1                      | 1                      | 100%        | 2              |
| 8.                            | Occupational disease prevention by the products of the oil and gas industry                         | 1                      | 20                     | 100%        | 75             |
| 9.                            | Training of the chief quality assurance officer of ISO, OHSAS                                       | 1                      | 10                     | 100%        | 0              |
| 10.                           | Operation and safety for Gas Engine 3406 - 3408                                                     | 1                      | 6                      | 100%        | 0              |
| 11.                           | Supporting training in knowledge related to operation of Dung Quat LPG                              | 1                      | 20                     | 100%        | 20             |
| 12.                           | Research and application of LNG storage, transportation and liquefaction technologies               | 1                      | 24                     | 100%        | 124            |
| 13.                           | Industrial management - production management and supervision skills                                | 1                      | 29                     | 100%        | 90             |
| 14.                           | Advanced electrical system repair                                                                   | 1                      | 25                     | 100%        | 130            |
| 15.                           | Measurement & quality management in LPG operations                                                  | 1                      | 30                     | 100%        | 90             |
| 16.                           | Operation of valves, pipelines, basic CNG operation, advanced                                       | 2                      | 29                     | 100%        | 101            |
| 17.                           | Corrosion control of pipes                                                                          | 1                      | 25                     | 100%        | 150            |
| <b>II. Internal training</b>  |                                                                                                     |                        |                        |             |                |
| 1.                            | Guide the process                                                                                   | 9                      | 142                    | 100%        |                |
| 2.                            | Safety step 2, step 3                                                                               | 12                     | 235                    | 100%        |                |
| 3.                            | Training to guide waste classification                                                              | 1                      | 170                    | 100%        |                |
| 4.                            | Work permit and safety control                                                                      | 1                      | 40                     | 100%        | 18,95          |
| 5.                            | Skills for investigating accident incident                                                          | 1                      | 40                     | 100%        |                |
| 6.                            | Safety work on high                                                                                 | 1                      | 40                     | 100%        |                |
| 7.                            | Safe working in confined space                                                                      | 1                      | 40                     | 100%        |                |
| 8.                            | Electrical safety                                                                                   | 1                      | 40                     | 100%        |                |
| 9.                            | Safety in extracting, filling and transporting LPG                                                  | 1                      | 40                     | 100%        |                |
| 10.                           | Safety in extracting, filling and transporting CNG                                                  | 1                      | 40                     | 100%        |                |
| 11.                           | Training course on Dung Quat LPG storage operation                                                  | 1                      | 40                     | 100%        | 20             |

### Health care, safety for employees

Every year, the Company organizes periodical health care for all employees, selects prestigious units, quality, strengthens the items screened, early detects to prevent diseases. Particularly for employees working in strict safety requirements, there is a regular examination every 6 months. The Company maintains to buy PVI Care insurance for employees, the level of insurance coverage as equal to 2016.

Employees are also inspected for occupational diseases, health counseling. The Company provides necessary medicine for employees working at affiliated units, members, in case of necessity, employees will be provided with jobs that are appropriate to their situation. In 2017 there was no the cases of employees who have occupational diseases, the health of employees is guaranteed, no employee rated health type 5, the rate of medical examination reached 100% of the total employees of the Company.

Employees working in heavy and hazardous environment are also provided with adequate and proper allowances.

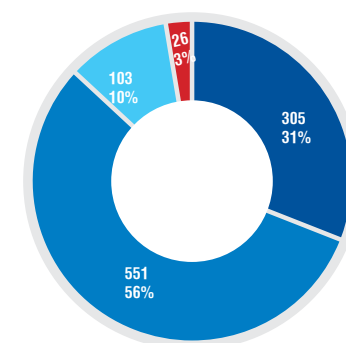
The Company also organizes collective kitchen for lunch with good quality for employees working in the BOD and some affiliated units, at the same time guides the implementation of food safety and hygiene, ensuring no food poisoning occurred to the employees.

Workers are provided with adequate means of labor protection/personal protection, allowed in kind and regulations on occupational safety and health in accordance with current regulations of the State and Company.

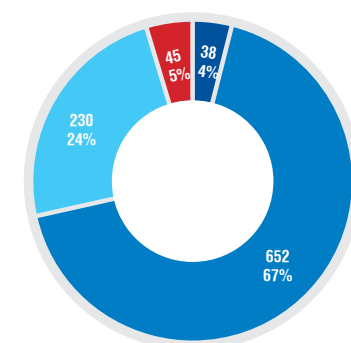
Quarterly, organize a survey on occupational safety and environmental supervision to provide preventive measures such as awareness raising, remedial measures to ensure occupational OSH conditions.

| Year | Statistics of types of health (person, %) |     |     |    |   |           |
|------|-------------------------------------------|-----|-----|----|---|-----------|
|      | I                                         | II  | III | IV | V | No rating |
| 2016 | 305                                       | 551 | 103 | 26 | 0 | 0         |
| 2017 | 38                                        | 652 | 230 | 45 | 0 | 0         |

Health classification - 2016 (person; %)



Health classification - 2017 (person; %)







## SOCIAL RESPONSIBILITY (CONTINUED)

### Results of Occupational Safety and Labour protection in 2017

| No. | CONTENT           | Fire and explosion prevention technique | Labour hygiene | Personal protection means | Health care | Training   | Total        |
|-----|-------------------|-----------------------------------------|----------------|---------------------------|-------------|------------|--------------|
|     | <b>Total jobs</b> | <b>518</b>                              | <b>152</b>     | <b>33</b>                 | <b>220</b>  | <b>123</b> | <b>1,046</b> |
| 1   | Completed         | 514                                     | 152            | 32                        | 220         | 123        | 1,041        |
| 2   | Processing        | 0                                       | 0              | 0                         | 0           | 0          | 0            |
| 3   | Cancel/Postpone   | 5                                       | 0              | 0                         | 0           | 0          | 5            |

### Teamwork activities, tourism, relax

Every year, the Company with the role of Labour Union, Youth Union ... regularly organizes events for employees to exchange and build team spirit, through specific activities such as traditional sports, with athletes participating in competitions such as football, folk games; Organizing batches for typical officials and employees to travel and convalescence in many places; Fire Fighting, Fire Rescue ...

At the same time, the settlement of policies, such as insurance, retirement, maternity and sickness, is always implemented in a timely manner and in accordance with regulations.

The Company presents birthday gifts, gifts on holidays, events of the Company, visits, supports for employees in difficult circumstances, serious diseases, gifts to employees on the Lunar New Year holiday.

Continue to support travel expenses for 245 employees, support teambuilding organization, organize transportation for employees to work in Dong Nai Branch, Gas Cylinder Branch; maintain the organization of collective kitchen for employees to ensure food safety and hygiene.



## COMMUNITY CONTRIBUTION

Responsibility for community is not only a key task in the sustainable development of enterprises but also become a culture that is actively participated by all employees.

PVGas South always attaches great importance to social work, closely associating the development of the Company with the development of community - society.

The Union cooperated with leaders and authorities to mobilize 100% of employees to donate money to the fund-raising program launched by the branch; Organizing the implementation of social security, "Gratitude", "Uong nuoc Nho nguon", "Supporting the people in the provinces affected by natural disasters, floods" ... with the spirit of mutual, love.

### In 2017, the Company participated in supporting the practical community programs. Specifically:

Program Spring of loving, visiting, giving presents to disabled children, orphans, the elderly and the elderly ... at charity centers in the company / branch office's locations.

Launch 01 movement day to implement Social Welfare program 2017 - build 11 gratitude houses and 01 class of love with the amount of nearly 01 billion VND.

Program to support the victims of natural calamities and floods:

- » In September 2017, 150 gifts were donated to Muong La and Mu Cang Chai people, with a total amount of 300 million VND.
- » In November 2017, 306 gifts were distributed to Binh Dinh, Quang Nam, Phu Yen and Khanh Hoa provinces with a total amount of 417.8 million VND, of which 40 gifts worth 151 million VND are awarded to employees of the company working in the above areas.

### In addition, the Management and Labour Union regularly:

- » Organize visiting, giving gifts to employees in difficult circumstances, sickness, wedding occasions, funeral occasions to encourage the spirit.
- » Organize practical activities on International Women's Day on 8 March, Vietnamese Women's Day on 20 October, War Invalids and Martyrs on 27 July, Children's Day on the 1st of June, Mid-Autumn Festival, and commend the children's employees in the Company to achieve good students at all levels.
- » Organize "Ve nguon" programs for employees, in order to arouse patriotism and national pride in each employee and create cohesion, exchange and solidarity among staff, better job.





## ECONOMIC PERFORMANCE

### GENERATED ECONOMIC VALUE

In 2017, PVGas South's generated economic value of 6,101.5 billion VND, increased sharply by 13.5% compared to 2016. The generated economic value in 2017 came from:

- » Sales revenue reached 6,090.9 billion VND, increased by 23.2% compared to 2016 thanks to the strong recovery of oil prices and consumption volume. Specifically, PVGas South provided to the market with 284,158 tonnes of LPG, 123.9 million Sm<sup>3</sup> of CNG and 371,524 new cylinders.
- » Revenue from financial activities reached 8.6 billion VND, as the restructure of the Company completed and there was no longer financial income such as in 2016.
- » Revenue from other activities of 2.1 billion VND.



#### GENERATED ECONOMIC VALUE

**6,101.5** billion VND

INCREASED SHARPLY BY  
13.5% COMPARED TO 2016



#### DISTRIBUTED ECONOMIC VALUE IN 2017

**6,750** billion VND

STRONGLY INCREASED BY 30.1%

| Item (Billion VND) | 2016           | 2017           | % Change     |
|--------------------|----------------|----------------|--------------|
| Revenue            | 4,971.9        | 6,090.9        | 22.5%        |
| Financial revenue  | 397.8          | 8.6            | -97.8%       |
| Other revenue      | 5.5            | 2.1            | -62.1%       |
| <b>Total</b>       | <b>5,375.2</b> | <b>6,101.5</b> | <b>13.5%</b> |

#### Distributed economic value

In addition to generating economic value, PVGas South is also distributing value for the society. Total distributed economic value in 2017 reached 6,750 billion VND, strongly increased by 30.1% compared to 2016.

| Item                                      | 2016           | 2017           | % Change     |
|-------------------------------------------|----------------|----------------|--------------|
| Total operating expenses                  | 4,618.9        | 5,669.0        | 22.7%        |
| Employee expenses                         | 164.0          | 167.2          | 2.0%         |
| Financial expenses                        |                |                |              |
| Interest expenses                         | 20.6           | 16.6           | -19.3%       |
| Dividend                                  | 150.0          | 75.0           | -50.0%       |
| Investment in fixed assets                | 81.2           | 150.2          | 85.0%        |
| Contribution to State budget              | 153.0          | 670.3          | 338.1%       |
| Contribution to the community and society | 2.3            | 1.7            | -25.3%       |
| <b>Total</b>                              | <b>5,190.0</b> | <b>6,750.0</b> | <b>30.1%</b> |





# IMPRESSION OF BRAVERY

## 06 FINANCIAL STATEMENTS (AUDITED)

- 140 Statement of the Board of Executive Officers
- 141 Independent auditor's report
- 142 Balance sheet
- 144 Income statement
- 145 Cash flow statement
- 146 Notes to financial statements







## STATEMENT OF THE BOARD OF EXECUTIVE OFFICERS

The Board of Executive Officers of PetroVietnam Southern Gas Joint Stock Company (the “Company”) presents this report together with the Company’s financial statements for the year ended 31 December 2017.

