

PROSPECTUS

Initial Public Offering

at Ho Chi Minh Stock Exchange

BINH SON REFINING AND PETROCHEMICAL CO., LTD

December, 2017



JOINT FINANCIAL ADVISORS



INVESTORS SHOULD CAREFULLY READ THIS PROSPECTUS AND THE AUCTION REGULATION IN ITS ENTIRELY BEFORE MAKING A DECISION TO PURCHASE

PROSPECTUS

INITIAL PUBLIC OFFERING

BINH SON REFINING AND PETROCHEMICAL COMPANY LIMITED

THE AUCTIONEER



HOSE

HO CHI MINH STOCK EXCHANGE

Address: 16, Vo Van Kiet Str., Dist. 1, Ho Chi Minh City

Tel: (084) 28 38217713

Fax: (084) 28 38217452

THE ISSUER



BINH SON REFINING AND PETROCHEMICAL COMPANY LIMITED

Address: 208, Hung Vuong Boulevard, Tran Phu Ward, Quang Ngai City, Quang Ngai Province

Tel: (084) 255 3825825

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JOINT FINANCIAL ADVISORS



BSC

LEAD FINANCIAL ADVISOR: BIDV SECURITIES COMPANY

Head Office: 10th, 11th Floor – BIDV Tower, 35, Hang Voi Str., Hoan Kiem Dist., Ha Noi

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PSI

CO-FINANCIAL ADVISOR: PETROVIETNAM SECURITIES INCORPORATED

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THIS PROSPECTUS AND SUPPORTING DOCUMENTS ARE PROVIDED BY THE ISSUER, THE AUCTIONEER, THE ADVISORS, AND AGENCIES LISTED IN THE AUCTION REGULATION

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PART I: FOREWORD

This Prospectus, for the purposes of information disclosure, is a part of the equitization process and the initial public offering of shares common stocks ("IPO") of Binh Son Refining and Petrochemical Company Limited ("BSR").

Prospective investors are advised to rely only on the information as presented in (i) the Prospectus (ii) the Bidding Form, (iii) the Auction Regulation, issued by the Auctioneer before deciding to invest in our common stocks. No person has been authorized, in connection with the offering, to give any information or to make any representation other than those contained in this Prospectus. Prospective investors should consult their own professional advisors regarding any potential misinterpretation of information presented herein.

We are a wholly State-owned company, a member unit of Vietnam Oil and Gas Group ("PVN"), currently operating under the legal framework of Vietnam. Our equitization is the sale of the Government of Vietnam's existing ownership. It is expected that the Government of Vietnam to maintain a 43% ownership in our post-equitization company.

After our incorporation, we will operate as a joint-stock business entity with our corporate seal and account(s) upon obtaining renewed certificate of business registration being as defined under the Vietnam legislative system. Any existing legal rights, obligations, and benefits as stated under the legal framework of Vietnam would be carried forward to the newly incorporated legal entity. The newly incorporated entity will operate under the legal framework of the Government of Vietnam and our Corporate Charter.

The public offering is a part of our equitization process to become a joint stock company. Investors holding our shares will become our Shareholders and reserved all associated rights and obligation as stated under our Corporate Charter and Vietnam legislative system.

PART II: SUMMARY OF THE INITIAL PUBLIC OFFERING BY BINH SON REFINING AND PETROCHEMICAL CO., LTD

1. THE INITIAL PUBLIC OFFERING

| | |
|--|--|
| Number of shares offered in the public offering | 241,556,969 shares |
| Class of shares | Common stock |
| Par value | 10,000 VND/share |
| Starting price..... | 14,600 VND/share |
| Minimum bidding volume | 100 shares |
| Maximum bidding volume | 241,556,969 shares |
| Allocation method | Auction at Ho Chi Minh Stock Exchange |
| Eligible subscribers | Individual and institutional investors meeting the requirements as stated in The Auction Regulation of Binh Son Refining and Petrochemical Company Limited |
| Prospectus distribution | Available at the agencies listed in the Auction Regulation, their websites and at http://www.hsx.vn ; http://bsc.com.vn ; http://psi.vn ; http://bsr.com.vn . |
| Subscription venue..... | At designated agencies as stated in the Auction Regulation of Binh Son Refining and Petrochemical Company Limited |
| Deadlines for Subscription Form, Deposit, and Bidding Form submission..... | As stated in the Auction Regulation of Binh Son Refining and Petrochemical Company Limited |
| Deposit..... | 10% of total subscription value, calculated at the starting price |
| Deadline for Bidding Form submission at the auction agents | As stated in the Auction Regulation of Binh Son Refining and Petrochemical Company Limited |
| Auction location | Ho Chi Minh Stock Exchange, No. 16, Vo Van Kiet Str. Dist. 1, Ho Chi Minh City |
| Payment method, payment deadline, and deposit | As stated in the Auction Regulation of Binh |

refund..... Son Refining and Petrochemical Company Limited

2. TENTATIVE CHARTER CAPITAL AND EXPECTED POST-IPO OWNERSHIP STRUCTURE

2.1. Tentative charter capital

Based on principles for determination of charter capital of the Company and current legal framework, our initial charter capital is shown in table below:

| Tentative charter capital | Value (in VND) |
|--|---------------------------|
| The State capital recorded in the accounting books at the time of valuation..... | 31,004,996,159,995 |
| The State capital for equitization | 31,004,996,159,995 |
| The State capital for equitization (rounding) | 31,004,996,160,000 |
| Tentative charter capital | 31,004,996,160,000 |

2.2. Expected post-IPO ownership structure

| Ownership structure | Number of shares (in shares) | Par value (in VND) | Percentage |
|---|---------------------------------|---------------------------|----------------|
| The Government of Vietnam | 1,333,214,835 | 13,332,148,350,000 | 43.00% |
| Shares offered to the company employees | 6,483,000 | 64,830,000,000 | 0.21% |
| <i>Shares offered to employees at</i> | <i>1,437,000</i> | <i>14,370,000,000</i> | <i>0.05%</i> |
| <i>preferential rate according to seniority ...</i> | | | |
| <i>Shares offered at preferential rate</i> | <i>5,046,000</i> | <i>50,460,000,000</i> | <i>0.16%</i> |
| <i>according to working commitment with</i> | | | |
| <i>the Company.....</i> | | | |
| Shares offered to BSR's trade union | - | - | 0.00% |
| Shares offered to strategic investor(s) | 241,556,969 | 2,415,569,690,000 | 7.79% |
| Shares offered in the initial public offering | 1,519,244,812 | 15,192,448,120,000 | 49.00% |
| Total..... | 3,100,499,616 | 31,004,996,160,000 | 100.00% |

PART III: THE PUBLIC OFFERING

1. LEGAL BASIS

1.1. Regulations relevant to the equitization of State Owned Enterprises

- Enterprise Law No. 68/2014/QH13 dated 26/11/2014;
- Decree No. 59/2011/ND-CP dated 18/07/2011 of the Government of Vietnam regarding the transformation of wholly State-owned enterprises into joint stock companies;
- Decree No. 189/2013/ND-CP dated 20/11/2013 of the Government of Vietnam amending and supplementing a number of articles of the Decree 59/2011/ND-CP on the transformation of wholly State-owned enterprises into joint stock companies;
- Decree No. 63/2015/ND-CP dated 22/07/2015 of the Government of Vietnam providing for policies towards redundant employees due to the restructuring of State-owned single member limited companies;
- Decree No. 116/2015/ND-CP dated 11/11/2015 of the Government of Vietnam amending and supplementing a number of articles of the Decree 59/2011/ND-CP on the transformation of wholly State-owned enterprises into joint stock companies;
- Circular No. 196/2011/TT-BTC dated 26/12/2011 of the Ministry of Finance setting guidelines for the initial public offering and use of proceeds from the equitization of 100% State-owned enterprises into joint stock companies;
- Circular No. 33/2012/TT-BLDTBXH dated 20/12/2012 of the Ministry of Labour-Invalids and Social affairs setting guidelines for redundancy benefits of State-owned, single member limited companies;
- Circular No. 127/2014/TT-BTC dated 05/09/2014 of the Ministry of Finance setting guidelines for financial restructuring and settlement, the valuation in the transformation of wholly State-owned enterprises into joint stock companies;
- Circular No. 44/2015/TT-BLDTBXH dated 20/12/2012 of the Ministry of Labour-Invalids and Social affairs setting guidelines for a number of articles of the Decree 63/2015/ND-CP providing for policies towards redundant employees due to the restructuring of State-owned single member limited companies;
- Circular No. 115/2016/TT-BTC dated 30/06/2016 of the Ministry of Finance amending and supplementing a number of articles of the Circular No.196/2011/TT-BTC setting guidelines for the initial public offering and use of proceeds from the equitization of 100% State-owned enterprises into joint stock companies;

1.2. Legal basis for the equitization of Binh Son Refining and Petrochemical Co., Ltd

- Decision No. 58/2016/QĐ-TTg dated 28/12/2016 of the Prime Minister of Vietnam on criteria for classification of wholly State-owned enterprises undergoing restructuring in 2016 -2020;

- Resolution No. 84/2017NQ-CP dated 06/09/2017 of the Government of Vietnam on the Government's regular meeting – August 2017;
- Decision No. 2665/QD-DKVN dated 06/11/2015 of Vietnam Oil and Gas Group ("PVN") on the equitization of Binh Son Refining and Petrochemical Company Limited ("BSR");
- Decision No. 2721/QD-DKVN dated 16/11/2015 of Vietnam Oil and Gas Group on the establishment of Equitization Steering Committee of Binh Son Refining and Petrochemical Co., Ltd;
- Decision No. 2747/QD-DKVN dated 19/11/2015 of PVN on the establishment of the Assistant Team for the Equitization Steering Committee of Binh Son Refining and Petrochemical Co., Ltd;
- Decision No. 1106/QD-DKVN dated 02/06/2016 of Vietnam Oil and Gas Group on appointment of more Members of the Assistant Team for the Equitization Steering Committee of Binh Son Refining and Petrochemical Co., Ltd;
- Decision No. 1259/QD-DKVN dated 24/06/2016 of Vietnam Oil and Gas Group on appointment of more Executive Members of the Assistant Team for the Equitization Steering Committee of Binh Son Refining and Petrochemical Co., Ltd (BSR);
- Decision No. 383/QD-DKVN dated 28/02/2017 of Vietnam Oil and Gas Group on replacement of Members of the Assistant Team for the Equitization Steering Committee of Binh Son Refining and Petrochemical Co., Ltd (BSR);
- Decision No. 1039/QD-DKVN dated 06/06/2017 of Vietnam Oil and Gas Group on replacement of Members of the Assistant Team for the Equitization Steering Committee of Binh Son Refining and Petrochemical Co., Ltd (BSR);
- Decision No. 1938/QD-BCT dated 31/05/2017 of the Minister of Industry and Trade on valuation of Binh Son Refining and Petrochemical Co., Ltd (under control of Vietnam Oil and Gas Group) for equitization;
- Decision No. 1978/QD-TTg dated 08/12/2017 of the Prime Minister on approval of Equitization Plan of Binh Son Refining and Petrochemical Co., Ltd (under control of Vietnam Oil and Gas Group).

