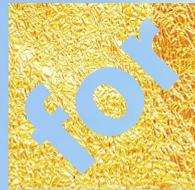




**PETROVIETNAM FERTILIZER  
AND CHEMICALS CORPORATION**

STOCK CODE: DPM

**SUCCESS**



**VISIONARY**

**ANNUAL  
REPORT**

**2019**  
[www.dpm.vn](http://www.dpm.vn)

# VISIONARY for SUCCESS

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## **VISION**

Developing to become a leading producer and trader of fertilizers and chemicals for agriculture and oil and gas industry in Vietnam and Southeast Asia.

## **MISSION**

To provide customers with a sufficient and reliable source of high-quality fertilizers and chemicals at competitive prices, thereby achieving good business performance, contributing to the long-term development of the agriculture sector in Vietnam.



*PVFCCo has completed another successful year and together we have overcome many unexpected challenges and difficulties. We continue to maintain the leading position in the fertilizer industry through innovation in structure and approach and are ready to continue our journey with even stronger determination and aspiration.*



### Dear valued Shareholders, Business partners and Employees,

PVFCCo has completed another successful year and together we have overcome many unexpected challenges and difficulties. We continue to maintain the leading position in the fertilizer industry through innovation in structure and approach and are ready to continue our journey with even stronger determination and aspiration.

2019 was a pivotal year for the Corporation, after its proud 15-year development journey. PVFCCo has continued to expand its production activities beyond Phu My Urea, branching into NPK complex fertilizers and other auxiliary chemical products. Unpredictable market fluctuations and a disruption at the Phu My Urea Plant has had a direct effect on the production and business activities of the Corporation. 2019 can be characterized as having presented many challenging situations for PVFCCo; however, it will also prove to be a memorable year for all of us to reflect upon, and to take pride in how we have overcome our challenges, and achieved significant results in production and business activities, as we had committed to our shareholders and investors.

PVFCCo began 2019 with strength and belief from the positive results of 2018, but also awareness of the risks and challenges that have affected the development

of the Corporation. These predictions partly helped PVFCCo to take the initiative and flexibly adapt to handling and dealing with the challenges that arose in the first months of 2019, when the Phu My Fertilizer Plant (for the first time in its operation) had to halt operations for almost 3 months. The entire system of PVFCCo made every effort to complete the overall maintenance 1 week ahead of schedule, bringing the Plant's operation back to steady condition in early May, but this "arising incident" deeply affected the overall operation of the Corporation in 2019.

With sharp awareness that connectivity and transparency were key factors during such a difficult time, the Management acknowledged and responded to the situation with timely adjustments to the goals to meet the expectations of the market, our partners and employees in the context of the many difficulties and changes we faced. We received encouragement from the market when our shareholders and investors determined that "the worst is over" and as the year 2019 went by, we realized that such experiences are truly golden opportunities to learn and adapt to changes and become flexible. The Corporation appreciates every effort made by our shareholders, partners, and employees in difficult times, no matter how small, and we are proud of what has been done to accumulate valuable achievements in the past year.

The Corporation has maintained its position as one of the leading enterprises in the field of oil and gas processing. The Phu My Fertilizer Plant continued to operate stably and effectively, reaching a total output of 708 thousand tons, exceeding by 6% of the plan for 2019. The sales volume of fertilizers and chemicals reached approximately 1.1 million tons, achieving consolidated revenue of VND 7,831 billion and profit before tax of VND 467 billion. Although these results are lower than the originally predicted targets, 2019 was still a successful year for PVFCCo in the context of overcoming the difficulties arising in production while dealing with external disadvantages such as: rapid increase in gas transportation cost (40% higher than 2018), agriculture and fertilizer markets suffering from adverse effects of climate change, resulting in lower average selling price after the recovery period in Quarter 4 of 2018.

In 2019, PVFCCo has strongly implemented restructuring of the management system in order to acquire a newly streamlined and more effective management structure on the basis of promoting a solid foundation of well-trained staff, modern management systems, efficient distribution systems, and retaining our position as the leading brand in the fertilizer market. Apart from that, the Management has paid special attention to asset management activities, SG&A cost cutting to further improve the overall operating margin.

With its efforts and achievements in business operation throughout 2019, PVFCCo continued to be recognized and voted amongst the most transparent and effective largecap listed companies: One of the 150 largest enterprises of the country; one of the 50 best listed companies in 2019; Top 40 leading brands in Vietnam; Top 5 best corporate governance companies; Top 3 listed companies with the best IR practices as voted by investors, etc.

As we enter this new year, PVFCCo has clearly identified the tasks and goals that need to be achieved as well as the risks and challenges that continue to impact the Corporation on its development path in the coming period. The major targets for 2020 are: Continue to effectively operate the existing fertilizer and chemical plants (especially the NPK Complex Fertilizer Plant); make use of the support of competent authorities to achieve short-term and long-term commitments to stabilize input gas price; enhance sales and market development activities to diversify consumption sources of fertilizer and chemical products; promote the research and development of new products in a creative, innovative and effective manner; Last but not least, continue to implement professional and effective governance - management structure, improving management capability and information transparency to

adapt to the competitive environment and the context of changes in the market.

2020 marks the beginning of a new decade, and is a milestone in the journey of PVFCCo's development. The development strategies and targets to be reviewed and updated in the coming period will soon be planned, the new governance system will complete its thorough re-organization and re-definition, shaping the Corporation future development journey through the challenges and opportunities ahead.

More than ever, the Management relies upon the trust of shareholders and all employees of the Corporation to express with unity and strong design for providing excellent customer service. Our best days are still ahead of us.



We would like to express our sincere thanks for the concern, trust and partnerships of valued shareholders, investors, customers, and employees.

On behalf of the Management,  
Chairman of the Board of Directors

**Nguyen Tien Vinh**

# CHAPTER 1

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OVERVIEW

Transaction Name:	PetroVietnam Fertilizer and Chemicals Corporation
Business Registration Certificate:	0303165480
Charter Capital:	VND 3,914,000,000,000
Owner's Equity:	VND 3,914,000,000,000
Address:	43 Mac Dinh Chi, Da Kao Ward, District 1, Ho Chi Minh City
Tel:	(+84.28) 3825 6258
Fax:	(+84.28) 3825 6269
Website:	www.dpm.vn
Stock code:	DPM

Charter Capital  
**3,914** Billion VND

HISTORY AND GROWTH

Date of establishment

PetroVietnam Fertilizer and Chemicals Company (PVFCCo), now called PetroVietnam Fertilizer and Chemicals Corporation JSC, is a member of PetroVietnam. PVFCCo was founded under Ministerial Decision No. 02/2003/QĐ - VPCP dated 28 March 2003 and officially inaugurated on 19 January 2004.

On 21 September 2004, PVFCCo acquired Phu My Fertilizer Plant from Technip Samsung Consortium and has since launched the Phu My Urea brand.

Restructuring

From a 100% State-Owned Enterprise to a Joint Stock Company

On 15 March 2007, the Ministry of Trade and Industry (MTI) issued Decision No. 793/QĐ-BCN to approve the change from a 100% State-Owned PetroVietnam Fertilizer and Chemicals Company to PetroVietnam Fertilizer and Chemicals Joint Stock Company.

On 21 April 2007, PVFCCo successfully issued 40% of its shares in an initial public offering on the Ho Chi Minh Stock Exchange (HOSE).

On 30 June 2007, PVFCCo held its inaugural Annual General Meeting of Shareholders to approve the change to a joint stock company and the corporate charter. The AGM included the election of the Board of Directors and the Board of Supervisors and announced the business plans.

On 31 August 2007, the Ho Chi Minh City Department of Planning and Investment granted the Corporate Business Registration Certificate No. 4103007696, thus PetroVietnam Fertilizer and Chemicals Joint Stock Company was officially incorporated.

Shares were listed on the Ho Chi Minh Stock Exchange (HOSE)

On 29 October 2007, the PVFCCo completed the documentation in preparation for the listing of shares on the Hochiminh City Stock Exchange (HOSE). On 5<sup>th</sup> November 2007, the PVFCCo listed 380 million shares on HOSE. It added 11.4 million shares under the Employee Stock Ownership Plan (ESOP) dated 26 February 2016.

Type of share	: Common Stock
Stock code	: DPM
Par value	: VND 10,000 per share
Number of listed shares	: 391,400,000 Shares

From Joint Stock Company to the Corporation

On 5 April 2008, the General Meeting of Shareholders passed a resolution to transform the Joint Stock Company into a Corporation (under a parent-subsiary model).

On 15 May 2008, the Ho Chi Minh City Department of Planning and Investment granted PetroVietnam Fertilizer and Chemicals Corporation the Amended Business Registration Certificate No. 4103007696.

# MILESTONES

**12 March 2001**

Groundbreaking ceremony for the construction of Phu My Fertilizer Plant was held.



**21 September 2004**

PVFCO took over full responsibilities of Phu My Fertilizer Plant, formally launched the Phu My Urea brand.

**15 December 2004**

Phu My Fertilizer Plant was put into operation.



**15 May 2008**

PVFCO was turned into PetroVietnam Fertilizer and Chemicals Corporation.



**16 July 2011**

PVFCO Tower's Head office was inaugurated.



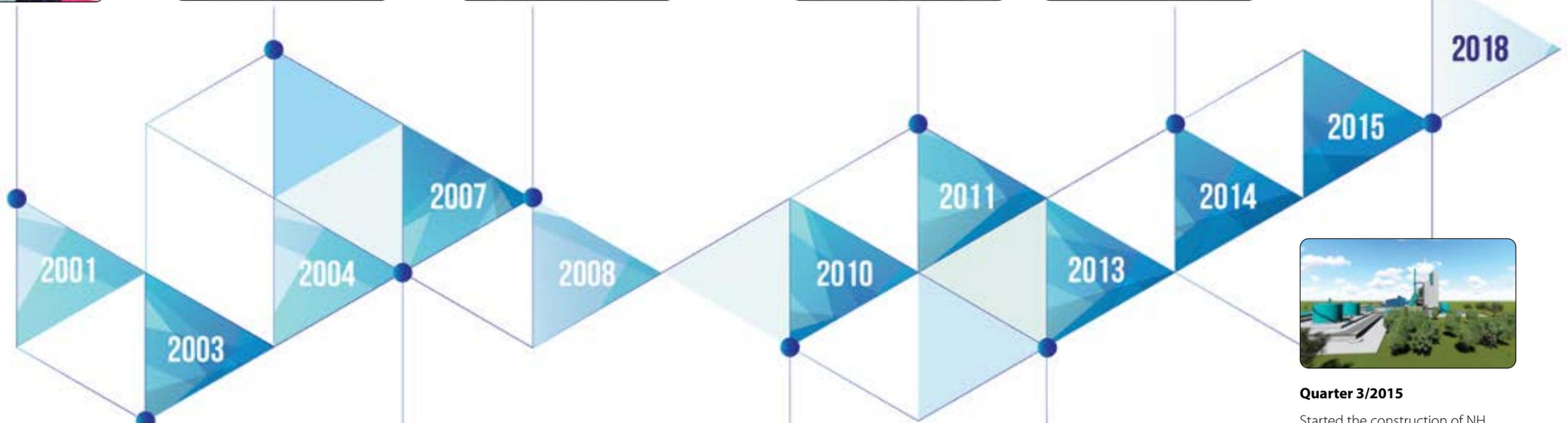
**23 December 2014**

Phu My Urea of PVFCO was recognized as the National Brand 2014 by the Government of Vietnam.



**06 May 2018**

NH<sub>3</sub> Revamp - Phu My NPK Complex was put into operation.



**28 March 2003**

PetroVietnam Fertilizer and Chemicals Company (PVFCO) was founded.



**31 August 2007**

PVFCO was transformed into a Joint Stock Company.

**05 November 2007**

DPM was listed and traded on HOSE.



**14 September 2010**

A Carbon Dioxide Recovery (CDR) System was inaugurated, increasing the capacity of Phu My Fertilizer Plant to 800,000 tons per year.



**28 March 2013**

PVFCO celebrated 10 years of its founding and received the First - Class Labor Order.



**Quarter 3/2015**

Started the construction of NH<sub>3</sub> Revamp Project and Phu My NPK Plant.

## BUSINESS LINES AND LOCATIONS



The distributors are situated in the agricultural heartland and industrial plants in Vietnam. They form a closely-knitted distribution network of subsidiaries and their regional headquarters are located in the North, Central and Highlands, Southeast and Southwest.



### BUSINESS LINES

PVFCCo's core business is the production and trading of fertilizer and chemicals. Currently, the key products are prilled Urea, NPK, MOP, SA, DAP fertilizers targeted at the agriculture sector, liquid Ammonia and UFC85/Formaldehyde, H<sub>2</sub>O<sub>2</sub>, chemicals used in oil and gas production.

### MAIN LOCATIONS

PVFCCo's main production is at Phu My Fertilizer Plant located in Phu My 1 Industrial Park, Phu My Town, Ba Ria - Vung Tau Province.

The distributors are situated in the agricultural heartland and industrial plants in Vietnam. They form a closely-knitted distribution network of subsidiaries and their regional headquarters are located in the North, Central and Highlands, Southeast and Southwest.

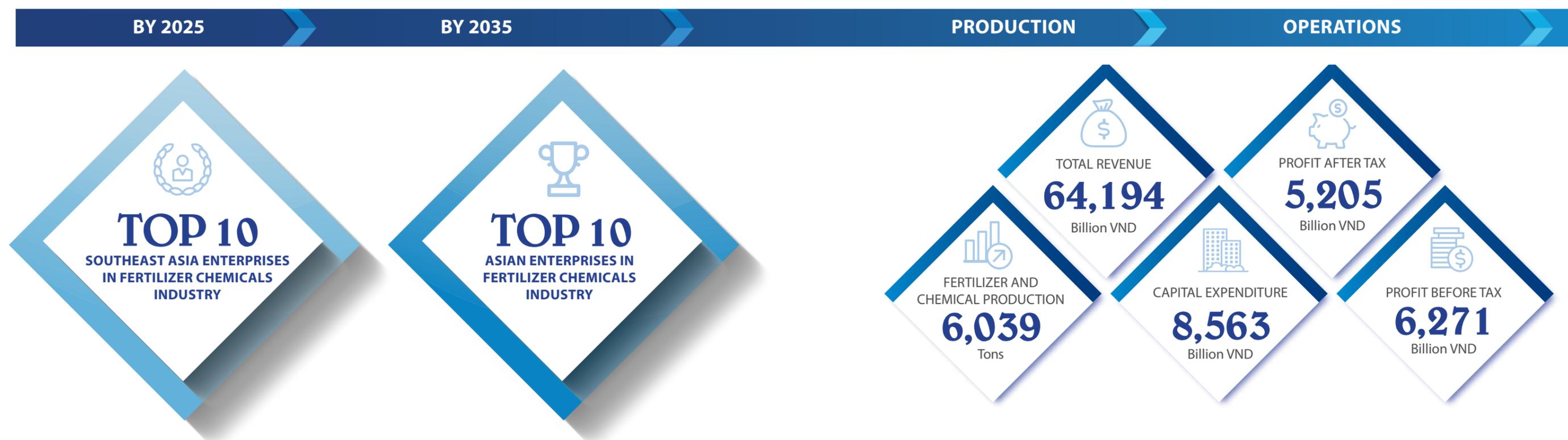
Since 2011, the Corporation has been expanding its business activities abroad, establishing trade relations with prestigious partners in the region and around the world to promote fertilizer export throughout Southeast Asia and into other markets, along with product promotion activities in those target markets.

## MEDIUM AND LONG-TERM STRATEGIC OBJECTIVES

Over the past 15 years, the Corporation has achieved impressive results in production and business. However, starting from 2012, the Corporation is finding difficulty to maintain its revenue and profit growth. To alleviate the growth issue, there is a continued effort to innovate. Over the recent past, the Management has focused on promoting research and development, product diversification, investing in key projects that targets fertilizer, chemical and petrochemical production under the 2008 - 2015 development strategy.

The 2025 - 2035 development strategy is aligned to the resolutions of the General Meeting of Shareholders in 2016. PVFCCo has set key targets with the following objectives:

*To maintain the position of PVFCCo as the No.1 fertilizer producer and trading company in the country; develop chemical production, focusing on petrochemicals, so that by 2020, the revenue from the non-urea fields accounts for 50% of total revenue.*



### OVERALL OBJECTIVES

#### 2016 - 2020

To maintain the position of PVFCCo as the No.1 fertilizer producer and trading company in the country; develop chemical production, focusing on petrochemicals, so that by 2020, the revenue from the non-urea fields accounts for 50% of total revenue.

#### Key targets and achievements for 2016 - 2020 period

- › Fertilizer and chemical production: 6,039 tons.
- › Total revenue: VND 64,194 billion.
- › Profit before tax: VND 6,271 billion.
- › Profit after tax: VND 5,205 billion.
- › Capital expenditure: VND 8,563 billion.

#### By 2025

To invest in the construction of fertilizer and chemical plants with modern technologies and advanced management skills to diversify products; To improve the distribution of fertilizers and chemicals to countries in the region as well as in the world; To develop PVFCCo into a top high-tech fertilizer and chemical enterprise in Southeast Asia and rank as Top 10 in terms of production output.

#### By 2035

Strive to become a company in the Top 10 in the Asia region in the fertilizer and chemical industry.

### SPECIFIC OBJECTIVES FOR 2016-2020

#### Production

- › Efficient operations in Phu My Fertilizer Plant, producing an average of 800,000 tons per year.
- › Launch Phu My NPK Plant in 2017 and to operate at 100% capacity from 2018 (that is producing 250,000 tons/year).
- › Increase the output of existing chemicals; operate the NH<sub>3</sub> Revamp (to reach additional 90,000 tons/year), UFC/Formalin (15,000 tons/year), H<sub>2</sub>O<sub>2</sub> (30,000 tons/year), Polystyrene (300,000 tons/year).
- › Upgrade production facilities; improve production on specialized fertilizer products based on the main products (Urea, NPK).

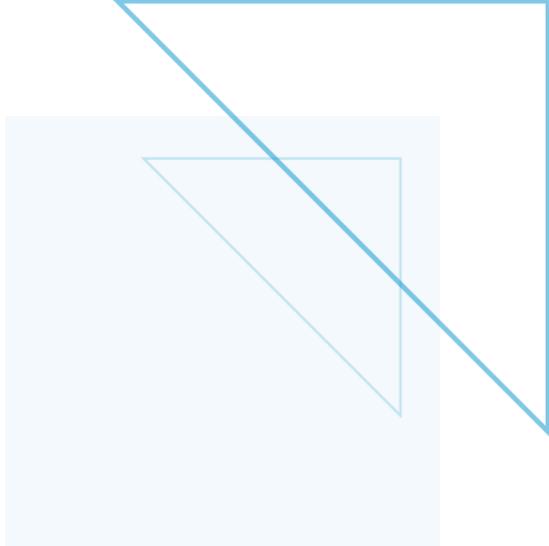
#### Operations

- › Domestic urea market share remains at a minimum level of 35%.
- › Sold 100% of Phu My NPK products (250,000 tons/year).
- › Expanded internationally with a focus on Southeast Asia.
- › Sold 100% of the chemical products produced, revenue to equal and exceed the fertilizer by 2020.
- › Diversified fertilizer products on Urea and NPK.
- › Sold 100% of specialized fertilizer products from the newly invested facilities.

For 2019 - 2020 period, based on the actual situation, the Corporation will review and assess implementation of the Development Strategy and propose appropriate solutions and adjustments for 2021 - 2030 long-term objectives.

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**GOVERNANCE**

PVFCCo is a subsidiary of PetroVietnam, a State-owned company. PetroVietnam holds 60% stake in PVFCCo. The remaining shares are held by local and foreign shareholders representing individual and institutional investors.

PVFCCo's parent company and subsidiaries are set up as public joint stock companies, listed on Ha Noi Stock Exchange (HNX) and the Ho Chi Minh City Stock Exchange (HOSE) and have complied with regulations and governance standards for listed enterprises.



**CORPORATE STRUCTURE**

**General Meeting of Shareholders**

**Board of Directors (BOD)**

The current BOD consists of the Chairman, two full-time members, two independent members and the President & CEO.

**Board of Supervisors (BOS)**

The current BOS consists of the Head of BOS, one full-time member and one part-time member.

**Board of Management (BOM)**

The Head of BOM is the President & CEO who is also a member of the BOD. The President & CEO is assisted by Vice Presidents. They are responsible for production, engineering technology, investment and construction, finance and accounting, sales and distribution network, research and development, international cooperation, legislation and internal affairs.

At the parent company's headquarters, the Board of Management supervises functional divisions.

**Dependent Accounting Units**

The branches, representative offices are located in other production and business locations

- › PVFCCo's Branch - Phu My Fertilizer Plant:  
It is the Corporation's production complex, located at Phu My 1 Industrial Zone, Phu My Ward, Phu My Commune, Ba Ria - Vung Tau Province: The complex has an annual production capacity of 540,000 tons of NH<sub>3</sub>, 800,000 tons of Urea and 250,000 tons of NPK. Other chemical plants are in capable of producing 14,000 tons of UFC85, 4,000 tons of petrochemicals and 50,000 tons of CO<sub>2</sub> per year.
- › Ho Chi Minh City Branch:  
This office deals with chemicals business.
- › Project Management Unit (Fertilizer and Petrochemicals):  
A subsidiary that manages key investments and development projects.

Corporate structure



## RELATED COMPANIES

In 2019, the Corporation has four subsidiaries and five associates.

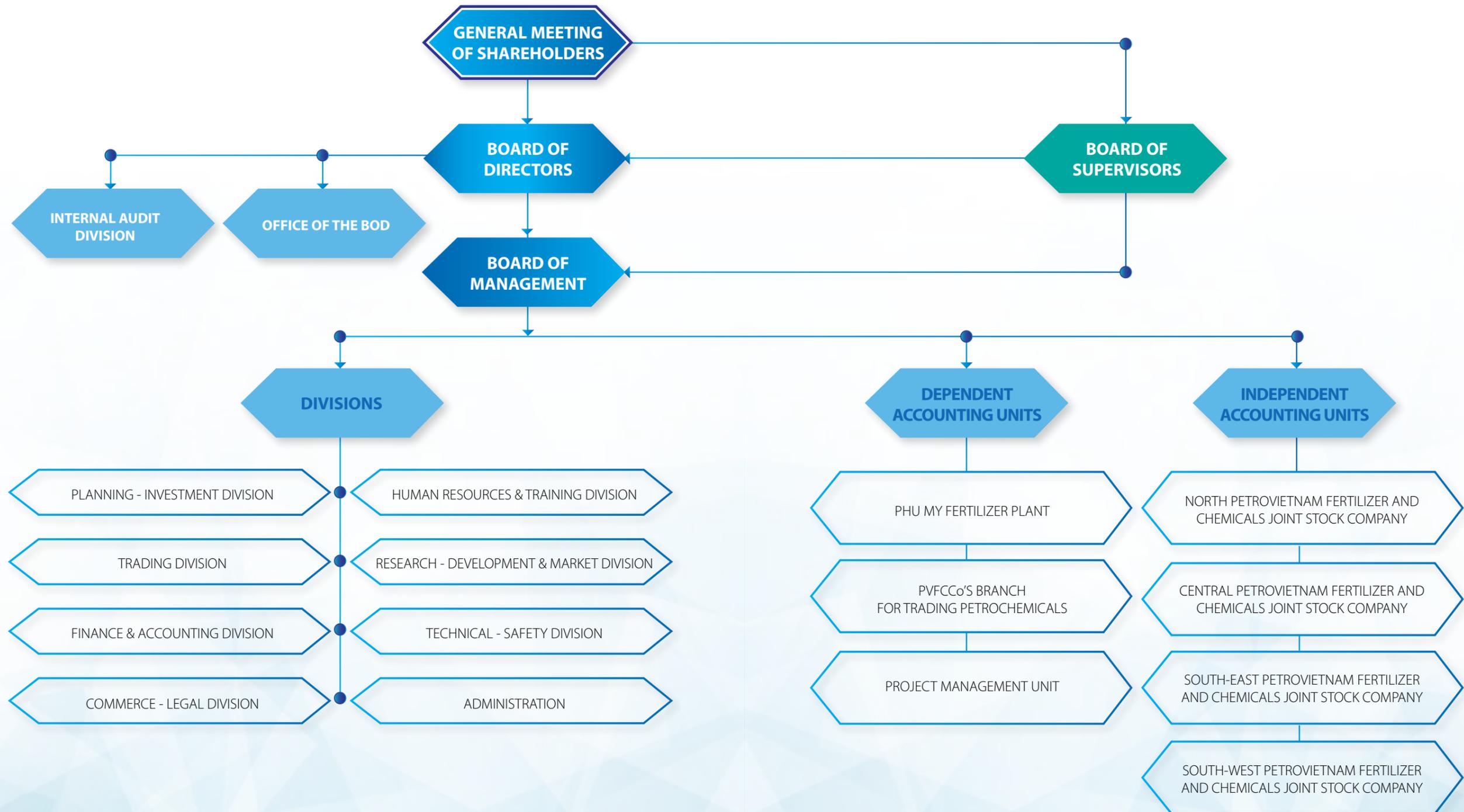
### Companies with over 50% shareholding

COMPANY NAME	BUSINESS SEGMENTS	CHARTER CAPITAL (MILLION VND)	OWNED BY PVFCCo
<b>North PetroVietnam Fertilizer and Chemicals Joint Stock Company (PVFCCo - North, stock code: PMB)</b> Address: 4 <sup>th</sup> Floor, 167 Trung Kinh Street, Cau Giay District, Hanoi	Fertilizer and chemicals production and trading	120,000	<b>75%</b>
<b>Central PetroVietnam Fertilizer and Chemicals Joint Stock Company (PVFCCo - Central, stock code: PCE)</b> Address: Lot A2, Nhon Binh Industrial Cluster, Quy Nhon City, Binh Dinh Province	Fertilizer and chemicals production and trading	100,000	<b>75%</b>
<b>South-East PetroVietnam Fertilizer and Chemicals Joint Stock Company (PVFCCo - SE, stock code: PSE)</b> Address: 27 Dinh Bo Linh Street, Binh Thanh District, Ho Chi Minh City	Fertilizer and chemicals production and trading	125,000	<b>75%</b>
<b>South-West PetroVietnam Fertilizer and Chemicals Joint Stock Company (PVFCCo - SW, stock code: PSW)</b> Address: 151/18 Tran Hoang Na Street, Ninh Kieu District, Can Tho City	Fertilizer and chemicals production and trading	170,000	<b>75%</b>

### Companies with less than 50% shareholding

COMPANY NAME	BUSINESS SEGMENTS	CHARTER CAPITAL (MILLION VND)	OWNED BY PVFCCo
<b>Dam Phu My Packaging Joint Stock Company (PVFCCo - Packaging, stock code: PMP)</b> Address: Phu My 1 Industrial Zone, Phu My Town, Ba Ria - Vung Tau Province	Packaging manufacturing and trading	42,000	<b>43.35%</b>
<b>PetroVietnam Petrochemical and Textile Fiber Joint Stock Company (VNPOLY)</b> Address: Lot CN5.5A, Dinh Vu Industrial Park, Dong Hai 2 Ward, Hai An District, Hai Phong City	Textile fiber production and trading	2,165,110	<b>25.99%</b>
<b>PetroVietnam Information Technology, Telecom and Automation Joint Stock Company (PAIC)</b> Address: 4 <sup>th</sup> Floor, 167 Trung Kinh Street, Cau Giay District, Hanoi	Information technology, telecoms and automation, clean energy	42,352	<b>8.5%</b>
<b>PetroVietnam Urban Development Joint Stock Company (PVC Mekong)</b> Address: Lot D - Petroleum Urban Area, Ngo Quyen Street, Ward 1, Ca Mau City, Ca Mau province	Consulting, construction, construction materials production, real estate trading	280,869	<b>35.63%</b>
<b>Ut Xi Aquatic Products Processing Corporation</b> Address: Provincial Road 8, Tai Van Commune, Tran De District, Soc Trang Province	Aquaculture, Seafood processing and trading	354,000	<b>6.78%</b>

# ORGANIZATIONAL CHART





Mr. **NGUYEN TIEN VINH**

Chairman of the BOD  
Year of Birth: 1962

**Qualifications**

Doctor of Engineering - Hanoi University of Mining and Geology, Master of Business Administration in Industry and Capital Construction - Asian Institute of Technology (AIT), and Oil and Gas Drilling and Production Machinery and Equipment Engineer - Bacu Petrochemical University (Soviet Union).

Involved in Vietnam's oil and gas industry since 1987, following a position as engineer he then occupied a selection of positions at the Exploitation Enterprise belonging to Vietsovetro. In 2009, after resigning as Head of the Mechanics - Energy - Automation Department of the Exploitation Enterprise of Vietsovetro, he went on to hold the position of General Manager of the Power Division at PetroVietnam (PVN). In April 2016, he was chosen to be a member of PVN's Member Council.

At the Extraordinary General Meeting of Shareholders on January 10, 2019, he was elected to the BOD by the General Meeting of Shareholders and took the position of Chairman of the BOD.



Mr. **LE CU TAN**

Member of the BOD cum President and CEO  
Year of Birth: 1967

**Qualifications**

Marine Engineer, Bachelor of Business Administration, Master of Automation Engineering.

Mr. Le Cu Tan has been with Vietnam's oil and gas industry since 1992. He held various management positions in PetroVietnam Technical Services Corporation (PTSC) and assumed the position of Deputy General Director before serving as Chairman of the BOD of PVFCCo since December 2013. On April 26, 2018, he was re-elected to the BOD.

On January 10, 2019, he was approved to be relieved of duty as Chairman of the BOD and appointed as President & CEO of the Corporation by the BOD.



Mr. **NGUYEN HONG VINH**

Member of the BOD  
Year of Birth: 1960

**Qualifications**

Agronomy Engineer, Agricultural Mechanical Engineer.

Mr. Nguyen Hong Vinh has extensive experience in Vietnam's fertilizer and agricultural materials industry, particularly in foreign-invested joint ventures. From December 2009 to July 2013, he was Corporation's Vice President. He was elected to be a fulltime Member of the BOD since April 2013. On April 26, 2018, he was re-elected to the BOD.



Mr. **LOUIS T NGUYEN**

Independent Member of the BOD  
Year of Birth: 1963

**Qualifications**

Bachelor of Accounting and Finance.