### BOARDS OF DIRECTORS AND EXECUTIVE OFFICERS

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

#### Board of Directors

|                      |          |
|----------------------|----------|
| Mr. Do Tan           | Chairman |
| Mr. Vu Quy Hieu      | Member   |
| Ms. Nguyen Minh Ngoc | Member   |
| Mr. Tran Van Nghi    | Member   |
| Mr. Ha Anh Tuan      | Member   |

#### Board of Executive Officers

|                     |                                |
|---------------------|--------------------------------|
| Mr. Vu Quy Hieu     | Chief Executive Officer        |
| Mr. Tran Van Nghi   | Deputy Chief Executive Officer |
| Mr. Dao Huu Thang   | Deputy Chief Executive Officer |
| Mr. Nguyen Hai Long | Deputy Chief Executive Officer |
| Mr. Dang Van Vinh   | Deputy Chief Executive Officer |

### BOARD OF EXECUTIVE OFFICERS’ STATEMENT OF RESPONSIBILITY

The Board of Executive Officers of the Company is responsible for preparing the financial statements, which give a true and fair view of the financial position of the Company as at 31 December 2017 and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. In preparing these financial statements, the Board of Executive Officers is required to:

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

The Board of Executive Officers 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 financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. The Board of Executive Officers 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 Executive Officers confirms that the Company has complied with the above requirements in preparing these financial statements.

For and on behalf of the Board of Executive Officers,



**VU QUY HIEU**

Director  
21 March 2018

## INDEPENDENT AUDITORS’ REPORT

No. 450/VN1A-HC-BC



To: **The Shareholders  
The Boards of Directors and Executive Officers of  
PetroVietnam Southern Gas Joint Stock Company**

We have audited the accompanying financial statements of PetroVietnam Southern Gas Joint Stock Company (the “Company”) prepared on 21 March 2018 as set out from page 142 to page 175, which comprise the balance sheet as at 31 December 2017, the statement of income, the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Board of Executive Officers’ Responsibility for the Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors’ judgment, including the assessment of the risks of material misstatement of the 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 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 Executive Officers, as well as evaluating the overall presentation of the 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 financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.



**VO THAI HOA**

**Audit Partner**

Audit Practising Registration Certificate  
No. 0138-2018-001-1

**KIEU PHI**

**Auditor**

Audit Practising Registration Certificate  
No. 3190-2015-001-1

**BRANCH OF DELOITTE VIETNAM COMPANY LIMITED**

21 March 2018  
Ho Chi Minh City, S.R. Vietnam



# BALANCE SHEET

As at 31 December 2017

Form B 01 - DN

Unit: VND

| ASSETS                                                         | Codes      | Notes | Closing balance          | Opening balance          |
|----------------------------------------------------------------|------------|-------|--------------------------|--------------------------|
| <b>A. CURRENT ASSETS</b>                                       | <b>100</b> |       | <b>1,125,825,858,372</b> | <b>1,135,470,875,261</b> |
| I. Cash and cash equivalents                                   | 110        | 4     | 268,755,686,149          | 407,677,036,164          |
| 1. Cash                                                        | 111        |       | 103,230,686,149          | 227,677,036,164          |
| 2. Cash equivalent                                             | 112        |       | 165,525,000,000          | 180,000,000,000          |
| II. Short-term financial investments                           | 120        |       | 7,450,000,000            | 7,450,000,000            |
| 1. Held-to-maturity investments                                | 123        |       | 7,450,000,000            | 7,450,000,000            |
| III. Short-term receivables                                    | 130        |       | 647,166,219,775          | 558,918,283,349          |
| 1. Short-term trade receivables                                | 131        | 5     | 597,653,973,104          | 486,643,762,500          |
| 2. Short-term advances to suppliers                            | 132        |       | 38,549,172,677           | 36,690,205,266           |
| 3. Other short-term receivables                                | 136        | 6     | 22,644,922,208           | 45,572,311,846           |
| 4. Provision for short-term doubtful debts                     | 137        | 7     | (11,681,848,214)         | (9,987,996,263)          |
| IV. Inventories                                                | 140        |       | 155,630,597,161          | 120,365,971,703          |
| 1. Inventories                                                 | 141        | 8     | 155,630,597,161          | 120,365,971,703          |
| V. Other short-term assets                                     | 150        |       | 46,823,355,287           | 41,059,584,045           |
| 1. Short-term prepayments                                      | 151        | 9     | 31,138,843,088           | 32,418,254,127           |
| 2. Value added tax deductibles                                 | 152        |       | 14,064,323,013           | 3,040,830,713            |
| 3. Taxes and other receivables from the State budget           | 154        | 17    | 1,620,189,186            | 5,600,499,205            |
| <b>B. NON-CURRENT ASSETS</b>                                   | <b>200</b> |       | <b>1,163,148,092,771</b> | <b>1,114,117,313,624</b> |
| I. Long-term receivables                                       | 210        |       | 8,577,826,012            | 11,608,243,772           |
| 1. Other long-term receivables                                 | 216        | 6     | 8,577,826,012            | 11,608,243,772           |
| II. Fixed assets                                               | 220        |       | 618,207,372,453          | 588,592,253,791          |
| 1. Tangible fixed assets                                       | 221        | 10    | 550,476,243,606          | 503,086,497,353          |
| - Cost                                                         | 222        |       | 1,610,663,069,883        | 1,467,696,867,977        |
| - Accumulated depreciation                                     | 223        |       | (1,060,186,826,277)      | (964,610,370,624)        |
| 2. Finance lease assets                                        | 224        | 11    | 36,763,701,195           | 57,229,227,905           |
| - Cost                                                         | 225        |       | 86,943,925,878           | 94,530,744,060           |
| - Accumulated depreciation                                     | 226        |       | (50,180,224,683)         | (37,301,516,155)         |
| 3. Intangible assets                                           | 227        | 12    | 30,967,427,652           | 28,276,528,533           |
| - Cost                                                         | 228        |       | 37,890,148,666           | 33,548,135,666           |
| - Accumulated amortisation                                     | 229        |       | (6,922,721,014)          | (5,271,607,133)          |
| III. Long-term assets in progress                              | 240        |       | 22,175,363,879           | 20,853,898,392           |
| 1. Construction in progress                                    | 242        | 13    | 22,175,363,879           | 20,853,898,392           |
| IV. Long-term financial investments                            | 250        |       | -                        | -                        |
| 1. Equity investments in other entities                        | 253        | 14    | 50,000,000,000           | 50,000,000,000           |
| 2. Provision for impairment of long-term financial investments | 254        | 14    | (50,000,000,000)         | (50,000,000,000)         |
| V. Other long-term assets                                      | 260        |       | 514,187,530,427          | 493,062,917,669          |
| 1. Long-term prepayments                                       | 261        | 9     | 502,549,359,270          | 481,782,898,175          |
| 2. Deferred tax assets                                         | 262        | 15    | 11,638,171,157           | 11,280,019,494           |
| <b>TOTAL ASSETS (270=100+200)</b>                              | <b>270</b> |       | <b>2,288,973,951,143</b> | <b>2,249,588,188,885</b> |

Unit: VND

| ASSETS                                                  | Codes      | Notes | Closing balance          | Opening balance          |
|---------------------------------------------------------|------------|-------|--------------------------|--------------------------|
| <b>C. LIABILITIES</b>                                   | <b>300</b> |       | <b>1,327,692,695,712</b> | <b>1,282,755,920,727</b> |
| I. Current liabilities                                  | 310        |       | 1,170,525,308,542        | 1,121,752,439,437        |
| 1. Short-term trade payables                            | 311        | 16    | 756,363,390,350          | 712,785,561,413          |
| 2. Short-term advances from customers                   | 312        |       | 1,477,962,637            | 2,863,403,973            |
| 3. Taxes and amounts payable to the State budget        | 313        | 17    | 13,184,656,181           | 6,384,732,588            |
| 4. Payables to employees                                | 314        |       | 41,241,932,139           | 41,170,355,672           |
| 5. Short-term accrued expenses                          | 315        | 18    | 23,187,700,506           | 32,036,049,089           |
| 6. Short-term unearned revenue                          | 318        |       | 626,837,758              | -                        |
| 7. Other current payables                               | 319        | 19    | 38,668,249,544           | 30,227,706,341           |
| 8. Short-term loans and obligations under finance lease | 320        | 20    | 274,172,844,667          | 280,149,626,494          |
| 9. Bonus and welfare funds                              | 322        |       | 21,601,734,760           | 16,135,003,867           |
| II. Long-term liabilities                               | 330        |       | 157,167,387,170          | 161,003,481,290          |
| 1. Other long-term payables                             | 337        | 19    | 136,474,055,970          | 119,296,714,960          |
| 2. Long-term loans and obligations under finance lease  | 338        | 21    | 20,693,331,200           | 41,706,766,330           |
| <b>D. EQUITY</b>                                        | <b>400</b> |       | <b>961,281,255,431</b>   | <b>966,832,268,158</b>   |
| I. Owners' equity                                       | 410        | 22    | 961,281,255,431          | 966,832,268,158          |
| 1. Owners' contributed capital                          | 411        |       | 500,000,000,000          | 500,000,000,000          |
| - Ordinary shares carrying voting rights                | 411a       |       | 500,000,000,000          | 500,000,000,000          |
| 2. Share premium                                        | 412        |       | 45,594,384,212           | 45,594,384,212           |
| 3. Treasury shares                                      | 415        |       | (12,061,327)             | (12,061,327)             |
| 4. Investment and development fund                      | 418        |       | 362,934,290,222          | 357,387,422,404          |
| 5. Retained earnings                                    | 421        |       | 52,764,642,324           | 63,862,522,869           |
| - Retained earnings accumulated to the prior year end   | 421a       |       | 18,316,619,851           | 3,591,218,324            |
| - Retained earnings of the current year                 | 421b       |       | 34,448,022,473           | 60,271,304,545           |
| <b>TOTAL RESOURCES (440=300+400)</b>                    | <b>440</b> |       | <b>2,288,973,951,143</b> | <b>2,249,588,188,885</b> |