2. ORGANIZATIONS RELATED TO THE PUBLIC OFFERING

2.1. Auctioneer

Name: Hochiminh Stock Exchange
Head Office: No. 16, Vo Van Kiet Str., Dist. 1, HO Chi Minh City
Tel: (84.28) 38217713
Fax: (84.28) 38217452
Website: www.hsx.vn

2.2. Issuer

Name: Binh Son Refining and Petrochemical Company Limited
Abbreviation: BSR
Head Office: 208, Hung Vuong Boulevard, Tran Phu Ward, Quang Ngai City, Quang Ngai Province
Tel: (84.255) 3825825
Fax: (84.255) 3825826
Website: www.bsr.com.vn

2.3. Joint Financial Advisors

Lead Financial Advisor: BIDV Securities Company

Head Office: 10th, 11th Floor – BIDV Tower, 35, Hang Voi Str., Hoan Kiem Dist., Ha Noi
Tel: (84.24) 39352722
Fax: (84.24) 22200669
Website: www.bsc.com.vn

Co-financial Advisor: PetroVietnam Securities Incorporated

Head Office: 2nd Floor – Ha Noi Tourist Building, 18, Ly Thuong Kiet Str., Phan Chu Trinh Ward, Hoan Kiem Dist., Ha Noi
Tel: (84.24) 39343888
Fax: (84.24) 39343999
Website: www.psi.vn

3. KEY PERSONNEL RESPONSIBLE FOR CONTENTS OF INFORMATION ABOUT THE EQUITIZED ENTERPRISE

3.1. Representative of the Equitization Steering Committee of Binh Son Refining and Petrochemical Co., Ltd

Mr. Phan Dinh Duc Member fo the Members' Council of Vietnam Oil and Gas Group – Head of the Committee

3.2. Representative of the Issuer

Mr. Tran Ngoc Nguyen General Director of Binh Son Refining and Petrochemical Co., Ltd

The aforementioned individuals are responsible for the accuracy, integrity and legality of the information contained herein, in order for investors to make reasonable assessment regarding our assets, operation, financial performance and prospect before subscribing for our common stocks.

3.3. Representatives of Joint Financial Advisors

Mr. Do Huy Hoai General Director of BIDV Securities Company – Lead Financial Advisor

Mr. Dang Minh Quang Deputy Director of PetroVietnam Securities Incorporated – Co-financial Advisor

(Pursuant to authorization letter No. 37A/UQ-NDD-CKDK dated 04/10/2017 of The President of PetroVietnam Securities Incorporated regarding authorization letter of legal representative to members of PSI).

The Joint Financial Advisors, BSC-PSI, have prepared this prospectus, including the wording and assessment contained herein, on a reasonable and prudent basis using the information provided by Binh Son Refining and Petrochemical Co., Ltd. The advisors have followed guidelines as required by applicable laws without providing any assurance to the value of the securities.

4. ABBREVIATION AND GLOSSARY

“BSR”, “The Company”, “We”, “Our” . Binh Son Refining and Petrochemical Co., Ltd

| | |
|---------------------|--|
| “Decision 58” | Decision No. 58/2016/QĐ-TTg dated 28/12/2016 of the Prime Minister of Vietnam on criteria for classification of wholly State-owned enterprises undergoing restructuring in 2016 -2020 |
| “Decree 116” | Decree No. 116/2015/ND-CP dated 11/11/2015 of the Government of Vietnam amending and supplementing a number of articles of the Decree 59/2011/ND-CP on the transformation of wholly State-owned enterprises into joint stock companies |
| “Decree 189” | Decree No. 189/2013/ND-CP dated 20/11/2013 of the Government of Vietnam amending and supplementing a number of articles of the Decree 59/2011/ND-CP on the transformation of wholly State-owned enterprises into joint stock companies |
| “Decree 59” | Decree No. 59/2011/ND-CP dated 18/07/2011 of the Government of Vietnam regarding the transformation of wholly State-owned enterprises into joint stock companies |
| 9M/2016, 9M/2017 | Data for the first 9 months for the year 2016, 2017 |
| ASEAN | The Association of Southeast Asian Nations |
| BO | Business Operation |
| BSR-BF | PetroVietnam Central Bio Fuels JSC |
| Carbon Black | A type of amorphous carbon and an additive used to produce rubber and tire |
| CDU | Crude Distillation Unit |
| Co., Ltd | Company Limited |
| DEZA | Dung Quat Economic Zone Authority |
| DO | Diesel Oil/Diesel is used as fuel for diesel engines of motor vehicles. |
| DQRE | Dung Quat Refinery Upgrading and Expansion Project Management Unit |
| DWT | Deadweight tonnage, a measure of how much weight a ship is carrying or can safely carry |
| E5 RON92 | E5 gasoline (mixture of unleaded gasoline and ethanol fuel with ethanol content of 4% to 5% in volume) with RON of 92 or higher |
| EURO II, III, IV, V | European emission standard systems |
| EV | Enterprise value |

| | |
|--|---|
| EZ..... | Economic Zone |
| FA..... | Finance and accounting |
| FCA, FOB, CIF | Typical delivery conditions of Incoterms 2010 |
| FO..... | Fuel Oils |
| FPF..... | Fire protection and fighting |
| FS..... | Fiancial Statements |
| FTAs | Free trade agreements between Vietnam and other organizations and countries |
| G.D | General Director |
| HGO | Heavy Gas Oil |
| HI | Health insurance |
| IPO | Initial Public Offering |
| Jet A-1 | Aviation turbine fuel Jet A-1 |
| JSC..... | Joint Stock Company |
| KO | Kerosene |
| LGO..... | Light Gas Oil |
| LPG | Liquefied petroleum gas |
| LSO | LubriMist Synthetic Oil |
| LSWR | Low Sulfur Waxy Residue |
| LTi..... | Long-term investment |
| MB..... | The Management Board |
| MC..... | Members' Council |
| MOIT..... | The Ministry of Industry and Trade |
| MOST | The Ministry of Science and Technology |
| MTBE | Methyl Tert-Butyl Ether is an additive with extremely high octane number and mainly used to mix with gasoline to improve quality and reduce the environmental pollution |
| NR | Net revenue |
| PAT | Profit after tax |
| PBT | Profit before tax |
| PC..... | The People's Committee |
| PM | Project Management |
| PMS | Petroleum Maintenance Services Joint Stock Company |
| PP..... | Polypropylene/ PP resins |
| PV-Building | PetroVietnam Building and Commercial Joint Stock Company |
| PVOil..... | PetroVietnam Oil Corporation |
| PVOS..... | PetroVietnam Oil Stockpile Company Limited |
| PVTrans..... | PetroVietnam Transportation Corporation |
| QCVN | Vietnamese regulations |
| Re-adjustment of accounting books..... | Re-adjustment of accounting books/re-adjustment of accounting books at value of the State-owned capital portion |

revaluated

| | |
|---------------------|---|
| Refinery..... | Oil refinery plant/Oil refinery |
| RFCC..... | Residue Fluidised Catalytic Cracking Unit |
| ROA..... | Return on Assets |
| ROE..... | Return on Equity |
| RON92..... | Unleaded gasoline with octane number of 92 or higher |
| RON95..... | Unleaded gasoline with octane number of 95 or higher |
| SAO..... | Safety Action Observation, an electronic management system |
| SI..... | Strategic Investor |
| SOEs..... | State-owned enterprises |
| SPM..... | Single Point Mooring |
| TA..... | Turnaround for the Refinery |
| TCCS..... | Base standards for each type of products issued by Binh Son Refining and Petrochemical Co., Ltd |
| The Group, PVN..... | Vietnam Oil and Gas Group |
| UE..... | Dung Quat Upgrading and Expansion/Dung Quat Refinery Upgrading and Expansion Project |
| UI..... | Unemployment insurance |

5. FORWARD-LOOKING STATEMENTS

This Prospectus contains some forward-looking statements related to our future plans, intentions, beliefs, expectations and predictions, especially in “Post-IPO Strategic Direction” section. Many important factors, in addition to those discussed elsewhere in this Prospectus, could cause our actual results to differ substantially from those anticipated in our forward-looking statements.

Forward-looking statements reflect our current views including, without limitation:

- Our post-IPO organizational structure;
- The legal environment and general perspectives and changes of oil, gas, refining and petrochemical industry of the world and Vietnam;
- Our business development strategies and solutions for implementation of these strategies;
- Our expected business plan for the 2018 - 2022 period;

In addition, statements of our financial position, objectives and strategies, reorganization of business model, managerial apparatus, post-equitization business orientation, implementation plans and solutions are also forward-looking statements. In some cases, we use words such as “will”, “believe”, “predict”, “expect”, “estimate”, “may”, “plan”, “likely”, “risk”, “should” and other similar words to determine forward-looking statements. While we believed that such projections are reasonable, these statements are not necessarily accurate indications of future results.

Except for disclosure as required by law once we become a joint-stock company, we shall have no obligation to update, publish or amend forward-looking statements in this Prospectus whether as a result of new information, future events or otherwise. Prospective investors are cautioned not to place undue reliance on forward-looking statements as presented in this Prospectus.

6. PRESENTATION OF FINANCIAL AND OTHER RELATED INFORMATION

All data and references in this Prospectus, except where stated otherwise, are compiled from internal sources. These include, but are not limited to, our's financial statements, periodic performance reports, among others. Certain figures included in this Prospectus have been subjected to rounding or truncation adjustments and figures shown as totals in certain tables and statements may not be an arithmetic aggregation of the figures that precede them. This presentation is deemed not being able to materially affect potential investors' assessment of the value of the securities.

PART IV: OUR BUSINESS PRIOR TO EQUITIZATION

1. INTRODUCTION

1.1. General information

| | |
|--------------------------------|---|
| Vietnamese name | Công ty TNHH Một thành viên Lọc - Hóa dầu Bình Sơn |
| English name..... | Binh Son Refining and Petrochemical Company Limited |
| Abbreviated name | BSR |
| Holding company..... | Vietnam Oil and Gas Group ("PVN") |
| Type of Ownership | Single member limited company |
| Head Office | No.208, Hung Vuong Boulevard, Tran Phu Ward, Quang Ngai City, Quang Ngai Province Vietnam |
| Telephone..... | 0255.3825825 |
| Website | www.bsr.com.vn |
| Tax identification number..... | 4300378569 |

Logo.....



1.2. Legal documents on our establishment

- Decision No. 1018/QĐ-DKVN dated 09/05/2008 on the establishment of Binh Son Refining and Petrochemical Co., Ltd;
- Enterprise Registration Certificate No. 4300378569 issued by the Department of Planning and Investment of Quang Ngai Province on 05/06/2017 and amendments.

1.3. Business lines

According to Enterprise Registration Certificate No. 4300378569 issued by the Department of Planning and Investment of Quang Ngai Province on 05/06/2008, the 9th amendment on 10/02/2015 and the 11th amendment on 03/11/2017, our main business lines are as follows:

- Production of refined petroleum projects. In detail: Production, processing, trading, import, export, storage, transportation, distribution of petroleum, petroleum products, intermediate products, biofuels, chemical products, additives, catalysts, raw materials for refining and petrochemical industry.
- Repair of machines and equipment. In detail: Repair, maintenance of machines and equipment on refining and petrochemical industry.
- Related technical architecture and consultancy. In detail: Supervision over construction of civil and industrial works.

- Supervision over engineering equipment installation; fabrication and completion of oil and gas pipeline and stockpile systems.
- Provision and management of workforce. In detail: Training of human resource, employment and provision of experts in management, operation, maintenance, repair in refining and petrochemical and seaport industry, scientific researches, applications, repair in refining and petrochemical industry.
- Other specialty wholesale.
- Provision of services in production, processing, trading, import, export, storage, transportation, distribution of petroleum, petroleum products, intermediate products, biofuels, chemical products, additives, catalysts, machine, equipment materials, parts, vehicles, raw materials for refining and petrochemical industry.
- Provision of analytical services for crude oil, petroleum products and chemicals, additives, catalysts, biofuels related to refining and petrochemical.
- Marine and seaport services related to refining and petrochemical industry.
- Investment and development of domestic, foreign refining, petrochemical and biofuel projects.