Mr. Louis T Nguyen has over 25 years of investment and operating experience in the United States and Vietnam. He became Chairman and CEO of Saigon Asset Management (SAM) since 2007. Before founding SAM, Louis was the CEO of VinaCapital, in charge of the VinaCapital DFJ Technology Fund and a founding member of IDG Ventures Vietnam. Prior to coming to Vietnam in 2003, he held many specialized and management positions at Intelligent Capital, Osprey Ventures, NEC, KPMG,... at Silicon Valley. He was elected by PVFCCo's General Meeting of Shareholders as Member of the BOD on 28 April 2016.

## BOARD OF DIRECTORS



Mr. **LE MINH HONG**

Independent Member of the BOD

Year of Birth: 1957

### Qualifications

Industrial Management Engineer - Master of Business Administration.

In 1982, he entered Vietnam's oil and gas industry as a lecturer of Oil and Gas Technical School (later known as PetroVietnam Manpower Training College under PVN). He held many management positions and was in charge of Vice Rector and Rector positions. From 2006 to 2017, he served as the Deputy Director of PVN.

At the Extraordinary General Meeting of Shareholders on January 10, 2019, he was elected to the Board of Directors and assumed the position of Independent Member of the BOD.



Mr. **DUONG TRI HOI**

Member of the BOD

Year of Birth: 1978

### Qualifications

Industrial Electricity Engineer, Bachelor of Economics in Investment Planning.

Mr. Duong Tri Hoi represents the pioneer generation of Corporation. He joined Corporation in 2007 and served in several senior positions such as Assistant to CEO, Head of Marketing, Director of PVFCCo Central, Director of PVFCCo SE before serving as PVFCCo's Vice President from July 2013.

At the Annual General Meeting of Shareholders on April 17, 2019, he was elected to the Board of Directors and assumed the position of Member of the BOD.

## BOARD OF MANAGEMENT



Mr. **LE CU TAN**

Member of the BOD cum President and CEO

Year of Birth: 1967

*(See "Board of Directors" on page 28 for detailed profile).*



Mr. **LE VAN QUOC VIET**

Vice President

Year of Birth: 1962

### Qualifications

Bachelor of Economics in Planning.

After leaving the armed forces in 1984, Mr. Le Van Quoc Viet joined the Youth Union, Communist Party and worked in the Organization and Human Resources operations in Vung Tau-Con Dao Special Zone and the Vietnam-Russia Oil and Gas Joint Venture (Vietsovpetro). Since May 2007, he had served as Head of Human Resources and has been appointed as Corporation's Vice President since February 2009.



Mr. **TU CUONG**

Vice President  
Year of Birth: 1960

**Qualifications**

Organic Chemistry Engineer.

Mr. Tu Cuong assumed various roles over the years, as Interpreter of Ministry of Labor, Invalids and Social Affairs (MoLISA) and Czechoslovakia Labor Management Board. He was a Technical Specialist at Poison Control Centre (PCC) of Bach Mai Hospital Hanoi; Engineer of Technology Division, Head of Gas Distribution Division and Head of Trading Division, etc. of PetroVietnam Gas Corporation (PV Gas), Director of PetroVietnam Gas Processing Plant. Since 2008, he served as PVFCCo's Vice President cum Director of Phu My Fertilizer Plant. In October 2015, he terminated his position as Director of Phu My Fertilizer Plant. Since August 2016, he has held the position of Director of PMU, specializing in fertilizer and petrochemicals.



Ms. **LE THI THU HUONG**

Vice President  
Year of Birth: 1975

**Qualifications**

Master of Business Administration.

Ms. Le Thi Thu Huong started in Hanoi Trade Department in 1996, followed by Trade and Services Department of the Ministry of Planning and Investment. In May 2008, she took on the position of Head of Legal Department and International Cooperation in PetroVietnam Power Corporation. Prior to assuming her current role as PVFCCo Vice President, she was the Deputy Head of Investment and Development in Vietnam Oil and Gas Group from 2009 - 2013. She has been PVFCCo Vice President since 1 March 2013.



Ms. **TRAN THI PHUONG THAO**

Vice President  
Year of Birth: 1970

**Qualifications**

Bachelor of Economics in International Trade.

Ms. Tran Thi Phuong Thao worked at PETEC of the Ministry of Trade and was in charge of business, contract management, finance, accounting and auditing at PetroVietnam PSC Supervising Company. In 2001, she was Deputy Head of Finance and Accounting of Phu My Fertilizer Project Management Board, followed by Deputy Head of PVFCCo's Commerce. She was elected to be Head of PVFCCo's BOS in March 2009. She has held the position of Vice President of PVFCCo since May 2016.



Mr. **CAO TRUNG KIEN**

Vice President  
Year of Birth: 1976

**Qualifications**

Bachelor of Economics.

From September 2003 to May 2009: Specialist at Northern Gas Trading Joint Stock Company. From October 2009 to August 2019: He held the positions of Deputy Director/Director/Chairman of the Central PetroVietnam Fertilizer and Chemicals Joint Stock Company, Director and Member of the BOD of North PetroVietnam Fertilizer and Chemicals Joint Stock Company before being appointed as Vice President of PVFCCo on 19 September 2019.

Mr. **VO NGOC PHUONG**

Chief Accountant

Year of Birth: 1978

**Qualifications**

Bachelor of Finance (Money and Credit).

Since 2007, he held the position of Chief Accountant, Deputy Director of Southwest PetroVietnam Fertilizer and Chemicals Joint Stock Company; Chief Accountant of Southeast PetroVietnam Fertilizer and Chemicals Joint Stock Company. He was appointed as Chief Accountant of PVFCCo in May 2016.

Mr. **HUYNH KIM NHAN**

Chief Supervisor

Year of Birth: 1976

**Qualifications**

Bachelor of Finance and Accounting.

From 1998 to 2016, he held the positions of Accounting Officer of PetroVietnam Construction Investment Consultant Company, Finance and Accounting Specialist, Deputy Manager of Finance and Accounting Department, Chief Accountant and Head of Finance and Accounting Board of Corporation. He was appointed as the Chief Supervisor of Corporation since April 28, 2016.

Mr. **LE VINH VAN**

Member of the BOS

Year of Birth: 1969

**Qualifications**

Bachelor of Economics in Finance and Accounting.

Mr. Le Vinh Van was the Accounting Specialist in SOS International - OSC Petroleum Services Joint Venture Company, Chief Accountant in Classic Services and Trading Company Limited and the Trading Specialist, BOS Specialist in PetroVietnam Fertilizer and Chemicals Corporation. He became a Member of the BOS from November 2008, and was then re-elected to the Board on April 26, 2018.

Mr. **LUONG PHUONG**

Member of the BOS

Year of Birth: 1973

**Qualifications**

Bachelor of Finance and Credit.

Starting as a specialist of the Corporation in 2006, he then served as Deputy Head of the Finance and Accounting Department under the Construction Management Division of PVFCCo, Deputy Head of Finance and Accounting Department, and Head of Sales Department of PetroVietnam Southern Building Development and Management JSC (PVSBD). Since February 2016, he has been working as a production specialist of the Corporate Planning Division. On April 26, 2018, he was elected to the BOS.

HUMAN RESOURCES

The total staff of the Corporation as at 31 December 2019 (including parent company and subsidiaries)

**1,551**  
Employees

University, College and Postgraduate



**1,026**  
Employees

Vocational



**118**  
Employees

Technical and Others

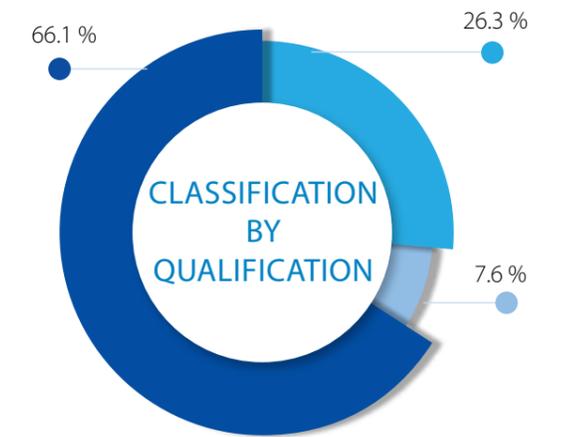


**407**  
Employees



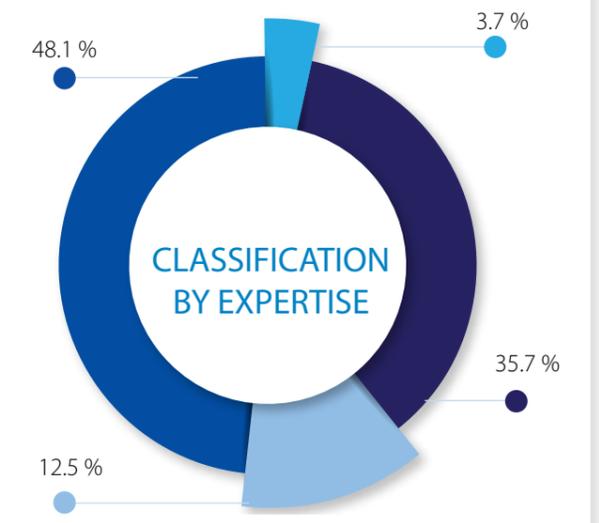
Classification by qualification

	Quantity (employees)
University, College and Postgraduate	1,026
Vocational	118
Technical and Others	407
<b>Total</b>	<b>1,551</b>



Classification by expertise

	Quantity (employees)
Leadership and Management	194
Technical and Professional	747
Supporting staff	57
Workers	553
<b>Total</b>	<b>1,551</b>



## LABOR POLICY



*The Corporation has completed and implemented the Key Performance Indicators (KPI) system and payroll based on the results of the assessment of performance and personal performance. Accordingly, the organization, management and staffing will ensure the rightness, science, the right people in the right job. As a result, it measures the capacity and performance of employees to make the salary and reward payment fairer and more accurate.*

 **25**

Employees has been recognized specialists in their fields of expertise

### Human resources policy

In 2008, PVFCCo formulated, documented and implemented a new compensation and benefits package fitting a joint stock company in accordance with the Labor Code. This move was to encourage talent retention while attracting new talent. The payroll system has been reviewed and is in compliance with the law and aligned with the market realities. In 2015, the Corporation has completed and implemented the Key Performance Indicators (KPI) system and payroll based on the results of the assessment of performance and personal performance. Accordingly, the organization, management and staffing will ensure the rightness, science, the right people in the right job. As a result, it measures

the capacity and performance of employees to make the salary and reward payment fairer and more accurate.

PVFCCo has Social Security, Health Insurance and Termination Benefits according to the Social Insurance Law and other Government regulations.

Although the HR Policy took effect in 1 January 2009, it has been revised annually taking into consideration the current conditions. It consists of employee welfare, remuneration scales, training and development funds, leisure benefits, employment practices and placement and even welfare schemes for skilled and qualified professional employees.

PVFCCo has formulated reward policies in recognition of skills sets. A tiered remuneration scheme is applied to specialists and several gradings for employees. These policies and schemes are directed at attracting and retaining talents who have professional knowledge and skills. Senior specialists have similar remuneration to senior management of PVFCCo and its subsidiaries. To date, PVFCCo has recognized 25 specialists in their fields of expertise.

## Training and development policy

- Training and development of human resources have always played a very important role in production, business and sustainable development. The Corporation has paid great attention to and developed mechanisms, policies and regulations for scientific training which encourages staff members to improve their professional qualifications.
- In 2019, the Corporation applied the ability dictionary, capability framework and results of capacity assessment to develop the training plan and curriculum. The quality of training has improved. Training is focused and reflected the needs and capabilities for a specific job. The Corporation combines internal training, domestic training and overseas training.
- Internal training is always considered to be the most effective training method and is one that the Corporation has paid attention to and invested in greatly. Thanks to this, the staff have grown tremendously, operating Phu My Fertilizer Plant safely and effectively and mastering the business and distribution systems.
- Foreign training courses are organized in a cost effective manner, while still ensuring efficiency, focusing mainly on groups of specialists, technical and technological experts.
- The Corporation is always flexible in its implementation of training plans, ensuring a timely response to the need to update, supplement and improve staff knowledge in the service of production and business activities.
- Human resources, after training in all areas of production and business, have met the requirements of work. The technical and operational staff members of the Corporation continue to develop their skills to operate and maintain Phu My Fertilizer Plant safely and effectively; to put the NH<sub>3</sub> - NPK Complex projects into operation, and introduce new products to the market.



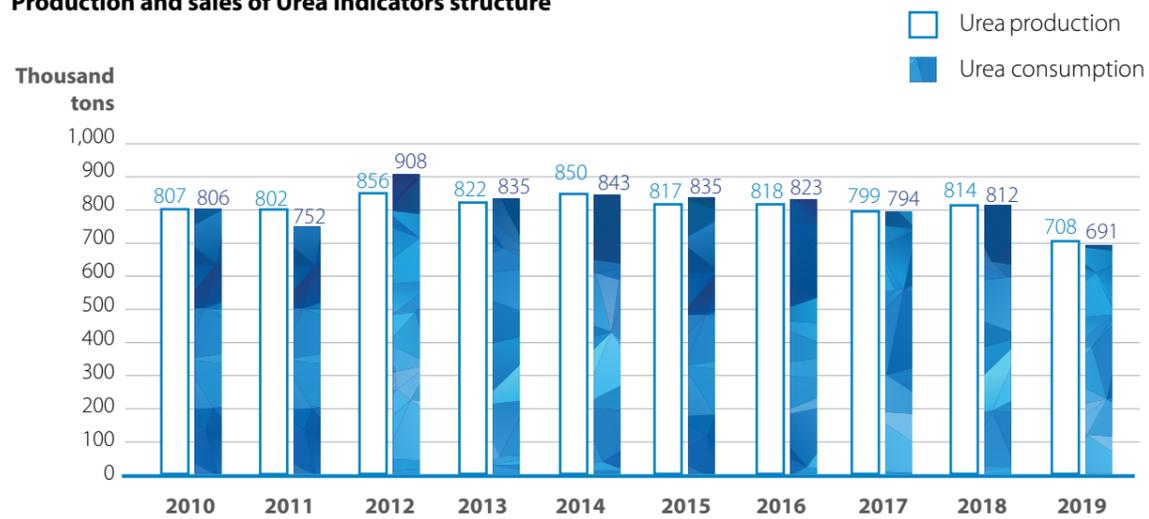
# PRODUCTION AND SALES OF PHU MY UREA

## PRODUCTION AND SALES INDICATORS

Unit: Thousand tons

PRODUCT	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Urea Production	807	802	856	822	850	817	818	799	814	708
Urea Consumption	806	752	908	835	843	835	823	794	812	691

### Production and sales of Urea indicators structure



### TOTAL OUTPUT OF UREA IN 2019

**708** Thousand tons

### TOTAL REVENUE IN 2019

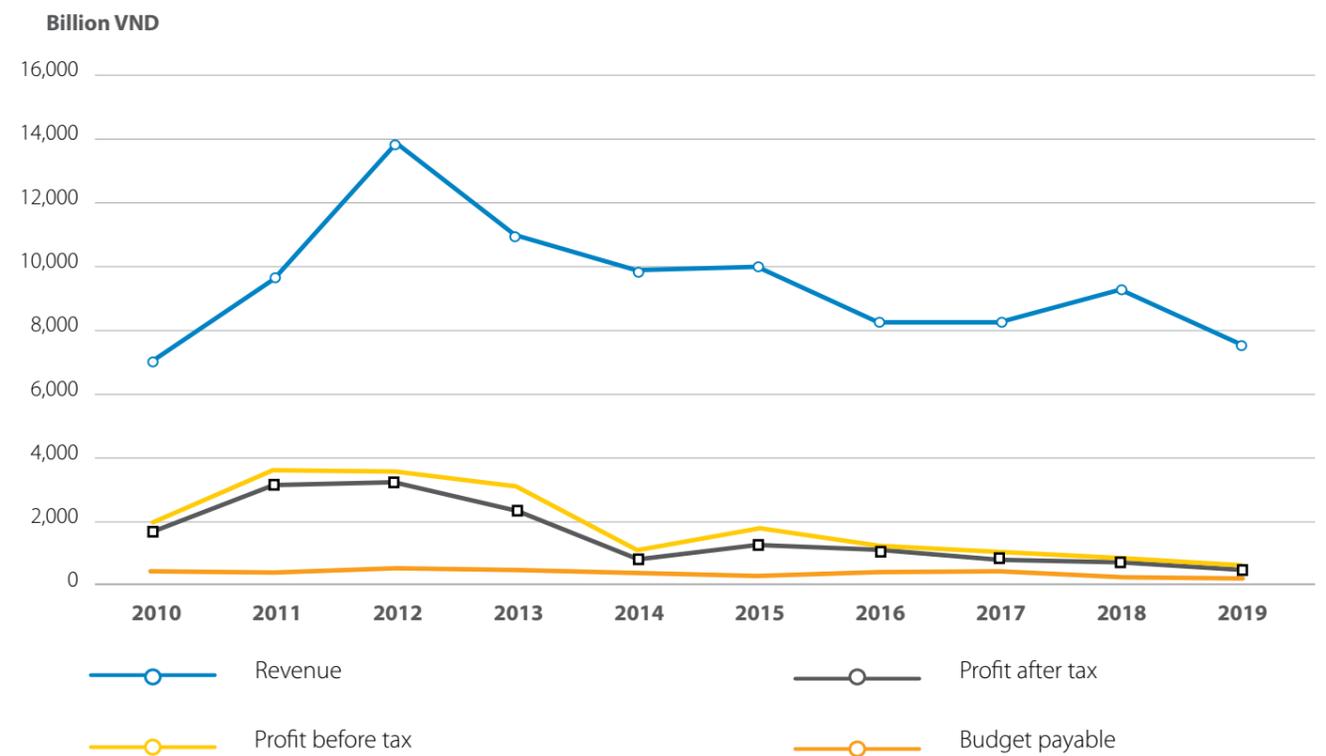
**7,831** Billion VND

## CONSOLIDATED FINANCIAL INDICATORS

Unit: Billion VND

ITEM	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenue	6,999	9,763	13,906	10,807	9,972	10,047	8,170	8,178	9,439	7,831
Budget payable	405	537	694	602	308	420	474	515	297	170
Profit before tax	1,922	3,510	3,542	2,468	1,285	1,880	1,393	853	871	467
Profit after tax	1,706	3,140	3,016	2,142	1,096	1,488	1,165	708	712	389

### Consolidated financial indicators structure



# CHAPTER 3

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RISK ANALYSIS ON BUSINESS PERFORMANCE AND TARGET ACHIEVEMENTS



**Operation risks**

Phu My Fertilizer Plant, the main production plant of PVFCCo, has been operating for over 15 years. Despite having regular and heavy maintenance, it has entered an age where mechanical wear and tear posed more risks. The potential operational problems may cause the production downtime. As a result, the downtime may significantly affect production efficiency, input costs and revenue and profit targets. In addition, the problems at the factory may pollute the environment, impact the employees and increase the maintenance cost. In 2019, during the connection and operation process of existing plants and the NH<sub>3</sub> Revamp - Phu My NPK Complex, there was a halt of operations to handle an incident which lasted 72 days, causing a sharp decline in Urea production output.

Although only recently going into operation, the Phu My NPK Plant is still subject to risks of stability and maximum operating capacity.



**Input price risks**

Gas is the key production input for Urea and it takes a major portion of cost of goods sold. Although gas supply is assured by the Government of Vietnam, the price is set by the market with annual transportation costs depending on gas sources approved by the competent authorities. And the market price fluctuates widely and affects input cost and in turn profitability. In addition to this, since natural gas is considered a limited resource with unstable sources in the long term, mobilizing gas from different sources can often be subject to fluctuations in transportation costs.



**Market risks**

At present, the total domestic demand of Urea is about 2 million tons, while the total domestic production capacity exceeds 2.6 million tons. In recent years, despite strong competition from domestic producers, they have not reached full production capacity as yet. Admittedly, Phu My Urea is a strong brand and all its production has been sold at an optimal market price. However, there is always a possibility of losing its market share and having to conduct price cutting, especially after the production capacity and operational efficiency of other producers have improved. There is also the threat from Urea imports.

As for Phu My NPK products, it is now positioned as high-end products with high quality, suitable for high value customers and crops with large investment levels. As a result, the production and market share are at risk of decline due to falls in agricultural product prices.

In addition to this, risks of climate change, natural disasters, extreme and unusual weather, and the spread of counterfeit goods also pose major threats to the fertilizer industry, and especially to a prestigious brand like Phu My Fertilizer.



**Financial and restructuring risks**

The Corporation has several long-term investments in non-core business. Some of these investments are under performing, such as, VNPOLY (PVTEX) and PVC Mekong. According to the restructuring plan, PVFCCo has set a target date to divest these investments, in spite of great difficulty. Although the Corporation has provided for investment loss, it has plans to improve the performance of these companies so as to attract potential investors at a higher valuation. These supports may expose other costs for the Corporation.

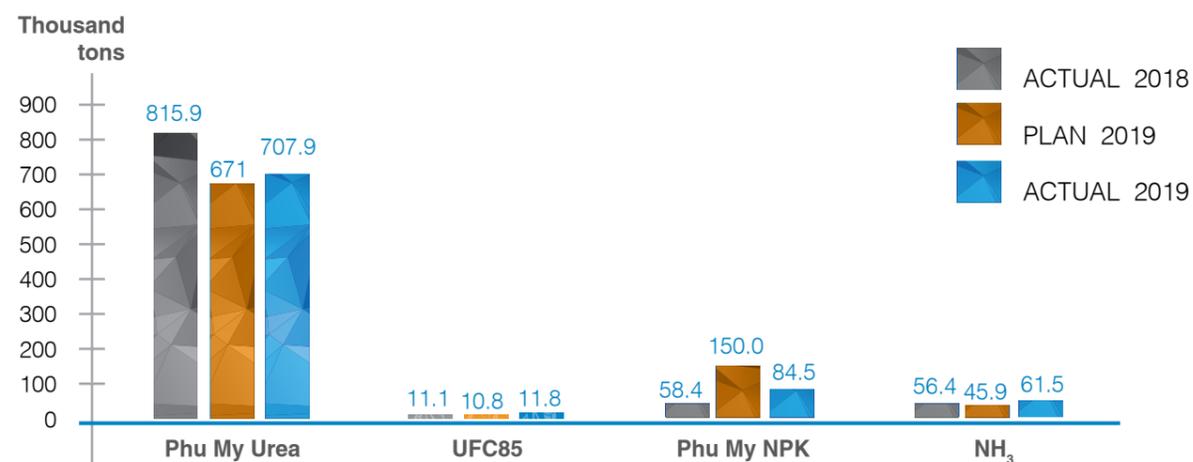
## BUSINESS PERFORMANCE

### Summary on business performance 2019

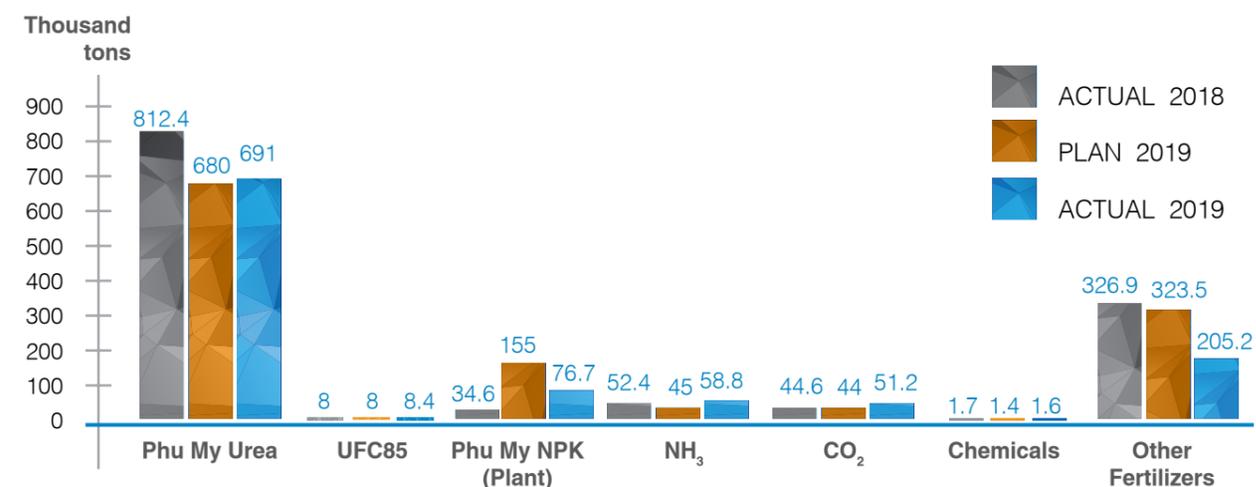
No.	ITEM	ACTUAL 2018	PLAN 2019	ACTUAL 2019	RATIO COMPARED WITH 2018 (%)	PLAN COMPLETION RATE (%)
A	B	1	2	3	4=3/1	5=3/2
<b>1</b>	<b>PRODUCTION (Thousand tons)</b>					
	Phu My Urea	815.9	671.0	707.9	<b>87%</b>	<b>106%</b>
	UFC85	11.1	10.8	11.8	<b>106%</b>	<b>109%</b>
	NPK	58.4	150.0	84.5	<b>145%</b>	<b>56%</b>
	NH <sub>3</sub> (for trading)	56.4	45.9	61.5	<b>109%</b>	<b>134%</b>
<b>2</b>	<b>SALES VOLUME (Thousand tons)</b>					
	Phu My Urea	812.4	680.0	691.0	<b>85%</b>	<b>102%</b>
	NPK	34.6	155.0	76.7	<b>222%</b>	<b>50%</b>
	Other fertilizers	326.9	232.5	205.2	<b>63%</b>	<b>88%</b>
	UFC85	8.0	8.0	8.4	<b>105%</b>	<b>105%</b>
	NH <sub>3</sub> (for trading)	52.4	45.0	58.8	<b>112%</b>	<b>131%</b>
	CO <sub>2</sub>	44.6	44.0	51.2	<b>115%</b>	<b>116%</b>
	Chemicals	1.7	1.4	1.6	<b>94%</b>	<b>116%</b>
<b>3</b>	<b>CONSOLIDATED FINANCIAL INDICATORS (Billion VND)</b>					
	Total revenue	9,438.6	8,645	7,831	<b>83%</b>	<b>91%</b>
	Profit before Tax	870.6	205	467	<b>54%</b>	<b>228%</b>
	Profit after Tax	712	170	389	<b>55%</b>	<b>229%</b>
	Budget payable	304.3	206	170	<b>56%</b>	<b>83%</b>

No.	ITEM	ACTUAL 2018	PLAN 2019	ACTUAL 2019	RATIO COMPARED WITH 2018 (%)	PLAN COMPLETION RATE (%)
A	B	1	2	3	4=3/1	5=3/2
<b>4</b>	<b>PARENT COMPANY'S FINANCIAL INDICATORS (Billion VND)</b>					
	Owner's equity	8,132.2	7,560	8,041	<b>99%</b>	<b>106%</b>
	In which: Charter capital	3,914.0	3,914	3,914	<b>100%</b>	<b>100%</b>
	Total revenue	9,017.3	8,400	7,006	<b>78%</b>	<b>83%</b>
	Profit before Tax	863.2	190	436	<b>50%</b>	<b>229%</b>
	Profit after Tax	715.2	163	370	<b>52%</b>	<b>227%</b>
	Ratio of Profit after tax/Charter capital	18.3%	4%	9.46%	<b>52%</b>	<b>237%</b>
	Budget payable	276.7	188.3	150.0	<b>54%</b>	<b>80%</b>
<b>5</b>	<b>INVESTMENT (Billion VND)</b>					
<b>a.</b>	<b>Total investment</b>	<b>909.6</b>	<b>772</b>	<b>116.3</b>	<b>13%</b>	<b>15%</b>
	Basic construction Investment	831.0	692	100	<b>12%</b>	<b>14%</b>
	Equipment procurement	78.5	80	16.3	<b>21%</b>	<b>20%</b>
	Capital investment					
<b>b.</b>	<b>Capital investment source</b>	<b>909.6</b>	<b>772</b>	<b>116.3</b>	<b>13%</b>	<b>15%</b>
	Owner's equity	341.9	498	41.8	<b>12%</b>	<b>8%</b>
	Loans and others	567.7	274	74.5	<b>13%</b>	<b>27%</b>

### Fertilizer and chemicals production in 2019



### Fertilizer and chemicals sales volume in 2019



**Major changes in business strategy, revenue, profit, expenses, market, products and supplies - The reasons**

In 2019, the world and domestic economy continues to face many difficulties, causing significant impacts on production and business activities of domestic enterprises in general and fertilizer enterprises in particular - including PVFCCo. However, with outstanding efforts, PVFCCo continues to strengthen its leading position in the fertilizer and chemical industry, fulfilling and exceeding important targets that have been approved by the General Meeting of Shareholders. The year 2019 continues to be a milestone year for the scale of production and business as the NH<sub>3</sub>/NPK project contributes to the increasing growth of the Corporation.

Regarding the outstanding factors that can cause difficulties in production and business activities in 2019, it can be evaluated as follows:

- › The market: Cheap and abundant imported fertilizer volume affects the consumption situation of domestic fertilizer enterprises. The selling price of agricultural products which depend on NPK and Urea fertilizer, such as pepper, coffee, rubber and rice reduced sharply, which greatly affected the ability to invest/re-invest in fertilizer. Some regions even reduced cultivation areas and abandoned fields.
- › Hot and dry weather in Southwest and North Central regions, along with floods in the Central Highlands during the main seasons of fertilization led to a sharp decrease in fertilizer demand which was estimated to have decreased by 20%-30% compared to the previous year.
- › The Plant underwent a 72-day maintenance period, resulting in decreased production output and corresponding reductions in sales volume. The Plant's machinery and equipment has been operating for many years, with increasing maintenance costs along with increasing high risk of incidents.
- › The NH<sub>3</sub> Revamp - Phu My NPK Complex was in a maintenance period, undergoing the process of acceptance and settlement, and had to halt operations for repair and maintenance, causing the investment disbursement and output to stay low.
- › Gas transportation costs increased (40% higher than previous schedule) while the average selling price of fertilizer and chemical products decreased compared to the previous year.
- › Low efficiency of investment in affiliates.

**Production and business analysis**



**Production**

The Phu My Fertilizer Plant fulfilled its production plan 15 days early with the total production of 708,000 tons, up 6% when compared to the plan, which means they have met production targets before the deadline for 13 consecutive years.