**Nguyen Ngoc Dan**  
Preparer

**Ngo An Hoa**  
Chief Accountant



**Vu Quy Hieu**  
Director  
21 March 2018





## INCOME STATEMENT

For the year ended 31 December 2017

Form B 02 - DN

Unit: VND

| ITEMS                                                            | Codes     | Notes | Current year           | Prior year             |
|------------------------------------------------------------------|-----------|-------|------------------------|------------------------|
| 1. Gross revenue from goods sold and services rendered           | 01        |       | 6,398,580,066,395      | 5,176,015,364,071      |
| 2. Deductions                                                    | 02        |       | 307,717,004,908        | 204,112,447,510        |
| 3. Net revenue from goods sold and services rendered (10=01-02)  | 10        | 25    | 6,090,863,061,487      | 4,971,902,916,561      |
| 4. Cost of sales                                                 | 11        | 26    | 4,965,208,913,953      | 4,030,916,698,759      |
| 5. Gross profit from goods sold and services rendered (20=10-11) | 20        |       | 1,125,654,147,534      | 940,986,217,802        |
| 6. Financial income                                              | 21        | 28    | 8,569,251,460          | 397,761,515,416        |
| 7. Financial expenses                                            | 22        | 29    | 16,770,745,197         | 71,531,641,184         |
| <i>In which: Interest expense</i>                                | <i>23</i> |       | <i>16,634,115,964</i>  | <i>20,608,158,252</i>  |
| 8. Selling expenses                                              | 25        | 30    | 900,876,445,105        | 766,610,381,915        |
| 9. General and administration expenses                           | 26        | 30    | 79,550,696,263         | 80,072,934,148         |
| 10. Operating profit (30=20+(21-22)-(25+26))                     | 30        |       | 137,025,512,429        | 420,532,775,971        |
| 11. Other income                                                 | 31        |       | 2,087,848,615          | 5,502,666,391          |
| 12. Other expenses                                               | 32        |       | 895,143,074            | 3,461,966,482          |
| 13. Profit from other activities (40=31-32)                      | 40        |       | 1,192,705,541          | 2,040,699,909          |
| 14. Accounting profit before tax (50=30+40)                      | 50        |       | 138,218,217,970        | 422,573,475,880        |
| 15. Current corporate income tax expense                         | 51        | 31    | 28,829,553,161         | 82,868,705,588         |
| 16. Deferred corporate tax income                                | 52        |       | (358,151,663)          | (1,997,599,253)        |
| <b>17. Net profit after corporate income tax (60=50-51-52)</b>   | <b>60</b> |       | <b>109,746,816,472</b> | <b>341,702,369,545</b> |
| 18. Basic earnings per share                                     | 70        | 32    | 1,695                  | 6,334                  |

**Nguyen Ngoc Dan**  
Preparer

**Ngo An Hoa**  
Chief Accountant



**Vu Quy Hieu**  
Director  
21 March 2018

## CASH FLOW STATEMENT

For the year ended 31 December 2017

Unit: VND

Form B 03 - DN

| ITEMS                                                                 | Codes     | Current year             | Prior year               |
|-----------------------------------------------------------------------|-----------|--------------------------|--------------------------|
| <b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>                        |           |                          |                          |
| 1. Profit before tax                                                  | 01        | 138,218,217,970          | 422,573,475,880          |
| 2. Adjustments for:                                                   |           |                          |                          |
| Depreciation and amortisation of fixed assets                         | 02        | 110,106,278,062          | 145,646,265,507          |
| Provisions                                                            | 03        | 1,693,851,951            | (1,650,743,100)          |
| Foreign exchange gain arising from translating foreign currency items | 04        | (98,180,664)             | (97,399,410)             |
| Gain from investing activities                                        | 05        | (8,488,051,988)          | (348,061,167,823)        |
| Interest expense                                                      | 06        | 16,634,115,964           | 20,608,158,252           |
| <b>3. Operating profit before movements in working capital</b>        | <b>08</b> | <b>258,066,231,295</b>   | <b>239,018,589,306</b>   |
| Changes in receivables                                                | 09        | (93,954,552,898)         | 288,791,790,978          |
| Changes in inventories                                                | 10        | (35,106,761,162)         | 448,698,009              |
| Changes in payables                                                   | 11        | 59,671,692,838           | (297,759,092,142)        |
| Changes in prepaid expenses                                           | 12        | (19,487,050,056)         | 2,611,466,467            |
| Interest paid                                                         | 14        | (16,600,726,692)         | (19,838,876,547)         |
| Corporate income tax paid                                             | 15        | (23,791,932,634)         | (81,029,781,805)         |
| Other cash outflows                                                   | 17        | (19,833,269,107)         | (25,320,683,076)         |
| <b>Net cash generated by operating activities</b>                     | <b>20</b> | <b>108,963,631,584</b>   | <b>106,922,111,190</b>   |
| <b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>                       |           |                          |                          |
| 1. Acquisition and construction of fixed assets                       | 21        | (141,007,969,707)        | (109,001,330,371)        |
| 2. Cash outflow for buying debt instruments of other entities         | 23        | -                        | (7,450,000,000)          |
| 3. Cash recovered from selling debt investments in subsidiary         | 26        | -                        | 480,018,756,200          |
| 4. Interest earned, dividends and profits received                    | 27        | 8,488,051,988            | 54,560,134,148           |
| <b>Net cash used in investing activities</b>                          | <b>30</b> | <b>(132,519,917,719)</b> | <b>418,127,559,977</b>   |
| <b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>                      |           |                          |                          |
| 1. Proceeds from borrowings                                           | 33        | 1,000,000,000,000        | 1,119,440,488,584        |
| 2. Repayment of borrowings                                            | 34        | (1,007,338,500,924)      | (1,113,754,200,924)      |
| 3. Repayment of obligations under finance lease                       | 35        | (19,651,716,033)         | (47,147,587,149)         |
| 4. Dividends and profits paid                                         | 36        | (88,374,747,587)         | (153,394,521,188)        |
| <b>Net cash used in financing activities</b>                          | <b>40</b> | <b>(115,364,964,544)</b> | <b>(194,855,820,677)</b> |
| <b>Net (decrease)/increase in cash (50=20+30+40)</b>                  | <b>50</b> | <b>(138,921,250,679)</b> | <b>330,193,850,490</b>   |
| <b>Cash and cash equivalents at the beginning of the year</b>         | <b>60</b> | <b>407,677,036,164</b>   | <b>77,484,066,264</b>    |
| Effects of changes in foreign exchange rates                          | 61        | (99,336)                 | (880,590)                |
| <b>Cash and cash equivalents at the end of the year (70=50+60+61)</b> | <b>70</b> | <b>268,755,686,149</b>   | <b>407,677,036,164</b>   |

**Nguyen Ngoc Dan**  
Preparer

**Ngo An Hoa**  
Chief Accountant



**Vu Quy Hieu**  
Director  
21 March 2018



## 1. GENERAL INFORMATION

### Structure of ownership

PetroVietnam Southern Gas Joint Stock Company (the “Company”) was established under Business Registration Certificate No. 0305097236 dated 15 May 2015 issued by the Department of Planning and Investment of Ho Chi Minh City with the charter capital of VND 500,000,000,000. This Business Registration Certificate replaces Business Registration Certificate No. 4103007397 dated 25 July 2007 and amended certificates. The Company’s shares are listed in the Hanoi Stock Exchange with the code “PGS”.

The Company’s head office is located on the 4th Floor, PetroVietnam Tower, 1-5 Le Duan Street, Ben Nghe Ward, District 1, Ho Chi Minh City, Vietnam.

The number of employees as at 31 December 2017 was 985 (as at 31 December 2016: 985).

### Principal activities

The Company’s principal activities are to import and export Liquefied Petroleum Gas (LPG) (inactive in Ho Chi Minh City), gas-related products, and materials, equipment and vehicles for transportation, storage, bottling and trading of LPG (except for gas trading at the Company’s head office); to construct, install and consult with LPG works, gas industry works; transfer technology, provide maintenance services for LPG-related civil works; to transport LPG and freight container; to provide services related to LPG and gas-related products in industrial, civil and transportation fields; to trade petrol, lubricant and relevant additives; to trade fertilizer; to trade real estates; and to load and unload cargos; production, filling and distribution of LPG and compressed natural gas; manufacturing metal containers for compressed gas, liquefied petroleum gas and natural gas; repair of tank containers, metal containers; painting, maintenance and repair of tanks, reservoirs, pipelines, oil and gas storage types; wholesale of machinery, equipment and other machine parts; construction and finishing works of civil engineering.

### Normal production and business cycle

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

### The Company’s structure

The Company has branches including Dong Nai branch, Gas Cyclinder branch, Mien Dong branch, VTGas branch, Mien Tay branch, Mien Trung branch and Nam Trung Bo branch.

### Disclosure of information comparability in the financial statements

Comparative figures are the figures of the audited financial statements for the year ended 31 December 2016.

## 2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

### Accounting convention

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

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

### Financial year

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### Estimates

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

### Cash and cash equivalents

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

### 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.

### Held-to-maturity investments

Held-to-maturity investments comprise term deposits to earn interest income periodically.

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

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

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





### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises cost of purchases, direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net 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 Company's financial policies, directly-related expenses and registration fee (if any).

Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives as follows:

|                          | Years   |
|--------------------------|---------|
| Buildings and structures | 05 - 25 |
| Machinery and equipment  | 03 - 10 |
| Motor vehicles           | 03 - 08 |
| Office equipment         | 03 - 04 |
| Others                   | 03 - 04 |

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 income statement.

### Leasing

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

Assets held under finance leases are recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's general policy on borrowing costs (see below).

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives, as follows:

|                         | Years   |
|-------------------------|---------|
| Machinery and equipment | 05      |
| Motor vehicles          | 03 - 06 |

### Intangible assets and amortization

Intangible assets represent land use rights, trademarks and computer software and are stated at cost less accumulated amortization. Land use rights are amortized using the straight-line method over the duration of the right to use the land. Indefinite-term land use rights are not amortized. Trademarks are amortized using the straight-line method over 09 years. Computer software is amortized using the straight-line method over 03 years.

### 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.

### Equity investments in other entities

Equity investments in other entities represent the Company's investments in ordinary shares of the entities over which the Company has no control, joint control, or significant influence.

Equity investments in other entities are carried at cost less provision for impairment. Provisions for impairment of investments in other entities are made in accordance with Circular No. 228/2009/TT-BTC dated 07 December 2009 issued by the Ministry of Finance on "Guiding the appropriation and use of provisions for devaluation of inventories, loss of financial investments, bad debts and warranty for products, goods and construction works at enterprises", Circular No. 89/2013/TT-BTC dated 28 June 2013 by the Ministry of Finance amending and supplementing Circular No. 228/2009/TT-BTC and prevailing accounting regulations.

### Long-term prepayments

#### Allocation of gas cylinders

The costs of gas cylinders are recognized as long-term prepayments and charged to the income statement on a straight-line basis over their estimated useful life from 5 years to 10 years.

#### Land rentals, land use advantage and office rentals

Land rentals, land use advantage and office rentals are charged to the income statement using the straight-line method over the lease term.



## Other types of long-term prepayments

Other types of long-term prepayments comprise office improvement expenditure, costs of CNG tanks, costs of CNG converters, costs of trademark developing strategy and other expenditures which are expected to provide future economic benefits to the Company for one year or more. These expenditures are allocated to the income statement using the straight-line method over their useful lives.

## Allocation of the deposits received from customers for gas cylinders

Deposits received from customers for gas cylinders are allocated to income over the allocation period of gas cylinders. The remaining unallocated deposits are presented in the "Other long-term payables" item in the balance sheet.

## Revenue recognition

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

- The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company; and
- 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 recognized 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 recognized 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:

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

Interest income is accrued on a time 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.

## Foreign currencies

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

## Borrowing costs

Borrowing costs are recognised in the income statement in the year when incurred unless they are capitalised in accordance with Vietnamese Accounting Standard No. 16 "Borrowing costs".