1.4. Our history

1.4.1. Project implementation stage (from 2005 to 2008)

Dung Quat Refinery (DQR) Project, owned by PVN, was officially commenced on November 28th, 2005 at Dung Quat Economic Zone (EZ), Binh Son District, Quang Ngai Province with total initial investment capital of USD 2.5 billion and adjusted investment capital of USD 3 billion by 2009¹, processing capacity of 6.5 million tons of crude oil/year, meeting over 30% of the country's demand for gasoline and oil. DQR Project is a national focal work regarding oil and gas and plays a key role in socio-economic development.

The establishment of DQR has enabled Vietnam to process crude oil domestically, gradually ensure energy security, reduce reliance on foreign gasoline and oil supply and make a breakthrough in the development of the Central Region, especially Quang Ngai Province.

DQR Project has been a notable milestone, laid the foundation for this focal industry in Vietnam, created new jobs, transformed economic structure, increased the State budget revenue and developed other local services from construction stage to operation stage.

¹ Pursuant to Decision No. 546/QĐ-TTg dated 17/06/2005 of the Prime Minister on adjustment of Dung Quat Refinery No. 1 Investment Project, total approved investment capital at that time was USD 2,501 million.

Pursuant to Decision No. 1291/QĐ-TTg dated 17/08/2009 June 17th, 2009 of the Prime Minister on approval of total adjusted investment capital of DQR Project, total investment capital of the Project was increased to 3,053,556,339 USD (approximately USD 3 billion)

1.4.2. Establishment and commissioning stage (from 2008 to 2011)

In order to manage and operate DQR, Binh Son Refining and Petrochemical Co., Ltd was established under the Decision No. 1018/QĐ-DKVN dated 09/05/2008 by Vietnam Oil and Gas Group. Accordingly, we were assigned to manage and direct production activities of DQR and trade its refining and petrochemical products.

On February 22nd, 2009, we produced the first batch of products of the Refinery. Meanwhile, we were granted the quality certificate for gasoline and oil products by Directorate for Standards, Metrology and Quality of the Ministry of Science and Technology.

On May 25th, 2010, our commissioning was successfully taken over, the Refinery safely operated at full design capacity and properly produced all high-quality products of all types. On May 30th, 2010, Vietnam Oil and Gas Group officially received DQR from Technip Consortium and assigned us to directly manage and put the Refinery into commercial operation.

From February 22nd, 2009 to the end of December, 2010, we processed 8.3 million tons of crude oil and supplied 7.2 million tons of products to the market. In 2010, we gained a net revenue of VND 58.46 trillion with a profit of more than VND 119.11 billion and contributed over VND 10 trillion to the State budget.

1.4.3. Completion and production stage (2011 onwards)

On January 6th, 2011, the Prime Minister cut the ribbon for the ceremony of our official commencement. Meanwhile, since our takeover of DQR, the average utilization of the Refinery has been over 95% per year. In specific, since our first Turn Around in 2011, the Refinery has been fully operated.

In 2012, our business operation faced difficulties due to 68 days of downtime for maintenance and settlement of technical shortcoming. Nevertheless, we sold 5.6 million tons of gasoline and oil products, gained a revenue of VND 127.78 trillion and contributed VND 17.61 trillion to the State budget.

In 2013, our actual business performance was higher than expected as we processed 7.3 million tons of crude oil and sold 6.6 million tons of assorted products to the market. In addition, we achieved a total revenue of over VND 154.27 trillion, 41% higher than our annual plan and paid around VND 28.42 trillion to the State budget, 112% higher than expected.

Until 2014, the Refinery had operated for 630 consecutive days without failure before it was shut down for the second Turn Around which was planned and managed by our employees with a huge work volume. On August 14th, 2014, we set up a meeting to summarize our second Turn Around. Accordingly, the second Turn Around, which was completed four days in ahead of schedule, was acclaimed with high quality and safety.

During 2011-2016 period, we produced a total output of 37 million tons of products, gained a net revenue of around VND 693 trillion and paid over VND 118 trillion to the State budget. Along with notable achievements, we had made importance contribution to the increase of the State budget

revenue and the assurance of national energy security while proactively participating in the transformation of economic structure and the development of other industries and services of Quang Ngai Province.

In 2016, we completed expected production plan 52 days ahead of schedule. Accordingly, we produced around 6.83 million tons of products, 1 million tons higher than our production plan for the year of 2016.

On December 22nd, 2014, for our development strategies, Vietnam Oil and Gas Group issued the Decision No. 9016/QĐ-DKVN on official approval of DQR Upgrading and Expansion Project. Accordingly, the UE Project with total investment capital of USD 1.813 million is expected to be completed in 2021 and officially put into operation in 2022. After the completion of the UE Project, our crude oil processing capacity is expected to reach 8.5 million tons/year while our output quality will meet EURO V standard. In addition, the Refinery will be increasingly flexible to select inputs and reduce reliance on crude oil from the Bach Ho (White Tiger) oilfield.

Our long-term vision is to become a proactive, dynamic and competitive refining and petrochemical company in domestic and foreign markets; maintain high business performance in association with environmental protection and safety; and proactively participate in social welfare and security. In which, our strategic targets set towards 2022 are as follows:

- To focus on safe, stable, effective, sustainable production and master technologies.
- To complete and put the DQR Upgrading and Expansion Project into operation.
- To protect the environment, develop sustainably, actively participate social welfare and security and make contributions to general development of the locality.

1.5. Our achievements

- Our products have been awarded Golden Medal at Vietnam International Trade Fairs (Vietnam Expo 2010, 2011, 2012).
- In 2013: Our products were awarded Golden Cup for Quality at Vietnamese Enterprise and Product Honoring Fair in 2013.
- In 2013: We were awarded Certificate of Merit by the Prime Minister and Golden Prize for National Quality in 2013.
- In 2014: Our products were awarded “Golden Cup for TOP TEN Vietnamese Brands”.
- In 2014: We were awarded the Second-Class Labor Order by the President of the Socialist Republic of Vietnam.
- In 2015: Our products were awarded Vietnam Golden Star Award.
- In 2016: We were awarded the Golden Prize for National Quality and Asia - Pacific International Quality Prize by the Ministry of Science and Technology.

1.6. Organizational structure

According to the Decision No. 5362/QĐ-HĐTV dated 21/12/2016 on the issue of organizational structure, functions and tasks of Divisions, departments and human resource planning in 2017 of Binh Son Refining and Petrochemical Co., Ltd, we are operating as a single member limited company, wholly owned by Vietnam Oil and Gas Group.

1.6.1. Our organizational structure

Our company structure is as follows:

A. Company

- Members' Council
- Board of Management
- Board of Supervisors
- Supporting Units (Offices/Divisions/Departments)

B. The Refinery

- Board of Management of the Refinery
- Divisions/Departments in charge of production

C. Branches: DQR Upgrading and Expansion Project Management Unit (DQRE)

D. Subsidiaries/Associates/Companies invested by BSR:

- PetroVietnam Building and Commercial Joint Stock Company
- PetroVietnam Central Biofuels Joint Stock Company
- Petroleum Maintenance Services Joint Stock Company
- PetroVietnam Oil Stockpile Company Limited

1.6.2. Our managerial structure

Our managerial structure is as follows:

Members' Council

The Members' Council is a body representing our owner, fulfills rights and obligations of the owner in our Company, our wholly owned subsidiaries and of our owner to contributed capital in other enterprises. The Members' Council has right to act for and on our behalf to decide all issues related to fulfillment of our targets, tasks and rights, except for issues within authority and responsibilities of the owner.

According to our Charter, members of the Members' Council are appointed, removed from office, commended, disciplined by the owner and assume responsibility before the owner and law for decisions of the Members' Council that cause damages to the owner, except for members voting

against these decisions. The Members' Council has no more than five members. Each member of the Members' Council acts in term of 05 years.

Board of Management

General Director: The General Director is our legal representative who directs our daily operations based on targets, plans, Resolutions and Decisions of the Members' Council in conformity with our Charter and assumes responsibility before the Members' Council and law for fulfillment of assigned rights and obligations.

Deputy General Directors: The Deputy General Directors assist the General Director in directing the Company, fulfill tasks and powers assigned by the General Director in conformity with our Charter and assume responsibility before the General Director and law for assigned tasks and powers.

Chief Accountant: Tasks of the Chief Account are to perform our accounting, financial, recording and statistical activities; assist the General Director in financial supervision, assume responsibility before the General Director, Members' Council, owner and law for fulfillment of his/her tasks and powers.

Board of Supervisors

Tasks of the Board of Supervisors are to act on behalf of the owner to assess managerial activities of the Members' Council, Board of Management as provided for in the Charter, Resolutions and Decisions of the owner.

Supporting Units (Offices/Divisions/Departments)

Supporting Units: Supporting Units include Offices, professional, operational and equivalent Divisions/departments whose functions are to advise, inspect and assist the Members' Council, General Director in directing the Company and fulfilling functions, tasks and powers of the owner, shareholders, capital contributors or partners to other enterprises.

Board of Management of the Refinery

The Director of the Refinery is a person directing all daily activities of the Refinery based on our business operation targets and plans and decisions of the General Director under our regulations to ensure completely safe and effective operation of the Refinery as expected; fulfilling tasks and powers assigned by the General Director; assuming responsibility before the General Director and law for fulfillment of assigned rights and tasks.

The Deputy Directors of the Refinery assist the Director in directing the Refinery, fulfill tasks and powers assigned by the Directors under our regulations; assume responsibility before the Director and law for fulfillment of assigned tasks and powers.

Management Board of our branches – DQR Upgrading and Expansion Project Management Unit (DQRE)

Head of the Unit is a person directing all daily activities of the DQRE based on targets, plans, resolutions and decisions of the Members' Council, General Director under our regulations, the

DQRE's organization and operation regulations; assuming responsibility before the Members' Council, the General Director and law for fulfillment of assigned rights and tasks.