**Revenue**

Revenue reached VND 7,831 billion, achieving 91% of the plan in 2019, but decreasing 17% yoy. This was mainly due to the long-term maintenance period of the Plant and unfavorable market movements, causing output and selling price to decrease.



**Business**

With a sales volume of nearly 1 million tons of fertilizer (691,000 tons of Phu My Urea; nearly 77,000 tons of Phu My NPK; 205,000 tons of other fertilizer) and 120,000 tons of chemical, along with activities such as:

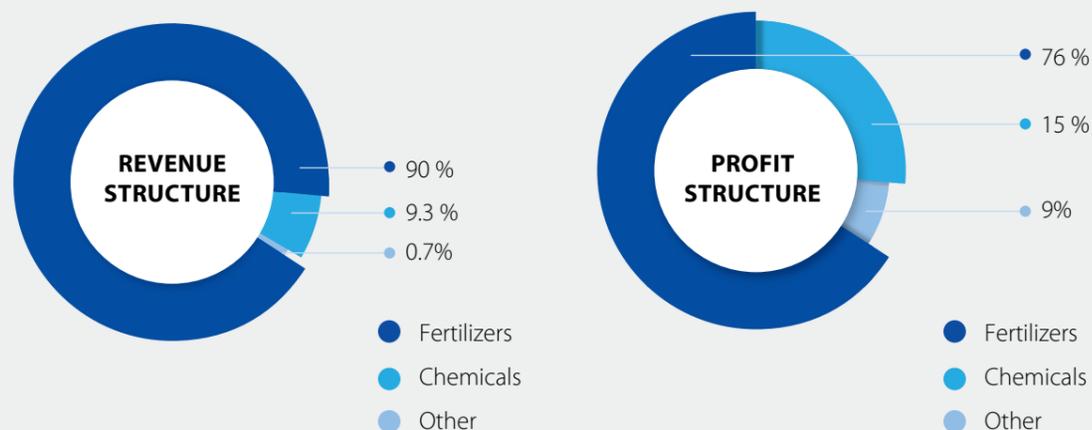
- › Periodic maintenance and preventative maintenance for production equipment were properly carried out, a crucial factor in minimizing machine breakdown and ensuring stable, safe and efficient operation.
- › Phu My Urea remained the leading brand of fertilizer.
- › Phu My NPK began to affirm brand name, total business results in 2019 reached 76 thousand tons.
- › The quality of Phu My fertilizer product sets continued to be affirmed as Phu My Urea products achieved the title of Vietnamese High-Quality Goods for the 16<sup>th</sup> consecutive time; the Corporation received the title of "Most Popular Agricultural Product" for the 5<sup>th</sup> consecutive time.
- › As chemical sales volume increased by 12% over the previous year and reached 120 thousand tons - the highest level ever, fulfilling ~122% of the plan, somewhat affirming the development of the Corporation in the production and business field of chemicals and petrochemicals.



**Profit**

Profit before tax reached VND 467 billion - achieving 228% of the plan in 2019. Revenue did not meet the plan but profit exceeded the plan in 2019, mainly due to sharp decline in gas prices during Quarter 4, making the annual average price fall by 2% compared to the plan, resulting in lower prices and higher sales volume of Phu My Urea compared to the plan. Apart from this factor, interest expenses decreased due to projects with slow disbursement and increased profits from other activities (transportation, warehouse and office leasing, asset sales) compared to the plan. In addition, the reduction of selling expenses, management and energy savings in the operation of Phu My Fertilizer Plant have all contributed to improving the operating profit.

**Revenue and profit structure of fertilizers and chemicals in 2019**



PROJECT AND OTHER INVESTMENT

According to the 2019 plan, total capital for investment in construction and procurement was VND 772 billion.

A major project was being operated in 2019 is the NH<sub>3</sub> Revamp - Phu My NPK Complex. This project is designed to increase the current capacity of the NH<sub>3</sub> Plant at the Phu My Fertilizer Plant by 90,000 tons per year (an increase of about 20% on existing capacity) and build a factory producing 250,000 tons of NPK per year using chemical technology.

The total investment for the project complex is almost VND 5,000 billion. The project is highly feasible because the demand for NPK high quality in the country requires more than 2 million tons of high quality products each year while the current technology only meets about 5-10% of that need. The Complex was put into commercial operation with a sales volume of 59,000 tons; sales volume and production output of NPK Plant reached nearly 85,000 tons and 77,000 tons, respectively,

contributing around VND 1,045 billion to the total revenue in 2019.

In 2019, PVFCCo disbursed VND 133 billion, achieving 17% of the plan. This was due to the last milestones of 2 EPC contracts for NH<sub>3</sub> Revamp - Phu My NPK Complex, in which the contractor has not completed the payment documents; In addition, there are some items arising that have not been agreed between the investor and the contractor.

Return on capital

(Summary report on the performance of subsidiaries and capital contributors)

Unit: Billion VND

No.	ITEM	EQUITY TO TOTAL CHARTER CAPITAL RATIO	MARKET VALUE OF TOTAL INVESTED CAPITAL	CHARTER CAPITAL	PROFIT AFTER TAX (PAT)	PAT TO CHARTER CAPITAL RATIO	2019 DIVIDEND
<b>I</b>	<b>Investment in subsidiaries</b>		<b>386.25</b>	<b>515.00</b>	<b>44.63</b>		<b>33.15</b>
1	PVFCCo North	75.00%	90.00	120.00	12.18	10%	9.00
2	PVFCCo Central	75.00%	75.00	100.00	15.57	16%	9.00
3	PVFCCo SE	75.00%	93.75	125.00	10.89	9%	7.50
4	PVFCCo SW	75.00%	127.50	170.00	5.99	4%	7.65
<b>II</b>	<b>Investment in joint venture companies</b>		<b>680.90</b>	<b>2,487.80</b>	<b>(614.59)</b>		<b>3.09</b>
1	PVTEX	25.99%	562.70	2,165.11	(605.95)		-
2	PVC Mekong	35.63%	100.00	280.69	(12.55)		-
3	PVFCCo Packaging	43.34%	18.20	42.00	3.91	9%	3.09
<b>III</b>	<b>Other long-term investments</b>		<b>20.50</b>	<b>396.35</b>	<b>5.03</b>		<b>0.11</b>
1	PAIC	8.50%	3.60	42.35	2.27	5%	0.11
2	Ut Xi Aquatic Products Processing Corporation	6.78%	16.90	354.00	2.76	0.5%	
<b>TOTAL</b>			<b>1,087.65</b>	<b>3,399.15</b>	<b>(564.93)</b>		<b>36.35</b>

THE CORPORATION'S FINANCIAL PERFORMANCE

Assets and capital

Unit: Billion VND

ITEM	31/12/2018	31/12/2019	% INCREASE (DECREASE)
Total assets	11,134	11,440	3%
Current assets	5,172	5,944	15%
Non-current asset	5,962	5,496	-8%
Total resources	11,134	11,440	3%
Liabilities	2,879	3,279	14%
Owner's equity	8,255	8,161	-1%
Charter capital	3,914	3,914	%
Total revenue	9,439	7,831	-17%
Total cost	8,571	7,366	-14%
Interest	62.6	106.9	171%
EBIT	933	574	-38%
Profit before tax	871	467	-46%
Profit after tax	712	389	-45%
Profit after tax of minority shareholders	13	11	-15%
Profit after tax of parent company	700	378	-46%

Financial indicators

ITEM	2018	2019
<b>Liquidity ratios</b>		
Current ratio	3.42	2.88
Quick ratio	2.32	2.23
<b>Solvency ratios</b>		
Total debt/total assets	25.86%	28.66%
Total debt/total equity	34.88%	40.18%
<b>Operational capacity ratios</b>		
Inventory turnover	5.13	4.17
Net revenue/total assets	83.50%	67.16%
<b>Profitability ratios</b>		
Net profit after tax/Net revenue	7.66%	5.06%
Profit before tax/Total revenue	9.22%	5.96%
ROE	8.74%	4.74%
ROA	6.66%	3.45%

After 17 years of establishment and 13 years of operation as a joint stock company, PVFCCo has been increasingly growing, developing and improving its sustainable values. The Corporation is inspired by past experiences to promote human resource development in line with dynamic changes in organization structure, management, and business operations. In 2019, despite facing many challenges and difficulties, the Corporation has strived to achieve certain results in production and business activities to create premise for its development in the coming years.

### IN GENERAL

In order to achieve the important targets assigned by the General Meeting of Shareholders in 2019, the Corporation has taken advantages of and overcome the following main difficulties:

#### Advantages

- › The input supply of gas is ensured and fully meets the operational demands of the Phu My Fertilizer Plant.
- › Phu My brand has created its prestige with customers.
- › The distribution system has been deployed deeply and widely to the consumption regions.
- › Funds are sufficiently and promptly secured for production and business activities.

#### Disadvantages

- › The fiercely competitive market and the abundance of imported goods negatively affects domestic consumption;
- › During its maintenance period, Phu My Fertilizer Plant had identified that after being commissioned and put into operation, the HTER equipment of the NH<sub>3</sub> Revamp project had damaged its refractory concrete layer, which required a lot of time to repair and recover. Therefore, the Plant's downtime was prolonged, affecting the production and business situation of the Corporation.
- › Phu My NPK is a new product, and as a result requires some time to completely implement production and achieve stable operation.
- › Climate change has seriously affected agricultural production.
- › Falling agricultural product prices affect investment in agriculture.
- › Fertilizer and chemical prices have fallen since the second half of 2019.
- › The spread of counterfeit and poor-quality products on the fertilizer market are still not controlled closely.
- › Gas transportation cost is higher than the set schedule.



### PRODUCTION AND BUSINESS PERFORMANCE

For details, please refer to the Business Performance Report in 2019 on page 46 to 47.

#### Progress achieved in the year

##### › Production

With the experience accumulated in periodic maintenance, in 2019, PVFCCo continued to actively and promptly clear up problems that arose and effectively carry out periodic and preventative maintenance for production equipment, a crucial factor in minimizing machine breakdowns. The review, adjustment, and application of these norms were obviously effective, resulting in the total energy consumption of production workshops in 2019 being lower than targets, and the total energy saving costs in the production sector reached VND 85 billion.

##### › Business

Phu My Urea brand remains its solid position in the domestic market amid fierce competition from cheap imported fertilizers. In addition, it has created a foothold in the market with the quality of Phu My NPK, MOP, DAP, and continues to develop chemical production and business activities.

##### › Capital construction investment and procurement projects

Total disbursement for investment and procurement projects is VND 133 billion.

The NH<sub>3</sub> Revamp - Phu My NPK Complex: The projects of increasing the capacity of the NH<sub>3</sub> production workshop at the Phu My Fertilizer Plant by 90,000 tons/years (20% higher than the existing capacity) and constructing the plant which utilized the NH<sub>3</sub> source made by chemical technology, to produce 250,000 tons of NPK fertilizer per year has been put into operation. In 2019, the Complex project continued to contribute about VND 1,045 billion in revenue, equivalent to more than 13% of total revenue of the Corporation.

##### › Research & Development

Research studies continue to focus on applied research. In 2019, PVFCCo's test product of Kebo 6SiO<sub>2</sub> + TE Urea received positive reviews from customers, and PVFCCo is currently preparing the next steps required to eventually introduce commercial products to the market.

##### › Human Resources

The Projects of Remuneration Policy Improvement and KPI have provided motivation for employees to promote creativity and improvement in their work and help the Corporation to retain the high-qualified staff.

#### However, there's a need to fix some remaining issues:

- › The project progress is behind schedule.
- › Management and personnel structure need further streamlined.
- › Financial investment (joint venture) was not efficient.

## FINANCIAL ANALYSIS

### Assets and Liabilities

Total assets as at 31/12/2019 was VND 11,440 billion, increase of 3% from the beginning of the year (VND 11,440/11,134 billion). Cash and cash equivalents increased by 73% from the beginning of the year (VND 2,977/1,717 billion).

In 2019, loss provisions amounted to VND 131 million for Ut Xi Aquatic Products Processing Corporation, as per the instructions from the Ministry of Finance.



### Liabilities

PVFCCo's 2019 liabilities were VND 3,279 billion, up 14% as compared to the beginning of the year (VND 3,279/2,879 billion).

Total liability to total assets ratio and total liability to equity ratio increased compared to those of 2018, but current ratio and quick ratio in 2019 were remained higher than 1. This shows the ability to pay the debts well, and the Corporation does not have any pressure on due debt, ensuring good production and business activities.

Given the closing balance of Cash and Cash equivalents at VND2,977 billion, there is sufficient funding for manufacturing, trading and investment projects as planned.

### Profitability

Profitability ratios of PVFCCo such as ROE, ROA decreased significantly compared to those in 2018.



## Top 50



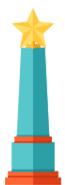
PVFCO was ranked among Top 50 best listed companies in Vietnam (voted by Forbes Vietnam).

## Top 40



Phu My Fertilizer brand is among the Top 40 most valuable trademarks in Vietnam (voted by Forbes).

## Top 5



PVFCO ranked among Top 5 large-cap listed companies and was awarded with Best corporate governance companies award (jointly organized by Ho Chi Minh City Stock Exchange & Hanoi Stock Exchange).

## Top 3



DPM ranked among Top 3 Midcap listed companies with the best IR practices (organized by vietstock.vn, an online website on economic and financial news).

## Top 30



PVFCO received the "Top 30 listed large-cap companies with Best Annual Reports" award.

## 16



Phu My Fertilizer won the title of High Quality Vietnamese Goods for the 16<sup>th</sup> consecutive time.

## Top 500



PVFCO is in the Top 500 largest enterprises in Vietnam (VNR500) for the 12<sup>th</sup> consecutive time.

## 5



"Most Popular Agricultural Product" for the 5<sup>th</sup> consecutive time voted by the Central Committee of Vietnam Farmers' Union.

# CHAPTER 4

## CORPORATE GOVERNANCE

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## MEMBER LIST OF THE BOD, BOM AND BOS

(Profile: See details on page 28 to page 35)

No.	FULL NAME	POSITION	NUMBER OF DPM STOCKS	
			Representative	Individual ownership
<b>BOARD OF DIRECTORS</b>				
1	Nguyen Tien Vinh	Chairman of the BOD, Full-Time, Non-Executive, not concurrently holding any position in other organizations	131,440,253	-
2	Le Cu Tan	Member of the BOD cum President & CEO, not concurrently holding any position in other organizations	62,624,000	170,500
3	Nguyen Hong Vinh	Member of the BOD, Full-Time, Non- Executive, not concurrently holding any position in other organizations	39,140,000	-
4	Duong Tri Hoi	Member of the BOD, Full-Time, Non- Executive, not concurrently holding any position in other organizations	39,140,000	-
5	Louis T Nguyen	Independent Member of the BOD, Non-Executive, CEO of SAM (Saigon Asset Management), BOD's member of Nam Bay Bay Investment JSC and Century 21 JSC	-	-
6	Le Minh Hong	Independent Member of the BOD, Non-Executive	-	-
<b>BOARD OF MANAGEMENT</b>				
1	Le Cu Tan	President & CEO	62,624,000	170,500
2	Le Van Quoc Viet	Vice President	-	-
3	Tu Cuong	Vice President	-	-
4	Le Thi Thu Huong	Vice President	-	63,500
5	Tran Thi Phuong Thao	Vice President	-	65,700
6	Cao Trung Kien	Vice President	-	-
<b>BOARD OF SUPERVISORS</b>				
1	Huynh Kim Nhan	Chief Supervisor (Full-Time)	-	-
2	Le Vinh Van	Member of the BOS (Full-Time)	-	-
3	Luong Phuong	Member of the BOS	-	-
<b>CHIEF ACCOUNTANT</b>				
1	Vo Ngoc Phuong	Chief accountant	-	24,700

## CHANGES IN THE BOD, BOM AND BOS

### CHANGES IN PVFCCo HUMAN RESOURCES IN 2019

- Mr. Nguyen Tien Vinh was elected to the Board of Directors and took over the position of Chairman, formerly held by Mr. Le Cu Tan, as of January 11, 2019.
- Mr. Doan Van Nhuom was relieved of his duty as Member of the Board of Directors and President & CEO on January 10, 2019.
- Ms. Nguyen Thi Hien was relieved of her duty as Member of the Board of Directors on January 10, 2019.
- Mr. Le Minh Hong was elected to the Board of Directors and took over the Member of the Board of Directors on January 10, 2019.
- Mr. Le Cu Tan was appointed as President and CEO of the Corporation on January 11, 2019.
- Mr. Duong Tri Hoi was elected as Member of the Board of Directors as of April 17, 2019.
- Mr. Hoang Viet Dung resigned as Vice President on July 01, 2019.
- Mr. Cao Trung Kien was appointed as Vice President of the Corporation on September 19, 2019.

## SHARES AND SHAREHOLDERS STRUCTURE

### Shares

- Total number of shares of the Corporation: 391,400,000 common shares.
- As start of 2020, there were 391,334,260 outstanding shares (excluding 65,740 treasury shares).

### Change in owner's equity

- In 2019 and early 2020, the Corporation had no change in owner's equity.

### Treasury shares

- As start of 2019, there were 65,740 treasury shares.
- In 2019 and early 2020, there were no transaction during the year. As at 16 March 2020, it remained at 65,740 shares.

### Shareholders structure

Based on the shareholder listing in the Vietnam Securities Depository, as at 16 March 2020, there was a total of 391,334,260 shares owned by 7,875 shareholders.

### Domestic shareholders

#### Detailed information on domestic shareholder structure

SHAREHOLDERS	QUANTITY	NUMBER OF SHARES	PROPORTION OF OUTSTANDING SHARES
Legal entities	77	266,371,256	68.06%
Individuals	7,338	52,268,223	13.35%
<b>Total</b>	<b>7,415</b>	<b>318,639,479</b>	<b>81.41%</b>

Detailed information on major domestic shareholders

SHAREHOLDERS' NAME AND ADDRESS	MAIN BUSINESS LINES	NUMBER OF SHARES HELD	PROPORTION OF OUTSTANDING SHARES
<b>Vietnam Oil and Gas Group</b> Address: 18 Lang Ha Street, Ba Dinh District, Hanoi. State-Owned Corporation Website: www.pvn.vn	» Discover, develop, process, store and transport oil, gas and other related services locally in Vietnam as well as internationally. Supply material and equipment for oil and gas industry. Distribute and trade oil, gas and petrochemical products; » Invest in production and trading of electricity, biofuel and renewable energy; » Ancillary businesses pertaining to oil, gas and energy industries..	233,204,253	<b>59.58%</b>

Foreign shareholders

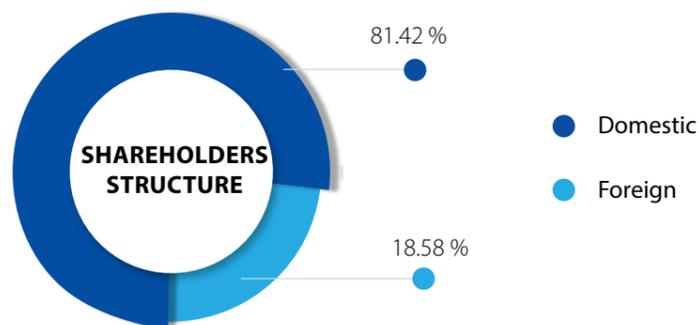
Detailed information on foreign shareholder structure

SHAREHOLDERS	QUANTITY	NUMBER OF SHARES	PROPORTION OF OUTSTANDING SHARES
Legal entities	62	71,422,303	18.25%
Individuals	398	1,272,478	0.33%
<b>Total</b>	<b>460</b>	<b>72,694,781</b>	<b>18.58%</b>

Detailed information on major foreign shareholders: None

State-Owned Shareholder

Vietnam Oil and Gas Group (as above)



CORPORATE GOVERNANCE REVIEW BY THE BOD

PVFCCo applied the corporate governance model that included General Meeting of Shareholders, Board of Supervisors, and the Board of Management in compliance with the Law on Enterprises 2014. The standard of corporate governance has complied and met the requirements of Decree No. 71/2017/ ND-CP, dated 06 June 2017, issued by Government. The corporate governance practices covered all internal operations, supervision and audit. The financial statements were prepared in compliance with the laws on transparency and accountability and audited by leading external auditors approved by the Ministry of

Finance. Members of the BOD, BOS and BOM are capable and qualified and served without conflict of interests. They have fulfilled their roles and duties effectively during the year. The Corporation improved the standard of corporate governance in several ways. It leveraged on the management experience of the BOD as well as the supervisory strength of the BOS. It applied support system and solutions to business operations and administration, such as ERP, ISO, KPI management and performance evaluation.

Overview

In 2019, there were some highlights in the economy of Vietnam. In addition to the GDP growth rate, inflation was kept at a very low level despite challenges and uncertainties in the world economy and politics; world oil prices gradually rebounded, making gas prices bounce back from their low level, thereby putting cost pressures on the Corporation; Competition among companies in the industry increased in intensity;

The decrease in fertilizer demand was directly related to the many difficulties facing the agriculture industry in 2019 and is expected to continue in 2020; The non-deductible input VAT continued to account for a significant portion of production costs. PVFCCo internally encountered several challenges as mentioned already. However, with the prompt attention, instruction and support of agencies and PetroVietnam,

the companionship and loyalty of shareholders, the accurate measures and decisive direction of the Board of Management, and the solidarity and determination to overcome every difficulty and challenge by all employees, PVFCCo successfully fulfilled its production and business tasks for 2019 and even surpassed the profit plan which had been adjusted.



*The discussions from the two Annual General Meetings of Shareholders are summarized as Advantages or Limitations. The Corporation successfully achieved and exceeded its annual planned targets in production, and operations and financial performance.*

## Results

In addition, PVFCCo ensured optimum production efficiency. Given that Phu My Urea is the main product earning the highest revenue, in 2019, the Corporation focused on cost and asset management, as well as improving the business of other fertilizers. The Corporation actively promoted the sales of its specialty Phu My fertilizer products (Phu My NPK, Phu My MOP) which contributed to the success results.

The subsidiaries in the distribution sector took the initiative to gradually improve business competitiveness in fertilizers, oil and gas. The Corporation has urgently deployed the construction of the NH<sub>3</sub> Revamp - Phu My NPK Plant with the successful commercial operation of the NH<sub>3</sub> Revamp from January 2018.

Despite the 72-day maintenance period in 2019, the NH<sub>3</sub> Revamp was operated effectively. Total sales volume reached 59 thousand tons, which was an increase of 12.2% over the previous year. The NPK Plant also went into operation during the third quarter of 2018 and produced nearly 85 thousand tons of NPK with a sales volume of 77 thousand tons in 2019.

The Corporation has adopted the principle of honesty and transparency. As an award winning business, the management maintained the principle as its basis for and standard in, best practice. In 2019, besides having an effective integrated management systems ISO 9001:2008, OHSAS 18001:2007 and ISO 14001:2004; Systems: ERP, 5S, Six Sigma, CBM, RCA, FMEA, RBI, RCM, etc. The Corporation set up a list of indicators to assess the effectiveness of the KPI and Innovation projects of wages (3P). This is to create a professional work environment that is fair and efficient. There was a new audit methodology and tools for enhancing risk management in business and production.



## Limitations and solutions

Besides the achievements and results attained in 2019, the Board of Directors reviewed the Corporation and found that there were restrictions that need to be addressed:

### Production

Phu My Fertilizer Plant: Despite regular maintenance, engineering and technical issues have surfaced in the fixed equipment and machinery installations after more than 15 years of continuous operations; The connection and operation of ageing equipment and newly added equipment initially encountered several difficulties and added risks to ensuring the stable and continuous operation of the entire plant.

### Production costs management

In the early stages, unstable operation, low production volumes and non-optimal preparation of source material for the NPK plant made the establishment of consumption rate and the control of production costs less effective.

### Capital Contribution to Associated Companies

The planned divestments and withdrawal of capital from associated companies, such as VNPOLY (PVTEX), PVC Mekong, PAIC and Ut Xi Aquatic Products Processing Corporation were delayed. The operations of the companies, with the exception of PAIC and Ut Xi, continued to deteriorate.

## Evaluation on the activities of the Board of Management

### General assessment of the BOD on business operation management

- › The members of the Board of Management are qualified, competent, fully trained professionals knowledgeable in areas under their charge. They possess much years of experience in managing and operating projects and big business.
- › The President & CEO has a clear assignment for the Vice Presidents. Weekly briefings are held to assess the results of the work and to deliver the next work plan period.
- › The Board of Management implemented business initiatives in line with resolutions passed at the General Meeting of Shareholders. Business operations followed advice from the Board of Directors, especially on the direction and in compliance with the business charter and the provisions of law.
- › The Board of Management always allows flexibility in production and business operations. To effectively control the operations and production, BOM is given the jurisdiction to approve documents. The BOM also controls internal risk from the Executive Board to middle management.

*Particularly, in 2019, the Board of Management developed and proposed to the Board of Directors to further streamline and implement effective restructuring of the parent company's management system and human resources as a starting point for implementing the Corporate restructuring.*

## Plans and orientations of the BOD in 2020

In 2020, there remains difficulties arising from the state of the fertilizer market and gas prices as in 2019. In particular, new supply sources for natural gas have become more scarce, while cheaper existing gas sources are being depleted. However, with strong determination to complete major investment projects, PVFCCo expects that the NH<sub>3</sub> Revamp - Phu My NPK Complex will enter commercial operation stably and make a considerable contribution to the revenue and profit in the upcoming period.

Facing these difficulties and challenges, the Board of Directors in coordination with the Board of Management and all employees, and with the support of the State shareholders, will strive to govern and manage the company to fulfill the objectives and tasks submitted to the General Meeting of Shareholders in 2020 according to the development plan below:

### Production targets

No.	Item	Unit	Plan 2020	Note
<b>1</b>	<b>Production output</b>			
1.1	Phu My Urea	Ton	785,000	Overall maintenance planned in Quarter IV
1.2	Phu My NPK	Ton	180,000	
1.3	UFC85/Formaldehyde	Ton	13,000	
1.4	NH <sub>3</sub> (for trading)	Ton	57,750	
<b>2</b>	<b>Sales volume</b>			
2.1	Phu My Urea	Ton	780,000	
2.2	Phu My NPK	Ton	180,000	
2.3	UFC85/Formaldehyde	Ton	9,000	
2.4	NH <sub>3</sub>	Ton	55,000	
2.5	Other fertilizers	Ton	189,000	
2.6	CO <sub>2</sub>	Ton	50,000	
2.7	Chemicals	Ton	800	

### The Corporation's financial plan (consolidated)

No.	Item	Unit	Plan 2020
1	Total revenue	Billion VND	9,237
2	Total cost	Billion VND	8,724
3	Profit before tax	Billion VND	513
4	Profit after tax	Billion VND	433
5	Budget payable	Billion VND	159

## Parent company's plan

### Financial plan

No.	Item	Unit	Plan 2020
1	Owner's equity	Billion VND	7,589
	Of which: Charter capital/average charter capital	Billion VND	3,914
	Owned by the Corporation	%	59.58
2	Total revenue	Billion VND	8,703
3	Profit before Tax	Billion VND	491
4	Profit after Tax	Billion VND	421
5	Ratio of Profit after Tax/Charter capital	%	10.7
6	Ratio of Profit after Tax/Owner's equity	%	5.5
7	Ratio of Dividend/Charter capital	%	10
8	Budget payable	Billion VND	142

### Capital investment's plan

No.	Item	Unit	Plan 2020
1	Total capital investment	Billion VND	107
a	Basic construction investment and procurement projects	Billion VND	107
b	Financial investment	Billion VND	-
2	Capital investment source	Billion VND	107
a	Owner's equity	Billion VND	83
b	Loans and others	Billion VND	24

## BOARD OF DIRECTORS (BOD)

### Activities of the BOD in 2019

The BOD represents PVFCCo to the shareholders. In 2019, The current BOD had 06 members (02 independent members), actively fulfills their role and responsibilities in compliance with good corporate governance standards. The Board conducts their duties, making group decisions and assigning duties to its members.

In 2019, the BOD held 5 periodical meetings, in which they took 94 times to collate and carefully analyze documented opinions from their members. As the result, 78 resolutions and executive decisions on critical matters were approved as follows:

#### Strategic plan

The 2019 operating plan was approved, implemented and monitored;

The BOD oversaw and directed the creation of a plan to review and adjust the Corporate development strategy;

The development of R&D strategy for 2019-2028 was completed.

#### Organization - Human resources

- Leadership positions (Chairman of the Board of Directors, Member of the Board of Directors, President and CEO, Vice President) were consolidated;
- The restructuring of the management system in the parent company and subsidiaries was reviewed and completed;
- The number of employees is approved.

#### Corporate Governance, Risk Management and Internal Audit

The internal audit system was approved and implemented according to the final report of the project that established the internal audit processes. Phase 2 of the ERP system was directly implemented.

#### Investment and Implementation of Projects

Outstanding issues and problems were cleared up to complete the final test run of the NH<sub>3</sub> Revamp - Phu My NPK Complex. The final settlement for the overall maintenance of Phu My Fertilizer Plant in 2017 was approved.

*The Board of Directors (BOD) in 2019 was elected by the General Meeting of Shareholders (GMS) with 6 members as clearly indicated above. There were no Sub-committees established. The activities within BOD's authority were specifically assigned to full-time members in charge of each field for inspection and verification so that the BOD could make decisions while supervising, directing, and urging the Corporation to implement the provided resolutions and executive decisions depending on the assigned fields.*

#### Issued and amended regulations

Regulations on office equipment and property management, Regulations on allowance regime for domestic business trips, means of transport and other administrative expenses were submitted to the General Meeting of Shareholders to approve amendments and supplements to a number of articles of the Corporate charter.

#### Restructuring

A Steering Committee was established to implement the overall restructuring of the Corporation and its subsidiaries.

#### Shareholder relations

The Extraordinary General Meeting of Shareholders was held successfully on January 10, 2019. As required, 30 individual and group meetings with more than 100 existing shareholders and potential investors from domestic and foreign fund representatives were organized;

In addition, BOD and IR team conducted 02 roadshows to meet key shareholders and potential investors at international financial centers (in the United States, United Kingdom); Efficient communication channels were maintained with a focus on updating brokerage organizations periodically and upon request in order to publish transparent and timely information as prescribed; The Annual Report was released in Q2 and two investor bulletins were issued in Q3 and Q4, cooperated with brokers and media agencies on investment and finance to disclose and give transparent, timely responses regarding PVFCCo information to the market; maintained partnerships with key shareholders and large domestic and foreign financial investment organizations.