## Payable provisions

Payable provisions are recognised when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Board of Executive Officers' best estimate of the expenditure required to settle the obligation as at the balance sheet date.

## Taxation

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

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

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

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.





## NOTES TO THE FINANCIAL STATEMENTS (Continued)

Form B 09-DN

### 4. CASH AND CASH EQUIVALENTS

|                      | Closing balance<br>VND | Opening balance<br>VND |
|----------------------|------------------------|------------------------|
| Cash on hand         | 14,567,490,052         | 11,093,738,456         |
| Bank demand deposits | 88,663,196,097         | 216,583,297,708        |
| Cash equivalents     | 165,525,000,000        | 180,000,000,000        |
|                      | <b>268,755,686,149</b> | <b>407,677,036,164</b> |

Cash equivalents represent time deposits in Vietnam Dong at commercial banks under 3 months which earn interest rates from 0.3% per annum to 6% per annum.

### 5. SHORT-TERM TRADE RECEIVABLES

|                                            | Closing balance<br>VND | Opening balance<br>VND |
|--------------------------------------------|------------------------|------------------------|
| <b>a. Short-term trade receivables</b>     |                        |                        |
| - Mien Trung Gas Co., Ltd.                 | 104,591,325,355        | 53,926,923,737         |
| - Petro Mien Trung JSC.                    | 31,536,111,774         | 21,817,551,349         |
| - LPG System Co., Ltd.                     | 30,325,931,957         | 23,132,052,572         |
| - Nam Kim Steel JSC.                       | 16,996,683,974         | 10,746,452,720         |
| - POMINA JSC.                              | 11,706,828,154         | 16,388,832,991         |
| - Nhat Viet Transportation JSC.            | -                      | 52,198,665,599         |
| - Others                                   | 382,779,250,415        | 296,732,215,792        |
| <b>b. Receivables from related parties</b> | <b>19,717,841,475</b>  | <b>11,701,067,740</b>  |
|                                            | <b>597,653,973,104</b> | <b>486,643,762,500</b> |

### 6. OTHER RECEIVABLES

|                                                                                                      | Closing balance<br>VND | Opening balance<br>VND |
|------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| <b>a. Other short-term receivables</b>                                                               |                        |                        |
| - Deposits                                                                                           | 1,328,271,267          | 3,041,221,267          |
| - Receivables regarding authorized import agreements                                                 | 2,048,246,059          | 3,193,779,172          |
| - Advance to employees                                                                               | 3,780,134,335          | 4,341,264,616          |
| - Receivables regarding deposits at Vietnam Investment and Asset Trading Joint Stock Company Vietnam | 3,300,000,000          | 3,300,000,000          |
| - Other receivables                                                                                  | 12,186,078,528         | 9,524,965,057          |
| <b>b. Other short-term receivables from related parties</b>                                          | <b>2,192,019</b>       | <b>22,171,081,734</b>  |
|                                                                                                      | <b>22,644,922,208</b>  | <b>45,572,311,846</b>  |
| <b>c. Long-term receivables</b>                                                                      |                        |                        |
| - Deposits                                                                                           | <b>8,577,826,012</b>   | <b>11,608,243,772</b>  |

### 7. BAD DEBTS

|                                             | Closing balance<br>VND |                       | Opening balance<br>VND |                       |
|---------------------------------------------|------------------------|-----------------------|------------------------|-----------------------|
|                                             | Cost                   | Recoverable<br>amount | Cost                   | Recoverable<br>amount |
| <b>Total amount of receivables past due</b> |                        |                       |                        |                       |
| Between over 6 months and under one year    | 2,609,247,217          | 1,826,473,052         | 1,616,725,481          | 1,131,707,837         |
| Between 1 year and under 2 years            | 3,352,597,144          | 1,676,298,572         | 912,786,674            | 456,393,337           |
| Between 2 years and under 3 years           | 407,416,410            | 122,224,923           | 581,217,372            | 174,365,212           |
| For 3 years or more                         | 8,937,583,990          | -                     | 8,639,733,122          | -                     |
|                                             | <b>15,306,844,761</b>  | <b>3,624,996,547</b>  | <b>11,750,462,649</b>  | <b>1,762,466,386</b>  |

### 8. INVENTORIES

|                      | Closing balance<br>VND | Opening balance<br>VND |
|----------------------|------------------------|------------------------|
| Goods in transit     | -                      | 168,557                |
| Raw materials        | 26,537,347,165         | 35,199,820,204         |
| Tools and supplies   | 52,751,035,388         | 53,167,136,486         |
| Work in progress     | 3,760,708,147          | 3,422,024,712          |
| Finished goods       | 11,745,448,122         | 5,858,636,444          |
| Merchandise          | 60,824,659,909         | 22,707,814,728         |
| Goods on consignment | 11,398,430             | 10,370,572             |
|                      | <b>155,630,597,161</b> | <b>120,365,971,703</b> |

As at 31 December 2017 and 31 December 2016, the Company did not have any slow - moving, damaged and sub-standard inventories needing making provisions.



## 9. PREPAYMENTS

|                                                                          | Closing balance<br>VND | Opening balance<br>VND |
|--------------------------------------------------------------------------|------------------------|------------------------|
| <b>a. Short-term</b>                                                     |                        |                        |
| - Advertising fee                                                        | 19,040,078,283         | 15,641,883,296         |
| - Prepaid insurance fee                                                  | 2,772,748,017          | 3,041,710,897          |
| - Tools and supplies waiting for allocation                              | 2,510,362,141          | 7,998,407,897          |
| - Others                                                                 | 6,815,654,647          | 5,736,252,037          |
|                                                                          | <b>31,138,843,088</b>  | <b>32,418,254,127</b>  |
| <b>b. Long-term</b>                                                      |                        |                        |
| - Gas cylinders costs waiting for allocation (1)                         | 334,627,890,078        | 328,643,631,204        |
| - Prepaid land rentals and land use advantage (2)                        | 87,834,741,233         | 80,715,424,572         |
| - Office rental prepaid (3)                                              | 40,651,624,541         | 41,602,539,737         |
| - CNG tank                                                               | -                      | 5,271,191,111          |
| - CNG converter                                                          | -                      | 702,474,156            |
| - Prepaid expense for rental and renovation of offices in Nha Trang City | 2,655,234,604          | 4,354,256,543          |
| - Maintenance and repairing expense for machines at CNG My Xuan station  | 2,521,004,447          | 1,068,834,522          |
| - Prepaid expense for renovation of the interior in Le Duan Office       | 772,622,299            | 2,214,637,096          |
| - Tools and supplies waiting for allocation                              | 1,984,898,437          | 890,664,037            |
| - Cost of trademark developing strategy                                  | 7,760,016,909          | 9,984,436,929          |
| - Consulting fee                                                         | 1,090,765,553          | 1,892,558,225          |
| - Others                                                                 | 22,650,561,169         | 4,442,250,043          |
|                                                                          | <b>502,549,359,270</b> | <b>481,782,898,175</b> |

(1) Movements in the costs of gas cylinders for the year were as follows:

|                                                     | Current year<br>VND    | Prior year<br>VND      |
|-----------------------------------------------------|------------------------|------------------------|
| Opening balance                                     | 328,643,631,204        | 89,244,601,683         |
| Additions due to merging subsidiaries into branches | -                      | 226,871,922,014        |
| Additions                                           | 77,664,163,000         | 71,679,494,770         |
| Allocated to expenses                               | (71,071,552,570)       | (58,290,129,546)       |
| Disposals                                           | (608,351,556)          | (862,257,717)          |
| Closing balance                                     | <b>334,627,890,078</b> | <b>328,643,631,204</b> |

(2) Prepaid land rentals includes:

- Land rental of 6,675 m<sup>2</sup> in My Xuan A Industrial Zone, Ba Ria - Vung Tau Province, which has been prepaid to Vietnam Urban and Industrial Zone Development Investment Corporation with a lease term of 43.6 years starting from 28 November 2008.
- Land rental of 10,000 m<sup>2</sup> in My Xuan A Industrial Zone, Ba Ria - Vung Tau Province, which has been prepaid to Vietnam Urban and Industrial Zone Development Investment Corporation with a lease term of 37.6 years starting from 19 November 2014.
- Land rental of 30,000 m<sup>2</sup> in Tra Noc II Industrial Park, Can Tho City, which has been prepaid to Can Tho Industrial Parks Developing Company with a lease term of 35 years from 2009 to 2044.
- Land rental of 10,098 m<sup>2</sup> in Nhon Hoi Industrial Park, Binh Dinh Province, which has been prepaid to Saigon Nhon Hoi Industrial Park Joint Stock Company with a lease term of 45 years from 18 March 2011 to 21 June 2056.
- Land rental of 13,000 m<sup>2</sup> in Textile Nhon Trach Industrial Zone, Dong Nai Province with a lease term from 16 December 2010 to 12 September 2053.
- Land rental of 12,011.475 m<sup>2</sup> in Textile Nhon Trach Industrial Zone, Dong Nai Province, which has been prepaid to Vinatex - Tan Tao Investment Joint Stock Company with a lease term of 39.3 years starting from 30 June 2014.
- Land rental of 7,659 m<sup>2</sup> in Lien Chieu Industrial Zone, Da Nang City, which has been prepaid to Saigon - Da Nang Investment Joint Stock Company with a lease term from 8 January 2015 to 12 December 2046.
- Land rental of 28,120.8 m<sup>2</sup> in Khanh An Industrial Zone with a lease term from 24 June 2016 to 17 February 2065.
- Land rental of 9,624 m<sup>2</sup> in Bac Dong Phu Insutrial Zone, which has been prepaid to Bac Dong Phu Industrial Joint Stock Company with a lease term from 21 July 2010 to 23 November 2059.

(3) Office rental of 670,02 m<sup>2</sup>, which has been prepaid to Vietnam Oil and Gas Group with a lease term of 50 years starting from 01 October 2010.

As disclosed in Note 21, the Company has pledged its land use rights of lot A208, A209, A210, A211 and A212 in Nhon Trach 2 Industrial Park with the remaining value as at 31 December 2017 of VND 34,930,341,808 (as at 31 December 2016: the remaining amount is VND 35,905,142,043) to secure the loans under the credit agreement with Shinhan Bank Vietnam Limited- Ho Chi Minh City Branch.