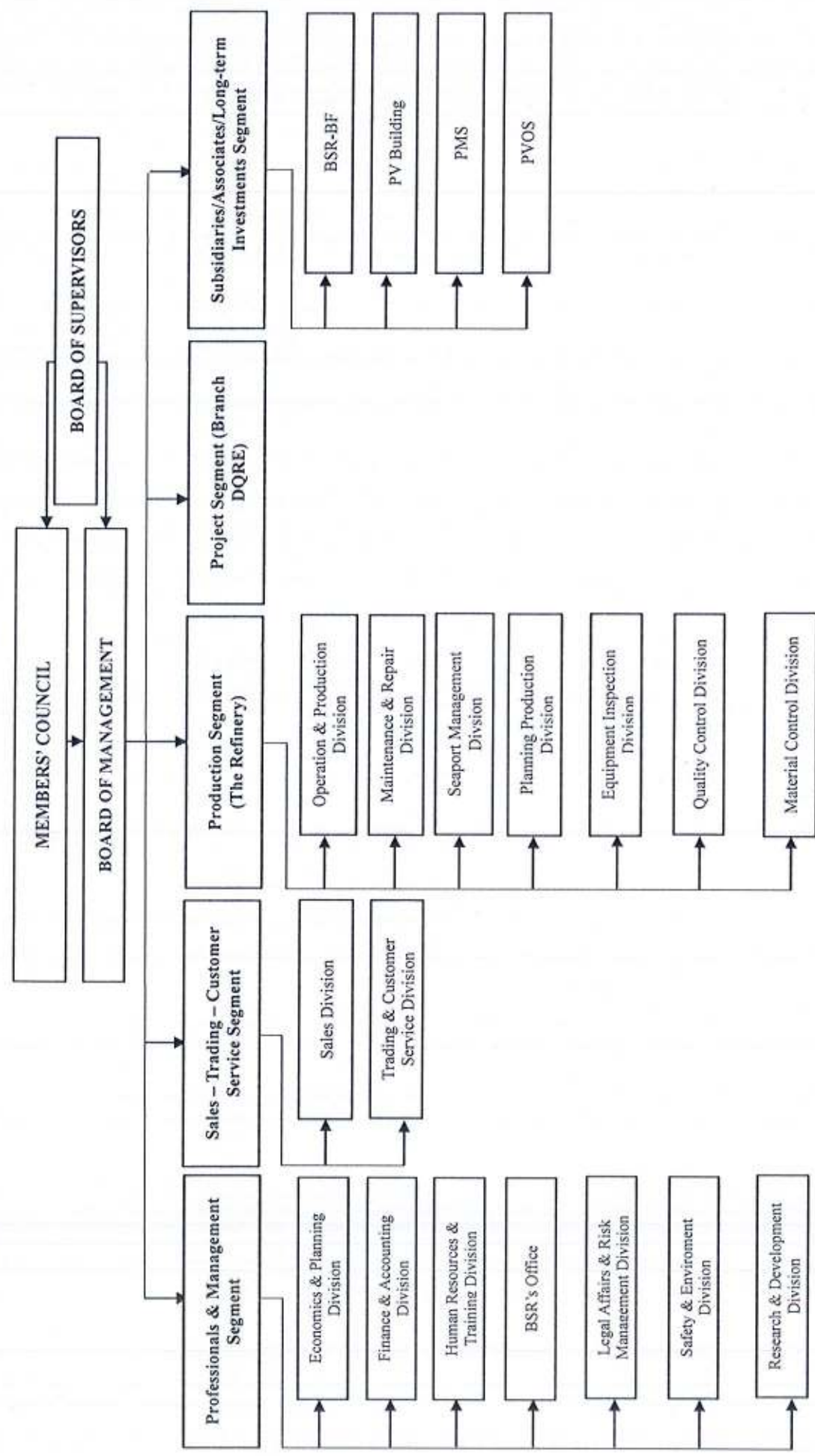
Deputy Heads of the Unit assist the Head in directing the DQRE, fulfill tasks and powers assigned by the Head under regulations of the Company/DQRE; assume responsibility before the Head and law for assigned tasks and powers.

Subsidiaries and Associates

Our representatives at subsidiaries and associates shall observe regulations on the Company's representatives and legal provisions.

1.6.3. Organizational chart

According to the Decision No. 5362/QĐ-HĐTV dated 21/12/2016 on issue of organizational structure, functions and tasks of divisions, departments and human resource planning in 2017 of BSR, our organizational chart at the time of equitization is as follows:



1.6.4. The Members' Council²

| Name of members | Position |
|----------------------------|----------|
| Mr Nguyen Hoai Giang..... | Chairman |
| Mr. Tran Ngoc Nguyen | Member |
| Mr. Vu Manh Tung..... | Member |
| Mr. Nguyen Quang Hoa | Member |

1.6.5. Board of Supervisors

| Name of members | Position |
|-------------------------|------------|
| Mr. Pham Ngoc Quy | Supervisor |

1.6.6. Board of Management

| Name of members | Position |
|----------------------------|-------------------------|
| Mr. Tran Ngoc Nguyen | General Director |
| Mr. Vu Manh Tung..... | Deputy General Director |
| Mr. Nguyen Van Hoi | Deputy General Director |
| Mr. Nguyen Viet Thang..... | Deputy General Director |
| Mr. Nguyen Ngoc Anh..... | Deputy General Director |
| Mr. Ly Hong Duc | Deputy General Director |
| Mr. Khuong Le Thanh..... | Deputy General Director |
| Mr. Pham Xuan Quang..... | Chief Accountant |

² List of members of the Members' Council, Board of Supervisors and Board of Management as on 30/11/2017.

1.7. List of branches and subsidiaries

At the time of valuation (31/12/2015), we had one branch and two subsidiaries. List of our branch and subsidiaries are shown in the table below:

| Branches | | Main business lines | |
|---|--|----------------------|---|
| Branches | Address | Charter Capital | Our ownership rate |
| Branch of Binh Son Refining and Petrochemical Co., Ltd – Dung Quat Refinery Upgrading and Expansion Project Management Unit | No. 208, Hung Vuong Boulevard, Tran Phu Ward, Quang Ngai City, Quang Ngai Province | 175.22 (VND billion) | 96.53% |
| | | | Our voting rate |
| | | | Main business lines |
| | | | Production of refined petroleum projects |
| | | | Investment and development of domestic, foreign refining, petrochemical and biofuel projects. |
| | | | Management of houses and trading of residential and urban area services |
| | | | Production and import of biofuel products |

Source: Binh Son Refining and Petrochemical Co., Ltd

³ As on 31/12/2015, shareholders actually contributed VND 1,120.45 million to BSR – BF. In which, we contributed VND 737.92 million to BSR – BF, accounting for 65.86%. Nevertheless, its new Business Registration Certificate has not been issued. According to Business Registration Certificate changed for the seventh time on 28/02/2014, its charter capital is VND 982 billion.

1.8. List of Our Associates/Partially Owned Companies/Long-term Investments

At the time of valuation (31/12/ 2015), we did not own any associate. Meanwhile, we had two other financial long-term investments

| Company name | Head office address | Contributed | | Our ownership rate | Our voting rate | Main business lines |
|--|--|-----------------|-----------|--------------------|-----------------|--|
| | | Charter Capital | (tỷ đồng) | | | |
| Petroleum Maintenance Services Joint Stock Company (PMS) | Vo Van Kiet, Binh Thuan Commune, Binh Son District, Quang Ngai Province | 80.00 | | 8.75% | 8.75% | Provision of machine, equipment and work repair and maintenance services in oil and gas industry |
| PetroVietnam Oil Stockpile Company Limited (PVOS) | Long Son Oil and Gas Industrial Park, Long Son Commune, Vung Tau City Ba Ria – Vung Tau Province | 55.69 | | 7.99% | 7.99% | Investment, construction and operation of oil stockpiles |

Source: Binh Son Refining and Petrochemical Co., Ltd

1.9. Products and services

Binh Son Refining and Petrochemical Co., Ltd is commonly known as Dung Quat Oil Refinery with processing capacity of 6.5 million tons of crude oil/year, meeting over 30% of the country's demand for oil and gas. The main Refinery includes 15 technological units, 10 supporting energy units, crude oil tanks, product tanks, crude oil and product pipeline systems. Supporting systems for the Refinery are seaport items including single point mooring (SPM) for ships with size up to 110,000 DWT. In July 2014, SPM was renovated to receive ships with size of 150,000 DWT. Meanwhile, we have breakwater and port of export systems for ships with size up to 30,000 DWT.

In addition to main business lines of refining and petrochemical product processing, a minor part of our revenue comes from service charge collected from oil tankers arriving at our ports.

At present, our RON92 and DO products are meeting EURO II standard as provided for in QCVN 1:2015/BKHCN while RON95 products are certifying EURO III standard as provided for in QCVN 1:2015/BKHCN. Additionally, other products such as Jet A-1, FO, LPG, sulfur, PP and Propylene are controlled for output quality as provided for in current regulations of the State and our base standards.

Our design output is summarized in the table below:

| No. | Product name | Design output (Unit: thousand tons/year) |
|-----|---------------------|--|
| 1 | RON92 | 1.400 – 1.800 |
| 2 | RON95 | 600 – 700 |
| 3 | DO | 2.900 – 3.200 |
| 4 | FO | 60 – 100 |
| 5 | Jet A-1 | 80 – 400 |
| 6 | LPG | 400 – 420 |
| 7 | Polypropylene | 135 – 150 |
| 8 | Propylene | 136 – 150 |

Source: Binh Son Refining and Petrochemical Co., Ltd.

Categories of products, standards and certificates of product quality are specified in the table below:

| No. | Products | Product description | Regulations | Standards of product quality | Issued quality certificates |
|-----|----------|---|---|--|--|
| 1 | DO | Diesel oil (DO) is mixture of petroleum-based liquid hydrocarbon with appropriate boiling range, used as fuel for diesel engines operating in spontaneous combustion when they are compressed under high pressure in cylinders. | QCVN 1:2015/BKHCN National technical regulation on gasoline, diesel fuel oils and biofuels | TCVN 5689:2013 Diesel fuel oils (DO) - Specifications TCCS 02:2016/BSR-Diesel fuel oils (DO) - Specifications | Certificate of Conformity to Regulations No. 17.009.02-HQ5/N2 valid to 31/05/2020 Certificate of Conformity to Standards No. 17.001.02-HC5/N2 valid to 31/05/2020 |

| No. | Products | Product description | Regulations | Standards of product quality | Issued quality certificates |
|-----|----------|--|--|---|--|
| 2 | RON92 | RON92 is a highly volatile mixture of petroleum-based liquid hydrocarbon with normal boiling range between 30 °C and 215 °C, usually containing a minor amount of appropriate additives but not containing leaded additives, used as fuel for internal combustion engines. | QCVN 1:2015/BKHCN National technical regulation on gasolines, diesel fuel oils and biofuels | TCVN 6776:2013 Unleaded gasoline – Specifications TCCS 01:2016/BSR- Unleaded gasoline – Specifications | Certificate of Conformity to Regulations No. 17.009.01-HQ5/N2 valid to May 31st, 2020 Certificate of Conformity to Standards No. 17.001.01-HC5/N2 valid to May 31st, 2020 |
| 3 | E5 RON92 | E5 RON92 is mixture of unleaded gasoline and ethanol fuel with ethanol content of 4% to 5% in volume with octane number of 92 or higher | QCVN 1:2015/BKHCN National technical regulation on gasolines, diesel fuel oils and biofuels | TCVN 8063:2015 5% ethanol unleaded gasoline blends - Specifications and test methods TCCS 11:2016/BSR-E5 gasoline – Specifications | Certificate of Conformity to Regulations No. 15.034-HQ5/N2 valid to June 30th, 2018 |
| 4 | RON95 | RON95 is a highly volatile mixture of petroleum-based liquid hydrocarbon with normal boiling range between 30 °C and 215 °C, usually containing a minor amount of appropriate additives but not containing leaded additives, used as fuel for internal combustion engines. | QCVN 1:2015/BKHCN National technical regulation on gasolines, diesel fuel oils and biofuels | TCVN 6776:2013 Unleaded gasoline - Specifications TCCS 01:2016/BSR- Unleaded gasoline -- Specifications | Certificate of Conformity to Regulations No. 16.021-HQ5/N2 valid to December 27th, 2019 Certificate of Conformity to Standards No. 16.001-HC5/N2 valid to December 27th, 2019 |