#### Selection of independent auditor

BOD coordinated with the BOS to select an external audit firm for the financial statements audit as authorized by the General Meeting of Shareholders.



Apart from the periodic or extraordinary sessions, BOD often held weekly or monthly meetings to review and appraise BOD's performance and oversee BOM's compliance with BOD's resolutions and executive decisions.

The members of BOD performed their assigned duties of directing, monitoring and ensuring the performance of BOM, through the following activities:

- › The BOD attended and chaired the Executive Meetings to implement the resolutions and executive decisions and to prepare project proposals for submission to the BOD.
- › The BOD participated in periodic briefings and guided the BOM.
- › The BOD conducted meetings and discussed matters relating to pricing, sales, human resources, labor, business plan, for subsidiaries and associate companies, in reporting and reviewing of key missions, etc.
- › Through BOM's reports and documentations to BOD, the latter Board monitored and reviewed the business operations.
- › The BOD provided guidelines and suggestions to the BOM on key issues arising from the management or operations.



### List of Resolutions and Executive Decisions of the Board of Directors approved and promulgated in 2019

No.	No. OF RESOLUTION/ EXECUTIVE DECISION	DATE	CONTENT
1	19-39-NQ-DHDCD	January 10, 2019	Resolution on the Extraordinary General Meeting of Shareholders in 2019
2	19-07-NQ-PBHC	January 10, 2019	Resolution on the termination of Mr. Le Cu Tan as the Chairman of the Board of Directors of PetroVietnam Fertilizer and Chemicals Corporation
3	19-08-NQ-PBHC	January 10, 2019	Resolution on the approval of election results for the Chairman of the Board of Directors of PetroVietnam Fertilizer and Chemicals Corporation
4	19-10-QD-PBHC	January 10, 2019	Executive Decision on the termination of Mr. Doan Van Nhuom as the President and CEO of PetroVietnam Fertilizer and Chemicals Corporation
5	19-11-QD-PBHC	January 10, 2019	Executive Decision on the appointment of Mr. Le Cu Tan as the President and CEO of PetroVietnam Fertilizer and Chemicals Corporation
6	19-19-NQ-PBHC	January 18, 2019	Resolution on the approval of the 2018 planned salary payroll of PVFCCo
7	19-22-NQ-PBHC	January 22, 2019	Resolution on the duty assignment in Board of Directors of the Corporation in charge of professional fields and the supervision of member unit operations
8	19-23-NQ-PBHC	January 22, 2019	Resolution on the approval and assignment of PVFCCo's business plan in 2019
9	19-36-NQ-PBHC	January 31, 2019	Resolution on advance payment of dividends for the 1 <sup>st</sup> phase in 2018
10	19-40-NQ-PBHC	February 12, 2019	Resolution on the approval of the credit limit for 2019
11	19-43-QD-PBHC	February 15, 2019	Executive Decision on the approval of salary ranking for Chairman of the Board of Directors of the Corporation
12	19-44-NQ-PBHC	February 18, 2019	Resolution on the approval of the 2019 Business Plan of the Board of Directors of PVFCCo
13	19-51-NQ-PBHC	February 20, 2019	Resolution on the approval the 2019 sales cost management plan of PetroVietnam Fertilizer and Chemicals Corporation
14	19-50-NQ-PBHC	February 20, 2019	Resolution on the approval of the 2019 business plan of North PetroVietnam Fertilizer and Chemicals Joint Stock Company
15	19-49-NQ-PBHC	February 20, 2019	Resolution on the approval of the 2019 business plan of Central PetroVietnam Fertilizer and Chemicals Joint Stock Company
16	19-48-NQ-PBHC	February 20, 2019	Resolution on the approval of the 2019 business plan of South-East PetroVietnam Fertilizer and Chemicals Joint Stock Company
17	19-47-NQ-PBHC	February 20, 2019	Resolution on the approval of the 2019 business plan of South-West PetroVietnam Fertilizer and Chemicals Joint Stock Company
18	19-46-NQ-PBHC	February 20, 2019	Resolution on the organization of the 2019 Annual General Meeting of Shareholders of PVFCCo
19	19-76-QD-PBHC	March 04, 2019	Executive Decision on the consolidation of the Science and Technology Council of PetroVietnam Fertilizer and Chemicals Corporation
20	19-82-NQ-PBHC	March 12, 2019	Resolution on the approval of the provisional norm for NPK products

No.	No. OF RESOLUTION/ EXECUTIVE DECISION	DATE	CONTENT
21	19-84-NQ-PBHC	March 14, 2019	Resolution on the approval of the 2019 operation plan of the PVFCCo Internal Audit Division
22	19-85-NQ-PBHC	March 14, 2019	Resolution on the first quarter meeting (2019) of the Board of Directors of the Corporation
23	19-90-NQ-PBHC	March 28, 2019	Resolution on the implementation of the capital management in cash in Quarter I/2019
24	19-105-NQ-PBHC	April 11, 2019	Resolution on the approval of the program and documentation for the 2019 Annual General Meeting of Shareholders of PetroVietnam Fertilizer and Chemicals Corporation
25	19-41-NQ-DHDCD	April 17, 2019	Resolution on the 2019 Annual General Meeting of Shareholders
26	19-112-NQ-PBHC	April 22, 2019	Resolution on the approval the final settlement of salary, bonus and welfare in 2018 of PVFCCo
27	19-118-QD-PBHC	April 24, 2019	Executive Decision on the establishment of the Internal Audit Team for the first phase of 2019 of PVFCCo
28	19-121-NQ-PBHC	April 26, 2019	Resolution on the approval of the results of the completion level evaluation for the 2018 plan of the Corporation and its subsidiaries and affiliates
29	19-122-QD-PBHC	April 26, 2019	Executive Decision on the termination of Mr. Duong Tri Hoi as the Vice President of PetroVietnam Fertilizer and Chemicals Corporation
30	19-128-NQ-PBHC	May 06, 2019	Resolution on the duty assignments of the Board of Directors of the Corporation in charge of professional fields and the supervision of member unit operations
31	19-129-NQ-PBHC	May 06, 2019	Resolution on the approval of the working capital plan for Phu My branded fertilizer products in 2019
32	19-130-QD-PBHC	May 06, 2019	Executive Decision on the establishment of the Steering Committee to review and adjust the Development Strategy of the Corporation until 2025, with orientations towards 2035
33	19-131-NQ-PBHC	May 06, 2019	Resolution on the adjustments in the 2019 business plan of PetroVietnam Fertilizer and Chemicals Corporation
34	19-133-NQ-PBHC	May 08, 2019	Resolution on the approval of the number of employees planning in 2019
35	19-134-NQ-PBHC	May 08, 2019	Resolution on the social welfare program 2019-2020
36	19-148-NQ-PBHC	May 23, 2019	Resolution on the adjustments in the 2019 sale cost management plan of the Parent company - PVFCCo
37	19-149-NQ-PBHC	May 23, 2019	Resolution on the implementation of the capital management in cash in Quarter II/2019
38	19-153-NQ-PBHC	May 28, 2019	Resolution on the asset depreciation from the project of Phu My NPK Plant
39	19-154-NQ-PBHC	May 28, 2019	Resolution on the approval of the final settlement of the overall maintenance cost for Phu My Fertilizer Plant in 2017 for the works performed and meeting the settlement conditions and the completion procedure for unsettled jobs

No.	No. OF RESOLUTION/ EXECUTIVE DECISION	DATE	CONTENT
40	19-161-QD-PBHC	May 31, 2019	Executive Decision on the consolidation of the Science and Technology Council of PVFCCo
41	19-186-QD-PBHC	June 11, 2019	Executive Decision on the issue of the Regulation on asset and equipment management at the Office of the Corporation
42	19-185-QD-PBHC	June 11, 2019	Executive Decision on the issue of the Regulations on allowance regime for domestic business trips, means of transport and other administrative expenses
43	19-191-NQ-PBHC	June 25, 2019	Resolution on the approval of the 2019 science and technology plan of PVFCCo
44	19-192-QD-PBHC	June 25, 2019	Executive Decision on the Non-reappointment of the Vice President of PVFCCo to Mr. Hoang Viet Dung
45	19-198-QD-PBHC	July 02, 2019	Executive Decision on the amendments and supplements of the Regulations on salary payment, bonus payments and welfare fund distribution of PVFCCo
46	19-199-NQ-PBHC	July 02, 2019	Resolution on the approval of the adjustment of the pay scale and payroll system of PVFCCo
47	19-207-NQ-PBHC	July 10, 2019	Resolution on the second quarter meeting (2019) of the Board of Directors of the Corporation
48	19-208-NQ-PBHC	July 10, 2019	Resolution on the approval of the supplier selection result and contract conclusion to hire an audit firm for reviewing the 2019 financial statements
49	19-242-QD-PBHC	July 23, 2019	Executive Decision on the amendments and supplements in a number of articles in the Employee Policy of PVFCCo
50	19-255-NQ-PBHC	August 07, 2019	Resolution on the approval of the credit institution list and deposit limits in 2019
51	19-296-NQ-PBHC	September 11, 2019	Resolution on the approval of the contents of Appendix 1 - Refunded agreement between PVFCCo, PVN, and VNPOLY
52	19-300-NQ-PBHC	September 12, 2019	Resolution on the performance of reimbursing support to Vietnam Petrochemical and Fiber Joint Stock Company (VNPOLY)
53	19-304-NQ-PBHC	September 17, 2019	Resolution on the implementation of the capital management in cash in Quarter III/2019
54	19-306-QD-PBHC	September 19, 2019	Executive Decision on the appointment of Mr. Cao Trung Kien as Vice President of PetroVietnam Fertilizer and Chemicals Corporation
55	19-315-NQ-PBHC	September 25, 2019	Resolution on the warranty period of the Contract No. 368/2015/ PVFCCo/ DTXD/ TPIT-PTSC/ X-NH3 dated 06 June 2015
56	19-323-NQ-PBHC	October 03, 2019	Resolution on the approval of the supplier selection plan for service order of repairing Urea Reactor 20R1001 (relining) in the overall maintenance of Phu My Fertilizer Plant in 2020
57	19-329-QD-PBHC	October 09, 2019	Executive Decision on the establishment of the Reviewing team and adjustments in the development strategy of the Corporation
58	19-405-NQ-PBHC	October 21, 2019	Resolution on the approval of the 2019 salary and remuneration plan of the Parent company - PVFCCo
59	19-408-NQ-PBHC	October 24, 2019	Resolution on the third quarter meeting (2019) of the Board of Directors of the Corporation

No.	No. OF RESOLUTION/ EXECUTIVE DECISION	DATE	CONTENT
60	19-410-NQ-PBHC	October 28, 2019	Resolution on the approval of the estimation for the total maintenance cost of Phu My Fertilizer Plant in 2020
61	19-411-NQ-PBHC	October 28, 2019	Resolution on the hierarchy system to purchase raw materials, fuels and materials in service of production and business activities according to the Regulation on management of construction investment and procurement
62	19-417-NQ-PBHC	November 01, 2019	Resolution on the handling plan for 6.2ha land plot of Cuu Long Trade Center and management of owner's equity and assets of the Corporation
63	19-433-NQ-PBHC	November 25, 2019	Resolution on the approval of the compensation exemption/reduction policy for damages caused by the commissioning and acceptance of the DAP formula for NPK project
64	19-437-QD-PBHC	November 28, 2019	Executive Decision on the consolidation of the Steering Committee for corporate restructuring
65	19-438-QD-PBHC	November 29, 2019	Executive Decision on the consolidation of the supervising team for the NH <sub>3</sub> Revamp - Phu My NPK Plant
66	19-440-NQ-PBHC	December 02, 2019	Resolution on the approval of the adjustment to the 2019 business plan of South-West PetroVietnam Fertilizer and Chemicals Joint Stock Company
67	19-441-NQ-PBHC	December 02, 2019	Resolution on the approval of the adjustment to the 2019 business plan of South-East PetroVietnam Fertilizer and Chemicals Joint Stock Company
68	19-442-NQ-PBHC	December 02, 2019	Resolution on the approval of the adjustment to the 2019 business plan of Central PetroVietnam Fertilizer and Chemicals Joint Stock Company
69	19-443-NQ-PBHC	December 02, 2019	Resolution on the approval of the adjustment to the 2019 business plan of North PetroVietnam Fertilizer and Chemicals Joint Stock Company
70	19-457-NQ-PBHC	December 10, 2019	Resolution on the implementation of the capital management in cash in Quarter IV/2019
71	19-456-QD-PBHC	December 10, 2019	Executive Decision on the re-issue of the Employee Policy of the Corporation
72	19-465-NQ-PBHC	December 13, 2019	Resolution on the approval and assignment of the 2020 business plan of PetroVietnam Fertilizer and Chemicals Corporation (PVFCCo)
73	19-487-QD-PBHC	December 24, 2019	Executive Decision on the approval of time adjustment for implementing science and technology projects on the availability of gas sources and provisional plan for changing sources of raw materials and technology of Phu My Fertilizer Plant in the future
74	19-498-NQ-PBHC	December 31, 2019	Resolution on the approval of the plan for completing organizational and personnel structure, management apparatus of PVFCCo – JSC
75	19-503-NQ-PBHC	December 31, 2019	Resolution on the approval of the 2020 business plan of Central PetroVietnam Fertilizer and Chemicals Joint Stock Company
76	19-504-NQ-PBHC	December 31, 2019	Resolution on the approval of the 2020 business plan of South-East PetroVietnam Fertilizer and Chemicals Joint Stock Company
77	19-505-NQ-PBHC	December 31, 2019	Resolution on the approval of the 2020 business plan of South-West PetroVietnam Fertilizer and Chemicals Joint Stock Company
78	19-506-NQ-PBHC	December 31, 2019	Resolution on the approval of the 2020 business plan of North PetroVietnam Fertilizer and Chemicals Joint Stock Company

## Non-executive and independent members of the BOD's activities

Mr. Louis T Nguyen and Mr. Le Minh Hong are 2 independent members of the BOD. They participated actively in all the official duties and assignments. They also monitored and provided guidance to BOM in discharging the operations since their participation.

## Comments of the BOD's independent members on the governance/management of PVFCCo in 2019

- › In the Corporation, as did other shareholders, the State shareholders had an expectation that the value of the Corporation would increase. In addition to complying with regulations on corporate governance, administrators who are capital representatives were responsible for the management and preservation of the State capital. The Corporation relied heavily on the costs of production materials in the context of declining low-cost gas supply, and the Board of Management made every endeavor to present, propose and protect the State commitments or policies which were most beneficial to it in the field in short and long term. The BOD observed corporate governance standards for listed companies, ensuring that both members and independent members of the BOD enforce their powers and responsibilities.
- › To adhere as closely as possible to existing advanced corporate governance standards, the BOD will review and enhance activities by offering more orientations, strategies, and supervision while building up a strong and appropriate hierarchy to reduce its participation in executive activities.
- › Regarding other assessments of the Corporation performance by shareholders, legislation gave investors a monitoring mechanism through reports, independent audit activities, and other state inspection and audit activities. Therefore, shareholders could put their trust in the documents and reports that came through such audit processes (Big 4 audit, internal audit, state audit, etc.).
- › One independent member of the BOD is in charge of investor relations, especially with foreign investors, currently representing a large ownership in DPM. In 2019, on the one hand, the independent member of the BOD continued to communicate the values and advantages of PVFCCo and the efforts of the Board of Management to the investors. On the other hand, the independent member also brought to the Board of Directors the investors' advice and ideas for strategies, or directions in which strategic investors might be found. Being among the companies that were transformed from state-owned enterprises, the Corporation has benefited from a strong governance foundation. Continuous improvement for efficient operation is certainly that all shareholders desire.
- › The other independent member of the BOD in charge of regimes and policies have been actively involved in developing, directing, and supervising the implementation of the number of employees planning, compensation and benefits program. The Corporation ensured that the welfare and remuneration program was maintained as regulated for State-owned joint stock companies which are suitable to the labor market.

## Board knowledge of corporate governance

- › All BOD members are trained and experienced in corporate governance at the time of election and appointment.
- › Members of BOD have taken ownership of their own learning and personal development to fulfill the responsibilities and requirements of their role.



Based on the 2019 operation plan approved by the General Meeting of Shareholders, the Board of Supervisors of PVFCCo successfully completed the supervision of the activities executed by the Board of Directors and the management of Board of Management, organized regular meetings, attended all PVFCCo meetings, and issued decisions and proposals concerning units' production operations.

### ACTIVITIES OF THE BOARD OF SUPERVISORS IN 2019

#### Operational and financial supervisory activities

Several capital construction investment projects were 100% completed as scheduled, including the successful commissioning and project acceptance of (i) the Phu My NPK Plant, and (ii) the commercial operation of the NH<sub>3</sub> Revamp. The Corporation adapted and performed in a manner which exceeded the key targets as presented in the 2019 production and business plan: Urea production reached 708 thousand tons, equivalent to 106%, revenue reached VND 7,831 billion - equivalent to 91%, profit before tax reached VND 467 billion, equivalent to 228% of the plan.

#### Production and business activities

The Corporation focused on maintaining market share, developing and trading new fertilizer products and chemicals, affirming product quality, improving market forecast information, organizing conferences and seminars, strengthening distribution systems management.

Sales volume of Phu My Urea reached 691 thousand tons - exceeding 102% of the plan, other fertilizers reached 208 thousand tons - achieving 89% of the plan, Phu My NPK reached nearly 77 thousand tons and NH<sub>3</sub> reached 59 thousand tons - achieving 49% and 131% of the plan respectively.

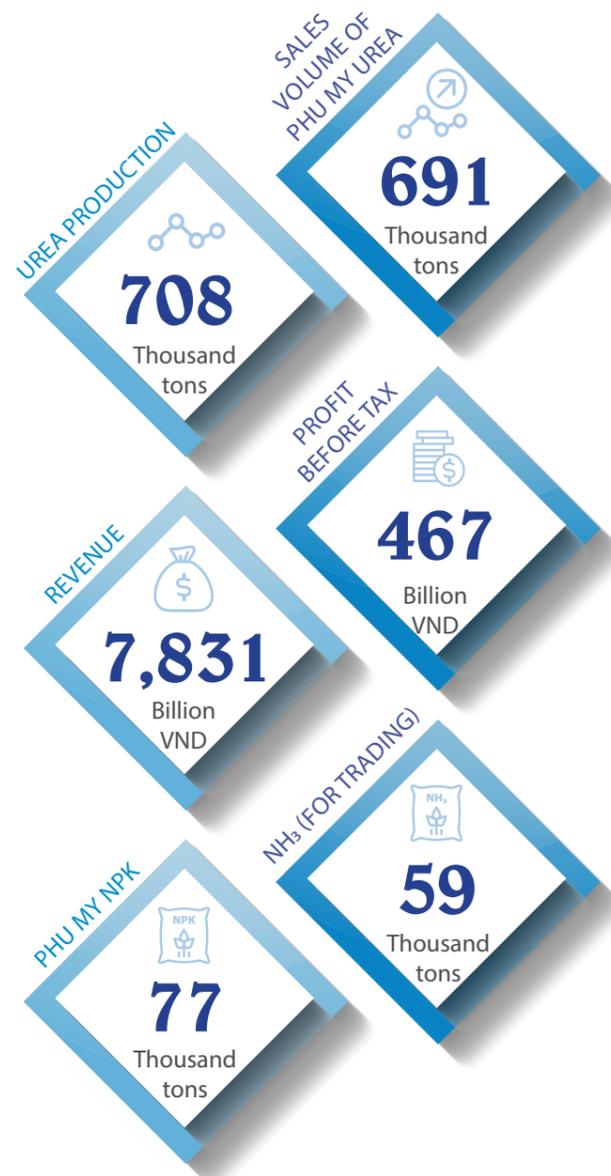
#### Research and development activities

Research and pilot production of new fertilizer and chemical products using available materials of Phu My Fertilizer Plant were promoted. Smart fertilizer management software was also developed and applied in the Southeastern and Southwestern regions.

Cooperation with local and international institutes, universities, and highly qualified specialists was strengthened to assist the Corporation in researching new fertilizer and chemical products, providing strategic consulting and testing/experimenting with new and existing fertilizers.

#### Science and technology management and application

PVFCCo increasingly exploited information technology systems to boost the efficiency of the Corporate governance. The Corporation continued to amend, supplement and complete



the regulations and procedures, as well as to reorganizing Divisions/Offices in a streamlined and effective manner, defining their functions and duties in line with the orientation and development strategy of PVFCCo.

#### Enterprise restructuring

PVFCCo implemented the restructuring of the management system in the parent company and its subsidiaries, and developed asset divestment plans for its member companies. The Corporation continued to review and evaluate the exploitation of its assets and port warehouse for efficient exploitation or capital recovery as specified by current laws.

#### Financial investments

Continued to seek partners for divestment at its joint venture companies. By 31 December 2019, the total capital contributed to subsidiaries and affiliates at par value was VND 1,087.65 billion, in which VND386.25 billion was for subsidiaries, accounting for 35.5%, and VND701.4 billion was for affiliates and other long-term investments, accounting for 64.5%.

#### Financial and accounting activities

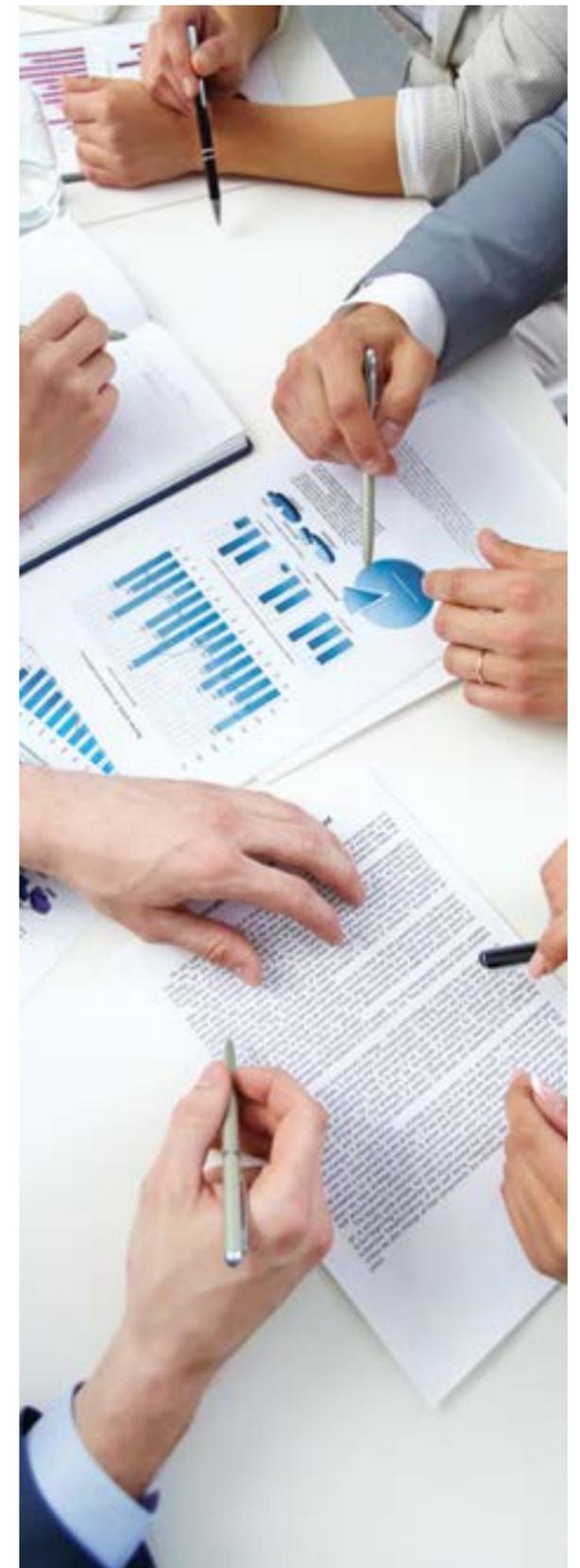
Production and business activities, as well as financial activities, were accurately and reasonably reflected in the financial statements; data and statistics were recorded, classified and presented in line with Vietnamese accounting standards and current regulations, and have been reviewed and audited by Deloitte Vietnam.

#### The Board of Directors, Board of Management and other managers were monitored

The Board of Directors hold sufficient regular meetings and solicited members' opinions to make decisions. The BOD demonstrated the responsibility and transparency in its governance. The BOM directs supervisors of functional committees to implement the resolutions, directions of the Board of Directors and the General Meeting of Shareholders so as to make timely management decisions to exceed production targets.

#### Cooperation between BOS, BOD and BOM

The Board of Directors and the Board of Management enabled the Board of Supervisors to successfully supervise and manage the Corporation, maintained good working relationships with shareholders to ensure sustainable growth in compliance with legal regulations and internal policies of the Corporation.



## TRANSACTIONS, REMUNERATION AND OTHER BENEFITS OF THE BOD, BOM AND BOS

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

PVFCCo implemented an executive remuneration scheme in accordance with the law and PVFCCo's Compensation and Benefits Policy. This is aligned with its annual salary review and budget and the provision of fair reward for competence and performance of each member.

Part-time members of BOD or BOS are entitled to remuneration according to job role and responsibility.

#### Details of salaries, remuneration and bonuses in 2019

No.	Full name	Position	Salary - Remuneration (Million VND)	Bonus - Welfare (Million VND)	Total income (Million VND)
<b>I. Board of Directors</b>			<b>4,529</b>	<b>516</b>	<b>5,045</b>
1	Nguyen Tien Vinh	Chairman of the BOD	1,107	138	1,246
2	Le Cu Tan	Member of the BOD cum President and CEO	1,096	137	1,233
3	Duong Tri Hoi	Member of the BOD	961	120	1,081
4	Nguyen Hong Vinh	Member of the BOD	961	120	1,081
5	Louis T Nguyen	Member of the BOD (Part-time)	202	-	202
6	Le Minh Hong	Member of the BOD (Part-time)	202	-	202
<b>II. Vice President and Chief Accountant</b>			<b>5,528</b>	<b>691</b>	<b>6,219</b>
1	Le Van Quoc Viet	Vice President	961	120	1,081
2	Le Thi Thu Huong	Vice President	950	119	1,069
3	Hoang Viet Dung	Vice President	478	60	537
4	Tu Cuong	Vice President	961	120	1,081
5	Tran Thi Phuong Thao	Vice President	961	120	1,081
6	Cao Trung Kien	Vice President	388	48	436
7	Vo Ngoc Phuong	Chief Accountant	830	104	934
<b>III. Board of Supervisors</b>			<b>1,917</b>	<b>219</b>	<b>2,136</b>
1	Huynh Kim Nhan	Chief Supervisor	961	120	1,081
2	Le Vinh Van	Member of the BOS	790	99	889
3	Nguyen Van Hoa	Member of the BOS (Part-time)	166	-	166
<b>Total</b>			<b>11,975</b>	<b>1,426</b>	<b>13,401</b>

### Trading of shares from internal shareholders and related persons

- 21 January 2019: The related shareholder group Edgbaston Investment Partner LLP announced the purchase of shares by its group members, increasing its ownership rate from 4.96% to 5.01%.
- 23 January 2019: A person related to internal shareholder Mrs. Le Thi Kim Tuyen announced the sales of 5,400 shares.
- 28 January 2019: Internal shareholder, Mr. Le Van Vinh, member of the Board of Supervisors, announced the sales of 34,000 shares.
- 15 February 2019: Internal shareholder, Mr. Duong Tri Hoi, Vice President, announced the sales of 115,000 shares.
- 18 February 2019: The related shareholder group Edgbaston Investment Partner LLP announced the sales of shares by its group members, decreasing its ownership rate from 5.01% to 4.91%.
- 30 May 2019: Internal shareholder, Mr. Hoang Viet Dung, Vice President, announced the sales of 64,000 shares.
- Other persons: No share trading announcement/ report.

### Contract or transaction with internal shareholders

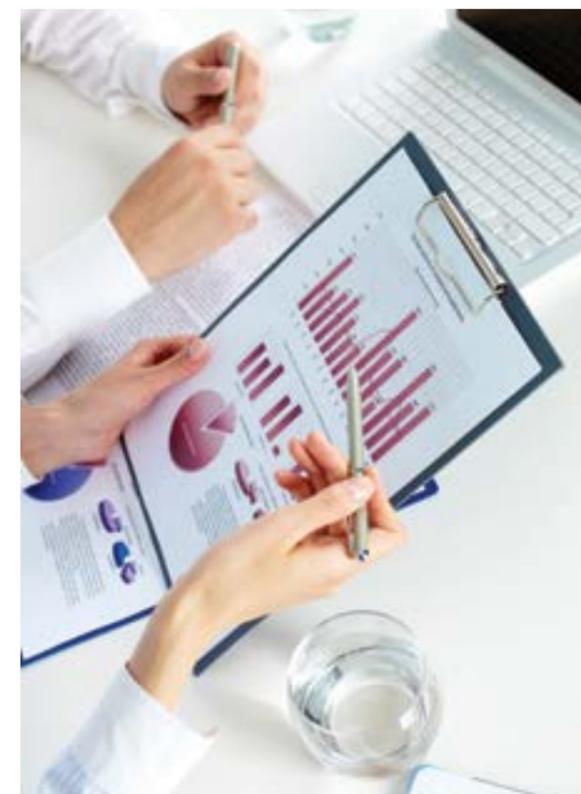
In 2019, there were no transactions between the Corporation and the members of the Board of Directors, Board of Supervisors, Board of Management and managers.

### Contracts or transactions with related organizations and individuals: None

### Implementation of corporate governance regulations

PVFCCo complied with all the legal governance regulations of a listed company:

- To assure the appropriate proportion of the non-executive members to independent members of the Board of Directors.
- To hold an Annual General Meeting of Shareholders in full compliance with provisions of laws on business and regulations of management for publicly-listed companies. To organize meetings and pass the resolutions of the BOD according to the provisions of the Charter of the Corporation and the law on enterprises.
- To discharge all periodic and extraordinary information disclosure obligations for publicly listed companies in a timely and transparent manner.
- To prepare annual reports and reports for submission to the General Meeting of Shareholders with full content and information on financial and production management, administration and supervision of the Corporation.
- The Board has formulated and promulgated the set of Regulations on internal management, the Regulation on coordination between the Board of Directors and the CEO, the Board of Supervisors, and the Regulation on evaluation of the level of accomplishment of tasks.
- To raise the standards of good corporate governance towards regional and international standards, the Corporation conducted training courses for the Board of Management, Board of Supervisors, and Board of Directors.