**10. INCREASES, DECREASES IN TANGIBLE FIXED ASSETS**

|                                        | Buildings and<br>structures<br>VND | Machinery and<br>equipment<br>VND |  | Motor vehicles<br>VND | Office equipment<br>VND | Others<br>VND  | Total<br>VND      |
|----------------------------------------|------------------------------------|-----------------------------------|--|-----------------------|-------------------------|----------------|-------------------|
| <b>COST</b>                            |                                    |                                   |  |                       |                         |                |                   |
| Opening balance                        | 492,775,294,413                    | 913,462,137,254                   |  | 29,645,827,831        | 6,783,521,333           | 25,030,087,146 | 1,467,696,867,977 |
| Additions                              | 26,104,515,163                     | 14,370,507,863                    |  | 624,349,091           | 202,313,636             | 324,106,000    | 41,625,791,753    |
| Transfer from Financial Lease          | -                                  | 7,586,818,182                     |  | -                     | -                       | -              | 7,586,818,182     |
| Transfer from construction in progress | 48,741,429,047                     | 45,012,162,924                    |  | -                     | -                       | -              | 93,753,591,971    |
| Reclassification                       | (655,061,040)                      | 655,061,040                       |  | -                     | -                       | -              | -                 |
| Closing balance                        | 566,966,177,583                    | 981,086,687,263                   |  | 30,270,176,922        | 6,985,834,969           | 25,354,193,146 | 1,610,663,069,883 |
| <b>ACCUMULATED DEPRECIATION</b>        |                                    |                                   |  |                       |                         |                |                   |
| Opening balance                        | 178,525,776,167                    | 731,600,976,840                   |  | 26,187,387,475        | 4,550,524,763           | 23,745,705,379 | 964,610,370,624   |
| Additions                              | 34,018,680,144                     | 55,177,396,953                    |  | 1,417,426,466         | 784,847,884             | 424,051,164    | 91,822,402,611    |
| Transfer from Financial Lease          | -                                  | 3,754,053,042                     |  | -                     | -                       | -              | 3,754,053,042     |
| Reclassification                       | (431,424,611)                      | 431,424,611                       |  | -                     | -                       | -              | -                 |
| Closing balance                        | 212,113,031,700                    | 790,963,851,446                   |  | 27,604,813,941        | 5,335,372,647           | 24,169,756,543 | 1,060,186,826,277 |
| <b>NET BOOK VALUE</b>                  |                                    |                                   |  |                       |                         |                |                   |
| Opening balance                        | 314,249,518,246                    | 181,861,160,414                   |  | 3,458,440,356         | 2,232,996,570           | 1,284,381,767  | 503,086,497,353   |
| Closing balance                        | 354,853,145,883                    | 190,122,835,817                   |  | 2,665,362,981         | 1,650,462,322           | 1,184,436,603  | 550,476,243,606   |

The cost of the Company's tangible fixed assets as at 31 December 2017 includes an amount of VND 690,351,378,161 (as at 31 December 2016: VND 413,260,162,623) of the assets which have been fully depreciated but are still in use.

As disclosed in Note 21, the Company has pledged its buildings, structures, machinery and equipment with the cost and net book value of VND 70,179,947,941 and VND 26,348,711,780 as at 31 December 2017 (as at 31 December 2016: cost and net book value of VND 70,179,947,941 and VND 40,384,701,368) to secure loans granted to the Company as per credit contracts signed with Shinhan Bank Vietnam Limited - Ho Chi Minh City Branch and Southeast Asia Commercial Joint Stock Bank - Ho Chi Minh City Branch.

**11. INCREASES, DECREASES IN FINANCE LEASE ASSETS**

|                                      | Machinery and equipment<br>VND | Motor vehicles<br>VND | Total<br>VND    |
|--------------------------------------|--------------------------------|-----------------------|-----------------|
| <b>COST</b>                          |                                |                       |                 |
| Opening balance                      | 93,009,509,060                 | 1,521,235,000         | 94,530,744,060  |
| Transferred to Tangible fixed assets | (7,586,818,182)                | -                     | (7,586,818,182) |
| Closing balance                      | 85,422,690,878                 | 1,521,235,000         | 86,943,925,878  |
| <b>ACCUMULATED DEPRECIATION</b>      |                                |                       |                 |
| Opening balance                      | 35,780,281,155                 | 1,521,235,000         | 37,301,516,155  |
| Charge for the year                  | 16,632,761,570                 | -                     | 16,632,761,570  |
| Transferred to Tangible fixed assets | (3,754,053,042)                | -                     | (3,754,053,042) |
| Closing balance                      | 48,658,989,683                 | 1,521,235,000         | 50,180,224,683  |
| <b>NET BOOK VALUE</b>                |                                |                       |                 |
| Opening balance                      | 57,229,227,905                 | -                     | 57,229,227,905  |
| Closing balance                      | 36,763,701,195                 | -                     | 36,763,701,195  |

The cost of the Company's finance lease assets as at 31 December 2017 included an amount of VND 1,521,235,000 (as at 31 December 2016: VND 1,521,235,000) of the assets which have been fully depreciated but are still in use.

**12. INCREASES, DECREASES IN INTANGIBLE ASSETS**

|                                      | Land use rights<br>VND | Trademarks<br>VND | Computer software<br>VND | Total<br>VND   |
|--------------------------------------|------------------------|-------------------|--------------------------|----------------|
| <b>COST</b>                          |                        |                   |                          |                |
| Opening balance                      | 28,839,738,884         | 1,464,370,376     | 3,244,026,406            | 33,548,135,666 |
| Additions                            | -                      | -                 | 1,642,013,000            | 1,642,013,000  |
| Transfer to construction in progress | -                      | -                 | 2,700,000,000            | 2,700,000,000  |
| Closing balance                      | 28,839,738,884         | 1,464,370,376     | 7,586,039,406            | 37,890,148,666 |
| <b>ACCUMULATED AMORTISATION</b>      |                        |                   |                          |                |
| Opening balance                      | 2,028,447,914          | 1,068,972,882     | 2,174,186,337            | 5,271,607,133  |
| Charge for the year                  | 343,355,436            | 162,707,820       | 1,145,050,625            | 1,651,113,881  |
| Closing balance                      | 2,371,803,350          | 1,231,680,702     | 3,319,236,962            | 6,922,721,014  |
| <b>NET BOOK VALUE</b>                |                        |                   |                          |                |
| Opening balance                      | 26,811,290,970         | 395,397,494       | 1,069,840,069            | 28,276,528,533 |
| Closing balance                      | 26,467,935,534         | 232,689,674       | 4,266,802,444            | 30,967,427,652 |

The cost of the Company's intangible assets as at 31 December 2017 and 2016 included an amount of VND 127,230,585 of computer software which has been fully amortised but is still in use.

**13. CONSTRUCTION IN PROGRESS**

|                                                        | Closing balance<br>VND | Opening balance<br>VND |
|--------------------------------------------------------|------------------------|------------------------|
| Samsung CE Complex project                             | -                      | 4,887,353,521          |
| Relocation of Gas Cylinder Factory                     | -                      | 8,617,844,474          |
| LPG filling and extraction station in Can Tho Province | -                      | 3,693,209,218          |
| Binh Khi Plant Painting Production Line                | 10,087,240,899         | -                      |
| Others                                                 | 12,088,122,980         | 3,655,491,179          |
|                                                        | <b>22,175,363,879</b>  | <b>20,853,898,392</b>  |

**14. EQUITY INVESTMENTS IN OTHER ENTITIES**

|                                      | Closing balance<br>VND |                | Opening balance<br>VND |                |
|--------------------------------------|------------------------|----------------|------------------------|----------------|
|                                      | Cost                   | Provision      | Cost                   | Provision      |
| Vinabenny Energy Joint Stock Company | 50,000,000,000         | 50,000,000,000 | 50,000,000,000         | 50,000,000,000 |

Investment in Vinabenny Energy Joint Stock Company ("Vinabenny") was equivalent to 14% of charter capital of Vinabenny. Vinabenny has lost its ability to pay, has ceased its investment activities since the end of 2012; therefore, the Company decided to make full provisions for this investment from previous years.

The Company does not recognize the fair value of financial investments as at the balance sheet date because there are no specific guidance on the fair value of the investments.

**15. DEFERRED TAX ASSETS**

Deferred tax assets:

|                                                                                   | Closing balance<br>VND | Opening balance<br>VND |
|-----------------------------------------------------------------------------------|------------------------|------------------------|
| Corporate income tax rates used for determination of value of deferred tax assets | 20%                    | 20%                    |
| Deferred tax assets related to deductible temporary differences                   | 11,638,171,157         | 11,280,019,494         |
| Deferred tax assets                                                               | <b>11,638,171,157</b>  | <b>11,280,019,494</b>  |





## NOTES TO THE FINANCIAL STATEMENTS (Continued)

Form B 09-DN

### 16. TRADE PAYABLES

|                                                                                 | Closing balance<br>VND |                               | Opening balance<br>VND |                               |
|---------------------------------------------------------------------------------|------------------------|-------------------------------|------------------------|-------------------------------|
|                                                                                 | Amount                 | Amount able to<br>be paid off | Amount                 | Amount able to<br>be paid off |
| <b>a. Short-term trade payables</b>                                             |                        |                               |                        |                               |
| PTT International Trading Ltd.                                                  | 70,686,627,593         | 70,686,627,593                | -                      | -                             |
| Gas Venus Co., Ltd.                                                             | -                      | -                             | 52,219,668,243         | 52,219,668,243                |
| SR Corporation Ltd.                                                             | -                      | -                             | 4,907,520,000          | 4,907,520,000                 |
| Others                                                                          | 95,867,493,513         | 95,867,493,513                | 38,537,927,219         | 38,537,927,219                |
| <b>b. Trade payables to related parties</b>                                     |                        |                               |                        |                               |
| Binh Son Refining and Petrochemical Company Limited                             | 241,738,383,743        | 241,738,383,743               | 241,474,485,392        | 241,474,485,392               |
| Branch of PetroVietnam Gas Joint Stock Company - PV Gas Trading Company Limited | 196,321,798,643        | 196,321,798,643               | 293,523,547,738        | 293,523,547,738               |
| PetroVietnam Low Pressure Gas Distribution Joint Stock Company                  | 150,228,041,820        | 150,228,041,820               | 81,569,091,521         | 81,569,091,521                |
| Others                                                                          | 1,521,045,038          | 1,521,045,038                 | 553,321,300            | 553,321,300                   |
|                                                                                 | <b>756,363,390,350</b> | <b>756,363,390,350</b>        | <b>712,785,561,413</b> | <b>712,785,561,413</b>        |

### 17. TAXES AND AMOUNTS PAYABLE TO THE STATE BUDGET

|                               | Opening balance<br>VND | Addition in the year<br>VND | Deduction in the year<br>VND | Closing balance<br>VND |
|-------------------------------|------------------------|-----------------------------|------------------------------|------------------------|
| <b>a. Receivables</b>         |                        |                             |                              |                        |
| Corporate income tax overpaid | 5,588,834,717          | -                           | (5,588,834,717)              | -                      |
| Other taxes                   | 11,664,488             | 1,845,433,735               | (236,909,037)                | 1,620,189,186          |
|                               | <b>5,600,499,205</b>   | <b>1,845,433,735</b>        | <b>(5,825,743,754)</b>       | <b>1,620,189,186</b>   |
| <b>b. Payables</b>            |                        |                             |                              |                        |
| Value added tax               | 3,504,362,598          | 634,006,483,131             | (633,727,787,131)            | 3,783,058,598          |
| Import tax                    | -                      | 6,310,531,388               | (6,310,531,388)              | -                      |
| Corporate income tax          | 1,838,923,783          | 28,829,553,161              | (23,791,932,634)             | 6,876,544,310          |
| Personal income tax           | 1,041,446,207          | 7,926,129,614               | (6,442,522,548)              | 2,525,053,273          |
| Others                        | -                      | 43,085,863                  | (43,085,863)                 | -                      |
|                               | <b>6,384,732,588</b>   | <b>677,115,783,157</b>      | <b>(670,315,859,564)</b>     | <b>13,184,656,181</b>  |