| No. | Products | Product description | Regulations | Standards of product quality | Issued quality certificates |
|-----|-----------|---|--|---|--|
| 5 | LPG | Liquefied petroleum gas (LPG) is petroleum-based hydrocarbon product mainly containing propane (C ₃ H ₈) or butane (C ₄ H ₁₀) of mixture of these two substances. In normal temperature and pressure, these hydrocarbons are in gas form and when they are compressed under a certain pressure or cooled to an appropriate temperature, they change to liquid form. | QCVN 08:2012/BKHCN National technical regulation on liquefied petroleum gases (LPG) | TCVN 6548:1999- Liquefied petroleum gases- Specifications TCCS 06:2016/BSR- Liquefied petroleum gases (LPG)-Specifications | Certificate of Conformity to Regulations No. 1535-16-01 valid to May 08th, 2019 Certificate of Conformity to Standards No. 15.001.02- HC5/N2 valid to June 30th, 2018 |
| 6 | Sulfur | Sulfur is a product of sulfur recovery units and produced in liquid form. | Specific regulations are unavailable | TCCS 08:2016/BSR-Sulfur- Specifications | Certificates of Conformity to Regulations and Certificates of Conformity to Standards are not required as provided for by the State |
| 7 | Propylene | Propylene products are produced, stored and sold in liquid form. | Specific regulations are unavailable | TCCS 07:2016/BSR- Propylene- Specifications | Certificates of Conformity to Regulations and Certificates of Conformity to Standards are not required as provided for by the State |

| No. | Products | Product description | Regulations | Standards of product quality | Issued quality certificates |
|-----|----------|--|--------------------------------------|---|---|
| 8 | PP | Polypropylene (PP) is produced from propylene, hydrogen and catalysts. PP is used for various applications to partially meet plastic resins demand of domestic market. | Specific regulations are unavailable | TCCS 09:2016/BSR Propylene- Specifications | Certificates of Conformity to Regulations and Certificates of Conformity to Standards are not required as provided for by the State |
| 9 | FO | Fuel oil (FO) is a type of fuel used for furnaces in various operation and climate conditions and named as fuel oil (mazut). | Specific regulations are unavailable | TCCS 05:2016/BSR-Fuel oil (FO) - Specifications | Certificates of Conformity to Regulations and Certificates of Conformity to Standards are not required |
| 10 | KO | Kerosene (KO) is used for domestic purposes such as lighting and cooking. | Specific regulations are unavailable | TCVN 6240:2002 – Kerosene - Specifications TCCS 04:2016/BSR-Kerosene (KO) - Specifications | Certificates of Conformity to Regulations are not required. Certificates of Conformity to Standards are not required due to infrequent production. |
| 11 | Jet A-1 | Aviation turbine fuel Jet A-1 is a jet fuel used in jet engines of aircrafts. | Specific regulations are unavailable | AFQRJOS issue 29 – 10/2016 DEF STAN 91-091 issue 9 – 10/2016 TCVN 6426:2009 Aviation turbine fuels Jet A-1 - Specifications | Certificate of Conformity to Standards No. 15.001.01-HC5/N2 valid to June 30th, 2018. Certificate No. 255/QA/FC/01 certifying |

| No. Products | Product description | Regulations | Standards of product quality | Issued quality certificates |
|--------------|---------------------|-------------|--|--|
| | | | TCCS 03:2016/BSR-Aviation turbine fuels Jet A-1 - Specifications | BSR as a Jet A-1 supplier of Vietnam Airlines. |

Source: Binh Son Refining and Petrochemical Co., Ltd

2. BUSINESS OPERATION AND PERFORMANCE DURING 2013 - 2016 PERIOD AND SEPTEMBER 30th, 2017

2.1. Overview of business operation

2.1.1. Production Overview

a. Production output

| Products | 2013 | 2014 | 2015 | 2016 | 9Ms/2017 |
|--------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | (Thousand tons) | | | | |
| E5 RON92..... | - | 24.72 | 32.55 | 27.18 | 23.94 |
| RON95 | 963.08 | 847.17 | 1,341.03 | 1,295.35 | 776.52 |
| RON92 | 1,579.64 | 1,335.91 | 1,372.86 | 1,454.38 | 1,010.73 |
| Jet A-1 | 28.02 | 96.97 | 195.93 | 376.81 | 249.77 |
| Diesel Oil | 3,359.60 | 2,892.07 | 3,067.58 | 2,891.74 | 1,824.67 |
| FO..... | 112.09 | 138.77 | 137.65 | 120.75 | 98.75 |
| LPG | 409.49 | 357.32 | 448.43 | 489.99 | 315.57 |
| PP | 156.92 | 135.85 | 168.80 | 166.19 | 99.39 |
| Propylene | 8.90 | 5.89 | - | 2.96 | - |
| Sulfur..... | 1.13 | 0.95 | 1.57 | 1.89 | 1.16 |
| Total..... | 6,618.87 | 5,835.62 | 6,766.39 | 6,827.24 | 4,400.50 |
| <i>Consumed crude oil</i> | <i>7,409.14</i> | <i>6,321.24</i> | <i>7,252.86</i> | <i>7,522.29</i> | <i>4,616.97</i> |

Source: Binh Son Refining and Petrochemical Co., Ltd

Our main source of feedstock comes from the White Tiger oilfield, accounting for about 60% of total crude oil processed by the Refinery. Currently, White Tiger oilfield and domestic oil fields (mainly light and sweet crude oil) supply up to 90% of total crude oil processed by us the 10% remaining is imported. We are currently diversifying our crude oil supplies by making small improvements to enhance our mixing capability. At the moment, the Refinery can stably and safely operate with a mixture 70:30 feedstock ratio (70% crudes from White Tiger oilfield or other sources with equivalent oil qualities).

PVOil presently is the only crude oil supplier to us including empowered authorized importing activities for BSR. Current crude oil purchasing price is based on Platts's Dated Brent crude oil price. Supply agreements' terms range from six months to one year with a 30-day payment term. Contractual price is quoted in USD, and the payment can be made in USD and/or VND, depending on specific conditions of each agreement.

Crude oil is transported by oil tankers with capacities of 110,000-150,000 DWT, and loaded to storage tanks through the SPM system. After settlement and water discharge, crude oil is fed into the CDU to be distilled (physically) into various direct mixing fractions (LGO/HGO) for diesel production and intermediate components (gas, LPG, Naphtha, crude oil residue) for processing in the next steps, resulting in final components/products. In which, fractions of crude oil residue that account for the largest proportion of volume (40%-50% of total feedstock volume) will be pumped into RFCC unit to transform heavy and less valuable fractions into lighter, more valuable products.

Among over 6.5 million tons of average total products produced annually during 2013 - 2016 period, RON92 and RON 95 account for 40%-45%, DO accounts for 45%⁴ and other products, typically Jet A-1/Kerosene and PP plastic resins (high-value petrochemical products) account for 10%-15%. Production of Jet A-1 has rocketed over years because of yearly improvement in processing capacity alongside with the ability to meet domestic demands. Besides, LPG and FO (fuel oils) have not significantly risen because these products do not command high economic value.

During 2013 - 2016 period, production of the Refinery went up by 1.05%/year on the average thanks to renovation initiatives of our technical divisions to gradually increase processing capacity to a desired level. In recent years, the total amount of assorted products has climbed by 70,000 tons/year on the average. However, in order to continuously increase crude oil processing capacity and improve business performance of the Refinery, we need to implement the UE Project.

In 2014, due to the second turnaround under annual maintainance plans of the year, the Refinery was shut down for almost two months, resulting to a decrease in outputs by about 11.83% compared with 2013.

In the first six months of 2017, we produced about 4.4 million tons of all products' types, including over 1.8 million tons of gasolines (consisting of RON92 RON95 and E5 RON92) and about 1.8 million tons of Diesel Oil.

b. The breakdown of Costs of good sold by products

| Products/In Value | 2013 | 2014 | 2015 | 2016 | 9Ms/2017 |
|---|----------------|----------------|---------------|---------------|---------------|
| | | | (VND billion) | | |
| E5 RON92 | - | 497 | 464 | 303 | 285 |
| RON95..... | 21,408 | 17,984 | 17,934 | 13,737 | 8,447 |
| RON92..... | 34,604 | 29,359 | 18,171 | 15,358 | 11,018 |
| Jet A-1..... | 605 | 1,842 | 2,298 | 3,499 | 2,686 |
| Diesel Oil..... | 71,699 | 60,147 | 37,932 | 26,874 | 19,128 |
| FO | 2,092 | 2,372 | 1,639 | 1,107 | 986 |
| LPG..... | 8,683 | 7,030 | 5,081 | 4,465 | 3,376 |
| PP..... | 3,896 | 3,139 | 2,602 | 2,209 | 1,446 |
| Propylene..... | 184 | 120 | 0 | 22 | 1 |
| Sulfur ⁵ | - | - | - | - | - |
| Total⁶ | 143,172 | 122,490 | 86,121 | 67,575 | 47,373 |
| <i>Total value of consumed crude oil.....</i> | <i>129.750</i> | <i>106.425</i> | <i>70.050</i> | <i>58.243</i> | <i>45.905</i> |

⁴ Product structure may be flexibly adjusted, depending on market demand and economic efficiency of each product line of at each point of time.

⁵ Because sulfur is only a by-product from refining, it has no cost of goods sold. Sulfur's contribution to our total revenue is only VND 1-2 billion/year.

⁶ Cost of goods sold above does not include cost for seaport services, other services and provision for diminution in value of inventory.

| Products/In Value | 2013 | 2014 | 2015 | 2016 | 9Ms/2017 |
|--------------------------|----------------|----------------|----------------|----------------|-------------|
| Products/ In percentages | 2013 | 2014 | 2015 | 2016 | 9Ms/2017 |
| E5 RON92 | - | 0,41% | 0,54% | 0,45% | 0,60% |
| RON95..... | 14,95% | 14,68% | 20,82% | 20,33% | 17,83% |
| RON92..... | 24,17% | 23,97% | 21,10% | 22,73% | 23,26% |
| Jet A-1..... | 0,42% | 1,50% | 2,67% | 5,18% | 5,67% |
| Diesel Oil..... | 50,08% | 49,10% | 44,04% | 39,77% | 40,38% |
| FO..... | 1,46% | 1,94% | 1,90% | 1,64% | 2,08% |
| LPG..... | 6,06% | 5,74% | 5,90% | 6,61% | 7,13% |
| PP..... | 2,72% | 2,56% | 3,02% | 3,27% | 3,05% |
| Propylene..... | 0,13% | 0,10% | 0,00% | 0,03% | 0,00% |
| Sulfur | - | - | - | - | - |
| Total | 100,00% | 100,00% | 100,00% | 100,00% | 100% |

Source: Audited standalone financial statements, BSR, 2013-2016 and Q3.2017 FS

Traditional products (RON92, RON95 and DO) took up to 80%-90% of our total cost of goods sold. Proportions of DO products tended to decline over years because of changes in price difference between RON92 and DO. However, DO still accounted for the highest proportion out of our total cost of goods sold. Output volume of RON92, RON95 tended to climb to meet market demand. Total value of RON92, RON95 and E5 RON92 was equivalent to that of Diesel Oil, accounting for more than 40% of our cost of goods sold.

On the other hand, we maximized our production of Jet A-1 because Jet A-1 market price fluctuated favorably for us. Jet A-1 accounted for 5.18% and 5.67% of our cost of goods sold in 2016 and the first nine months of 2017, respectively.

Propylene is an intermediate product for production of PP plastic resins; thus, if PP plant operates at full capacity, there would be no extra Propylene gas left to sell. This is the reason why Propylene accounted for almost 0% of cost of goods sold.