## AN EVALUATION OF THE CORPORATE GOVERNANCE PRACTICES WAS CONDUCTED BASED ON THE ASEAN CORPORATE GOVERNANCE SCORECARD



The Corporate Governance Scorecard for the ASEAN region is a set of questions based on corporate governance principles of Organization for Economic Co-operation and Development (OECD) and the best corporate governance practices. The Scorecard is used as a standard to evaluate the corporate governance practices of major listed companies in Malaysia, Indonesia, Singapore, Thailand, the Philippines and Vietnam.

Jointly developed by the Asian Development Bank and the ASEAN Capital Markets Forum, the program seeks to enhance the image of ASEAN publicly-listed companies and their ability to attract investments as well as improve the image of capital markets towards integration into ASEAN. The evaluation criteria for corporate governance scores are based on publicly available corporate information sources such as the Annual Report, company website, shareholders notices, minutes and resolutions of the Annual General Meeting of Shareholders.

In November 2015, PVFCCo received “The ASEAN Corporate Governance Award” - in the Top 3 listed companies in Vietnam under the ASEAN Corporate Governance Scorecard.

In 2019, the Corporation continued its efforts to improve corporate governance to approach closer to the global standards in the region based on 04 principles of shareholders' rights, transparent information disclosure, responsibilities of the BOD, and roles of stakeholders to maintain and achieve the efficiency of corporate governance. Addressing unexpected fluctuations within the Corporation (long-term maintenance) and in the market (difficulties facing agricultural and fertilizer markets), the BOD seriously demonstrated its role in reviewing the Corporation's strategic targets and annual plans for conformity assessment and prompt adjustments in implementing strategies and key objectives as indicated in the Board of Management's annual plan against market changes and enhancing its risk-taking capacity in relation to operational risks to optimized performance.

PVFCCo was listed among the Top 5 large-cap listed companies and won the Best Corporate Governance Award on 27 November 2019. This is an important annual award presented by HOSE and HNX in coordination with the Awards Committee to honor businesses that have made great efforts in corporate governance activities such as improving information disclosure quality, role and responsibility fulfillment to stakeholders, organization of General Meeting of Shareholders by providing thorough and sufficient information to shareholders, and most especially the performance of the BOD's roles and responsibilities in corporate governance.

*PVFCCo encountered many difficulties in all aspects of operation throughout 2019. However, the effective risk management system enabled PVFCCo to constantly update, evaluate, and provide appropriate solutions to overcome those difficulties and challenges for higher profit after tax compared to the plan approved by the General Meeting of Shareholders.*

*In 2019, key risk groups were identified, and effective risk management solutions were implemented to maintain and promote the risk management efficiency for safety assurance in production, business, and investment activities.*

PVFCCo continuously diversified into new products while still developing its traditional products to affirm its leading position in fertilizer production and trading in the domestic market.

The Phu My Fertilizer Plant was operated safely in the context of equipment degradation, highly fluctuating raw material costs and increasingly fierce competition in the consumption market.

PVFCCo implemented new investment projects with new products, deployed and traded fertilizer and chemical products manufactured by PVFCCo for the achievement of its long-term strategic goals.

To realize the above-mentioned goals for the sustainable development and best protection of shareholders' interests while fulfilling social responsibilities in 2019, PVFCCo successfully managed the following key risk groups:

**MARKET RISK**

In order to sustain the top position in the domestic fertilizer sector, PVFCCo has well controlled the following risks:

**Oversupply risk**



Due to the oversupply, the Urea market in particular and the fertilizer products in general always faces the competitive pressure at present and in the future, especially after Vietnam has entered into a series of Free Trade Agreements and has been heavily affected by climate change. Faced with these challenges, PVFCCo focuses on strengthening and adjusting its domestic distribution system, enhancing customer care with in-depth development to create a sustainable link between the parent company, associated companies and a wide system of agents across all regions of the country, dispatching goods to the key consumption sectors to dominate the market, maintaining the competitive advantage against its competitors in the same industry, and maintaining the brand name. At the same time, the Corporation has expanded its presence into oversea markets through the export of Phu My Urea to other countries in the region, which requires quality standard compliance and price competitiveness. This is a strategic and long-term plan to help the Corporation develop a stable, long-term sales system.

**Input material risk**



In the past years, the oil price which is determined by supply and demand and market sentiment, has fluctuated widely. The volatility has affected the production cost of PVFCCo. The global oil price fluctuated unstably over the past many years. Similarly, the unpredictable global oil price may negatively impact the Corporation's financial plan. As the Government determines and allocates resources towards general objectives of the economy, changes in oil supply and prices would impact the plans and activities.

PVFCCo's profit is subjected to input material cost. The Corporation managed the price risk of natural gas through short-term arbitrage and actions. Based on pricing scenarios, the Corporation proactively implemented flexible planning and budgeting. This provided the enterprise control over unforeseen changes as business conditions varied.



## Commodity price risk



Domestic fertilizer prices significantly correlated with the movements, and were affected by global fertilizer prices. Changes in global fertilizer prices immediately impacted domestic prices as the local products are direct competitors against imported fertilizers and unregistered parallel imports from neighboring countries.

Under this pressure, PVFCCo, as a manufacturer and trader of fertilizer, has balanced the risks and opportunities to make a decision to sell its products at a competitive price compared to the market price in order to maintain market share and competitive advantages.

## Products Development Risk



The pressures from the market demand for high quality fertilizers and regulations on environmental protection has driven the manufacturers and traders to provide differentiated, high quality, multicomponent, environment-friendly fertilizers at a competitive prices to meet the increasingly diverse and rigorous demands.

To increase competitiveness, maintain existing market share while developing new markets, the Corporation has continuously promoted its research and development to innovate and improve products, create more high quality products in order to meet the tastes of farmers.

PVFCCo has applied an advanced chemical production technology for Phu My NPK in 2019. In recent years, there were plans for a large-scale market development of NPK that has met market acceptance.

## Liquidity Risk



Liquidity risk is caused by the inability of buyers to pay for their purchases on due date. Bad debts significantly affected the planned use of capital as well as production and business results.

Noting this, PVFCCo has developed a sales and credit guidelines that conformed to the needs of the local market. These guidelines are systematically implemented, controlled and administered top down from the Corporation to subsidiaries. Credit terms are specific to each customer for every product group. The terms of credit are given after a financial assessment of the buyer based on credit rating and customer repayment ability. At PVFCCo, the working capital plans and inventory control are approved, monitored and reported in a timely and adequate manner. In 2019, with proper understanding and effective management, PVFCCo did not have any non-performing accounts.



### In 2019, the following effective and timely measures were carried out to handle the influence

- › In order to support sales, PVFCCo focused on distribution management and developed communication and branding strategy. These efforts supported competitive advantage and maintained profitability and the positioning of Phu My fertilizer in the domestic market.
- › PVFCCo developed communication channels to member companies capturing reliable just-in-time information for manage changing markets affecting the industry.
- › PVFCCo held conferences and seminars on business operations, branding, market information, contributing an important part in promoting the products and images of PVFCCo, seeking cooperation opportunities in the domestic and foreign markets, contributing to improve the business plans and strategies.
- › PVFCCo completed its brand portfolio on its products for Phu My by importing high quality fertilizers to supply to the needs of market.
- › The important policies were updated and revised in the light of new business developments: Regulation on fertilizer business management; Regulations on construction and development of PVFCCo's fertilizer distribution system; Processes of communications and creative design; Processes of trade promotion and fertilizer sales support; The implementation of customer care programs, etc. The policy changes help enhance corporate governance in PVFCCo as it faces new market challenges.
- › Effectively restructured and divested capital. Improved competitiveness and adapted to changes in the business environment, PVFCCo completed its first phase of organisation restructuring, and so far its subsidiaries included PVFCCo North, PVFCCo Central, PVFCCo SE, PVFCCo SW are officially traded on HNX.
- › Much importance has been placed on this restructuring. PVFCCo has capitalised on its strengths and utilized resources in the most efficient way, improving its competitive advantage for the days ahead.

### In addition to market-based risk response solutions, PVFCCo has prepared a long-term market growth strategy

- › To retain its No.1 position in production, fertilizer trade and chemical production with a primary focus on petrochemicals.
- › To retain the market share of Phu My Urea through: Leveraging the distribution network, best-in-class technical support, customer centric after-sales policy, increasing distribution networks in some potential countries.
- › PVFCCo is at the forefront of Research & Development (R&D) such as: Investment in fertilizer production, selected choice of Urea on the acceleration roller (pilot scale), diversification of product range of Phu My Urea, new NPK formula, new fertilizer products, enhanced application organisational model, improved agricultural business model, value chain alignment with the PVFCCo business standards. In addition, PVFCCo is continuing researching & diversifying chemical products of UFC 85/ Formaldehyde Plant.
- › Implementing policies to ensure and preserve the reputation and brand name of PVFCCo among investor community.
- › Strengthening management approaches through integration of advanced IT systems to achieving strategic objectives, promoting automation monitoring than manual monitoring, optimizing technology to effectively manage risks.

## PRODUCTION RISK

In 2019, PVFCCo proactively halted operations in order to complete essential maintenance and facilitate connection with between the NH<sub>3</sub> Revamp Project and Phu My NPK Plant. In the following years, risk management activities will focus on:

- › Product Quality Management;
- › Problem management and troubleshooting;
- › Cooperating with the Project Management Unit of the NH<sub>3</sub> Revamp - Phu My NPK Complex to make capital settlement of the project.
- › Promoting a pioneering position in technological innovation and promoting initiatives.

Over the years, the Phu My Fertilizer Plant has maintained its safe and efficient operation. However, with over 15 years of continuous operation and only biannual periodic maintenance, it is inevitable that the potential risks from technical problems leading to breakdowns will cause increases in the costs of operation and maintenance and affect the overall goals of PVFCCo.

The NH<sub>3</sub> Revamp - Phu My NPK Complex project has been tested, accepted and put into commercial operation. In the near future, PVFCCo will continue to handle unsettled issues and make capital settlement of the project.

### In 2019, PVFCCo has identified and processed through solutions:

- › Continuing to maintain the mode of operation to produce the maximum output of Phu My Urea, Phu My NPK and stably operate the UFC85/Formaldehyde Plant to improve the product quality.
- › Maintaining, monitoring, correcting and issuing economic-technical norms, including consumption norms of chemicals, materials and energy; consumption norms for grease, gas and oil; norms of minimum reserve supplies; norms of spare parts for periodic maintenance to optimize production costs, reduce production prices.
- › Focusing on updating, building and issuing technical plans considering the actual conditions to promptly deal with unusual incidents during production.
- › Performing periodic maintenance, preventive maintenance well; ordering reserve supplies for equipment in the Plants, especially for important static equipment. In addition, the Corporation participates in the annual maintenance and repair workshop for oil and gas processing plants of PetroVietnam to exchange experiences and orientations and develop the strategies for management of maintenance and repair with the trend of aging machinery.
- › Optimizing the application of existing software systems such as CMMS (Computerized Maintenance Management System): Maintenance activities of the factory have been implemented through the CMMS system, from work requirements, implementation planning, supplies for maintenance, maintenance records, inventory control and Oracle Process Manufacturing, specifically:
  - › Managing maintenance and repair of technology equipment; Filing records and documents about the entire history of machinery and equipment.
  - › Updating service records and the list of equipment of the new project (NH<sub>3</sub> Revamp - Phu My NPK Complex) into the CMMS system.
  - › Managing the inventories, updating the minimum inventory list by norms into the CMMS system; Comparing the quantity of maintenance material as against the actual material. Automatically exporting the list of materials and spare parts as required by the maintenance work
  - › Performing the Maintenance Task Analysis (MTA) and using MTA to deploy the PMO analysis on CMMS.

- › In addition, the AIMS (Asset Integrity Management System) and SYSTEM 1 software programs were used and RBI (Risk Base Inspection) were implemented in phase 2 for maintenance management, equipment status assessment and data collection to analyze for the cause of damage of machinery. At the same time, all of the CUI (Corrosion Under Insulation) test results were implemented.
- › Organizing and controlling the inspection and testing of machinery and equipment with safety requirements in the Plant. Making sure the equipment is tested before use.
- › Continuing to implement PVFCCo's standards based software coding system according to Shell Mesc standards.

### Maintaining the success in production management in 2019 as well as the coming years, PVFCCo has launched their investment strategy to leverage the optimal cost of production and operation

- › Effectively applied safety and environment standards such as ISO 14001:2004 and OHSAS 18001:2007. Identify and assess risks, propose additional safety measures to minimize risks and clearly communicate said measures to employees and contractors.
- › Focusing on training the existing labour force to operate the NPK Plant and meet the long-term production goals.
- › Reviewing the applicable technical and economic norms of the Phu My Fertilizer Plant, setting norms for the NPK plant, and integrating it with the existing norms of the Phu My Fertilizer Plant to form general norms applied to PVFCCo operations.
- › Enhancing the role of innovation, production rationalization, and preventive maintenance in order to prevent unexpected equipment failure.
- › Maintaining maintenance strategies that achieve optimum levels and fit with Phu My Fertilizer Plant, maintain the periodic maintenance (short, medium and long-term) with special attention to important static equipment that has been used for more than 15 years in order to prevent failures and ensure operation of Phu My Fertilizer Plant safely, stably and efficiently.
- › Reviewing and updating the hazard identification and environmental aspects of the plant.

- › Updating the project to improve the operation, maintenance and efficiency of Phu My Fertilizer Plant together with the new plants put into commercial operation.

## RISKS IN INVESTMENT

### In 2019, PVFCCo focused resources on successful implementation of fertilizer and chemical projects to achieve long-term strategies.

Implementing the growth strategy during 2015-2020 with an eye towards 2025 - 2035, PVFCCo concentrated on analyzing and identifying the risks of the project, thereby proposing the best solutions for settling the EPC contract and the investment capital for 02 key projects:

- › The corporate functional divisions coordinated with the Project Management Unit and Phu My Fertilizer Plant to review unsettled issues so that, in cooperation with contractors, they can perform machinery and equipment maintenance during the 2-year operation to obtain A-B and capital settlement.
- › In order to ensure that the project operates in its expected economic efficiency, PVFCCo calculates and updates project efficiency in terms of fluctuation parameters such as raw material prices, selling prices, variable costs, differences in exchange rates, tax policies... even the financial structure of the project is properly reviewed and finalised based on the overall financial resources of PVFCCo.
- › During the project implementation, it was unavoidable that the origin of machines/equipment would be changed as specified in the contract. Nevertheless the machinery and equipment was still rigorously checked to ensure that their quality was at least as good as better than that required in the contract.
- › The Corporation is carrying out the review and preparation of dossiers in service of capital settlement of the project.

### EXCHANGE RATE RISK



In recent years, exchange rates have been volatile and fluctuations in exchange rates can affect PVFCCo's business performance and investment projects in foreign currencies. Knowing the importance of managing exchange rate risk, PVFCCo regularly monitors both global and domestic financial situations from a macroeconomic point of view. The Corporation specifically monitors exchange rate fluctuations closely to develop and implement attractive business import options so as to maximize capital efficiency. The Corporation carefully considers the impacts of financial management, analysis and evaluation of exchange rate differences on the efficiency of on-going projects.

### FINANCIAL RISKS AND OBJECTIVES OF RESTRUCTURING INVESTMENT IN THE ASSOCIATED COMPANIES



The long-term investment in associated companies such as VNPOLY and PVC Mekong is facing many difficulties in production and business operation. The goal of PVFCCo is to divest these companies, but it is difficult to restructure long-term investment in the context of existing associated companies. In order to support the associated companies in their efforts to improve performance, PVFCCo has strengthened its supervision over the management of these companies through the representative of the capital, and implemented a number of activities to support these companies in corporate governance.

### ENVIRONMENTAL AND LEGAL RISKS



Vietnam will open the fertilizer market and foreign companies will invest in producing and trading fertilizers. The experienced foreign companies have good corporate governance and will compete in Vietnam market.

However, fake and poor quality fertilizers have not been strictly controlled, leading to disadvantages for reputable business enterprises such as PVFCCo.

The Government has been reviewing tax policy for fertilizer industry. Hence, the risks of applying tax policy and changes in tax rate for fertilizers have significantly impacted the operation of PVFCCo, the transfer of fertilizers from a product with VAT rate of 5% to one with no tax makes all input VAT for fertilizer production and business become nondeductible and to be accounted to the costs, leading to a substantial fall in profit. In addition, during the implementation of the EPC contract concerning NPK production, the change to tax law will also affect the investment efficiency of the project.

**Not only focus on strategic risk management in line with the corporate governance practices, but does PVFCCo also constantly develop and deploy the solutions systematically to promote the role and improve the capacity of the Internal Audit function, an important function in risk management and corporate governance, creating a solid basis for this function to better serve the consultation to the BOD and BOS in operating, managing and supervising the business operations. In 2019, the Internal Audit Department was allowed to carry out auditing on the following areas:**

- › Carrying out periodical audits which incorporate internal experts/specialists from different professional fields to examine the overall production and business activities of the branches and member companies in accordance with the audit program developed based on risk groups at PVFCCo.
- › Carrying out specialized audits on the operational risks that are forecasted, identified and evaluated to directly affect the business performance of PVFCCo.
- › In addition, the Internal Audit Department has coordinated with the training organization to develop and improve the management reporting system. The advanced practices of capacity building and technical auditing shall be included. The Internal Audit Department continued to implement the annual plan that was formulated with the international consultancy organizations: to develop the scope of work to improve internal control systems and corporate governance. In the immediate future, it will review and update the risk portfolio, optimize operational procedures and improve the effectiveness of monitoring activities.
- › During annual internal audit, the Internal Audit Board supplemented, reviewed and updated the supervision results to maintain the internal audit standard. In addition, the internal audit results are put into the periodical meetings of the Board of Directors.
- › Consulted and advised the BOD in risk limitation and prevention. The BOM shall provide risk reporting to the Board of Directors.

**PVFCCo focuses on the corporate governance with clear objectives on continuous improvement:**

Implementing the integrated risk management in the business operations, especially on forecast and business planning. The total resource optimization is improved using the phase 1 of ERP system. In 2018, PVFCCo implemented the phase 2. The system specifications included Hyperion Planning Management Software, Oracle Processing Manufacturing Software. Phase 3 is planned to include Business Intelligence. As a result, it can optimize corporate governance with a strong planning and control feature.

Project Salary Structure was completed with success. This led to a breakthrough in salary structure to increase productivity and effectiveness. It changed the payroll system, built the capacity for management roles, supported the leaders in KPI evaluation.

*The organizational dimension of PVFCCo is "Sustainable, Effective and Humane". There is an emphasis on corporate governance. The senior management of PVFCCo is determined to improve the operations by using Enterprise Risk Management. This serves to enhance corporate governance and maintain the position and reputation among the investor community.*

## INVESTOR RELATIONS

*PVFCCo implemented Investor Relation (IR) activities on the basis of “Transparency - Speed - Effectiveness”, and financial governance principles based on shareholders and investors’ benefits.*

In 2019, the IR Division (IR Team) of PVFCCo has achieved the key milestones:

### EXTRAORDINARY AND ANNUAL GENERAL MEETING OF SHAREHOLDERS

In 2019, under the direction of the Corporation leaders, the IR team, working with the office of the BOD, has successfully organized 02 General Meetings of Shareholders, namely the Extraordinary General Meeting of Shareholders for senior personnel changes in the Board of Directors of PVFCCo (January 2019); 2019 Annual General Meeting of Shareholders (April 2019). At these meetings, shareholders and shareholders representatives voted to approve all of the submitted contents. At the meeting, shareholders and investors’ questions have been satisfactorily answered by the BOM and the Corporation leaders.

### MEETINGS WITH KEY SHAREHOLDERS

As earlier mentioned, the difficulties and challenges that PVFCCo encountered in 2019, especially the 72 – day maintenance period in the first half of the year, had direct impacts on the overall operational efficiency and the main business objectives of the whole year. The IR Division received many and varied questions and requests for feedback and information updates both during and after the maintenance and equipment replacement period, leading to the downward adjustments in some key business targets compared to previously announced plans. PVFCCo Management directed and supported the IR Division to provide timely, accurate and transparent information to the market while obtaining reviews and assessments from the shareholders and investors about PVFCCo as well as the fertilizer industry to understand the market expectations for DPM stocks. In 2019, the IR Division held meetings with investors and industry analysts on a quarterly basis to promptly answer market questions about the Corporation’s performance. In particular, both management representatives and the IR Division had direct meetings with key shareholders and investment funds, large brokerage organizations in the international financial market (UK, USA) to provide timely answers to the information being requested, to update on the operational

results for 2019, and to collect opinions and suggestions from key shareholders for further improvements in managing and operating the Corporation. The face-to-face meetings between shareholders, investors, representatives of the Corporation and IR Division were conducted in an open and respect-based manner, providing the market with accurate and timely information to Corporation-related concerns, building their trust and support in DPM stocks, encouraging the Corporation to overcome the difficulties that had arisen and to surpass targets in production and business.

### INVESTOR FORUMS AND MEETINGS, CONNECTING WITH FINANCIAL INVESTMENT AND BROKERAGE INSTITUTIONS

Vietnam’s agricultural sector in 2019 was vulnerable to difficulties caused by the negative impacts of: a global economic slowdown leading to the decline in agricultural demand; the US-China trade war affecting Vietnam’s global trade and the export of agricultural products; extreme weather events and a sharp fall in farm product prices causing serious damage to the agricultural sector. As a result, fertilizer enterprises generally encountered many challenges, suffering from declining performance, business loss, and significant drops in stock market value compared to the previous period. Despite many great challenges resulting from market fluctuations (sale price, raw material costs) and difficulties arising during the prolonged maintenance period, PVFCCo demonstrated flexible responses, showing an organization of solidarity and maturity. The Corporation successfully completed the equipment maintenance period early to bring the Plant’s operation back to steady condition, optimizing the production output in the remaining months while constantly improving the overall operational efficiency (strengthening cost reduction, reviewing energy consumption norms, increasing sales volume, innovating sales and delivery methods, etc.) to quickly fulfill key targets. The IR Division conducted continuous and timely information disclosure activities for investors (especially key domestic and foreign shareholders) through direct and indirect channels with regards to update on the Corporation’s operating results. In particular, 2019 saw the IR Division hold as many as 30 face-to-face meetings with more than 100 representatives from local and international investment funds and brokerage organizations. Email communication received even greater attention to ensure accurate and timely information disclosure, etc.

Additionally, the IR Division periodically reported reviews and assessments by the brokerage organizations as

well as DPM stock price changes and transactions to the Management for timely response and appropriate information in policymaking and corporate governance.

### PUBLICATIONS FOR INVESTORS AND SHAREHOLDERS

In addition to strictly adhering to the State regulations regarding information disclosure to the stock market, the Corporation has been implementing updates to regulations and practices on information management and disclosure in a timely manner. PVFCCo has made relentless efforts to improve the information disclosure quality to investors, and was identified by the market as a pioneer in the implementation of specialized and financial media publications for shareholders and investors in order to strengthen cooperation with them.

In 2019, the IR Team continued to make efforts to improve the quality of the Annual Report, the main publication, to provide concise, brief and comprehensible information for shareholders, investors. At the same time, they continued to revamp the Investors Bulletins to review the first and second half business results, so it not only looked briefer but also provided valuable information related to production, business, and market developments to investors and brokers. The newsletter (in both English and Vietnamese) was sent via emails to domestic and foreign shareholders, and the online version was published at the Investor

Relations Category on PVFCCo’s website. This publication was also utilized in regular meetings with investors. In addition to Investor Newsletter, the presentation contents of introducing DPM to investors were also updated monthly/quarterly.

Regarding cooperation with the economics & finance press, the IR Team, as well as functional divisions also worked with newspapers and magazines specializing in financial investment, such as: Bloomberg, CafeF, Vietstock, etc. to publish, update information on PVFCCo’s operations, helping to promote the Corporation’s brand.

In 2019, with its efforts in governing and managing production and business activities and prompt provision of information for investor relations, DPM stocks continued to receive much attention from investors throughout the year, retaining its position in the VN30 stock lists with high market liquidity, maintaining a stable shareholding structure in the context of market changes, especially the withdrawal of foreign institutional investors from the market. In 2019, DPM was voted TOP 3 listed company in the medium capitalisation category for having the best IR practices and was honored by its inclusion in the TOP 5 listed companies in the large capitalisation category for Best Corporate Governance. PVFCCo was also among Forbes Vietnam’s TOP 50 best listed companies.



# CHAPTER 5

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## OVERVIEW OF SUSTAINABLE DEVELOPMENT

*Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs.*

*(As defined by the Brundtland Commission of the United Nations on March 20, 1987).*

### OVERVIEW OF SUSTAINABLE DEVELOPMENT AND OBJECTIVES, PRINCIPLES OF PVFCCo'S SUSTAINABLE DEVELOPMENT

Sustainable development is a combination of three aspects: Economic development, social development and environment protection. Over the last decade, there has been an increasing global interest in sustainable development, a requirement for globalization. Sustainable development is a humanity goal and it is in line with the guidelines of the Vietnam's Party and the Government.

PVFCCo's core business activities are fertilizer and chemicals production and distribution. It is linked to the Vietnamese

agriculture, farmers and rural livelihoods and affects 70% of the population. Through its economic strategy, PVFCCo adopts the sustainable development principle and its core values. Over the past 15 years of sustainable development, the motto of "Entrepreneur development to be accompanied by environmental protection and social responsibility" has been preserved and developed by generations of employees as an asset, a beauty culture of business.

The Corporation ensures that the balanced and optimal implementation of the following targets:



*The Corporation's President & CEO is the one who assumes the highest responsibility for environmental policies/issues in PVFCCo.*

With the above mentioned objectives, PVFCCo has taken steps to achieve its sustainable development targets, regulations and specific activities conducted by the Corporation. The specific principles and activities that have been implemented in the past include:



#### Employees

PVFCCo has built a culture of "Professionalism - Efficiency; Dynamics - Creativity; Aspiration - Outreach; and Responsibility - Sharing", through a positive and professional work environment, fair employee policy and a friendly workplace. In particular, the achievements of PVFCCo are as follows:

**TRAINING  
BUDGET**  
**5.36**  
**BILLION VND**

- › PVFCCo has invested in a manufacturing plant system and an office building, which are well-designed, properly ventilated, well-lit and air-conditioned. The Corporation has achieved energy efficiency and provided good working conditions for its workers.
- › PVFCCo introduced key performance indicators (KPI) and improved their reward system. The Corporation also set up a framework to ensure a fair and professional working environment. At the same time, PVFCCo improved its human resource policies to ensure its employees have the amicable working conditions and career advancement opportunities.
- › Human Resource Development for parent Company: 144 capacity building courses were conducted for 5,486 attendees with a budget of VND 5.36 billion. The development program in 2019 achieved its performance target, met the corporate goals, and succeeded in delivering human resource courses.
- › Building Corporate Culture: The first PVFCCo Culture Handbook was published in 2011, with the values and standards of conduct applicable for all employees. The Handbook was disseminated to all employees and posted on the corporate website.

## OVERVIEW OF SUSTAINABLE DEVELOPMENT



### Customers

The Corporation provided customers with high-quality products, effective solutions and services as mentioned below:



- › Ensuring high quality products is a top priority. All Phu My fertilizer products, other fertilizers and chemicals are complied with registered standards.
- › To help farmers optimize the ratio of fertilizer usage and crop yield, PVFCCo partners with local authorities and scientists to organize cultivation technique workshops at experimental gardens and sample fields to train farmers.
- › PVFCCo maintains its warehouse and logistics management systems well nationwide, so that their products are delivered to farmers on time at reasonable prices.



### Shareholders

#### PROFIT BEFORE TAX

# 467

BILLION VND

2.3 times higher than the plan assigned by the General Meeting of Shareholders

In order to create products and services to maximize shareholder value, PVFCCo has carried out the following activities in 2019:

- › PVFCCo implemented and achieved production and business targets. In particular, profit before tax reached VND 467 billion, or 2.3 times higher than the plan assigned by the General Meeting of Shareholders.
- › To ensure optimal use and control of its resources, PVFCCo has invested in IT such as business support software, document management software and other innovative approaches. The Corporation also invested and built its own resources planning application software such as ERP, STOP, 5S, APC, System 1, RBI, KPI, etc.
- › The Board of Directors of PVFCCo provided guidance in streamlining the project initiatives. In 2019, 123 innovation initiatives benefited the Corporation in value amounting to VND 19.39 billion plus other qualitative benefits.
- › From the sci-tech initiatives, there were 07 R&D topics, of which 01 topic was selected for review and 07 additional sci-tech project initiatives were conducted in 2019 valued at VND 6.48 billion. The initiatives helped to optimize the business operations and improved product quality, hence laid the foundation for investment development and product diversification.
- › PVFCCo's business practices included prudent spending and anti-corruption policies. In 2019, PVFCCo saved VND 129.309 billion, equivalent to 332% of forecasted figures.



# OVERVIEW OF SUSTAINABLE DEVELOPMENT



## Government

PVFCCo has ensured that its business activities complied with the laws. PVFCCo has achieved the following results:

- › Total payments to the State in 2019 was VND 170 billion - achieved 83% of annual plan.



## For business partners

In working with strategic business partners, the principles and values applied were:

Healthy competition, collaboration and advancing customer best interests.

- › Besides supporting Phu My Fertilizer Plant, PVFCCo also provided experts and skilled workers to support other national projects such as Ca Mau Fertilizer Plant, Ninh Binh Fertilizer Plant, Nghi Son Oil Refinery and Dinh Vu Polyester Manufacturing Plant, ensuring their operations run smoothly and efficiently.



## Community and society

- › The Corporation is committed to carrying out its responsibilities to the community and society.
- › Besides effective development and environmental protection, the Corporation was served both the employees and society.



## Environmental and global issues

PVFCCo is committed to environmental protection and globalization, such as reduction in greenhouse gas emissions, climate change, sea level rise, etc.

PVFCCo is confident that sustainable development is most effective when embedded in the organizational policies and guidelines, corporate strategy and business decision making. The Corporation believes that it can overcome challenges to develop a sustainable and long-lasting enterprise, preserve the environment and carry out its corporate social responsibility.