### 18. SHORT-TERM ACCRUED EXPENSES

|                              | Closing balance<br>VND | Opening balance<br>VND |
|------------------------------|------------------------|------------------------|
| Interest expense             | 1,261,469,722          | 1,228,080,450          |
| Capital construction expense | 6,079,930,703          | 10,568,568,743         |
| Others                       | 15,846,300,081         | 20,239,399,896         |
|                              | <b>23,187,700,506</b>  | <b>32,036,049,089</b>  |

### 19. OTHER PAYABLES

|                                    | Closing balance<br>VND | Opening balance<br>VND |
|------------------------------------|------------------------|------------------------|
| <b>a. Other current payables</b>   |                        |                        |
| - Short-term deposits received     | 597,357,400            | 151,111,112            |
| - Sales discounts                  | 21,134,897,685         | 19,576,824,942         |
| - Personal income tax on dividends | 1,623,081,612          | 1,601,740,212          |
| - Trade union fee                  | 756,595,620            | 542,677,087            |
| - Social insurance                 | -                      | 36,933,833             |
| - Health insurance                 | 55,110,555             | 7,397,373              |
| - Unemployment insurance           | 13,620,566             | 8,950,814              |
| - LPG owed                         | 7,236,244,787          | 5,082,624,500          |
| - Others                           | 7,251,341,319          | 3,219,446,468          |
|                                    | <b>38,668,249,544</b>  | <b>30,227,706,341</b>  |
| <b>b. Other long-term payables</b> |                        |                        |
| - Long-term deposits received (*)  | 136,474,055,970        | 119,296,714,960        |
|                                    | <b>136,474,055,970</b> | <b>119,296,714,960</b> |

(\*) Long-term deposits represent the deposits for gas cyclinders received from customers. The movement is as follows:



|                                                         | Closing balance<br>VND | Opening balance<br>VND |
|---------------------------------------------------------|------------------------|------------------------|
| Opening balance                                         | 119,296,714,960        | 24,612,700,491         |
| Additions from merger of subsidiaries into branches (1) | -                      | 85,155,658,171         |
| Additions                                               | 47,305,754,712         | 33,198,020,029         |
| Allocated to revenue                                    | (28,949,055,702)       | (23,001,738,731)       |
| Liquidation of deposit contracts                        | (1,179,358,000)        | (667,925,000)          |
| Closing balance                                         | 136,474,055,970        | 119,296,714,960        |

**20. SHORT-TERM LOANS AND OBLIGATIONS UNDER FINANCE LEASES**

|                                                                                         | Closing balance<br>VND | Opening balance<br>VND |
|-----------------------------------------------------------------------------------------|------------------------|------------------------|
| Vietnam Joint Stock Commercial Bank for Industry and Trade - North Sai Gon branch (1)   | 150,000,000,000        | 130,000,000,000        |
| Joint Stock Commercial Bank for Investment and Development of Vietnam - Ben Nghe branch | -                      | 100,000,000,000        |
| Shinhan Bank Vietnam Limited - Ho Chi Minh City branch (2)                              | 100,000,000,000        | -                      |
| Current portion of long-term loans (see Note 21)                                        | 11,372,849,228         | 30,569,270,152         |
| Current portion of long-term obligations under finance leases (see Note 21)             | 12,799,995,439         | 19,580,356,342         |
|                                                                                         | <b>274,172,844,667</b> | <b>280,149,626,494</b> |

(1) Representing an unsecured loan obtained from Vietnam Joint Stock Commercial Bank for Industry and Trade - North Sai Gon branch under Credit Contract No. 16/2017 - HĐCVHM/NHCT948 - PGS dated 26 May 2017 to finance working capital. The loan can be withdrawn in Vietnam Dong with the credit limit of VND 250 billion. The duration of credit limit ends on 26 May 2018. The loan term is specified per each withdrawal request but not more than 3 months. The interest rate is specified per each withdrawal request and is adjustable with reference to market rates. The interest is payable monthly while the principal is repayable once on due date.

(2) Representing an unsecured loan obtained from Shinhan Bank Vietnam Limited - Ho Chi Minh City branch under Credit Contract No. 130-000-1464415/06 dated 01 December 2017 to finance working capital. The loans can be withdrawn in Vietnam Dong with the credit limit of VND 126 billion. The duration of credit limit ends on 01 December 2018. The loan term is specified per each withdrawal request but not more than 6 months. The interest rate is specified per each withdrawal request and is adjustable with reference to market rates. The interest is payable monthly while the principal is repayable once on due date.

**21. LONG-TERM LOANS AND OBLIGATIONS UNDER FINANCE LEASES**

|                                                                                  | Closing balance<br>VND | Opening balance<br>VND |
|----------------------------------------------------------------------------------|------------------------|------------------------|
| Shinhan Bank Vietnam Limited - Ho Chi Minh City branch                           | 14,840,529,228         | 33,568,486,152         |
| Southeast Asia Commercial Joint Stock Bank - Ho Chi Minh City branch             | -                      | 6,273,344,000          |
| Military Commercial Joint Stock Bank - Dong Nai branch                           | 2,327,789,094          | 3,167,789,094          |
| Vietnam Joint Stock Commercial Bank for Industry and Trade - North Saigon branch | 2,994,400,000          | 4,491,600,000          |
| <b>Total long-term loans</b>                                                     | <b>20,162,718,322</b>  | <b>47,501,219,246</b>  |
| Vietnam International Leasing Company Limited                                    | 24,703,457,545         | 42,323,017,996         |
| Chailease International Leasing Company Limited                                  | -                      | 2,032,155,582          |
| <b>Total long-term liabilities</b>                                               | <b>24,703,457,545</b>  | <b>44,355,173,578</b>  |
| Including:                                                                       |                        |                        |
| Current portion of loans (Note 20)                                               | (11,372,849,228)       | (30,569,270,152)       |
| Current portion of liabilities (See Note 20)                                     | (12,799,995,439)       | (19,580,356,342)       |
|                                                                                  | <b>20,693,331,200</b>  | <b>41,706,766,330</b>  |

**Long-term loans**

Long-term loans represent loans from Shinhan Bank Vietnam Limited - Ho Chi Minh City branch with terms of 3 years and 5 years; which have the interest rate of 7.00% and 7.84%. These loans are used for the purpose of financing the project for relocation of the Gas Cylinder Factory and gas tanks. These loans are secured by machinery and equipment, and the Company's rights to use land lots at the Company's Cylinder Factory (see Note 9 and Note 10).

Long-term loans represent loans from Military Commercial Joint Stock Bank - Dong Nai branch, Vietnam Joint Stock Commercial Bank for Industry and Trade - North Saigon branch. The loan term is 5 years and these loans bear interest rates at 6.5% and 7% per annum respectively and floating rate with the margin of 2% and 2.5%. These loans are used for the purpose of financing the project station at Phu Hoi Industrial Zone, Duc Trong District, Lam Dong Province, land rental and the station. These loans are secured by the assets formed from the loans.





## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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### Long-term liabilities

Long-term liabilities consist of obligations under finance leases from Vietnam International Leasing Company Limited, and Chailease International Leasing Company Limited, with the lease terms ranging from 3 to 5 years. The interest rate of finance lease from Vietnam International Leasing Company Limited is from 8.09% to 9.00% per annum. The interest rate of finance lease from Chailease International Leasing Company Limited is equal to the interest rate of a 12-month saving deposit announced by Joint Stock Commercial Bank for Foreign Trade of Vietnam plus 4% per annum and is adjusted every 3 months.

The repayment schedule of long-term loans is as follows:

|                                                                                                                                              | Closing balance<br>VND | Opening balance<br>VND |
|----------------------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|
| Within one year                                                                                                                              | 11,372,849,228         | 30,569,270,152         |
| In the second year                                                                                                                           | 8,142,080,000          | 8,142,080,000          |
| In the third to fifth year inclusive                                                                                                         | 647,789,094            | 8,789,869,094          |
|                                                                                                                                              | <b>20,162,718,322</b>  | <b>47,501,219,246</b>  |
| Less: Amount due for settlement within 12 months<br>(shown in Note 20 under current portion of loans and obligations under financial leases) | (11,372,849,228)       | (30,569,270,152)       |
| Amount due for settlement after 12 months                                                                                                    | 8,789,869,094          | 16,931,949,094         |

The repayment schedule of obligations under finance leases is as follows:

|                                                                                                                                   | Minimum lease payments |                        | Present value<br>of minimum lease payments |                        |
|-----------------------------------------------------------------------------------------------------------------------------------|------------------------|------------------------|--------------------------------------------|------------------------|
|                                                                                                                                   | Closing balance<br>VND | Opening balance<br>VND | Closing balance<br>VND                     | Opening balance<br>VND |
| Amounts payable under finance leases                                                                                              |                        |                        |                                            |                        |
| Within one year                                                                                                                   | 14,311,096,389         | 22,557,678,912         | 12,799,995,439                             | 19,580,356,342         |
| In the second year                                                                                                                | 11,124,599,893         | 14,344,338,460         | 10,532,409,832                             | 12,833,237,510         |
| In the third to fifth year inclusive                                                                                              | 1,384,296,853          | 12,546,243,273         | 1,371,052,274                              | 11,941,579,726         |
|                                                                                                                                   | <b>26,819,993,135</b>  | <b>49,448,260,645</b>  | <b>24,703,457,545</b>                      | <b>44,355,173,578</b>  |
| Less: Future finance charges                                                                                                      | (2,116,535,590)        | (5,093,087,067)        | -                                          | -                      |
| Present value of lease obligations                                                                                                | 24,703,457,545         | 44,355,173,578         | 24,703,457,545                             | 44,355,173,578         |
| Less: Amount due for settlement within 12 months<br>(shown under current portion of loans and obligations under financial leases) |                        |                        | (12,799,995,439)                           | (19,580,356,342)       |
| Amount due for settlement after 12 months                                                                                         |                        |                        | 11,903,462,106                             | 24,774,817,236         |

### 22. OWNERS' EQUITY

|                                               | Closing balance | Opening balance |
|-----------------------------------------------|-----------------|-----------------|
| Authorise to be issued and fully contributed  |                 |                 |
| Number (share)                                | 50,000,000      | 50,000,000      |
| Par value (VND/share)                         | 10,000          | 10,000          |
| Total (VND)                                   | 500,000,000,000 | 500,000,000,000 |
| Shares                                        |                 |                 |
| - Number of shares issued to the public       |                 |                 |
| + Ordinary shares                             | 50,000,000      | 50,000,000      |
| - Number of treasury shares                   |                 |                 |
| + Ordinary shares                             | 1,206           | 1,206           |
| - Number of outstanding shares in circulation |                 |                 |
| + Ordinary shares                             | 49,998,794      | 49,998,794      |

The Company only issues ordinary shares which carry no right to fixed dividend. Ordinary shareholders are entitled to receive dividends as declared and are entitled to one vote per share at the shareholders' meetings. All shares rank equally with regards to the Company's net assets.