2.1.2. Business performance

a. Sale volumes

| Products | 2013 | 2014 | 2015 | 2016 | 9Ms/2017 |
|-----------------|-----------------|----------|----------|----------|----------|
| | (Thousand tons) | | | | |
| E5 RON92..... | - | 24.63 | 32.62 | 27.18 | 23.94 |
| RON95..... | 958.61 | 843.25 | 1,342.51 | 1,298.89 | 741.73 |
| RON92..... | 1,555.06 | 1,359.63 | 1,368.29 | 1,455.61 | 965.47 |
| Jet A-1..... | 30.69 | 95.84 | 194.12 | 375.23 | 243.31 |
| Diesel Oil..... | 3,372.64 | 2,901.21 | 3,078.40 | 2,891.67 | 1,731.78 |
| FO..... | 109.76 | 141.16 | 134.24 | 121.81 | 94.07 |
| LPG..... | 405.59 | 359.08 | 445.67 | 493.32 | 313.78 |
| PP..... | 156.88 | 135.86 | 168.74 | 166.19 | 95.53 |
| Propylene..... | 8.90 | 5.89 | 0.00 | 2.96 | - |

| | | | | | |
|-------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Sulfur..... | 1.13 | 0.95 | 1.49 | 1.88 | 1.17 |
| Total..... | 6,599.27 | 5,867.51 | 6,766.07 | 6,834.76 | 4,210.79 |

Source: Binh Son Refining and Petrochemical Co., Ltd

Currently, our sale volumes almost match our total production output because nearly 100% of our products are sold.

Total average output is more than 6.5 million tons/year. Based on annual market demand and business plan, sale volume for each of our products would slightly change from year to year. Because we are able to sell everything we produce, the breakdown of our sale figures by product category is similar to our production structure. Furthermore, we ensure that our product quality would always meet regulatory standards as provided by the Vietnamese government. At the same time, we have maintained close relationships with regular suppliers, and endlessly sought and expanded our reach in the consumption markets so as to maintain our standing as a pioneer in oil and gas industry and in the National economy.

Since 2014, we launched biological gasoline E5 RON92 to make an active contribution to increase the use of green and environmental-friendly products as dictated by the Government.

In the first nine months of 2017, we sold about 4.2 million tons of products of all kinds; in which, the sold amount of raw gasoline (including RON 92, RON 95 and E5 RON92) and Diesel Oil is about the same, amounting to 1.7 million tons each.

b. Sales value breakdown by products

| Products/ In value | 2013 | 2014 | 2015 | 2016 | 9Ms/2017 |
|---------------------------------|----------------|----------------|---------------|---------------|-----------------|
| | (VND billion) | | | | |
| E5 RON92..... | - | 483 | 524 | 332 | 339 |
| RON95..... | 26,272 | 19,543 | 21,649 | 16,061 | 10,755 |
| RON92..... | 42,574 | 31,864 | 21,411 | 17,471 | 13,746 |
| Jet A-1..... | 690 | 1,971 | 2,502 | 3,857 | 3,020 |
| Diesel Oil..... | 74,208 | 59,560 | 38,657 | 26,779 | 19,536 |
| FO..... | 1,587 | 1,932 | 996 | 606 | 694 |
| LPG..... | 8,314 | 6,764 | 4,933 | 4,548 | 3,770 |
| PP ⁷ | 5,072 | 4,475 | 4,236 | 3,751 | 2,444 |
| Propylene..... | 223 | 150 | - | 37 | - |
| Sulfur..... | 1 | 2 | 2 | 0 | 0 |
| Total..... | 158,942 | 126,744 | 94,912 | 73,442 | 54,305 |
| Products/ In percentages | 2013 | 2014 | 2015 | 2016 | 9Ms/2017 |
| E5 RON92..... | 0,00% | 0,38% | 0,55% | 0,45% | 0,63% |
| RON95..... | 16,53% | 15,42% | 22,81% | 21,87% | 19,81% |

⁷ Included revenue from additional production of PP during 2013 - 2016 period.

| | | | | | |
|-------------------|----------------|----------------|----------------|----------------|----------------|
| RON92 | 26,79% | 25,14% | 22,56% | 23,79% | 25,31% |
| Jet A-1 | 0,43% | 1,56% | 2,64% | 5,25% | 5,56% |
| Diesel Oil | 46,69% | 46,99% | 40,73% | 36,46% | 35,97% |
| FO..... | 1,00% | 1,52% | 1,05% | 0,82% | 1,28% |
| LPG | 5,23% | 5,34% | 5,20% | 6,19% | 6,94% |
| PP | 3,19% | 3,53% | 4,46% | 5,11% | 4,50% |
| Propylene | 0,14% | 0,12% | 0,00% | 0,05% | 0,00% |
| Sulfur..... | 0,00% | 0,00% | 0,00% | 0,00% | 0,00% |
| Total..... | 100,00% | 100,00% | 100,00% | 100,00% | 100,00% |

Source: Audited standalone financial statements, BSR, 2013-2016 and Q3.2017 FS

Although our production output jumped over the years (except for TA years), our revenue has not been in proportion to production output due to direct effects of crude oil price on our selling price. Differences between demand-supply of crude oil market and demand-supply of gasoline and DO market can periodically affect the spread between input and output prices. Traditional products of our company, the main outputs of the refining process (including DO, RON92, RON95), contribute significantly to our revenue, accounting for 85% of total revenue. Even when gasoline production volume is lower than that of DO, gasoline products still account for higher proportion of the total revenue because gasoline products have higher margin. Since 2015, revenue of two traditional gasoline products including RON92 and RON95 has taken up to 46% of total revenue, taking up the largest part of total revenue.

Although LPG and FO products do not have high margin, they are integral products of refining and petrochemical process regarding technical nature of a refinery. Especially, improvement in capacity of sulfur and FO product recovery plays a key role in replacing strategic fuel sources and saving energy for the Refinery; thus, low profit margin from these products mainly results from cost allocation. Since we cannot completely remove LPG and FO from the production cycle, we have taken measures to limit the impacts of these products on our profit.

On the other hands, we have been diversifying our products by increasing capacity of RFCC unit, especially petrochemical products (PP plastic resins). Although PP plastic resins only account for 4%-5% of total revenue, they contribute to more than VND 1 trillion to our annual gross profit. Notably, in 2016, gross profit from PP plastic resins was VND 1.5 trillion, accounting for 24% of our gross profit.

In the first nine months of 2017, revenue from gasoline and oil products of our company remained stable. Revenue of raw gasoline (including RON92, RON95 and E5 RON92) and DO products reached about VND 24,841 billion and VND 19,536 billion, respectively.

Since the beginning of 2017, our PP products faced fierce competition from imported ones and abundant supplies in domestic market. However, with flexible customer care policies such as increasing discounts or extending payment term for regular customers, up to the end of September, 2017, we sold about 100,000 tons of PP products, gained about VND 2,444 billion, accounting for 70.1% of the planned quantity of 2017.

c. Distribution forms and customer structure

For gasoline and oil products (accounting for about 90% of our total revenue)

According to the Decision No. 2411/QĐ-BCT by the Ministry of Industry and Trade, clients purchasing gasoline and oil from us are distributors that are licensed to import and trade gasoline and oil. As a result, our distribution channel network is quite simple. We directly sell products to licensed distributors without any intermediary.

We sell our products in two methods corresponding to two contract types: Term Contract and Spot Contract.

For Spot Contract: After inspecting stock on a monthly basis, we will notify all clients of its spot sale of gasoline and oil. After receiving offers from clients, we will negotiate and discuss selling terms and price for each transaction with each client. In case clients actively demand a spot purchase, we will inspect our stock and negotiate with them.

For Term Contract: We and each client will sign annual contracts specifying time and quantity of each delivery for each month. Purchasing price is adjusted every six months based on market situation.

We always prioritize the development of our client network: From a network of just 8 distributors signing long-term purchase contracts with us in 2008, until 2016, we have signed long-term supply contracts with 11 large and prestigious distributors in Vietnam. Towards the end of 2016, 18 distributors bought our products (including Term and Spot Contract). Our major clients include Petrolimex (accounting for about 40% of revenue from sale of gasoline and oil), PV Oil (25%), Saigon Petro (6%), Petimex (5%), Thanh Le (4%). Beside maintaining and promoting good relationships with traditional clients, we have been diversifying our client network. By doing so, percentage of other clients in the client structure increased from 9.68% in 2013 to 18.76% in 2016.

In 2017, we have increased the number of clients signing long-term supply contracts with us increased to 13 while by offering gasoline and gas on the spot to 24/29 licensed distributors, we have also increased the number of clients purchasing products from DQR.

Our delivery methods mainly follow FOB⁸ at Dung Quat port (except for LPG under CIF at port of purchaser). Besides, we still deliver goods under CIF⁹ at port of buyer as requested by said buyer. About product breakdown, RON92, RON95 and DO are our traditional and main products, generating up to 90% of total revenue.

We make assessment on capabilities of our clients by criteria such as financial capabilities, current infrastructure, gasoline and oil import quota, contract performance, strengths and weaknesses on an annual basis.

⁸ FOB (Free On Board) means *No Responsibility on Board* of arrival port or known as "Delivery on board". This is a term used in international trade and shown in Incoterms.

⁹ CIF (Cost, Insurance, and Freight): *Cost, insurance and freight* means price of seller including product cost, freight, and insurance. This is a term used in international trade and shown in Incoterms.

About client classification, we have two group of clients: major and minor client group:

- Major client group (Petrolimex, PV Oil, SaigonPetro, Thanh Le, Petimex) accounted for about 81.24% of our company's gasoline and oil sale revenue. In the first nine months of 2017, ratio of revenue from major client group remained stable, and revenue from this group accounted for approximately 80% of our gasoline and oil revenue.
- Minor client group (MIPECO, Skypec, Petrolimex Aviation Fuel, Hai Ha, Hai Linh, Hoa Khanh, etc) accounted for about 18.76% and over 20% of the Company's gasoline and gas revenue in 2016 and the first nine months of 2017, respectively.

In order to express our gratitude towards clients and enhance our relationships with them, we offer incentives to our strategic clients such as flexible MOPS¹⁰ pricing, extension of payment term, payment discount, trade discount, bonus policies such as pre-emption right, priority in scheduling for goods receipt, priority in goods supply in case of production interruptions or difficulties with market supply, organization of conference, experience-learning programs and researches on domestic market.

Revenue breakdown by clients

| Name of clients | 2013 | 2014 | 2015 | 2016 | 9Ms/2017 |
|-----------------------|--------|--------|--------|--------|----------|
| Petrolimex | 37.75% | 41.18% | 42.66% | 40.96% | 40.39% |
| PVOil | 29.27% | 28.96% | 22.45% | 25.27% | 21.55% |
| Saigon Petro | 8.00% | 7.11% | 8.71% | 6.03% | 6.03% |
| Thanh Le | 9.10% | 7.99% | 7.39% | 4.04% | 3.69% |
| Petimex | 6.21% | 6.46% | 6.77% | 4.93% | 5.65% |
| Other customers | 9.68% | 8.29% | 12.02% | 18.76% | 22.70% |

Source: Binh Son Refining and Petrochemical Co., Ltd

For LPG, PP (accounting for about 10% of our total revenue)

Clients for LPG are LPG-oriented enterprises that qualified the legal requirements for doing business related to LPG. Selection of LPG and PP distributors for long-term contracts shall be organized as an auction for contracts with term of six months or one year or contracts in form of output guarantee. The amount of output that is guaranteed accounts for about 50% of total annual production output and the remaining amount will be auctioned.

For the volume of LPG and PP produced in excess with regards to the plan (if any), we will hold a spot sale in the form of competitive bidding or supplemental sale to all clients who sign long-term contracts (proportionally) to ensure publicity, transparency for all.

¹⁰ MOPS: Mean of Platts Singapore is the average of a set of Singapore-based oil product price assessments published by Platts.