In particular, PVFCCo has implemented and achieved the following results:

- › In commissioning the Phu My Fertilizer Plant, PVFCCo has applied advance technologies in both safety management and equipment maintenance. This has stabilised the engineering operations and reduce energy consumption and carbon emissions.
- › For new projects, the Corporation has deployed only the most advanced production technologies to optimize effective usage of input materials, especially natural gas, and minimize carbon emissions.
- › PVFCCo complied with statutes, regulations and processes in production and business in accordance with the ISO 9001:2015, OHSAS 18001:2007, ISO 14001:2015 and ISO 50001:2011 standards.

## REPORT ON SAFETY, HEALTH AND ENVIRONMENTAL PROTECTION

*Safety, health and environment work in business is always the top concern of PVFCCo. As a production and trading company in the field of fertilizers and chemicals with high risk of fire and explosion, PVFCCo has determined that the exclusion or reduction of risks causing potential harm to human health and life, property and the environment is the highest responsibility of the Corporation.*

Every year, PVFCCo's safety, health and environment work is continually reviewed and renewed with many improvements in terms of content, implementation method and performance. The safety, health and environment work has played an active role in prevention of accidents and incidents and contributed greatly to the fulfillment of PVFCCo's business and production targets.

With these achievements, since its inception, PVFCCo has always been proud of its pioneering work in ensuring the safety, health and environmental protection of Vietnam's Oil and Gas industry. This has enabled PVFCCo not only to achieve sustainable development, but also to ensure a safe environment for the community and society.

In 2019, the remarkable results that PVFCCo achieved in the area of health, safety, and the environment were recognized and highly appreciated by PVN and by other agencies, divisions and departments.

### THE MAINTENANCE AND IMPROVEMENT OF THE MANAGEMENT SYSTEM FOR HEALTH, SAFETY, AND ENVIRONMENT (HSE)

- › The HSE management system was maintained at high efficiency according to ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007. The Corporation's HSE management system was certified by DNV.
- › In 2019, based on the HSE policies, the Corporation and its subsidiaries established and implemented HSE targets in line with the production and business plan and the actual conditions of units. The performance results of those HSE targets were reviewed and assessed quarterly for the level of completion to provide remedial measures, which formed the bases for targets to be performed off schedule.
- › The apparatus for HSE management in the Corporation and its subsidiaries was well maintained and had its operational efficiency promoted in 2019. In addition to units specializing in HSE at the Corporation such as the Division of Safety, Health, and Environment and the Safety and Protection Division of Phu My Fertilizer Plant, a network of HSE employees was developed both within the Corporation and within regional companies, acting as a strong support force to ensure safety and environmental protection.
- › Internal assessments of the HSE Management System and HSE inspections were planned and fully implemented as prescribed. In 2019, the Corporation conducted additional thematic inspections such as compliance with HSE procedures at the Phu My NPK Plant, flood prevention measures at regional warehouses, etc. The inspection results were reviewed and evaluated so that preventive & corrective actions could be taken to ensure readiness for conducting HSE activities.



### SAFETY - SECURITY, FIRE CONTROL, EMERGENCY RESPONSE

In 2019, the Corporation ensured safety in its operation and production with no labor accidents as well as fire and explosion incidents at Phu My Fertilizer Plant and its port warehouses. Highlight safety, security, fire control, and emergency response activities in 2019 include:

- › In 2019, there were no serious labor accidents or fire and explosion incidents causing injuries or property damage.
- › PVFCCo continued to construct the Management System and sets of indicators (PSM & PSI) for technology safety to strengthen the safe operation of the Plant.
- › In technical inspection: All equipment with strict safety requirements has been tested, thereby contributing to reducing the risk of equipment damage and accidents.
- › Inspection and supervision of gas leakage and explosion at Phu My Fertilizer Plant has been strengthened, contributing to a reduction in the number of explosion and gas leakage incidents.
- › The application of advanced technologies in Safety Management Programs such as the RBI Program (equipment failure risk control and management), SYSTEM 1 (Monitoring status of important dynamic devices, collecting data for root cause failure analysis), Asset Integrity Management System (AIMS), Computerized Maintenance Management System (CMMS) (maintenance and repair management, supply of materials for maintenance and repair, etc.) has been maintained to ensure the operational safety of Phu My Fertilizer Plant.
- › Regarding preparedness for Emergency Response: On 17 April 2019, the Corporation issued Executive Decision No. 106 /QD-PBHC on consolidating the Steering Committee for Emergency Response and the Assistance Team for Emergency Response Steering Committee. In addition, Phu My Fertilizer Plant also had an Emergency Response Steering Committee established.
- › The fire safety and rescue team of 25 members at the Corporation's office and the fire safety and rescue team of 27 members at Phu My Fertilizer Plant were consolidated. Training on fire prevention and fighting was sufficiently implemented for members of these two fire, safety and rescue teams, where the number of members trained and certified at the Corporation's office and Phu My Fertilizer Plant were 25 people and 31 people respectively.
- › In 2019, PVFCCo held 11 fire drills and completed fire prevention and fire-fighting procedures at units and Phu My Fertilizer Plant in compliance with legal regulations.



- › Regarding emergency response drills for chemical incidents, the Phu My Fertilizer Plant annually held drills at least once following the approved methods in the chemical incident response plan provided by the Ministry of Industry and Trade. Specifically, a chemical incident response drill was held at the NPK Plant in June 2019.
- › In November 2019, a fire fighting training was held at Phu My Fertilizer Plant. Fire safety and emergency rescue drills were also annually organized at the Corporation and subsidiaries' offices with the participation of local functional forces to enhance the readiness of the on-site rescue force and employees' safety awareness.
- › Security and safety promotion, as well as fire and explosion prevention activities were strengthened during holidays.
- › Activities were organized: OSH Action Month 2019 (01 -31 May 2019). Responding to National Disaster Prevention Week (May 2019).
- › Training classes on fire prevention and fighting, emergency rescue and practice classes for emergency escape slide were held at the Corporation's office for all employees on 31 May 2019.
- › 5S and STOP programs were effectively maintained at Phu My Fertilizer Plant and other units.
- › Expenditures for safety and firefighting activities in 2019 (including fire and explosion insurance, drills, training, propaganda, fire safety equipment purchase and maintenance, etc.) was VND 37 billion.

## CARING FOR THE HEALTH OF EMPLOYEES AND PREVENTING OCCUPATIONAL DISEASES

In 2019, PVFCCo properly carried out employee health care. Here are the results:

- As the financial support for employees in case of medical treatment and hospitalization, PVI Care, the employee insurance program, continued to be implemented and supplemented.
- All units organized periodic health examinations for employees in accordance with the law. Employees had their health conditions classified and received intensive care as necessary.
- In 2019, Phu My Fertilizer Plant continued to conduct screening for occupational diseases and medical examinations for people who worked in heavy, hazardous and dangerous environments. The plant also carried out medical evaluation and provided social insurance to employees suffering from occupational diseases. At the same time, it adopted more remedies for corrective and preventative measures to ensure the health of employees working in high noise environments.



- Monitored the conditions and protection, to ensure laborers' health and prevent occupational diseases.
- Assurance of food hygiene and safety at collective kitchens. Organized and provided staff meals that have nutritional value, food hygiene, and safety, by strictly controlling the origin of used food must have clear origin and be provided from reputable units.



## ENVIRONMENTAL PROTECTION AND WASTE CONTROL

The commitment to environmental protection and preservation is one of the most important commitments integrated into PVFCCo's production and business activities. To fulfill it, in 2019, PVFCCo completed many tasks to comply with the law to protect the environment:

- In 2019, there was no environmental pollution incident and no case of environmental law violation found during inspections.
- The EIA Report for the NH<sub>3</sub> Revamp - Phu My NPK Complex was completed with the approval of Ministry of Natural Resources and Environment.
- Environmental management measures were applied in accordance with ISO 14001:2015.
- Installation of the automatic monitoring system for cooling water featuring continuous signal transmission to the Department of Natural Resources and Environment has begun implementation and is expected to reach completion in 2020.
- Compliance with environmental laws was evaluated and updated according to new decrees and circulars issued in 2019.
- Periodic environmental monitoring was sufficiently implemented at all corporation warehouses. All monitoring criteria met Vietnamese standards.
- Hazardous waste was fully monitored, transferred, and reported in line with legal requirements.

Environmental reports were produced based on the environmental database of the industry and trade. Information on environmental management was provided to competent authorities.

- Activities supporting the 2019 Earth Hour Campaign and the action month for the environment supporting the World Environment Day (June 05, 2019) were organized.
- Here are some of the environmental performance results from PVFCCo's product and business activities in 2019:



• Resource management in 2019:

Total natural gas consumption for production: 387.34 million Nm<sup>3</sup>.



• Energy Consumption in 2019:

Total electricity consumption for production: 134,638,819 KWH

Total FO consumption: 1.22 tons

Total DO consumption: 122.97 tons



• Water consumption in 2019: 17,215,453 m<sup>3</sup>

Water for domestic use and production, groundwater and rivers are used to cool the equipment.

### Assessment statistics, waste management situation

No.	Type of waste	Unit	Emissions	Amount of treatment	Level of treatment (Good/Normal/Not good)
1	Production wastewater	m <sup>3</sup> /year	129,198	129,198	Good
2	Domestic wastewater	m <sup>3</sup> /year	10,158	10,158	Good
3	Cooling water	m <sup>3</sup> /year	24,375,744	24,375,744	Good
4	Air emission	m <sup>3</sup> /h	1,379,060	1,379,060	Good
5	Domestic solid	ton/year	124.25	124.25	Good
6	Industrial solid waste	ton/year	386.96	386.96	Good
7	Hazardous waste	ton/year	64.06	64.05	Good

### BUILDING A HEALTH, SAFETY AND ENVIRONMENTAL (HSE) CULTURE

Building the HSE culture is an ongoing process that helps heighten the staff's sense of compliance. In 2019, PVFCCo provided a variety of practical activities such as:

- › Educational campaigns were made through an occupational safety week, the World Environment Day, the Earth Hour, the fire prevention and fighting day, etc. Staff awareness of compliance with the legal requirements for safety, fire prevention and fighting, environmental protection, and employee health protection were continuously developed.
- › The contest on HSE Employees was held. Similarly there was participation in the HSE Contest by the Oil & Gas Union, thereby contributed to raise awareness of HSE.
- › Organizing environmental conferences to strengthen knowledge on environmental protection for staff members.
- › Application of Quarterly HSE Reward to encourage employees' participation in HSE activities.

### EFFICIENT USE OF WATER RESOURCES AND ENERGY SAVINGS

- › In 2019, Phu My Fertilizer Plant set up energy-saving and efficient energy use objectives. The performance results of these objectives were constantly monitored, reviewed and evaluated.
- › Various energy-saving solutions were applied by Phu My Fertilizer Plant. The result of energy-saving and efficient energy use in 2019 was nearly VND 14 billion. Fuels saved include CNG, H<sub>2</sub> fuel and electricity.
- › The result of energy-saving and efficient energy use in 2019 was reported and a plan for 2020 was developed and filed to the Department of Industry and Trade of Ba Ria - Vung Tau Province.
- › In 2020, Phu My Fertilizer Plant maintained the energy saving efficiency in both production and business, thereby saving management costs, searching for energy saving opportunities in the existing production lines.
- › Cost-saving targets were set for all divisions at the Corporation's office. The performance results were also monitored, reviewed, and assessed for the level of KPI completion.
- › All employees of the Corporation had improved awareness of energy efficiency through communication.

### MAIN TASKS OF THE SAFETY, HEALTH AND ENVIRONMENT WORK IN 2020

- › Ensuring the safe and efficient operation of Phu My Fertilizer Plant to complete the production and business plan of 2020.
- › Operating the NH<sub>3</sub> Revamp - Phu My NPK Plant project in compliance with regulations on safety, health and environment.
- › The overall maintenance of the Phu My Fertilizer Plant was safely and effectively completed in 2020 as planned.
- › Quality management at the Corporation was reviewed and consolidated to control product quality from production to transportation and storage at regional warehouses and agents.
- › Ensuring no fire and explosion at all construction work. Ensuring no fire and explosion incidents causing injury and damage to the Corporation's properties. Ensuring no serious or more serious work accidents at all construction works.
- › Ensuring no environmental incident and full compliance with legal regulations on environmental protection.
- › Occupational hygiene and periodic medical check-up for occupational diseases were maintained for employees throughout the Corporation.
- › Reinforcing the Emergency Rescue team and improving the readiness to respond to storms and floods to prevent and minimize human and property damage during storms.

Achievements in 2019 and targets set for 2020 reflected the ongoing efforts of management and staff to ensure Safety - Health - Environment. This strengthens PVFCCo's branding for sustainable development towards a secured future.



Throughout the unfavorable situations of production and business activities, the Corporation demonstrated its strong sense of responsibility in sharing and directly taking care of the farmers and customers in disadvantaged areas, and mobilized its resources including employees and distribution systems to constantly implement social welfare programs mainly focusing on educational support, health care, and thanksgiving.

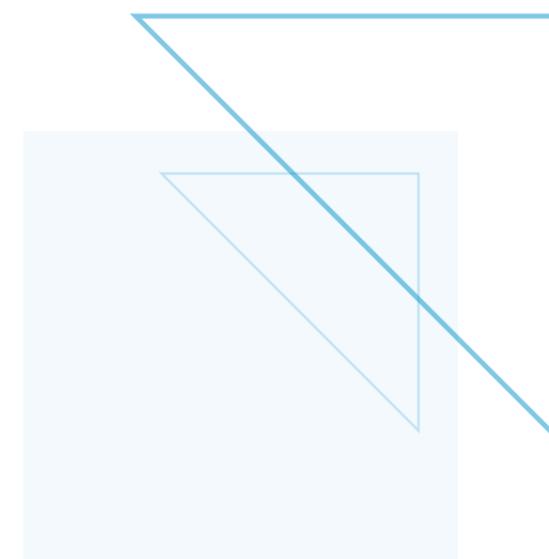


A typical and meaningful program engaged by the entire system was "Phu My Run", an event that was organized to raise money and present Tet gifts to the poor. Accordingly, all employees and members of the distribution network participate in the running program organized by the Corporation's Labor Union for physical health training and strengthening solidarity. Every 1 km completed will be converted to money for Tet gifts to the poor. In 2019, nearly 1,240 athletes participated with a total valid distance of 189,242 km and an amount of VND533,863,000 was raised. This amount was converted to 800 Tet gifts presented to poor farmers in under-privileged circumstances, policy beneficiary households, diseased soldiers, and people who have rendered meritorious services to the revolution in Thanh Hoa, Ha Tinh, Binh Dinh, Dak Nong, Dong Thap, and An Giang. Additionally, employees presented 1,000 hand-wrapped "Square cake" to the lonely helpless elderly, severely wounded soldiers and people with meritorious services in the traditional Tet holiday.



# CHAPTER 6

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**PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC**  
*(Incorporated in the Socialist Republic of Vietnam)*

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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## STATEMENT OF THE EXECUTIVE BOARD

The Executive Board of PetroVietnam Fertilizer and Chemicals Corporation - JSC (the "Corporation") presents this report together with the Corporation's consolidated financial statements for the year ended 31 December 2019.

### THE BOARD OF DIRECTORS AND EXECUTIVE BOARD

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

#### BOARD OF DIRECTORS

<b>Mr. Nguyen Tien Vinh</b>	Chairperson (appointed on 10 January 2019)
<b>Mr. Le Cu Tan</b>	Chairperson (resigned on 10 January 2019) Member (appointed on 10 January 2019)
<b>Ms. Nguyen Thi Hien</b>	Vice Chairperson (resigned on 10 January 2019)
<b>Mr. Doan Van Nhuom</b>	Member (resigned on 10 January 2019)
<b>Mr. Nguyen Hong Vinh</b>	Member
<b>Mr. Le Minh Hong</b>	Member (appointed on 10 January 2019)
<b>Mr. Louis T. Nguyen</b>	Member
<b>Mr. Duong Tri Hoi</b>	Member (appointed on 17 April 2019)

#### EXECUTIVE BOARD

<b>Mr. Le Cu Tan</b>	Chief Executive Officer (appointed on 11 January 2019)
<b>Mr. Doan Van Nhuom</b>	Chief Executive Officer (resigned on 11 January 2019)
<b>Ms. Tran Thi Phuong Thao</b>	Executive Officer
<b>Mr. Tu Cuong</b>	Executive Officer
<b>Mr. Cao Trung Kien</b>	Executive Officer (appointed on 19 September 2019)
<b>Mr. Hoang Viet Dung</b>	Executive Officer (resigned on 25 June 2019)
<b>Mr. Le Van Quoc Viet</b>	Executive Officer
<b>Mr. Duong Tri Hoi</b>	Executive Officer (resigned on 01 May 2019)
<b>Ms. Le Thi Thu Huong</b>	Executive Officer

### THE EXECUTIVE BOARD'S STATEMENT OF RESPONSIBILITY

The Executive Board of the Corporation is responsible for preparing the consolidated financial statements, which give a true and fair view of the consolidated financial position of the Corporation as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting. In preparing these consolidated financial statements, the Executive Board is required to:

- » select suitable accounting policies and then apply them consistently;
- » make judgments and estimates that are reasonable and prudent;
- » state whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the consolidated financial statements;

## STATEMENT OF THE EXECUTIVE BOARD (CONTINUED)

- » prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Corporation will continue in business; and
- » design and implement an effective internal control system for the purpose of properly preparing the consolidated financial statements so as to minimize errors and frauds.

The Executive Board of the Corporation is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the consolidated financial position of the Corporation and that the consolidated financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting. The Executive Board is also responsible for safeguarding the assets of the Corporation and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Executive Board confirms that the Corporation has complied with the above requirements in preparing these consolidated financial statements.

For and on behalf of the Executive Board,



**Le Cu Tan**  
Chief Executive Officer

20 March 2020  
Ho Chi Minh City, S.R. Vietnam

## INDEPENDENT AUDITORS' REPORT

No.: 0720/VN1A-HN-BC

**TO: THE SHAREHOLDERS  
THE BOARD OF DIRECTORS AND THE EXECUTIVE BOARD  
PETROVIETNAM FERTILIZER AND CHEMICALS CORPORATION - JSC**

We have audited the accompanying consolidated financial statements of PetroVietnam Fertilizer and Chemicals Corporation - JSC (the "Corporation") prepared on 20 March 2020, as set out from page 113 to page 150, which comprise the consolidated balance sheet as at 31 December 2019, the consolidated statement of income, the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

### AUDITORS' RESPONSIBILITY

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

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

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

### OPINION

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Corporation as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting.

# INDEPENDENT AUDITORS' REPORT (CONTINUED)

No.: 0720/VN1A-HN-BC

## EMPHASIS OF MATTER

As presented in Note 35 of the notes to the consolidated financial statements, as at 31 December 2019, the Corporation had a contingent liability relating to reciprocal guarantee commitments with medium and long-term borrowings of PetroVietnam Petrochemical and Textile Fiber Joint Stock Company ("PVTEX") - the Corporation's associate.

Our opinion is not modified in respect of this matter.



**Dang Chi Dung**

**Audit Partner**

Audit Practising Registration Certificate  
No. 0030-2018-001-1

**DELOITTE VIETNAM COMPANY LIMITED**

20 March 2020  
Hanoi, S.R. Vietnam

**Pham Quynh Hoa**

**Auditor**

Audit Practising Registration Certificate  
No. 0910-2018-001-1

# CONSOLIDATED BALANCE SHEET

As at 31 December 2019

Form B01- DN/HN

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
<b>A. CURRENT ASSETS</b>	<b>100</b>		<b>5,943,854,074,804</b>	<b>5,172,046,948,960</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>4</b>	<b>2,976,952,450,033</b>	<b>1,716,919,348,616</b>
1. Cash	111		349,278,804,046	293,934,821,687
2. Cash equivalents	112		2,627,673,645,987	1,422,984,526,929
<b>II. Short-term financial investments</b>	<b>120</b>	<b>5</b>	<b>1,035,000,000,000</b>	<b>955,000,000,000</b>
1. Held-to-maturity investments	123		1,035,000,000,000	955,000,000,000
<b>III. Short-term receivables</b>	<b>130</b>		<b>289,371,734,319</b>	<b>520,579,213,356</b>
1. Short-term trade receivables	131	6	239,163,840,466	422,514,452,443
2. Short-term advances to suppliers	132	7	37,348,595,546	78,790,739,261
3. Other short-term receivables	136	8	250,709,558,469	252,514,839,051
4. Provision for short-term doubtful debts	137	9	(238,285,341,239)	(233,576,422,659)
5. Deficits in assets awaiting solution	139		435,081,077	335,605,260
<b>IV. Inventories</b>	<b>140</b>	<b>10</b>	<b>1,350,638,678,171</b>	<b>1,662,663,084,855</b>
1. Inventories	141		1,370,295,612,901	1,665,129,426,404
2. Provision for devaluation of inventories	149		(19,656,934,730)	(2,466,341,549)
<b>V. Other short-term assets</b>	<b>150</b>		<b>291,891,212,281</b>	<b>316,885,302,133</b>
1. Short-term prepayments	151	11	29,727,375,587	53,472,993,772
2. Value added tax deductibles	152		257,326,042,539	258,031,179,931
3. Taxes and other receivables from the State budget	153	19	4,837,794,155	5,381,128,430

# CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2019

Form B01- DN/HN

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
<b>B. NON-CURRENT ASSETS</b>	<b>200</b>		<b>5,496,454,188,790</b>	<b>5,962,209,859,178</b>
<b>I. Long-term receivables</b>	<b>210</b>		<b>658,396,000</b>	<b>858,374,000</b>
1. Other long-term receivables	216	8	658,396,000	858,374,000
<b>II. Fixed assets</b>	<b>220</b>		<b>4,790,657,948,234</b>	<b>5,313,224,552,963</b>
1. Tangible fixed assets	221	12	3,932,312,724,389	4,453,310,092,927
- Cost	222		11,629,420,833,126	11,653,882,170,846
- Accumulated depreciation	223		(7,697,108,108,737)	(7,200,572,077,919)
2. Intangible assets	227	13	858,345,223,845	859,914,460,036
- Cost	228		1,152,277,537,593	1,139,091,383,947
- Accumulated amortisation	229		(293,932,313,748)	(279,176,923,911)
<b>III. Investment properties</b>	<b>230</b>	<b>14</b>	<b>239,820,697,731</b>	<b>250,383,262,298</b>
- Cost	231		334,556,867,544	334,556,867,544
- Accumulated depreciation	232		(94,736,169,813)	(84,173,605,246)
<b>IV. Long-term assets in progress</b>	<b>240</b>		<b>145,846,801,849</b>	<b>136,578,490,420</b>
1. Construction in progress	242	15	145,846,801,849	136,578,490,420
<b>V. Long-term financial investments</b>	<b>250</b>	<b>5</b>	<b>45,369,527,464</b>	<b>46,652,969,218</b>
1. Investments in joint-ventures, associates	252		26,973,857,965	28,388,260,482
2. Equity investments in other entities	253		20,502,000,000	20,502,000,000
3. Provision for impairment of long-term financial investments	254		(2,106,330,501)	(2,237,291,264)
<b>VI. Other long-term assets</b>	<b>260</b>		<b>274,100,817,512</b>	<b>214,512,210,279</b>
1. Long-term prepayments	261	11	30,935,743,889	23,270,193,135
2. Deferred tax assets	262	16	81,381,867,070	69,142,811,382
3. Long-term reserved spare parts	263	10	148,991,115,516	109,307,114,725
4. Other long-term assets	268		12,792,091,037	12,792,091,037
<b>TOTAL ASSETS (270=100 + 200)</b>	<b>270</b>		<b>11,440,308,263,594</b>	<b>11,134,256,808,138</b>

# CONSOLIDATED BALANCE SHEET (CONTINUED)

As at 31 December 2019

Form B01- DN/HN

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
<b>C. LIABILITIES</b>	<b>300</b>		<b>3,278,872,819,011</b>	<b>2,879,246,949,841</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>2,060,713,280,767</b>	<b>1,513,850,189,531</b>
1. Short-term trade payables	311	17	478,565,168,169	415,701,704,589
2. Short-term advances from customers	312	18	80,837,106,240	68,643,918,032
3. Taxes and amounts payable to the State budget	313	19	66,288,625,026	23,253,103,532
4. Payables to employees	314		137,134,034,081	113,798,450,304
5. Short-term accrued expenses	315	20	678,292,053,057	580,230,502,931
6. Short-term unearned revenue	318		18,181,819	118,761,819
7. Other current payables	319	21	80,115,659,533	54,325,536,302
8. Short-term loans and obligations under finance leases	320	23	177,270,899,255	201,978,485,702
9. Short-term provisions	321	22	312,648,007,246	-
10. Bonus and welfare funds	322		49,543,546,341	55,799,726,320
<b>II. Long-term liabilities</b>	<b>330</b>		<b>1,218,159,538,244</b>	<b>1,365,396,760,310</b>
1. Long-term unearned revenue	336		-	167,880,274
2. Other long-term payables	337	21	960,870,000	960,870,000
3. Long-term loans and obligations under finance leases	338	23	1,063,625,393,987	1,031,870,914,209
4. Deferred tax liabilities	341	16	132,540,000,000	132,540,000,000
5. Long-term provisions	342	22	-	167,190,364,916
6. Scientific and technological development fund	343		21,033,274,257	32,666,730,911
<b>D. EQUITY</b>	<b>400</b>		<b>8,161,435,444,583</b>	<b>8,255,009,858,297</b>
<b>I. Owner's equity</b>	<b>410</b>	<b>24</b>	<b>8,161,435,444,583</b>	<b>8,255,009,858,297</b>
1. Owner's contributed capital	411		3,914,000,000,000	3,914,000,000,000
- Ordinary shares carrying voting rights	411a		3,914,000,000,000	3,914,000,000,000
2. Share premium	412		21,179,913,858	21,179,913,858
3. Treasury shares	415		(2,296,824,120)	(2,296,824,120)
4. Investment and development fund	418		3,497,039,984,859	3,497,039,984,859
5. Retained earnings	421		566,144,654,027	657,268,539,966
- Retained earnings accumulated to the prior year end	421a		228,248,570,458	50,282,517,164
- Retained earnings of the current year	421b		337,896,083,569	606,986,022,802
6. Non-controlling interests	429		165,367,715,959	167,818,243,734
<b>TOTAL RESOURCES (440=300+400)</b>	<b>440</b>		<b>11,440,308,263,594</b>	<b>11,134,256,808,138</b>

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Tran Xuan Thao  
Preparer

Vo Ngoc Phuong  
Chief Accountant

Le Cu Tan  
Chief Executive Officer

20 March 2020

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

Form B02- DN/HN

Unit: VND

ITEMS	Codes	Notes	Current year	Prior year
1. Gross revenue from goods sold and services rendered	01		7,757,075,543,739	9,395,359,665,641
2. Deductions	02		73,534,335,681	98,248,115,232
3. Net revenue from goods sold and services rendered (10=01-02)	10	27	7,683,541,208,058	9,297,111,550,409
4. Cost of sales	11	27	6,281,448,254,606	7,397,640,258,893
5. Gross profit from goods sold and services rendered (20=10-11)	20		1,402,092,953,452	1,899,471,291,516
6. Financial income	21	29	140,013,425,496	123,658,446,036
7. Financial expenses	22	30	107,636,556,757	73,797,994,363
- In which: Interest expense	23		106,897,449,564	62,586,468,519
8. Share of profits of associates	24	5	1,680,107,483	2,916,621,493
9. Selling expenses	25	31	554,758,002,570	612,322,153,525
10. General and administration expenses	26	31	415,339,815,960	485,710,294,387
11. Operating profit (30=20+(21-22)+24-(25+26))	30		466,052,111,144	854,215,916,770
12. Other income	31		7,480,346,769	17,876,027,364
13. Other expenses	32		6,456,808,962	1,476,414,908
14. Profit from other activities (40=31-32)	40		1,023,537,807	16,399,612,456
15. Accounting profit before tax (50=30+40)	50		467,075,648,951	870,615,529,226
16. Current corporate income tax expense	51	32	90,454,832,980	147,299,819,968
17. Deferred corporate tax income	52	16	(12,239,055,688)	10,841,508,544
18. Net profit after corporate income tax (60=50-51-52)	60		388,859,871,659	712,474,200,714
18.1. Profit after tax attributable to the Holding Company	61		377,703,325,589	699,593,467,601
18.2. Profit after tax attributable to non-controlling interests	62		11,156,546,070	12,880,733,113
19. Basic earnings per share	70	33	863	1,455

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Tran Xuan Thao  
Preparer

Vo Ngoc Phuong  
Chief Accountant

Le Cu Tan  
Chief Executive Officer

20 March 2020

## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019

Form B03- DN/HN

Unit: VND

ITEMS	Codes	Current year	Prior year
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	01	467,075,648,951	870,615,529,226
2. Adjustments for:			
Depreciation and amortisation of fixed assets and investment properties	02	561,879,123,157	519,256,652,582
Provisions	03	167,226,193,328	36,967,616,014
Foreign exchange loss/(gain) arising from translating foreign currency items	04	(764,976,791)	8,093,479,053
Gain from investing activities	05	(137,907,172,131)	(129,190,927,841)
Interest expense	06	106,897,449,564	62,586,468,519
3. Operating profit before movements in working capital	08	1,164,406,266,078	1,368,328,817,553
Increase, decrease in receivables	09	227,366,396,790	(284,540,032,573)
Increase, decrease in inventories	10	255,149,812,712	(433,702,859,916)
Increase, decrease in payables (excluding accrued loan interest and corporate income tax payable)	11	283,021,492,395	(6,824,219,476)
Increase, decrease in prepaid expenses	12	16,080,067,431	(28,881,238,829)
Interest paid	14	(54,866,114,339)	(95,538,767)
Corporate income tax paid	15	(45,844,375,272)	(144,064,079,451)
Other cash outflows	17	(86,306,205,352)	(89,165,406,558)
<b>Net cash generated by operating activities</b>	<b>20</b>	<b>1,759,007,340,443</b>	<b>381,055,441,983</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition and construction of fixed assets and other long-term assets	21	(117,832,821,638)	(890,564,913,641)
2. Proceeds from sale, disposal of fixed assets and other long-term assets	22	2,828,702,473	5,320,554,728
3. Cash outflow for lending, buying debt instruments of other entities	23	(1,720,000,000,000)	(1,695,000,000,000)
4. Cash recovered from lending, selling debt instruments of other entities	24	1,640,000,000,000	1,635,000,000,000
5. Interest earned, dividends and profits received	27	140,662,774,725	123,554,802,970
<b>Net cash used in investing activities</b>	<b>30</b>	<b>(54,341,344,440)</b>	<b>(821,689,555,943)</b>

# CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

Form B03- DN/HN

For the year ended 31 December 2019

Unit: VND

ITEMS	Codes	Current period	Prior period
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Proceeds from borrowings	33	124,208,464,716	611,619,415,388
2. Repayment of borrowings	34	(166,966,798,373)	(33,370,000,000)
3. Dividends and profits paid	36	(401,886,060,700)	(782,524,593,100)
<b>Net cash generated by/(used in) financing activities</b>	<b>40</b>	<b>(444,644,394,357)</b>	<b>(204,275,177,712)</b>
<b>Net (decrease) in cash (50=20+30+40)</b>	<b>50</b>	<b>1,260,021,601,646</b>	<b>(644,909,291,672)</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>60</b>	<b>1,716,919,348,616</b>	<b>2,361,887,855,663</b>
Effects of changes in foreign exchange rates	61	11,499,771	(59,215,375)
<b>Cash and cash equivalents at the end of the year (70=50+60+61)</b>	<b>70</b>	<b>2,976,952,450,033</b>	<b>1,716,919,348,616</b>

Tran Xuan Thao  
Preparer

Vo Ngoc Phuong  
Chief Accountant

Le Cu Tan  
Chief Executive Officer

20 March 2020

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Form B 09- DN/HN

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

## 1. GENERAL INFORMATION

### Structure of ownership

PetroVietnam Fertilizer and Chemicals Corporation - JSC (hereinafter referred to as the "Corporation"), formerly known as PetroVietnam Fertilizer and Chemicals Joint Stock Company, was established under Business Registration Certificate No. 4103007696 dated 31 August 2007 and the 14<sup>th</sup> amendment on 16 January 2019, issued by the Department of Planning and Investment of Ho Chi Minh City. On 01 September 2008, the Corporation officially transformed its operation into parent-subsidary model in accordance with Resolution No. 01/ND-DHDCD passed at the Shareholders' General Meeting. Accordingly, the Holding Company - PetroVietnam Fertilizer and Chemicals Corporation - JSC was established from functional departments of PetroVietnam Fertilizer and Chemicals Joint Stock Company, project management units and Phu My Fertilizer Plant. The Corporation's shares are listed on Ho Chi Minh City Stock Exchange from 05 November 2007 with the stock symbol "DPM".