The list of shareholders at the balance sheet date was as follows:

| Shareholders' name                       | Closing balance<br>VND | %          | Opening balance<br>VND | %          |
|------------------------------------------|------------------------|------------|------------------------|------------|
| PetroVietnam Gas Joint Stock Corporation | 176,303,800,000        | 35.26      | 176,303,800,000        | 35.26      |
| Halley Sicav - Halley Asian Prosperity   | -                      | 0.00       | 47,316,510,000         | 9.66       |
| Other shareholders                       | 323,696,200,000        | 64.74      | 276,379,690,000        | 55.08      |
|                                          | <b>500,000,000,000</b> | <b>100</b> | <b>500,000,000,000</b> | <b>100</b> |



## Movements in owners' equity

|                                                      | Owners' contributed capital<br>VND | Share premium<br>VND  |  | Treasury shares<br>VND | Investment and development fund<br>VND | Retained earnings of this year<br>VND | Total<br>VND           |
|------------------------------------------------------|------------------------------------|-----------------------|--|------------------------|----------------------------------------|---------------------------------------|------------------------|
| Prior year's opening balance                         | 500,000,000,000                    | 45,594,384,212        |  | (12,061,327)           | 229,724,287,083                        | 33,119,550,045                        | 808,426,160,013        |
| Profit for the year                                  | -                                  | -                     |  | -                      | -                                      | 341,702,369,545                       | 341,702,369,545        |
| Distribution of funds                                | -                                  | -                     |  | -                      | 127,663,135,321                        | (127,663,135,321)                     | -                      |
| Distribution to bonus and welfare funds prior year   | -                                  | -                     |  | -                      | -                                      | (3,000,000,000)                       | (3,000,000,000)        |
| Distribution to bonus and welfare funds current year | -                                  | -                     |  | -                      | -                                      | (25,000,000,000)                      | (25,000,000,000)       |
| Distribution to bonus fund to Board of Management    | -                                  | -                     |  | -                      | -                                      | (300,000,000)                         | (300,000,000)          |
| Dividends declared                                   | -                                  | -                     |  | -                      | -                                      | (154,996,261,400)                     | (154,996,261,400)      |
| Current year's opening balance                       | 500,000,000,000                    | 45,594,384,212        |  | (12,061,327)           | 357,387,422,404                        | 63,862,522,869                        | 966,832,268,158        |
| Profit for the year                                  | -                                  | -                     |  | -                      | -                                      | 109,746,816,472                       | 109,746,816,472        |
| Distribution of funds (1)                            | -                                  | -                     |  | -                      | 5,546,867,818                          | (5,546,867,818)                       | -                      |
| Distribution to bonus and welfare funds (1)          | -                                  | -                     |  | -                      | -                                      | (25,000,000,000)                      | (25,000,000,000)       |
| Distribution to bonus fund to Board of Management    | -                                  | -                     |  | -                      | -                                      | (300,000,000)                         | (300,000,000)          |
| Dividends declared (2)                               | -                                  | -                     |  | -                      | -                                      | (89,997,829,199)                      | (89,997,829,199)       |
| <b>Current year's closing balance</b>                | <b>500,000,000,000</b>             | <b>45,594,384,212</b> |  | <b>(12,061,327)</b>    | <b>362,934,290,222</b>                 | <b>52,764,642,324</b>                 | <b>961,281,255,431</b> |

(1) Distribution of funds for the year includes additional distribution to Investment and development fund from the current year retained earnings, Bonus and Welfare fund from this year retained earnings under Resolution No. 01/NQ-DHDCD passed at the General Meeting of Shareholders on 24 April 2017.

(2) Under Resolution No. 08/NQ-KMN dated 17 May 2017 and Resolution No.10/NQ-KMN dated 05 October 2017 of the Boards of Directors, the Company has declared dividends of VND 89,997,829,199 to the shareholders from the prior year's retained earnings.



**23. OFF BALANCE SHEET ITEMS**

## Operating lease assets

Minimum lease payment in the future under non-cancellable operating lease under the following terms:

|                                        | Closing balance<br>VND | Opening balance<br>VND |
|----------------------------------------|------------------------|------------------------|
| Within one year;                       | 2,717,733,900          | 3,014,289,600          |
| In the second to fifth year inclusive; | 7,331,646,000          | 8,222,928,000          |
| After five years;                      | 10,248,227,203         | 12,091,782,878         |

## Assets held under trust

|     | Closing balance<br>VND | Opening balance<br>VND |
|-----|------------------------|------------------------|
| LPG | 15,315,293,700         | 6,491,240,400          |

## Foreign currencies:

|                            | Closing balance<br>VND | Opening balance<br>VND |
|----------------------------|------------------------|------------------------|
| United States Dollar (USD) | 14,941                 | 913                    |
| Euro (EUR)                 | 927                    | 927                    |

**24. BUSINESS AND GEOGRAPHICAL SEGMENTS**

The principal activities of the Company are trading LPG and CNG. Additionally, other activities mainly are trading petroleum, gasoline, lubricant, producing and trading of gas cylinders, provision of gas cylinder maintenance services and warehouses for lease. Revenue from other activities merely accounts for an immaterial rate in the total revenue (2017: 5%, 2016: 2.9%). Revenue and cost of sales from operating activities are presented in Note 25 and Note 26. In respect of geographical segments, the Company merely operates within Vietnam. Accordingly, the Board of Executive Officers has assessed and believes that no segment reporting in the financial statements for the year ended 31 December 2017.

**25. NET REVENUE FROM GOODS SOLD AND SERVICES RENDERED**

|                                                   | Current year<br>VND      | Prior year<br>VND        |
|---------------------------------------------------|--------------------------|--------------------------|
| Sales of merchandise and services                 |                          |                          |
| In which:                                         |                          |                          |
| - Sales of LPG                                    | 4,945,248,594,824        | 4,201,514,764,929        |
| - Sales of CNG                                    | 1,156,373,652,991        | 809,882,053,035          |
| - Sales of gas cyclinders                         | 152,188,551,819          | 66,076,197,545           |
| - Sales of petroleum and lubricant                | 71,104,223,668           | 50,092,818,093           |
| - Sales of services                               | 40,675,298,303           | 21,247,662,990           |
| - Income from deposits for gas cyclinders         | 28,949,055,702           | 23,001,738,731           |
| - Sales of scraps                                 | 4,040,689,088            | 4,200,128,748            |
|                                                   | <b>6,398,580,066,395</b> | <b>5,176,015,364,071</b> |
| Deductions                                        |                          |                          |
| Sales discounts                                   | 307,717,004,908          | 204,112,447,510          |
| Net revenue from goods sold and services rendered | <b>6,090,863,061,487</b> | <b>4,971,902,916,561</b> |

**26. COST OF SALES**

|                                      | Current year<br>VND      | Prior year<br>VND        |
|--------------------------------------|--------------------------|--------------------------|
| Cost of LPG sold                     | 4,128,994,461,310        | 3,556,910,918,471        |
| Cost of CNG sold                     | 533,505,486,543          | 303,516,257,949          |
| Cost of gas cyclinders sold          | 144,004,077,248          | 58,290,129,546           |
| Cost of petroleum and lubricant sold | 66,793,195,009           | 47,793,906,600           |
| Cost of services rendered            | 16,669,279,444           | 3,243,577,048            |
| Allocation of cost of gas cyclinders | 71,071,552,570           | 58,120,552,778           |
| Cost of scraps sold                  | 4,170,861,829            | 3,041,356,367            |
|                                      | <b>4,965,208,913,953</b> | <b>4,030,916,698,759</b> |



## NOTES TO THE FINANCIAL STATEMENTS (Continued)

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### 27. OPERATING COST BY NATURE

|                               | Current year<br>VND      | Prior year<br>VND      |
|-------------------------------|--------------------------|------------------------|
| Raw materials and consumables | 190,467,849,596          | 137,031,891,881        |
| Labour cost                   | 210,148,988,572          | 169,204,690,557        |
| Depreciation and amortisation | 110,106,278,062          | 145,646,265,507        |
| Out-sourced services          | 718,418,230,423          | 473,741,089,672        |
| Other monetary expenses       | 55,022,860,707           | 67,756,295,623         |
|                               | <b>1,284,164,207,360</b> | <b>993,380,233,240</b> |

### 28. FINANCIAL INCOME

|                              | Current year<br>VND  | Prior year<br>VND      |
|------------------------------|----------------------|------------------------|
| Interest income              | 8,488,051,988        | 9,843,043,370          |
| Foreign exchange gains       | 41,321,328           | 516,607,570            |
| Gain from capital assignment | -                    | 365,030,904,679        |
| Distributed dividends        | -                    | 22,356,394,500         |
| Others                       | 39,878,144           | 14,565,297             |
|                              | <b>8,569,251,460</b> | <b>397,761,515,416</b> |

### 29. FINANCIAL EXPENSES

|                              | Current year<br>VND   | Prior year<br>VND     |
|------------------------------|-----------------------|-----------------------|
| Interest expense             | 16,634,115,964        | 20,608,158,252        |
| Foreign exchange losses      | 62,590,950            | 127,630,784           |
| Loss from capital assignment | -                     | 49,169,174,726        |
| Securities deposit fee       | -                     | 1,445,035,639         |
| Others                       | 74,038,283            | 181,641,783           |
|                              | <b>16,770,745,197</b> | <b>71,531,641,184</b> |

### 30. SELLING EXPENSES AND GENERAL AND ADMINISTRATION EXPENSES

|                                            | Current year<br>VND    | Prior year<br>VND      |
|--------------------------------------------|------------------------|------------------------|
| <b>General and administration expenses</b> |                        |                        |
| - Salary expenses                          | 23,485,953,606         | 20,452,611,910         |
| - Consulting and royalty expenses          | 12,198,593,816         | 4,517,380,602          |
| - Tools expenses                           | 11,587,225,723         | 18,656,720,983         |
| - Transportation expenses                  | 10,279,292,728         | 12,358,471,735         |
| - Others                                   | 21,999,630,390         | 24,087,748,918         |
|                                            | <b>79,550,696,263</b>  | <b>80,072,934,148</b>  |
| <b>Selling expense</b>                     |                        |                        |
| - Salary expenses                          | 163,881,767,982        | 150,837,931,093        |
| - LPG and CNG transportation expenses      | 162,066,284,396        | 123,044,332,330        |
| - Tools expenses                           | 100,327,694,558        | 117,074,210,668        |
| - Depreciation and amortization            | 99,084,136,496         | 139,799,030,250        |
| - Material expenses                        | 36,968,645,731         | 31,476,121,380         |
| - Promotion and advertisement expense      | 36,419,312,741         | 21,220,415,671         |
| - Others                                   | 302,128,603,201        | 183,158,340,523        |
|                                            | <b>900,876,445,105</b> | <b>766,610,381,915</b> |

### 31. CURRENT CORPORATE INCOME TAX EXPENSE

The current corporate income tax expense for the year was computed as follows:

|                                                        | Current year<br>VND    | Prior year<br>VND      |
|--------------------------------------------------------|------------------------|------------------------|
| Profit before tax                                      | 138,218,217,970        | 422,573,475,880        |
| <b>Adjustments for assessable income</b>               |                        |                        |
| Less: non-assessable income                            | -                      | 22,356,394,500         |
| Add back: non-deductible expenses                      | 5,929,547,836          | 10,170,208,264         |
| <b>Taxable income</b>                                  | <b>144,147,765,806</b> | <b>410,387,289,644</b> |
| Taxable profit at normal tax rate                      | 20%                    | 20%                    |
| <b>Current corporate income tax expense</b>            | <b>28,829,553,161</b>  | <b>82,077,457,929</b>  |
| Additional income tax expense of the prior year        | -                      | 791,247,659            |
| <b>Coporate income tax expense in the current year</b> | <b>28,829,553,161</b>  | <b>82,868,705,588</b>  |

The Company is obliged to pay corporate income tax at the rate of 20% (2016: 20%) of its taxable income.