For FO, Propylene (if any)

We export these two products in the form of term and spot contracts for FO and in the form of spot contract for Propylene.

In addition to oil price, our revenue in the near future (after Nghi Son Refinery is put into commercial operation by 2018) depends on our competitiveness with imported products and the export market. Currently, we have advantages in terms of flexibility in pricing according to the Decision No. 1725/2016/QĐ-TTg (specified in tax policy section below). Apart from that, we are seeking for ways to expand our position in the export market.

2.1.3. Business results

| Indicators | 2013 | 2014 ¹¹ | 2015 | 2016 | 9Ms/2017 |
|---------------------------------|--------------|--------------------|---------------|--------------|--------------|
| | | | (VND billion) | | |
| Total revenue and other revenue | 154,270 | 128,374 | 95,885 | 74,565 | 54,982 |
| Net revenue | 152,792 | 126,845 | 95,064 | 73,598 | 54,387 |
| Financial revenue | 1,368 | 1,475 | 792 | 941 | 580 |
| Other revenue | 111 | 53 | 29 | 25 | 14 |
| Total cost | 151,339 | 128,224 | 89,402 | 69,812 | 49,228 |
| Cost of goods sold | 143,994 | 124,877 | 85,047 | 67,191 | 48,124 |
| Financial expenses | 6,343 | 2,462 | 2,308 | 1,135 | 470 |
| Sales expenses | 745 | 557 | 594 | 615 | 405 |
| Administrative expenses | 249 | 285 | 1,052 | 834 | 225 |
| Other expenses | 8 | 43 | 400 | 36 | 4 |
| Operating profit | 2,829 | 139 | 6,854 | 4,764 | 5,744 |
| Before-tax profit | 2,932 | 149 | 6,483 | 4,753 | 5,754 |
| Corporate income tax | - | - | 314 | 261 | 288 |
| Profit after tax | 2,932 | 149 | 6,170 | 4,492 | 5,466 |

Source: Audited standalone financial statements, BSR, 2013-2016 and Unaudited Q3.2017 FS

a. Revenue and other income

Correlation between revenue from sales and revenue from service is summarized in the table below:

| Revenue classification | 2013 | 2014 | 2015 | 2016 | 9Ms/2017 |
|--------------------------------------|----------------|----------------|---------------|---------------|---------------|
| | | | (VND billion) | | |
| Revenue from sales | 158,942 | 126,744 | 94,912 | 73,442 | 54,305 |
| In which: PP regulatory revenue ... | - | 87 | 41 | 38 | - |
| Revenue from sea port services | 103 | 97 | 122 | 128 | 81 |
| Revenue from other services | 6 | 4 | 30 | 29 | 1 |
| Total | 159,051 | 126,845 | 95,064 | 73,598 | 54,387 |

¹¹ Financial data of BSR in 2014 is based on audited 2015 standalone financial statements for consistency.

| Ratio | 2013 | 2014 | 2015 | 2016 | 9Ms/2017 |
|--|----------------|----------------|----------------|----------------|----------------|
| Revenue from sales | 99.93% | 99.92% | 99.84% | 99.79% | 99.85% |
| <i>In which: PP regulatory revenue ...</i> | <i>0.00%</i> | <i>0.07%</i> | <i>0.04%</i> | <i>0.05%</i> | <i>0.00%</i> |
| Revenue from sea port services | 0.06% | 0.08% | 0.13% | 0.17% | 0.15% |
| Revenue from other services | 0.00% | 0.00% | 0.03% | 0.04% | 0.00% |
| Total..... | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

Source: Audited standalone financial statements, BSR, 2013-2016 and Q3.2017 FS

Most of the our revenue comes from the core business: refining petroleum and petrochemical manufacturing. Revenue from port services and other services is insignificant, only accounts for 0.1% to 0.2% of total revenue. Financial revenue mainly comes from interest on bank deposits.

PP regulatory revenue is calculated and paid for by PVN based on difference between the preferential value level (3%) and import tax for petrochemicals products as provided for in Article 2 of the Decision No. 952/2012/QĐ-TTg on regulatory revenue. During 2014-2016, import tax on PP resin was just 1-2%; thus, we were entitled to the difference in revenue above. However, these amounts were insignificant and infrequent, especially when Decision No.1725/QĐ-TTg officially came into effect on 03/09/2016. From 01/01/2017, our company will not be under said financial mechanism and will no longer have to receive or remit any regulatory revenue (if any).

In the first nine months of 2017, our net revenue reached VND 54,387 billion, equalling to 105.44% of 2016's revenue of the same term due to the stabilization and increasing trend of price of crude oil and petroleum products in 2017.

Details about tax policies and tax allowance applied to the Company are specified in 2.4.

b. Operating expenses

The breakdown of our company's operating expenses is summarized as follows:

| Indicators | 2013 | 2014 | 2015 | 2016 | 9Ms/2017 |
|------------------------------------|----------------|----------------|---------------|---------------|-----------------|
| | | | (VND billion) | | |
| Raw materials..... | 134,087 | 107,414 | 73,396 | 61,318 | 48,304 |
| Tools..... | 21 | 23 | 29 | 28 | 4 |
| Wages, salaries and benefits..... | 509 | 459 | 985 | 515 | 373 |
| Depreciation of fixed assets | 2,280 | 2,314 | 2,334 | 2,439 | 1,858 |
| Outsourced services | 2,305 | 1,733 | 2,127 | 2,428 | 1,427 |
| Others | 208 | 95 | 773 | 767 | 146 |
| Total..... | 139,410 | 112,039 | 79,644 | 67,496 | 52,113 |
| Percentage | 2013 | 2014 | 2015 | 2016 | 9Ms/2017 |
| Raw materials..... | 96.18% | 95.87% | 92.15% | 90.85% | 92.69% |
| Tools..... | 0.02% | 0.02% | 0.04% | 0.04% | 0.01% |
| Wages, salaries and benefits..... | 0.37% | 0.41% | 1.24% | 0.76% | 0.72% |

| | | | | | |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Depreciation of fixed assets | 1.64% | 2.07% | 2.93% | 3.61% | 3.56% |
| Outsourced services | 1.65% | 1.55% | 2.67% | 3.60% | 2.74% |
| Others | 0.15% | 0.08% | 0.97% | 1.14% | 0.28% |
| Total | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

Source: Audited standalone financial statements, BSR, 2013-2016 and Q3.2017 FS

During the period of 2013 - 2016 and the first nine months of 2017, raw material expenses (90% of which are crude oil expenses) always accounted for more than 90% of total operating expense. Thus, any fluctuation in crude oil price will directly affect our expense structure.

Depreciation of fixed assets did not change much during the period of 2013 – 2016, and are expected to be VND 2,300 billion/year on the average in 2017. The increase of depreciation expenses' proportion in the operating expense structure is due to the decrease of crude oil price and a corresponding decrease of the total expense.

Expenses for outsourced services mainly include the costs of acquiring outsourced maintenance services for the Refinery and industry experts, insurance expenses and deductions for major maintenance (Turnaround).

Total expenses

| Indicators | 2013 | 2014 | 2015 | 2016 | 9Ms/2017 |
|--|----------------|----------------|---------------------------|---------------|---------------|
| | | | (VND billion) | | |
| Cost of goods sold | 143,994 | 124,877 | 85,047 | 67,191 | 48,124 |
| Financial expenses | 6,343 | 2,462 | 2,308 | 1,135 | 470 |
| <i>In which: Interest expenses</i> | <i>1,845</i> | <i>1,551</i> | <i>812</i> | <i>605</i> | <i>369</i> |
| <i>Exchange loss</i> | <i>4,417</i> | <i>798</i> | <i>1,329¹²</i> | <i>437</i> | <i>37</i> |
| Sales expenses | 745 | 557 | 594 | 615 | 405 |
| Administrative expenses | 249 | 285 | 1,052 | 834 | 225 |
| Total expenses | 151,331 | 128,181 | 89,002 | 69,776 | 49,224 |
| Revenue from sales and services | 159,051 | 126,845 | 95,064 | 73,598 | 54,387 |

Source: Audited standalone financial statements, BSR, 2013-2016 and Q3.2017 FS

During the period of 2013 - 2016 and the first nine months of 2017, cost of goods sold, mainly consists of crude oil purchasing costs, accounted for about 90% of total revenue.

About financial expenses, ratio of long-term liabilities¹³/total assets ranged between 21% and 32% during the period of 2013 - 2016 and the first nine months of 2017. On the other hand, in order to raise working capital during the period of 2013 - 2014, we acquired short-term loans (mainly in VND), accounting for about 25% - 27% of our total equity. Besides, long-term loans in USD had stable interest rate of 1.8% - 4%/year whereas short-term loans applied floating interest rate. Our interest expenses in 2013 and 2014 were VND 1,845 billion and VND 1,551 billion, respectively.

¹² Included the exchange loss in the period of the Refinery's construction

¹³ Included current portion of long-term liabilities

Since 2015, we had almost no short-term loans due to a decrease in working capital. Thus, our interest expenses significantly reduced to VND 812 billion and VND 605 billion in 2015 and 2016, respectively.

Our long-term loans were recognized in USD, thus, fluctuation in foreign exchange had certain impacts on our financial position. During the period of 2013 - 2016, exchange rate of USD to VND rose by 5.34%, making us to recognize exchange losses on an annual basis. As on December 31st, 2016, we recognized exchange losses of about VND 437 billion.

During the period of 2013 - 2016 and the first nine months of 2017, sales expenses and administrative expenses remained stable without any significant fluctuations and accounted for 1% of the Company's total revenue. In detail, administrative expenses in 2015 and 2016 rocketed to VND 1,052 billion and VND 834 billion because we extracted VND 640 billion and VND 545 billion from Science and technology fund in these two years.

Since January 01st, 2017, because the financial mechanism "3-5-7" has been completely removed (even with our gasoline products), ratio of cost of goods sold to BSR's total revenue in the first nine months of 2017 went down to 88.48%, decreasing by 8.76% compared to that of the same period in 2016. This resulted in a significant increase in the our gross profit margin from 2.76% (the first nine months of 2016) to 11.52% (the first nine months of 2017). In terms of absolute value, the our gross profit in the first nine months of 2017 reached VND 6,263 billion VND, 4.4 times higher compared to the first nine months of 2016.

2.1.4. Technological expertise, copyrights, environment, research and development

a. Technological expertise

Dung Quat Refinery was put into operation in 2009 with processing capacity of 6.5 million tons of crude oil/year and produced the following products: LPG, KO/Jet A-1 (jet fuel), RON92/RON95, DO, FO, PP plastic resins, propylene, sulfur.

Main units of the Refinery used technology of the world-leading suppliers, such as NHT/CCR/IZOM unit (UOP, the U.S), RFCC/LCO-HDT unit (AXENS, France), KTU/LTU/NTU/CNU (Merichem, the U.S). The Refinery was designed, built, and tested by a consortium consisting of Technip (France), JSC Japan, etc.

Our refinery is equipped with control systems operated by Distributed Control System (DCS), Emergency Shutdown System (ESD), Leakage, and Fire Detector System, etc., all are state-of-the-art technologies.