The parent company of the Corporation is Vietnam Oil and Gas Group who holds 59.58% of its charter capital as at 31 December 2019.

### Operating industries and principal activities

The business activities of the Corporation include:

- » Production and trade of fertilizer, liquid ammonia, industrial gas, other chemicals;
- » Provision of technical services relating to production and trade of fertilizer and other related chemicals (excluding heavily toxic chemicals);
- » Architectural activities and related technical consultancy;
- » Production, transmission and distribution of electricity;
- » Trade of real estates, land use rights held as owner, user or lessor;
- » Wholesale of agricultural and forestry products (excluding wood, bamboo) and living animals;
- » Goods transport services by road and by inbound waterway, processing of oil and gas-related products and minerals;
- » Vocational training;
- » Supporting services for waterway transportation; loading and unloading goods at seaports and in land terminals;
- » Acting as vessel agent and shipping agency and providing warehousing services.

The principal activities of the Corporation are production and trade of fertilizers used in agriculture.

### Normal production and business cycle

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

**The Corporation's structure**

As at 31 December 2019, the Corporation had 04 subsidiaries, 03 associates, 01 branch, 01 plant and 01 Project Management Unit as follows:

- Phu My Fertilizer Plant
- Ho Chi Minh City Branch
- Fertilizer and Chemical Projects Management Unit

The general information about subsidiaries and associates of the Corporation are as follows:

	Place of incorporation and operation	Proportion of ownership interest (%)	Proportion of voting power held (%)	Principal activity	Relationship
Central PetroVietnam Fertilizer and Chemicals JSC	Binh Dinh Province	75	75	Trading of fertilizer and chemicals	Subsidiary
SouthWest PetroVietnam Fertilizer and Chemicals JSC	Can Tho City	75	75	Trading of fertilizer and chemicals	Subsidiary
SouthEast PetroVietnam Fertilizer and Chemicals JSC	Ho Chi Minh City	75	75	Trading of fertilizer and chemicals	Subsidiary
Northern PetroVietnam Fertilizer and Chemicals JSC	Hanoi City	75	75	Trading of fertilizer and chemicals	Subsidiary
Dam Phu My Packaging JSC	Ba Ria - Vung Tau Province	43.34	43.34	Production of packages	Associate
PetroVietnam Urban Development JSC	Can Tho City	35.63	35.63	Construction and installation of civil and industrial works and services provision	Associate
PetroVietnam Petrochemical and Textile Fiber JSC	Hai Phong City	25.99	25.99	Production and sale of polyester fibers	Associate

**Disclosure of information comparability in the consolidated financial statements**

Comparative figures are the figures of the audited consolidated financial statements for the year ended 31 December 2018.

**2. ACCOUNTING CONVENTION AND FINANCIAL YEAR**

**Accounting convention**

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

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

**Financial year**

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

The consolidated financial statements are prepared for the year ended 31 December 2019

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Accounting estimates**

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

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Corporation and enterprises controlled by the Corporation (its subsidiaries) up to 31 December 2019. This control is achieved where the Corporation has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

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

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

All significant inter-company transactions and balances between the Corporation and its subsidiaries and among subsidiaries are eliminated on consolidation.

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

**Investments in associates**

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

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

Where a group entity transacts with an associate of the Corporation, unrealised profits and losses are eliminated to the extent of the Corporation's interest in the relevant associate.

**Cash and cash equivalents**

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

**Financial investments**

*Held-to-maturity investments*

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

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

Held-to-maturity investments are measured at cost less provision for doubtful debts (if any).

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

*Equity investments in other entities*

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

Equity investments in other entities are carried at cost less provision for impairment of such investments. Provisions for impairment of investments in other entities are made in accordance with Circular No. 48/2019/TT-BTC dated 08 August 2019 issued by the Ministry of Finance on “Providing guidance on making and settlement of provisions for devaluation of inventory, impairment of financial investments, bad debts and warranty obligations of enterprises” and prevailing accounting regulations.

**Receivables**

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

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

**Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost comprises 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. Issue cost is calculated using the weighted average method, except for issue cost of materials that is calculated using the FIFO 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. Inventories are recorded under the perpetual method.

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

In the event the construction project has been completed and put into use but the settled costs thereof have not been approved, the cost of tangible fixed assets is recognized at the estimated cost based on the actual cost incurred. The estimated cost will be adjusted according to the settled costs approved by competent authorities.

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

	Current Year	Period Year
	Years	Years
Buildings, structures	5 - 25	5 - 25
Machinery, equipment	3 - 15	3 - 6
Motor vehicles	6 - 10	6 - 10
Office equipment	3 - 8	3 - 8
Others	3 - 15	3

Repair and maintenance expenses of fixed assets at Phu My Fertilizer Plant which are incurred on a cyclical basis are permitted to be charged to operating expenses based on the estimated amount stated in the annual budget. If the actual expenses of repair and maintenance are higher than estimated, the amount over budget shall be charged to operating expenses. If the actual expenses of repair and maintenance are lower than estimated, the amount under budget shall be accounted for as a reduction of operating expenses of the year. Accrued repair and maintenance expenses are reported as long-term payable provisions.

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

**Intangible assets and amortization**

Intangible assets represent land use rights, patents, copyrights, computer software and other intangible assets which are stated at cost less accumulated amortization. Land use rights having a finite useful life 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. The patents, copyrights and other intangible assets are amortized using the straight-line method over 6 years. The computer software is amortized using the straight-line method over 3 years.

**Operating leases**

Operating leases include office and land rentals. Payments under operating leases are charged to profit or loss on a straight-line basis over the lease term.

**Construction in progress**

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

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

**Investment properties**

Investment properties are composed of land use rights, buildings and structures held by the Corporation to earn rentals. Investment properties held to earn rentals are stated at cost less accumulated depreciation. The costs of purchased investment properties comprise their purchase prices and any directly attributable expenditures, such as professional fees for legal services, property transfer taxes and other related transaction costs.

Investment properties, which are composed of land use rights and buildings and structures of Dong Tay Building at 27 Dinh Bo Linh Street, Ho Chi Minh City; Cuu Long Supermarket-Office Building in Ca Mau Province and PVFCCo Building at 43 Mac Dinh Chi Street, Ho Chi Minh City held by the Corporation to earn rentals, are stated at cost less accumulated depreciation. Investment properties held to earn rentals are depreciated using the straight-line method over their estimated useful lives as follows:

	Years
Land use rights	44 - 50
Buildings and structures	25

The Corporation does not depreciate investment properties which are indefinite-term land use rights.

**Prepayments**

Prepayments are expenses which have already been paid but relate to results of operations of multiple accounting periods, including asset insurance premium, land rentals, office rentals, tools and supplies issued for consumption, cost of catalytic conversion of CO and other types of prepayments.

Asset insurance premium and cost of catalytic conversion of CO are charged to the consolidated income statement on the straight-line basis over the contractual term.

Prepaid land and office rentals are charged to the consolidated income statement on the straight-line basis over the rental term.

Tools and supplies issued for consumption are charged to the income statement on the straight-line basis in accordance with the current prevailing accounting regulations.

Other types of prepayments comprise of support service, warehouse and office repair are expected to provide future economic benefits to the Corporation. These prepayments are charged to the income statement on the straight-line basis in accordance with the current prevailing accounting regulations.

**Payable provisions**

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

**Scientific and technological development fund**

Scientific and technological development fund are made in order to finance science and technology activities of the Corporation. This fund was formed on the basis of the Corporation's development demand for research and development and technology innovation and is recognized in the operation results of the year.

**Revenue recognition**

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

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

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

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

Revenue from leasing investment properties is recognized in profit or loss on the straight-line basis over the lease term.

Financial income mainly comprises interest on demand and term deposits, and foreign exchange gains. 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 Corporation'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 consolidated income statement.

Under the guidance of Official Letter No. 4360/DKVN-TCKT dated 31 December 2015 and Official Letter No. 3124/DKVN-TCKT dated 13 May 2015 issued by Vietnam Oil and Gas Group, the Corporation applied the buying rate announced by the Joint Stock Commercial Bank for Foreign Trade of Vietnam to translate monetary items denominated in foreign currencies as at 31 December 2019. The above mentioned rate differs from that stated in Circular No. 200/2014/TT-BTC issued on 22 December 2014 by the Ministry of Finance guiding the accounting regime for enterprises ("Circular 200"). However, such difference has no material influence on the Corporation's consolidated financial statements for the year ended 31 December 2019.

**Borrowing costs**

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

**Taxation**

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

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

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

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

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

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

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

**4. CASH AND CASH EQUIVALENTS**

	Closing balance VND	Opening balance VND
Cash on hand	1,204,191,307	1,546,353,008
Bank demand deposits	343,718,395,389	292,388,468,679
Cash in transfer	4,356,217,350	-
Cash equivalents (*)	2,627,673,645,987	1,422,984,526,929
	<b>2,976,952,450,033</b>	<b>1,716,919,348,616</b>

(\*) Cash equivalents represent the time deposits with original terms from 01 to 03 months at commercial banks with the interest rates ranging from 4.3% to 5.5% per annum (31 December 2018: interest rates ranging from 4.3% to 5.5% per annum).

As at 31 December 2019, the Corporation's deposits with term under three months at Ocean Commercial One Member Limited Liability Bank (previously known as Ocean Commercial Joint Stock Bank) amounted to VND 284 billion. According to Official Letter No. 5351/2016/CV-OCEANBANK dated 04 October 2016 and Official Letter No. 60/2018/CV-OCEANBANK dated 28 December 2018, Ocean Commercial One Member Limited Liability Bank ensured the return of deposits held by its clients following the restructuring plan which has been submitted to the State Bank of Vietnam and the Government for approval. Interest earned on deposits at Ocean Commercial One Member Limited Liability Bank from 01 October 2015 to present has been received.

**5. FINANCIAL INVESTMENTS**

	Closing balance		Opening balance	
	VND Cost	VND Carrying amount	VND Cost	VND Carrying amount
Short-term held-to-maturity investments				
Term deposits	1,035,000,000,000	1,035,000,000,000	955,000,000,000	955,000,000,000

Short-term held-to-maturity investments as at 31 December 2019 represent time deposits with original terms of more than 3 months and remaining terms of less than 12 months from the reporting date at commercial banks with interest rates ranging from 5.7% to 7.0% per annum (31 December 2018: interest rates ranging from 5.1% to 7.1% per annum).

	Closing balance		Opening balance	
	VND	VND	VND	VND
	Cost	Cost under equity method	Fair value	Cost under equity method
Investments in associates	680,903,000,000	26,973,857,965	24,574,050,000	28,388,260,482
PetroVietnam Urban Development JSC	100,000,000,000	-	(*)	-
PetroVietnam Petrochemical and Textile Fiber JSC	562,700,000,000	-	(*)	-
Dam Phu My Packaging JSC	18,203,000,000	26,973,857,965	24,574,050,000	28,388,260,482
				26,758,116,000

	Closing balance		Opening balance	
	VND	VND	VND	VND
	Cost	Provision	Fair value	Provision
Investments in other entities (**)	20,502,000,000	(2,106,330,501)	(*)	(2,237,291,264)
Petroleum Information Technology Telecom and Automation JSC	3,600,000,000	-	(*)	-
Ut Xi Aquatic Products Processing JSC	16,902,000,000	(2,106,330,501)	(*)	(2,237,291,264)

As stipulated in Circular No. 200/2014/TT-BTC dated 22 December 2014, the fair value of the investments in associates and other entities as at 31 December 2019 should be presented. The Corporation has determined the fair value of investments in Dam Phu My Packaging JSC based on listed price of its shares on the stock exchange and the number of shares currently held by the Corporation.

(\*) For the remaining investments, these companies have not had their shares listed on a stock exchange yet and the Corporation was unable to collect reliable information in order to determine their fair value. Accordingly, the fair value of such investments as at 31 December 2019 has not been determined and presented in the Notes to the consolidated financial statements as per Circular No. 200/2014/TT-BTC.

(\*\*) Provisions for impairment of investments in other entities are being estimated according to the unaudited financial statements for the year ended 31 December 2019 of these entities.

A summary of financial information of the Corporation's associates is as follows:

	Closing balance		Opening balance	
	VND	VND	VND	VND
	Total assets	Total liabilities	Net assets	Total assets
	5,114,155,930,490	8,331,957,562,272	(3,217,801,631,782)	5,712,792,445,837
PetroVietnam Urban Development JSC	85,954,614,293	270,212,925,918	(184,258,311,625)	238,385,113,545
PetroVietnam Petrochemical and Textile Fiber JSC	4,808,281,168,340	7,904,061,594,170	(3,095,780,425,830)	5,236,687,876,941
Dam Phu My Packaging JSC	219,920,147,857	157,683,042,184	62,237,105,673	237,719,455,351
				172,182,870,040
				65,536,585,311

	Current year		Prior year	
	VND	VND	VND	VND
	Net revenue	Net profit/(loss) after tax	Share of Profits from associates	Net profit/(loss) after tax
	411,004,911,391	(614,595,427,232)	1,680,107,483	458,867,462,087
PetroVietnam Urban Development JSC	-	(12,554,010,232)	-	9,651,711,220
PetroVietnam Petrochemical and Textile Fiber JSC	54,749,516,416	(605,954,031,846)	-	1,283,566,638
Dam Phu My Packaging JSC	356,255,394,975	3,912,614,846	1,680,107,483	447,932,184,229
				8,680,629,893
				2,916,621,493

6. SHORT-TERM TRADE RECEIVABLES

	Closing balance VND	Opening balance VND
Hung Thanh Company Limited	42,925,490,000	46,198,059,813
Tran Thi Ngoan Private Enterprise	20,608,721,250	14,124,179,800
Thuy Minh Khoa Company Limited	15,534,342,000	24,639,307,527
Minh Tan Fertilizer Export - Import Joint Stock Company	10,577,850,000	51,703,740,760
Da Nang Chemical Industries Joint Stock Company	-	42,708,929,000
Related parties (as presented in Note 36)	32,081,132,932	16,683,137,795
Others	117,436,304,284	226,457,097,748
	<b>239,163,840,466</b>	<b>422,514,452,443</b>

7. SHORT-TERM ADVANCES TO SUPPLIERS

	Closing balance VND	Opening balance VND
Ngoc Lan Commercial and Production Company Limited	9,153,800,000	9,153,800,000
Mitsubishi Corporation	4,695,047,820	-
Minh Tan Fertilizer Export - Import Joint Stock Company	-	29,220,000,000
Related parties (as presented in Note 36)	7,651,003,417	22,760,917,417
Others	15,848,744,309	17,656,021,844
	<b>37,348,595,546</b>	<b>78,790,739,261</b>

8. OTHER RECEIVABLES

	Closing balance VND	Opening balance VND
<b>Other short-term receivables</b>		
PetroVietnam Trade Union Finance Investment Corporation (PVFI)	110,143,267,289	110,143,267,289
PetroVietnam Petrochemical and Textile Fiber JSC (i)	114,509,081,543	114,509,081,543
Advances to employees	551,929,757	348,238,860
Accrued interest income from term deposits	18,859,561,377	20,673,800,115
Short-term deposits	90,134,000	330,134,000
Others	6,555,584,503	6,510,317,244
	<b>250,709,558,469</b>	<b>252,514,839,051</b>
<b>Other long-term receivables</b>		
Long-term deposits	658,396,000	858,374,000
	<b>658,396,000</b>	<b>858,374,000</b>

(i) The balance of the receivable from PetroVietnam Petrochemical and Textile Fiber Joint Stock Company ("PVTEX") as at 31 December 2019 represents a payment under the reciprocal guarantee commitment for medium- and long-term borrowings of PVTEX. Payment obligations arose from the fact that Corporation signed two reciprocal guarantee commitments with PVN relating to the guarantee obligations of PVN for medium- and long-term loans of PVTEX.

According to the Memorandum between PVN, PVTEX and the Corporation, PVN shall be responsible for collecting money from PVTEX to settle principal and interest amounts having paid by other parties on behalf of PVTEX. Within 07 days from the day PVN receives payments from PVTEX (for both principal and interest), PVN will return an amount which is calculated based on the Corporation's capital proportion in PVTEX to the Corporation. The interest rate is determined at the rate equal to demand deposit interest rate announced by Joint Stock Commercial Bank for Foreign Trade of Vietnam. The interest calculation period starts from the day the Corporation pays the reciprocal guarantee amount to PVN.

As at 31 December 2019, the Executive Board assessed the recoverability of this receivable at low level as the accumulated losses of PVTEX had exceeded its equity, and PVTEX is unable to meet its financial obligations as and when they fall due. Therefore, on a prudent basis, the Executive Board decided to make almost full provision for the receivable from PVTEX arising in 2017 and earlier with the total amount of more than VND 114 billion. As at 31 December 2019, other receivables from PVTEX amounting to about VND 400 million had not come due yet, for which the Corporation has not made provision.

9. BAD DEBTS

	Closing balance			Opening balance		
	VND	VND		VND	VND	
	Cost	Recoverable amount	Overdue time	Cost	Recoverable amount	Overdue time
<b>Doubtful debts</b>	<b>243,419,239,097</b>	<b>5,133,897,858</b>		<b>234,001,401,937</b>	<b>424,979,278</b>	
PetroVietnam Trade Union Finance Investment Corporation (i)	110,143,267,289	-	Over 3 years	110,143,267,289	-	Over 3 years
Ngoc Lan Private Enterprise (ii)	9,153,800,000	-	Over 3 years	9,153,800,000	-	Over 3 years
PetroVietnam Petrochemical and Textile Fiber JSC	114,704,334,648	424,979,278	From 6 months to 3 years and longer	114,704,334,648	424,979,278	From 6 months to 3 years and longer
- Receivables relating to reciprocal guarantee commitments (iii)	107,786,937,303	-		107,786,937,303	-	
- Other receivables	6,917,397,345	424,979,278		6,917,397,345	424,979,278	
Others	9,417,837,160	4,708,918,580	Over 6 months	-	-	

(i) The Corporation has made full provision for the receivable amount from PetroVietnam Trade Union Finance Investment Corporation since 2012.

(ii) The Corporation has made full provision for the receivable amount from Ngoc Lan Commercial and Production Company Limited since 2011.

(iii) The Corporation made almost full provision for the receivables from PetroVietnam Petrochemical and Textile Fiber Joint Stock Company ("PVTEX") arising in 2017 and earlier with regard to reciprocal guarantee commitments for medium-term and long-term loans of PVTEX and other receivables from PVTEX as stated in Note 8.

10. INVENTORIES

	Closing balance		Opening balance	
	VND	VND	VND	VND
	Cost	Provision	Cost	Provision
Goods in transit	275,176,176,470	-	496,409,760,065	-
Raw materials	394,867,677,394	-	354,525,480,392	-
Tools and supplies	6,516,834,174	-	9,557,319,466	-
Work in progress	31,776,106,907	-	52,590,022,079	-
Finished goods	393,775,228,075	(15,100,784,057)	283,338,090,388	-
Merchandise	268,183,589,881	(4,556,150,673)	468,708,754,014	(2,466,341,549)
<b>Total of Inventories</b>	<b>1,370,295,612,901</b>	<b>(19,656,934,730)</b>	<b>1,665,129,426,404</b>	<b>(2,466,341,549)</b>
Long-term reserved spare parts	148,991,115,516	-	109,307,114,725	-
<b>Total</b>	<b>1,519,286,728,417</b>	<b>(19,656,934,730)</b>	<b>1,774,436,541,129</b>	<b>(2,466,341,549)</b>

As at 31 December 2019, the Corporation made provision for devaluation of inventories which are merchandise having costs higher than their net realisable values with an amount of VND 19,656,934,730 (31 December 2018: VND 2,466,341,549).

11. PREPAYMENTS

	Closing balance	Opening balance
	VND	VND
<b>Short-term</b>		
Asset insurance premium prepayment	16,777,878,607	41,116,019,448
Tools and supplies	10,608,736,879	3,702,043,038
Others	2,340,760,101	8,654,931,286
	<b>29,727,375,587</b>	<b>53,472,993,772</b>
<b>Long-term</b>		
Cost of catalytic conversion of CO	10,776,145,929	-
Land and office rentals	5,999,981,657	10,572,929,492
Tools and supplies	9,859,651,102	7,941,007,680
Others	4,299,965,201	4,756,255,963
	<b>30,935,743,889</b>	<b>23,270,193,135</b>

12. INCREASES, DECREASES IN TANGIBLE FIXED ASSETS

	Buildings, structures	Machinery, equipment	Motor vehicles	Office equipment	Others	Total
	VND	VND	VND	VND	VND	VND
<b>COST</b>						
Opening balance	2,402,428,207,103	8,235,685,637,851	86,156,122,930	291,627,713,458	637,984,489,504	11,653,882,170,846
New purchases	-	3,685,527,152	4,183,361,000	13,357,643,205	-	21,226,531,357
Disposals	(41,887,579,808)	(1,115,309,709)	(2,372,789,709)	(312,189,851)	-	(45,687,869,077)
Reclassification	(75,086,000)	116,442,089	-	(41,356,089)	-	-
Closing balance	2,360,465,541,295	8,238,372,297,383	87,966,694,221	304,631,810,723	637,984,489,504	11,629,420,833,126
<b>ACCUMULATED DEPRECIATION</b>						
Opening balance	1,188,789,881,974	5,647,928,814,694	71,376,202,669	191,201,248,689	101,275,929,893	7,200,572,077,919
Charge for the year	136,580,105,740	266,326,962,194	3,860,745,657	34,546,769,113	95,246,586,049	536,561,168,753
Disposals	(36,427,835,768)	(1,115,309,709)	(2,169,802,607)	(312,189,851)	-	(40,025,137,935)
Reclassification	(9,668,608)	(2,845,999)	-	12,561,182	(46,575)	-
Closing balance	1,288,932,483,338	5,913,137,621,180	73,067,145,719	225,448,389,133	196,522,469,367	7,697,108,108,737
<b>NET BOOK VALUE</b>						
Opening balance	1,213,638,325,129	2,587,756,823,157	14,779,920,261	100,426,464,769	536,708,559,611	4,453,310,092,927
Closing balance	1,071,533,057,957	2,325,234,676,203	14,899,548,502	79,183,421,590	441,462,020,137	3,932,312,724,389

As stated in Note 23, the Corporation has pledged all the factories and equipment under the project on productivity enhancement of NH<sub>3</sub> workshop of Phu My Fertilizer Plant and construction of NPK Fertilizer Production Plant by applying chemical technology, which has the carrying value as at 31 December 2019 of VND 2,655,632,070,882 (31 December 2018: VND 2,913,426,547,573) to secure bank loans.

In 2019, the Corporation adjusted the depreciation period of tangible fixed assets of NPK workshop of Phu My Fertilizer plant from 01 January 2019 according to Resolution No. 153/NQ-PBHC dated 28 May 2019 of the Board of Directors approving adjustment of the depreciation period of fixed assets of NPK plant not exceeding 15 years. This change in depreciation rates of tangible fixed assets makes the depreciation expense in 2019 decrease by about VND 72 billion compared to the previous year's applications.

The cost of the Corporation's tangible fixed assets as at 31 December 2019 includes VND 6,217,712,574,240 (31 December 2018: VND 6,133,246,091,014) of tangible fixed assets which have been fully depreciated but are still in use.

13. INCREASES, DECREASES IN INTANGIBLE ASSETS

	Land use rights	Patent copyright	Computer software	Others	Total
	VND	VND	VND	VND	VND
<b>COST</b>					
Opening balance	863,853,207,162	175,819,275,927	83,599,267,704	15,819,633,154	1,139,091,383,947
Addition in the year	-	-	13,186,153,646	-	13,186,153,646
Closing balance	863,853,207,162	175,819,275,927	96,785,421,350	15,819,633,154	1,152,277,537,593
<b>ACCUMULATED AMORTISATION</b>					
Opening balance	36,401,779,513	173,163,781,437	59,128,014,436	10,483,348,525	279,176,923,911
Charge for the year	5,005,600,203	711,684,703	8,535,727,400	502,377,531	14,755,389,837
Closing balance	41,407,379,716	173,875,466,140	67,663,741,836	10,985,726,056	293,932,313,748
<b>NET BOOK VALUE</b>					
Opening balance	827,451,427,649	2,655,494,490	24,471,253,268	5,336,284,629	859,914,460,036
Closing balance	822,445,827,446	1,943,809,787	29,121,679,514	4,833,907,098	858,345,223,845

The cost of the Corporation's intangible assets as at 31 December 2019 includes VND 230,932,740,348 (31 December 2018: VND 229,805,800,348) of intangible assets which have been fully amortized but are still in use.

14. INCREASES, DECREASES IN INVESTMENT PROPERTIES

Investment properties held to earn rentals

	Land use rights	Buildings and structures	Total
	VND	VND	VND
<b>COST</b>			
Opening balance	99,499,152,000	235,057,715,544	334,556,867,544
Closing balance	99,499,152,000	235,057,715,544	334,556,867,544
<b>ACCUMULATED DEPRECIATION</b>			
Opening balance	8,652,660,333	75,520,944,913	84,173,605,246
Charge for the year	1,005,683,040	9,556,881,527	10,562,564,567
Closing balance	9,658,343,373	85,077,826,440	94,736,169,813
<b>NET BOOK VALUE</b>			
Opening balance	90,846,491,667	159,536,770,631	250,383,262,298
Closing balance	89,840,808,627	149,979,889,104	239,820,697,731

Investment properties represent land use rights and buildings, structures of Dong Tay Building at 27 Dinh Bo Linh Street, Ho Chi Minh City; Cuu Long Supermarket and Office Building in Ca Mau Province and PVFCCo Building at 43 Mac Dinh Chi Street, Ho Chi Minh City held by the Corporation to earn rentals.

List of Investment properties:

	Closing balance			Opening balance		
	VND	VND	VND	VND	VND	VND
	Accumulated Cost	Depreciation	Net Book Value	Accumulated Cost	Depreciation	Net Book Value
Dong Tay Building at 27 Dinh Bo Linh Street, Ho Chi Minh City	90,358,442,144	17,304,915,088	73,053,527,056	90,358,442,144	15,504,604,496	74,853,837,648
Cuu Long Supermarket-Office Building in Ca Mau Province	174,063,459,462	57,555,848,535	116,507,610,927	174,063,459,462	51,598,993,197	122,464,466,265
PVFCCo Building at 43 Mac Dinh Chi Street, Ho Chi Minh City	70,134,965,938	19,875,406,190	50,259,559,748	70,134,965,938	17,070,007,553	53,064,958,385
<b>Total</b>	<b>334,556,867,544</b>	<b>94,736,169,813</b>	<b>239,820,697,731</b>	<b>334,556,867,544</b>	<b>84,173,605,246</b>	<b>250,383,262,298</b>

According to VAS No. 05 - Investment Properties, fair value of investment properties at the balance sheet date is required to be disclosed. However, the Corporation has not determined the fair value as at 31 December 2019; therefore, no information about the fair value of investment properties as at 31 December 2019 is stated at the Notes to the consolidated financial statements.

15. CONSTRUCTION IN PROGRESS

	Closing balance VND	Opening balance VND
Construction in progress	145,846,801,849	136,578,490,420
In which:		
<i>NH<sub>3</sub> and NPK project (*)</i>	48,510,895,106	40,264,945,181
<i>Tay Ninh warehouse</i>	29,120,068,273	29,120,068,273
<i>Apartment buildings for employees</i>	36,342,070,618	36,342,070,618
<i>Other projects</i>	31,873,767,852	30,851,406,348

(\*) The total value of the project on productivity enhancement of NH<sub>3</sub> workshop of Phu My Fertilizer Plant and construction of NPK Fertilizer Production Plant by applying chemical technology is pledged to secure the long-term loans from Vietnam Public Joint Stock Commercial Bank - Ho Chi Minh City Branch (see details in Note 23). In 2018, the Corporation recorded a temporary increase in fixed assets which have been transferred from the project on productivity enhancement of NH<sub>3</sub> workshop of Phu My Fertilizer Plant under Decision No. 94/QD-PBHC dated 07 March 2018 and from the project on construction of NPK Fertilizer Production Plant by applying chemical technology under Decision No. 398/QD-PBHC on 24 August 2018.