### 32. BASIC EARNINGS PER SHARE

The calculation of the earnings per share attributable to ordinary shareholders of the company is based on the following data:

|                                                                                                 | Current year<br>VND | Prior year<br>VND |
|-------------------------------------------------------------------------------------------------|---------------------|-------------------|
| Accounting profit after corporate income tax                                                    | 109,746,816,472     | 341,702,369,545   |
| Distribution of the Bonus and Welfare funds under Resolution of General Meeting of Shareholders | (25,000,000,000)    | (25,000,000,000)  |
| Profit attributable to ordinary shareholders                                                    | 84,746,816,472      | 316,702,369,545   |
| Average ordinary shares in circulation for the year                                             | 49,998,794          | 49,998,794        |
| Basic earnings per share                                                                        | 1,695               | 6,334             |

### 33. COMMITMENTS

#### Operating lease commitments represent

- Contract regarding a lease of 9,210 m2 land in Go Dau A Port, Phuoc Thai Commune, Long Thanh District, Dong Ngai Province. The lease term is 20 years from 01 August 2008.
- Appendix 1 to contract signed with Dong Nai Port Joint Stock Company regarding a lease of 2,170 m2 land in Go Dau A Port, Phuoc Thai Commune, Long Thanh District, Dong Nai Province. The lease term is 16.5 years from 01 February 2012.
- Contract regarding a lease of 4th Floor, PetroVietnam Tower, No. 1-5 Le Duan Street with a lease term of 5 years.
- In addition, the Company has car rental agreements signed with Cuu Long Petro Gas Transportation Joint Stock Company with terms from 3 to 4 years.

#### Capital commitments

As at 31 December 2017, the Company has the capital commitments relating to the upgrade the gas cylinder painting production line of the Gas Cyclinder Plant and extraction CNG station with the total value of VND 15,294,570,698 (as at 31 December 2016: VND 15,016,332,805).

### 34. RELATED PARTY TRANSACTIONS AND BALANCES

#### List of related parties having significant transactions and balances in 2017:

| Related Parties                                       | Abbreviation | Relationship            |
|-------------------------------------------------------|--------------|-------------------------|
| PetroVietnam Gas Joint Stock Corporation              | ('PVGas')    | Shareholder             |
| Vietnam Oil and Gas Group                             | ('PVN')      | Parent Company of PVGas |
| PetroVietnam Insurance Joint-Stock Company            | ('PVI')      | Subsidiary of PVN       |
| Petrovietnam Transportstation Corporation             | ('PVTrans')  | Subsidiary of PVN       |
| PetroVietnam General Services Joint Stock Corporation | ('PET')      | Subsidiary of PVN       |
| PetroVietnam Oil Corporation                          | ('PVOIL')    | Subsidiary of PVN       |
| Binh Son Refining and Petrochemical Company Limited   | ('BSR')      | Subsidiary of PVN       |
| Petrovietnam Fertilizer And Chemicals Corporation     | ('DPM')      | Subsidiary of PVN       |

| Related Parties                                                                                   | Abbreviation   | Relationship        |
|---------------------------------------------------------------------------------------------------|----------------|---------------------|
| <b>PVGas's Subsidiaries</b>                                                                       |                |                     |
| CNG Vietnam Joint Stock Company                                                                   | ('CNG')        | Subsidiary of PVGas |
| Branch of PetroVietnam Gas Joint Stock Company - PV Gas Trading Company Limited                   | ('KDK')        | Subsidiary of PVGas |
| PetroVietnam Northern Gas Joint Stock Company                                                     | ('PVGN')       | Subsidiary of PVGas |
| Branch of PetroVietnam Gas Joint Stock Company - Vung Tau Gas Processing Company                  | ('KVT')        | Branch of PVGas     |
| Branch of PetroVietnam Gas Joint Stock Company - PetroVietnam Gas South East Transmission Company | ('KNB')        | Branch of PVGas     |
| Branch of PetroVietnam Gas Joint Stock Company - PetroVietnam Gas Services Company                | ('DVK')        | Branch of PVGas     |
| PetroVietnam Coating Joint Stock Company                                                          | ('PVCOATING')  | Subsidiary of PVGas |
| PetroVietnam South East Gas Project Managemanet Board                                             | ('PV GAS SEQ') | Branch of PVGas     |
| Branch of PetroVietnam Gas Joint Stock Company - PetroVietnam Gas Projects Management Company     | ('PV GAS PMB') | Branch of PVGas     |
| PetroVietnam Low Presssure Gas Distribution Joint Stock Company                                   | ('PVG D')      | Subsidiary of PVGas |
| PetroVietnam Gas City Investment and Development Joint Stock Company                              | ('PVGas City') | Affiliate of PVGas  |

#### Subsidiaries (Controlled Party) of Vietnam Oil and Gas Group

|                                                                                                   |                  |                       |
|---------------------------------------------------------------------------------------------------|------------------|-----------------------|
| Cuu Long Petrogas Service Transportation Joint Stock Company                                      | ('PCT')          | Subsidiary of PVTrans |
| Viet Nhat Transportation Corporation                                                              | ('NV-TRANS')     | Subsidiary of PVTrans |
| International Gas Product Shipping Joint Stock Company                                            | ('Gas Shipping') | Subsidiary of PVTrans |
| Indochina Petroleum Transportation Joint Stock Company                                            | ('PVTRANS DD')   | Subsidiary of PVTrans |
| Dung Quat Shipbuilding Industry Limited Company                                                   | ('DQS')          | Subsidiary of PVN     |
| PetroVietnam Building and Commercial Joint Stock Company                                          | ('PVBUILDING')   | Subsidiary of BSR     |
| Sao Mai - Ben Dinh Petroleum Investment Joint Stock Company                                       | ('PVSB')         | Subsidiary of PTSC    |
| Petro Vung Tau Insurance Corporation                                                              | ('PVI VT')       | Subsidiary of PVN     |
| PVI Insurance Ho Chi Minh Company Limited                                                         | ('PVI HCM')      | Subsidiary of PVN     |
| PVOIL Vung Tau Joint Stock Company                                                                | ('PVOIL VT')     | Subsidiary of PVOIL   |
| Branch of PetroVietnam Security Service Corporation - Mien Trung Branch                           | ('PV SECURITY')  | Subsidiary of PVN     |
| Branch of PetroVietnam Transportation Corporation - PetroVietnam Transportation Oilfield Services | ('PVTRANS OFS')  | Branch of PVTrans     |
| Mien Trung Petroleum Trading and Services Joint Stock Company                                     | ('PSMT')         | Subsidiary of PET     |
| Petroleum Offshore Trading and Services Joint Stock Company                                       | ('POTS')         | Subsidiary of PET     |
| Vung Tau Petroleum Transportation Joint Stock Company                                             | ('PVTRANS VT')   | Subsidiary of PVTrans |
| Petrosetco Vung Tau General Services joint Stock Company                                          | ('PSV')          | Subsidiary of PET     |



# NOTES TO THE FINANCIAL STATEMENTS (Continued)

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During the year, the Company entered into some significant transactions with its related parties as follows:

|                 | Current year<br>VND | Prior year<br>VND |
|-----------------|---------------------|-------------------|
| <b>Revenue</b>  |                     |                   |
| Gas Shipping    | 409,781,544,580     | -                 |
| PVGas           | 122,475,584,000     | -                 |
| CNG             | 54,596,325,567      | 37,107,604,914    |
| PVSB            | 53,280,884,256      | 18,789,347,828    |
| PSMT            | 13,252,888,807      | 4,028,135,433     |
| KDK             | 10,438,575,966      | 1,008,937,677     |
| KVT             | 5,921,777,602       | 5,829,277,717     |
| PVTRANS DD      | 2,586,334,937       | 174,889,749,814   |
| PVGas City      | 1,199,532,927       | 18,840,525,518    |
| PCT             | -                   | 260,975,745,368   |
| PVBUILDING      | -                   | 52,559,671,389    |
| PVTRANS VT      | -                   | 26,925,673,816    |
| <b>Purchase</b> |                     |                   |
| KDK             | 2,375,394,499,643   | 1,461,292,924,336 |
| PVG D           | 463,634,516,260     | 306,798,100,642   |
| PVSB            | 53,280,884,256      | 18,785,692,228    |
| Gas Shipping    | 32,010,336,463      | -                 |
| PVTRANS OFS     | 7,751,595,430       | 332,004,433       |
| PVN             | 5,890,639,361       | 1,285,099,200     |
| PVGas           | 5,492,676,700       | -                 |
| BSR             | 1,183,339,779,623   | 893,218,097,132   |
| PVTRANS DD      | -                   | 148,340,943,829   |
| PCT             | -                   | 113,008,174,779   |
| PVOIL VT        | -                   | 45,268,641,815    |
| PVTRANS VT      | -                   | 26,925,673,816    |
| PVI VT          | -                   | 7,077,533,704     |

|                          | Current year<br>VND | Prior year<br>VND |
|--------------------------|---------------------|-------------------|
| <b>Dividend received</b> |                     |                   |
| CNG                      | -                   | 22,356,394,500    |

Remuneration paid to the Company's Board of Executive officers during the year was as follows:

|                                       | Current year<br>VND | Prior year<br>VND |
|---------------------------------------|---------------------|-------------------|
| Salaries, bonus and benefits in kinds | 7,028,420,822       | 6,873,791,066     |

Significant related parties balances at the balance sheet date were as follows:

|                          | Closing balance<br>VND | Opening balance<br>VND |
|--------------------------|------------------------|------------------------|
| <b>Receivables</b>       |                        |                        |
| PVGas                    | 6,135,841,261          | -                      |
| Gas Shipping             | 5,534,363,566          | -                      |
| CNG                      | 5,103,948,416          | 4,272,594,787          |
| PVGas City               | 111,394,125            | 2,579,876,865          |
| PVBUILDING               | -                      | 2,962,930,416          |
| <b>Other receivables</b> |                        |                        |
| KDK                      | -                      | 20,700,000,000         |
| PVGN                     | -                      | 1,471,081,734          |
| <b>Payables</b>          |                        |                        |
| BSR                      | 241,738,383,743        | 241,474,485,392        |
| KDK                      | 196,321,798,643        | 293,523,547,738        |
| PVG D                    | 150,228,041,820        | 81,569,091,521         |

## 35. APPROVAL OF FINANCIAL STATEMENTS ISSUANCE

The financial statements for the year ended 31 December 2017 were approved for issuance on 21 March 2018 by the Board of Directors.

**Nguyen Ngoc Dan**  
Preparer

**Ngo An Hoa**  
Chief Accountant



**Vu Quy Hieu**  
Director  
21 March 2018