**16. DEFERRED TAX ASSETS AND LIABILITIES**

The following are the major deferred tax assets recognized by the Corporation, and the movements thereof, in the year and the prior financial year:

Deferred tax assets

	Provision for short-term doubtful debts	Accrued expenses not yet billed	Unearned revenue	Others	Total
	VND	VND	VND	VND	VND
As at 01/01/2018	12,344,776,946	55,915,670,339	3,923,230,924	7,800,641,717	79,984,319,926
Charge for the year	(5,630,910,495)	(7,916,090,465)	2,971,850,136	(266,357,720)	(10,841,508,544)
As at 01/01/2019	6,713,866,451	47,999,579,874	6,895,081,060	7,534,283,997	69,142,811,382
Charge for the year	(6,343,891,155)	19,973,284,735	(1,701,219,687)	310,881,795	12,239,055,688
As at 31/12/2019	369,975,296	67,972,864,609	5,193,861,373	7,845,165,792	81,381,867,070

Deferred tax liabilities

	Current year
	VND
Opening balance	132,540,000,000
Closing balance	132,540,000,000

**17. SHORT-TERM TRADE PAYABLES**

	Closing balance		Opening balance	
	VND Amount	VND Amount able to be paid off	VND Amount	VND Amount able to be paid off
Baker Hughes Asia Pacific Ltd Co.	9,180,250,506	9,180,250,506	24,111,432,613	24,111,432,613
Uralkali Trading SIA	83,767,975,000	83,767,975,000	-	-
Related parties (see in Note 36)	282,147,171,291	282,147,171,291	289,651,178,463	289,651,178,463
Others	103,469,771,372	103,469,771,372	101,939,093,513	101,939,093,513
	<b>478,565,168,169</b>	<b>478,565,168,169</b>	<b>415,701,704,589</b>	<b>415,701,704,589</b>

**18. SHORT-TERM ADVANCES FROM CUSTOMERS**

	Closing balance VND	Opening balance VND
Hung Thanh Company Limited	12,935,543,000	1,500,000
Minh Dung Commercial and Services one-member Limited Company	10,273,250,000	15,204,420,000
Related parties (as presented in Note 36)	18,923,588	169,381,671
Others	57,609,389,652	53,268,616,361
	<b>80,837,106,240</b>	<b>68,643,918,032</b>

**19. TAX AND OTHER RECEIVABLES FROM/PAYABLES TO THE STATE BUDGET**

Items	Movement during the year			Closing balance VND
	Opening balance VND	Increase VND	Decrease VND	
Tax receivables				
Corporate income tax	3,948,417,432	-	795,598,658	3,152,818,774
Personal income tax	1,432,710,998	1,684,975,381	1,432,710,998	1,684,975,381
Total	5,381,128,430	1,684,975,381	2,228,309,656	4,837,794,155

Items	Movement during the year			Closing balance VND
	Opening balance VND	Amount payable VND	Amount paid VND	
Tax payables				
VAT on domestic goods	4,998,652,880	27,280,352,897	29,209,295,786	3,069,709,991
VAT on imports	-	7,068,529,971	7,068,529,971	-
Import-export duties	-	8,827,272,072	8,827,272,072	-
Corporate income tax	16,827,079,267	89,659,234,322	45,844,375,272	60,641,938,317
Personal income tax	1,150,780,585	31,969,519,804	31,262,992,831	1,857,307,558
Natural resource tax	262,162,560	2,592,925,440	2,612,864,640	242,223,360
Environmental protection tax	14,428,240	1,315,343,900	852,326,340	477,445,800
License tax	-	18,000,000	18,000,000	-
Foreign contractor tax	-	755,139,615	755,139,615	-
Other taxes	-	1,439,426,479	1,439,426,479	-
Total	<b>23,253,103,532</b>	<b>170,925,744,500</b>	<b>127,890,223,006</b>	<b>66,288,625,026</b>

20. SHORT-TERM ACCRUED EXPENSES

	Closing balance VND	Opening balance VND
Accruals for construction in progress	361,100,158,347	430,795,403,163
Gas transportation expenses	189,037,570,686	-
Accrued interest	43,021,018,440	41,691,165,925
Accruals for freight and loading expenses	15,433,413,873	22,809,833,054
Social security expense	11,243,414,498	13,997,804,495
Accruals for repairing and maintenance costs for Phu My Fertilizer Factory	8,291,623,939	11,838,368,461
Accruals for discount for agencies	-	7,808,091,826
Others	50,164,853,274	51,289,836,007
	<b>678,292,053,057</b>	<b>580,230,502,931</b>

(\*) Gas transportation expenses are estimated for 2019 is USD 1.4315/MMBTU based on Resolution No. 427/NQ-DKVN dated 21 January 2020 of Vietnam Oil and Gas Group on the "Gas supply plan between PetroVietnam Gas Corporation - JSC (PVGas) and PetroVietnam Fertilizer and Chemicals Corporation (PVFCCo) in the 2019-2020 period". Accordingly, the percentage of additional gas supply (when the gas sources of Bach Ho, Rong - Doi Moi Block are not sufficient) for the Corporation in 2019 is 50% of Cuu Long gas and 50% of Nam Con Son gas, leading to the increase of gas transportation expense of about VND 189 billion in 2019.

21. OTHER PAYABLES

	Closing balance VND	Opening balance VND
<b>Short-term payables</b>		
Dividends payable	26,449,417,989	25,951,218,689
Advance from insurance refund	19,000,000,000	-
Short-term deposits received	8,875,414,575	6,972,577,801
Other short-term payables	25,790,826,969	21,401,739,812
	<b>80,115,659,533</b>	<b>54,325,536,302</b>
<b>Other long-term payables</b>		
Long-term deposits received	960,870,000	960,870,000
	<b>960,870,000</b>	<b>960,870,000</b>

22. PROVISION PAYABLES

	Closing balance VND	Opening balance VND
<b>Short-term</b>		
Accrued repair and maintenance costs for Phu My Fertilizer Plant in 2020	301,977,907,105	-
Accrued maintenance costs for Gas Turbine in 2020	10,670,100,141	-
	<b>312,648,007,246</b>	<b>-</b>
<b>Long-term</b>		
Accrued repair and maintenance costs for Phu My Fertilizer Plant in 2020	-	160,865,000,003
Accrued maintenance costs for Gas Turbine in 2020	-	6,325,364,913
	-	<b>167,190,364,916</b>

23. LOANS AND OBLIGATIONS UNDER FINANCE LEASES

Item	Opening balance		Movement in the year		Closing balance	
	Amount	VND	Increase	Decrease	Amount	VND
Long-term						
Vietnam Public Joint Stock Commercial Bank - Ho Chi Minh Branch (i)	1,203,849,399,911	1,203,849,399,911	128,235,454,522	91,188,561,191	1,240,896,293,242	1,240,896,293,242
Short-term						
Joint Stock Commercial Bank for Investment and Development of Vietnam - Binh Dinh Branch	30,000,000,000	30,000,000,000	46,580,225,000	-	-	-
<b>Total</b>	<b>1,233,849,399,911</b>	<b>1,233,849,399,911</b>	<b>174,815,679,522</b>	<b>167,768,786,191</b>	<b>1,240,896,293,242</b>	<b>1,240,896,293,242</b>
<b>In which:</b>						
Amount due for settlement within 12 months	201,978,485,702	201,978,485,702	-	-	177,270,899,255	177,270,899,255
Amount due for settlement after 12 months	1,031,870,914,209	1,031,870,914,209	-	-	1,063,625,393,987	1,063,625,393,987

(i) The balance of loan and obligations under finance leases balance represents the loan under the Loan Agreement No. 639/2016/PVFCCo-PVB/HDTG dated 25 October 2016 between Vietnam Public Joint Stock Commercial Bank - Ho Chi Minh City Branch and the Corporation with the credit limit of VND 2,628,000,000,000 in order to finance the projects on productivity enhancement of NH<sub>3</sub> workshop of Phu My Fertilizer Plant and construction of NPK Fertilizer Production Plant by applying chemical technology. The maximum loan term is 108 months, the grace period is up to 24 months from the date of the first disbursement (i.e. 09 February 2017) or an earlier date as determined by the lender when the projects are completed and start generating revenue. The interest rate is determined by the reference interest rate plus the margin interest rate (2.5% per annum). The interest is calculated based on the actual outstanding balance and payable every 6 months.

As at 31 December 2019, the total loan amounts that have been disbursed were VND 884,907,603,943 and USD 15,324,524. The Corporation has pledged the entire value of the projects on productivity enhancement of NH<sub>3</sub> workshop of Phu My Fertilizer Plant and construction of NPK Fertilizer Production Plant applying chemical technology to secure the loans.

Long-term loans are repayable as follows:

	Closing balance VND	Opening balance VND
Within one year	177,270,899,255	171,978,485,702
In the second year	177,270,899,255	171,978,485,702
In the third to fifth year inclusive	531,812,697,104	515,935,457,104
After five year	354,541,797,628	343,956,971,403
	<b>1,240,896,293,242</b>	<b>1,203,849,399,911</b>
Less: Amount due for settlement within 12 months (shown under current liabilities)	177,270,899,255	171,978,485,702
<b>Amount due for settlement after 12 months</b>	<b>1,063,625,393,987</b>	<b>1,031,870,914,209</b>

**24. OWNERS' EQUITY**

Movement in owners' equity

	Owners' contributed capital		Share premium		Treasury shares		Investment and development fund		Retained earnings		Non-controlling interests		Total	
	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND	VND
Prior period's opening balance	3,914,000,000,000	21,179,913,858	(2,296,824,120)	3,497,039,984,859	442,169,277,324	171,132,492,276	8,043,224,844,197							
Profit for the year	-	-	-	-	699,593,467,601	12,880,733,113	712,474,200,714							
Distribution to bonus and welfare funds	-	-	-	-	(92,710,063,683)	(2,820,021,228)	(95,530,084,911)							
Dividends declared	-	-	-	-	(391,334,260,000)	(13,225,000,000)	(404,559,260,000)							
Other adjustments	-	-	-	-	(449,881,276)	(149,960,427)	(599,841,703)							
Prior period's closing balance	3,914,000,000,000	21,179,913,858	(2,296,824,120)	3,497,039,984,859	657,268,539,966	167,818,243,734	8,255,009,858,297							
Current period's opening balance	3,914,000,000,000	21,179,913,858	(2,296,824,120)	3,497,039,984,859	657,268,539,966	167,818,243,734	8,255,009,858,297							
Profit for the year	-	-	-	-	377,703,325,589	11,156,546,070	388,859,871,659							
Distribution to bonus and welfare funds (1)	-	-	-	-	(77,492,951,528)	(2,557,073,845)	(80,050,025,373)							
Dividends declared (2)	-	-	-	-	(391,334,260,000)	(11,050,000,000)	(402,384,260,000)							
<b>Current period's closing balance</b>	<b>3,914,000,000,000</b>	<b>21,179,913,858</b>	<b>(2,296,824,120)</b>	<b>3,497,039,984,859</b>	<b>566,144,654,027</b>	<b>165,367,715,959</b>	<b>8,161,435,444,583</b>							

(1) Distributions to bonus and welfare funds in the year are made as per the relevant Resolutions passed at the General Shareholders' Meeting of the Corporation and its subsidiaries.

(2) In 2019, the Corporation and its subsidiaries declared to pay the remaining dividends from the 2018 retained earnings amounting to VND 391,334,260,000 and VND 44,200,000,000 under Resolutions passed at their General Shareholders' Meetings. The Corporation and its subsidiaries paid almost of these dividend in 2019, the remaining amount of VND 26,449,417,989 will be paid in the future.

Shares	Closing balance	Opening balance
Number of shares issued to public		
+ Common shares	391,400,000	391,400,000
+ Preferred shares	-	-
Number of treasury shares		
+ Common shares	65,740	65,740
+ Preferred shares	-	-
Number of outstanding shares in circulation		
+ Common shares	391,334,260	391,334,260
+ Preferred shares	-	-

A common share has par value of VND 10,000.

#### Charter capital

According to Business Registration Certificate No. 4103007696 dated 31 August 2007 and its latest amendment dated 16 January 2019 issued by the Department of Planning and Investment of Ho Chi Minh City, the Corporation's charter capital is VND 3,914,000,000,000. The charter capital was fully contributed by the shareholders as at 31 December 2019 as follows:

Shareholders	According to the latest Business Registration Certificate		Contributed capital	
	VND	%	Closing balance VND	Opening balance VND
Vietnam Oil and Gas Group	2,332,042,530,000	59.58	2,332,042,530,000	2,332,042,530,000
Others	1,581,957,470,000	40.42	1,581,957,470,000	1,581,957,470,000
	<b>3,914,000,000,000</b>	<b>100%</b>	<b>3,914,000,000,000</b>	<b>3,914,000,000,000</b>

#### Dividends

In accordance with Resolution No. 41/NQ-DHDCD dated 17 April 2019 of General Meeting of Shareholders of the Corporation, shareholders approved the plan for distributing profit to funds and declaring dividends from 2019 retained earnings, accordingly, the total dividends for 2019 are estimated at VND 391,334,260,000, equivalent to 10% of the par value.

Movements of non-controlling interests during the year are as follows:

	Owners' contributed capital	Investment and development fund	Retained earnings	Total
	VND	VND	VND	VND
Opening balance	128,750,000,000	17,408,375,673	21,659,868,061	167,818,243,734
Profit for the year	-	-	11,156,546,070	11,156,546,070
Distributions to bonus and welfare funds	-	-	(2,557,073,845)	(2,557,073,845)
Dividends declared	-	-	(11,050,000,000)	(11,050,000,000)
Closing balance	<b>128,750,000,000</b>	<b>17,408,375,673</b>	<b>19,209,340,286</b>	<b>165,367,715,959</b>

#### 25. OFF BALANCE SHEET ITEMS

	Unit	Closing balance	Opening balance
Foreign currencies			
- United States Dollar	USD	107,256	115,741
- Euro	EUR	32,527	32,538

#### 26. BUSINESS AND GEOGRAPHICAL SEGMENTS

##### Business segments:

The Corporation and its subsidiaries operate in the same industry with relatively interrelated business activities. The Corporation and its subsidiaries' principal activities are production and trade of fertilizers and other chemical products used in agriculture.

Accordingly, the information as presented in the consolidated balance sheet as at 31 December 2019 and the revenue, expenses as presented in the consolidated income statement for the year ended 31 December 2019 relate to the trade of fertilizers and chemicals only. Revenue and cost of sales by product line and business are presented in Note 27.

##### Geographical segments:

The Corporation distributes fertilizer, chemicals, packages, and provides related services nationwide via its subsidiaries in each region, including the North, Central Region - Central Highlands, Southeast, Southwest and Ho Chi Minh City. During the year, the Corporation exported its products with the revenue of approximately VND 9.7 billion, accounting for negligible proportion of gross revenue from goods sold and services rendered of the Corporation. Thus, most of the production and business activities of the Corporation during the year were carried out inside the territory of Vietnam.

#### 27. NET REVENUE AND COST OF SALES

	Locally-produced products	Imported goods	Total
	VND	VND	VND
Current year			
Net revenue	6,031,489,758,779	1,652,051,449,279	7,683,541,208,058
Cost of sales	(4,693,121,813,856)	(1,588,326,440,750)	(6,281,448,254,606)
Gross profit	<b>1,338,367,944,923</b>	<b>63,725,008,529</b>	<b>1,402,092,953,452</b>
Prior year			
Net revenue	6,610,506,937,573	2,686,604,612,836	9,297,111,550,409
Cost of sales	(4,852,910,819,135)	(2,544,729,439,758)	(7,397,640,258,893)
Gross profit	<b>1,757,596,118,438</b>	<b>141,875,173,078</b>	<b>1,899,471,291,516</b>

Details of revenue from trading locally-produced products are as follows:

	Current year VND	Prior year VND
Sales of fertilizers	5,559,476,508,658	6,089,913,086,689
Sales of chemicals	496,042,944,352	534,459,992,590
Others	54,811,753,201	50,677,528,144
	6,110,331,206,211	6,675,050,607,423
Sales discounts	78,841,447,432	64,543,669,850
	6,031,489,758,779	6,610,506,937,573
Sales in the period with related parties (as presented in Note 36)	144,177,412,348	105,204,372,247

Details of cost of sales with regard to trade of locally-produced products are as follows:

	Current year VND	Prior year VND
Cost of fertilizers sold	4,250,700,169,194	4,438,283,341,993
Cost of chemicals sold	398,655,592,016	371,588,587,206
Others	43,766,052,646	43,038,889,936
	4,693,121,813,856	4,852,910,819,135

## 28. PRODUCTION COST BY NATURE

	Current year VND	Prior year VND
Raw materials and consumables	3,347,003,286,578	3,659,146,392,565
Labour cost	518,289,603,894	492,459,098,269
Depreciation and amortisation	561,879,123,157	519,256,652,582
Out-sourced services	757,312,810,779	887,682,296,362
Other monetary expenses and provision	459,726,088,814	546,254,382,715
	5,644,210,913,222	6,104,798,822,493

## 29. FINANCIAL INCOME

	Current year VND	Prior year VND
Interest income	136,143,869,942	122,849,576,673
Dividends and profits received	2,704,666,045	181,891,900
Foreign exchange gain	1,164,889,509	626,977,463
	140,013,425,496	123,658,446,036

## 30. FINANCIAL EXPENSES

	Current year VND	Prior year VND
Interest expenses	106,897,449,564	62,586,468,519
Provision for impairment of long-term investments	(130,960,763)	(146,244,087)
Foreign exchange loss	870,067,956	11,355,986,774
Others	-	1,783,157
	107,636,556,757	73,797,994,363

## 31. SELLING EXPENSES AND GENERAL AND ADMINISTRATION EXPENSES

	Current year VND	Prior year VND
Selling expenses in the year		
Transportation, loading/uploading and storages expenses	220,958,605,457	250,787,019,731
Salesperson costs	84,633,315,554	87,515,125,740
Social security, advertisement, communication	125,934,742,184	131,248,631,173
Others	123,231,339,375	142,771,376,881
	554,758,002,570	612,322,153,525
General and administration expenses in the year		
Administration staff costs	158,895,319,255	147,339,970,519
Administration fee paid to the Group	-	31,270,942,893
Depreciation and amortisation	76,460,401,639	85,123,242,211
Others	179,984,095,066	221,976,138,764
	415,339,815,960	485,710,294,387

## 32. CURRENT CORPORATE INCOME TAX EXPENSE

	Current year VND	Prior year VND
Corporate income tax expense based on taxable income in the current year	90,454,832,980	130,996,067,924
Adjustments for corporate income tax expenses in previous years to the current year	-	16,303,752,044
Total current corporate income tax expense	90,454,832,980	147,299,819,968

**33. BASIC EARNINGS PER SHARE**

The calculation of basic earnings per share allocated to shareholders with ordinary shares of the Corporation is as follows:

	Curent year		Prior year
	VND		(Restated) VND
Profit after corporate income tax attributable to the Holding Company	377,703,325,589		699,593,467,601
- Distribution to Bonus and Welfare funds	(39,807,242,016)		(130,395,773,196)
<b>Earnings for the purpose of calculating basic earnings per share</b>	<b>337,896,083,573</b>		<b>569,197,694,405</b>
Weighted average number of ordinary shares in circulation during the period	391,334,260		391,334,260
<b>Basic earnings per share</b>	<b>863</b>		<b>1,455</b>

(\*) At the preparing date of these consolidated financial statements, the Corporation has estimated the distribution of profit after tax for the year ended 31 December 2019 that can be made to the bonus and welfare fund in accordance with the 2019 business plan, which was approved by the Annual General Meeting of Shareholders in 2019. This amount might be subject to change upon the final decision of the 2020 Annual General Meeting of Shareholders.

The basic earnings per share for the year ended at 31 December 2018 were restated due to the effect from distribution of profit after tax of 2018 under the Resolutions approved by the General Shareholders' Meetings of the Corporation and its subsidiaries.

	Prior year	
	Reported amount VND	Restated amount VND
Profit after corporate income tax	699,593,467,601	699,593,467,601
- Distribution to Bonus and Welfare funds	(92,710,063,683)	(130,395,773,196)
<b>Earnings for the purpose of calculating basic earnings per share</b>	<b>606,883,403,918</b>	<b>569,197,694,405</b>
Weighted average number of ordinary shares in circulation during the year	391,334,260	391,334,260
<b>Basic earnings per share</b>	<b>1,551</b>	<b>1,455</b>

**34. COMMITMENTS**

**Operating lease commitments**

At the balance sheet date, the Corporation has non-cancellable operating lease commitments with the following payment schedule :

	Closing balance VND	Opening balance VND
Within one year	18,787,639,051	17,837,635,440
In the second to fifth years inclusive	63,844,300,203	61,964,285,761
After five years	371,545,801,219	387,276,786,005
	<b>454,177,740,473</b>	<b>467,078,707,206</b>

Operating lease payments represent the total amounts that are payable by the Corporation and its subsidiaries for land lease for construction of workshops and warehouses, and for office lease.

**35. CONTINGENT LIABILITIES**

As at 31 December 2019, the Corporation had reciprocal guarantee commitments with Vietnam Oil and Gas Group ("PVN") relating to the guarantee obligations of PVN for medium and long-term borrowings of PetroVietnam Petrochemical and Textile Fiber Joint Stock Company ("PVTEX") - the Corporation's associate. Accordingly, the Corporation was committed to pay to PVN the amount equal to principals, interest, other relating expenses and incurring financial losses which PVN had paid to the banks corresponding to the Corporation's capital contribution in PVTEX. The repayment will be implemented within 45 days starting from the date when PVN sends the official letter requiring the Corporation to make payment. The Corporation has issued Official Letter No. 2668/PBHC-HĐQT dated 22 December 2017 to inform PVN of legal problems in fulfilling its obligations relating to the reciprocal guarantee commitment.

Up to 31 December 2019, the Corporation has paid PVN an amount of more than VND 107.8 billion relating to the guarantee commitment obligation, this amount was recorded as other receivables from PVTEX.

As at 31 December 2019, the loans and interest which are secured by all the assets of project "Dinh Vu Polyester Fiber Plant" and the guarantee obligations of PVN and the Corporation (as presented above) had the total amount of collaterals of about VND 5,400 billion.

According to Official Letter No. 9792/CV-KHDN dated 31 December 2014 issued by Joint Stock Commercial Bank for Investment and Development of Vietnam on restructuring the loans for the construction of Dinh Vu Polyester Fiber Plant, the period to repay the remaining principal balance is from 21 June 2017 to 21 June 2029. As of 31 December 2019, the Corporation has a contingent liability of about VND 422 billion corresponding to the Corporation's capital proportion in PVTEX. The relevant contingent liability in the upcoming years is uncertain and dependent on the plan on handling of PVTEX's outstanding problems and PVTEX's sources of funds to cover its debts as approved by competent authorities.

**36. RELATED PARTY TRANSACTIONS AND BALANCES**

*Related parties are:*

Parent Company - Vietnam Oil and Gas Group (PetroVietnam)

Associates

Fellow subsidiaries

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

	Current year VND	Prior year VND
<b>Vietnam Oil and Gas Group (PetroVietnam)</b>		
Dividends	233,204,253,000	233,204,253,000
Management fee	-	31,270,942,893
	<b>233,204,253,000</b>	<b>295,746,138,786</b>
<b>Sales</b>		
PetroVietnam Ca Mau Fertilizer Joint Stock Company (PVCFC)	95,299,921,626	4,812,719,792
Vietsovpetro Joint Venture	18,458,003,972	6,661,240,817
PetroVietnam Gas Joint Stock Corporation (PV Gas)	13,937,592,000	16,460,101,818
PetroVietnam Exploration Production Corporation (PVEP)	16,450,713,600	52,104,052,400
PetroVietnam Northern Gas Joint Stock Company	31,181,150	15,253,204,800
Drilling Mud Joint Stock Corporation (DMC)	-	9,913,052,620
	<b>144,177,412,348</b>	<b>105,204,372,247</b>
<b>Purchases</b>		
PetroVietnam Gas Joint Stock Corporation (PV Gas)	2,218,029,708,065	2,848,063,774,202
Dam Phu My Packaging JSC	166,968,446,250	220,695,316,310
PVI Holdings	34,135,997,346	102,549,394,743
PTSC Phu My Port JSC	22,696,772,612	29,060,222,731
PetroVietnam Transportation Corporation (PVTrans)	12,198,838,061	14,503,775,983
PetroVietnam Security Service JSC	11,457,350,503	8,454,255,212
PetroVietnam Oil Corporation (PV Oil)	7,669,212,714	32,307,506
Petrovietnam Maintenance and Repair Corporation (PVMR)	3,201,325,000	8,091,328,665
PetroVietnam Technical Safety Registration Company Limited	1,634,326,649	5,665,142,625
Vietnam Petroleum Institute (VPI)	643,529,170	1,247,374,610
PetroVietnam Technical Services Corporation (PTSC)	-	537,002,414,894
PetroVietnam General Services Joint Stock Corporation (Petrosetco)	42,012,960	13,039,616,559
PetroVietnam Ca Mau Fertilizer Joint Stock Company (PVCFC)	-	1,217,000,318
PVD Offshore Co., Ltd	-	8,215,312,094
	<b>2,478,677,519,330</b>	<b>3,797,837,236,452</b>

*Related party balances as at 31 December 2019 were as follows:*

	Closing balance VND	Opening balance VND
<b>Trade receivables</b>		
PetroVietnam Ca Mau Fertilizer Joint Stock Company (PVCFC)	23,158,780,831	2,357,563,767
PetroVietnam Gas Joint Stock Corporation (PV Gas)	2,101,105,600	2,331,912,000
Vietsovpetro Joint Venture	4,565,624,000	-
PetroVietnam Technical Services Corporation (PTSC)	1,150,847,875	1,860,734,745
PTSC Phu My Port JSC	909,521,521	463,550,178
PetroVietnam Petrochemical and Textile Fiber JSC (PVTEX)	195,253,105	195,253,105
PetroVietnam Exploration Production Corporation	-	9,474,124,000
	<b>32,081,132,932</b>	<b>16,683,137,795</b>
<b>Advances to suppliers</b>		
Dam Phu My Packaging JSC	2,790,396,000	17,900,310,000
PetroVietnam Urban Development Joint Stock Company (PVC Mekong)	4,860,607,417	4,860,607,417
	<b>7,651,003,417</b>	<b>22,760,917,417</b>
<b>Other short-term receivables</b>		
PetroVietnam Petrochemical and Textile Fiber JSC (PVTEX)	114,509,081,543	114,509,081,543
PetroVietnam Trade Union Finance Investment Corporation (PVFI)	110,143,267,289	110,143,267,289
	<b>224,652,348,832</b>	<b>224,652,348,832</b>
<b>Trade payables</b>		
PetroVietnam Gas Joint Stock Corporation (PV Gas)	210,276,167,229	234,392,662,645
PVI Insurance Hochiminh City	26,194,525,862	1,616,943,611
Dam Phu My Packaging JSC	17,479,010,350	16,651,835,200
PetroVietnam Technical Services Corporation (PTSC)	16,366,736,381	29,566,736,449
PTSC Phu My Port JSC	7,232,372,204	-
PetroVietnam Urban Development Joint Stock Company (PVC Mekong)	3,221,660,677	3,221,660,677
PetroVietnam Transportation Corporation (PVTrans)	1,350,183,600	1,320,968,908
PetroVietnam General Services Joint Stock Corporation (Petrosetco)	-	634,728,901
Vietnam Oil and Gas Group (PetroVietnam)	-	1,506,945,892
Vietnam Petroleum Institute (VPI)	26,514,988	738,696,180
	<b>282,147,171,291</b>	<b>289,651,178,463</b>

	Closing balance VND	Opening balance VND
<b>Advances from customers</b>		
PVI Insurance Hochiminh City	18,923,588	-
PetroVietnam Gas Joint Stock Corporation (PV Gas)	-	139,075,313
Drilling Mud Joint Stock Corporation (DMC)	-	30,306,358
	<b>18,923,588</b>	<b>169,381,671</b>
<b>Accruals</b>		
PetroVietnam Gas Joint Stock Corporation (PV Gas)	189,037,570,686	-
	<b>189,037,570,686</b>	<b>-</b>
<b>Loans and obligations under finance leases</b>		
Vietnam Public Joint Stock Commercial Bank - Ho Chi Minh Branch	1,240,896,293,242	1,203,849,399,911
	<b>1,240,896,293,242</b>	<b>1,203,849,399,911</b>

**37. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

**Supplemental non-cash disclosures**

Cash outflows for purchases of fixed assets and construction in progress during the year exclude an amount of VND 28,265,414,752 (In 2018: VND 465,590,840,231), representing an addition in fixed assets and construction in progress during the year that has not yet been paid for. Consequently, changes in payables have been adjusted by the same amount.

Interest paid during the year excludes VND 8,941,939,292 (In 2018: VND 1,625,552,397), representing the interest amount of the long-term loan for the year which has been added to the principal amount. Consequently, interest paid and proceeds from borrowings have been adjusted by the same amount.

Interest paid during the year excludes VND 43,021,018,440 (In 2018: VND 41,665,275,514), representing the unpaid interest amount of the long-term loan for the year. Consequently, changes in payables have been adjusted by the same amount.

Proceeds from borrowings in the year exclude VND 41,665,275,514, representing the interest amount of the long-term loan for the year which has been added to the principal amount. Consequently, proceeds from borrowings and payables have been adjusted by the same amount.

Dividends and profits paid to shareholders during the year exclude VND 26,449,417,989 (In 2018: VND 25,951,218,689), representing the amount of dividends declared but not yet paid to shareholders. Consequently, changes in payables have been adjusted by the same amount.

**Unused cash and cash equivalents held by enterprises**

At 31 December 2019, cash and cash equivalents include a 3-month term deposit of the Corporation at Ocean Commercial One Member Limited Liability Bank (formerly known as Ocean Commercial Joint Stock Bank) with the amount of more than VND 284 billion. According to Official Letter No. 5351/2016/CV-OCEANBANK dated 4 October 2016 and Official Letter No. 60/2018/CV-OCEANBANK dated 28 December 2018, Ocean Commercial One Member Limited Liability Bank commits to pay customers' deposits according to the payment schedule in the bank restructuring scheme, which is submitted to the State Bank of Vietnam and the Government for approval.

Tran Xuan Thao  
Preparer

Vo Ngoc Phuong  
Chief Accountant

Le Cu Tan  
Chief Executive Officer

20 March 2020



Financial report by the Corporation and online version of Annual Reports to be found at the website: [www.dpm.vn](http://www.dpm.vn) [www.dpm.vn](http://www.dpm.vn)



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