Our technology is rated as modern in comparison with other refineries in the region and across the world.

b. Trademark, copyrights

c. Current operation status

At present, the Refinery is stably operating at 103% - 105% of its design capacity. We have successfully tested operation of the Refinery at 110% capacity and are planning to test operation of

the Refinery at 120% capacity. In order to maintain operability at high intensity, we regularly maintain and service our machines and equipments, and hold TA for every three years. We are also hiring contractors to design FEED to upgrade and expand the Refinery with pre-expansion and post-expansion capacity as follows:

Existing units

| Unit Name | Current design capacity (Barrels/day) 100% of capacity | Current operability (% of capacity) | Expected post- expansion capacity (Barrels/day) |
|--------------------------------|--|--|---|
| CDU | 148,000 | 110 | 192,000 |
| NHT | 23,500 | 117 | 23,500 |
| CCR | 21,100 | 100 | 26,200 |
| Kerosene Treater Unit | 10,000 | 130 | 15,800 |
| RFCC | 69,700 | 100 | 71,500 |
| LPG Treater Unit | 21,000 | 115 | 21,500 |
| RFCC Naphtha Treating (NTU) .. | 45,000 | 100 | Idle |
| PRU | 21,000 | 115 | 21,500 |
| SRU (Ton/day) | 5 | 100 | Idle |
| Isomer | 6,500 | 117 | 10,200 |
| LCO HDT | 29,000 | 100 | 28,000 |
| SRU 2 (Ton/day) | 13 | 100 | Idle |
| Polypropylene (Ton/day) | 450 | 107 | 450 |
| SWS (Ton/day) | 1,944 | 100 | 1,944 |
| ARU (Ton/day) | 39 | 100 | 39 |

Source: Binh Son Refining and Petrochemical Co., Ltd

Additional units after the expansion of the Refinery (UE Project)

| Unit Name | Design capacity (Barrel/day) |
|----------------------------------|---------------------------------|
| NHT 2 | 21.200 |
| VDU | 55.000 |
| SDA | 14.900 |
| DHDT | 48.000 |
| GHDT | 38.000 |
| Alkylation | 12.400 |
| SRU 2 (Ton/day) | 210 |
| HGU (Nm ³ /day) | ~63.650 |
| SWS 2 (Ton/day) | 77 |
| ARU 2 (Ton/day) | 220 |

Source: Binh Son Refining and Petrochemical Co., Ltd

2.1.5. Research and development (R&D)

a. Mechanisms and policies

Awared of importance of research and development in business success, we have developed an attractive compensation policies to encourage devotion of employees.

On one hand, we have issued policies to attract scientific researchers to actualize researches to onsite production. On the other hand, we also focus on the development of skilled workers so as to motivate research experts to build and develop core science and technology personnel.

Besides, we have issued the Regulation on technology and scientific research management and established the Science, technique and initiative Council to create roadmap for scientific research and to supervise the implementation of the plan.

In addition to policies on attracting talents, development of human resource for research and development is extremely important. We have established the Science and technology development fund using our revenue/profit to ensure financial resources for research and implementation of science and technology tasks. As on December 31, 2016, balance of the Science and technology development fund was VND 1,186 billion.

b. External affairs

We have been strengthening our cooperation with domestic and foreign training institutions such as universities, oil and gas training and information centers, etc., to ensure science and technology human resource in oil and gas industry via training courses, internships, scholarships.

Besides, we have also built and developed close relationships with refineries in the region and across the world to seek support regarding technical and technological development issues and improvement in research capability as well as operational and business issues.

Additionally, we have been focusing on expanding cooperation with consultants, copyright holders, research institutions (JGC, VPI, JXNRI, Solomon, etc.) to implement scientific and technological missions.

We also regularly exchanged, coordinated with committees, agencies, and departments in science and technology field to implement scientific and technological missions as provided for by guidelines of the PVN, and/or the Government, then deploy and use research results in the most effective way possible.

c. Achievements

From 2010 to October 2016, we applied and recognized 130 initiatives, which brought about USD 128.9 million in terms of economic benefits. Besides, application of initiatives has contributed to improvement of operational safety, environmental protection, and labor performance. Production optimization solutions and initiatives focus on three main fields: technological optimization solutions, solutions for improvement of management performance and application of advanced technological solutions. We have led and coordinated with other units to fulfill 32 scientific and technological tasks/subjects, in which, many researches have been deployed such as establishment of

single crude oil banks and/or processable mixing at DQR, research of SAO system development, research of LSO reuse from splash lubrication system, research of gasoline output increase, DO output decrease in product structure of DQR by adjusting operating modes and using additives to increase octane index.

2.1.6. Safety, health and environment (SHE)

a. SHE management system

We have fully observed Government's regulations as dictated in the Circular No. 43/2010/TT-BCT dated December 29th, 2010 on safety management in Industry and trade sector, details of which are as follows:

- We have established a specialized department to manage SHE with 97 employees in total. We have assigned responsibilities for SHE in the Decision No. 1306/QD-BSR dated May 26th, 2011.
- We have developed a SHE management system in conformity with environmental management system under ISO 14001:2005 and occupational health and safety management system under OHSAS 18001: 2007 certified for the first time by Det Norske Veritas on March 08th, 2011 and re-certified by Bureau Veritas on March 28th, 2014. At present, we are upgrading our environmental management system to ISO 14001:2015.
- We have established SHE policies and notified the terms to our employees and partners/customers. Every year, the Company develops SHE targets and action plans to achieve targets. Moreover, the Company has also issued Regulation on commendation for safety together with the Decision No. 1308/QD-BSR dated March 25th, 2014 and periodically assessed and voted employees regarding SHE.
- Our operation and maintenance process includes 2,158 steps to ensure safe and stable operation of the Refinery. When a new process is issued, we will notify and train operators/workers and other related subjects to ensure that they understand and observe established processes.

b. Machine, equipment, material and chemical management

Current machine registration and maintenance are performed by the Maintenance and Repair Department with maintenance plans and programs developed, approved and controlled via CMMS system. Maintenance and repair works are performed at all times to ensure safety and to improve the reliability of all machines and equipment during operation.

For machines, equipment and materials that require strict labor safety and sanitation, we signed a contract with PetroVietnam Technical Safety Registration Company Limited – PVEIC to perform periodic inspections as dictated by the Law. We have currently inspected 3,674 out of 3,674 machines, equipment subjected to strict requirements on labor safety and sanitation. Control of equipment that is subjected to strict labor safety and sanitation standard is performed via CMMS.

Chemical safety management activities are performed as provided for in the Decree No. 108/2008/ND-CP dated October 07th, 2008 “detailing and guiding the implementation of a number of articles of the Chemical Law” and instructed in the Circular No. 28/2010/TT-BCT dated August 26th, 2010 by the Ministry of Industry and Trade “detailing a number of articles of the Chemical

Law” and the Decree No. 108/2008/ND-CP dated October 07th, 2008 detailing and guiding the implementation of a number of articles of the Chemical Law”, and safety management activities are periodically reported to the competent authorities of the State.

c. Safety training

We have fully observed safety training standards as provided for in the Circular No. 27/2013/TT-BLDTBXH dated October 18th, 2013 by the Ministry of Labor, Invalids and Social Affairs. Until the reporting time in 2016, we have organized 70 HSE (Health and Safety Executive) training courses with 36,095 of training hours, 9,872 turns for employees with each employee get 23 hours in average and 8,102 training hours for 4,501 contractors.

We have held HSE meetings for the whole Refinery in order to establish a communication channel between the management team and employees regarding security, safety, health, environment, firefighting, and fire prevention, status on the level of compliance of labor rules, regulations, and discipline by employees.

d. Risk management

We have annually identified hazards and assessed risks in functional departments, production areas, and maintenance and repair divisions. Besides, we summarized and issued a summary of significant hazards and goals for the annual hazard control programs.

Moreover, we have regularly publicized, updated hazards and measures for said hazards before performing works to control hazards and ensure safety. Any change of production technologies, machinery, scale, and locations shall be performed under the Change process and updated, re-assessed for new hazards from such change.

In April, 2015, we collaborated with PwC Vietnam to train our employees to be aware of concepts, the methodology of building the enterprise risk management system and some experience. In the next phase in 2016, we hired Marsh Singapore to (i) set up an enterprise risk management framework consisting of processes and guidelines to assess and classify risks in accordance with the practices of similar plants, and to (ii) perform pilot project deployment in three Divisions (Sales Division, Safety & Environment Division and Operation & Production Division). Accordingly, Marsh Singapore issued a certificate of completion of building enterprise risk management to BSR, which is in line with international standards and practices.

Meanwhile, we have completed documentation about Safety management program, risk assessment report, emergency response plan as provided for in the Decision No. 04/2015/QD-TTg dated January 20th, 2015 by the Prime Minister on safety in oil and gas industry and approved by the Ministry of Industry and Trade under the Decision No. 1192/QD-BCT dated March 29th, 2016.

e. Fire prevention and fighting and emergency response

Safety, fire prevention and fighting measures: Fire prevention and fighting system of Dung Quat Refinery is modernly designed and developed as required by law and Vietnamese and international fire prevention and fighting standards.

Fire prevention and fighting force of the Refinery was established under the Decision No. 283/QD-BSR dated May 11th, 2009 and reorganized under the Decision No. 4045/QD-BSR dated December 16th, 2013, including 51 employees divided into three shifts with 12 employees each and four teams. Besides, we established semi-professional fire prevention and fighting force including 40 employees in units and zones under the Decision No. 602/QD-BSR dated August 10th, 2010. On May 30th, 2012, we issued the Decision No. 1319/QD-BSR on training for onsite fire fighting force including 149 employees.

Systems and equipment for fire risk identification and risk response have been fully equipped by us, including four specialized fire trucks, 1,000 portable fire extinguishers, fire fighting systems using foam, cooling and fire fighting systems using water, 287 underground and overhead fire hydrants, etc. In order to ensure expenditure for fire prevention and fighting, we annually set aside about VND 50 billion (2016) for purchase of standby fire prevention and fighting equipment, maintenance of fire prevention and fighting system, fire prevention and fighting training, etc., as provided for in legislation on fire prevention and fighting.

We have coordinated with the competent authorities in charge of fire prevention and fighting to develop and complete the overall firefighting plans for Dung Quat Refinery including 13 complicated cases requiring mobilization of military, public security, medical practitioners, etc. The People's Committee of Quang Ngai Province approved the firefighting plan in the Decision No. 2028/QD-UBND dated December 31st, 2010. In 2016, we organized 68 emergency response rehearsals at units and 45 training courses to improve response skills for concurrent fire fighting force, organized periodic fire prevention, and fighting training courses for more than 1,500 employees.

For oil spills, we have developed response plans approved by the Chairman of the People's Committee of Quang Ngai Province in the Decision No. 1231/QD-UBND dated July 23rd, 2008. Accordingly, we organized rehearsals and purchased necessary equipments.

f. Supervision of the environment and employees' health

In 2016, we employed the National Working Environment Monitoring Station (WEMOS) of Vietnam National Institute of Occupational Safety and Health to measure and inspect the working environment twice per year at production areas and offices. Based on result of working environment measurement and inspection, we have developed measures to remedy labor safety conditions and factors that fail to meet allowable standards and provide material support and periodic and occupational health checks to employees.

All exhaust gas and wastewater from the Refinery are classified and treated according to standards and laws before they are discharged into the environment. According to results of regular monitoring and supervision, content of pollutants from exhaust gas and wastewater of the Refinery is lower than

limit as provided for in Vietnamese regulations. In 2016, after inspection by the central authorities, we received certification for complete compliance of legal provisions on environmental protection.

For periodic and occupational health checks, we annually provides health checks to all employees.

g. Security

Dung Quat Refinery was listed as an important construction work for national security by the Prime Minister under the Decision No. 1756/QĐ-TTg dated October 22nd, 2010. In order to ensure security and safety for the Refinery, we have invested, developed and equipped with security control systems such as camera system, intrusion detection system, mobile explosive detectors, access control system, etc.

Under direction of Vietnam Oil and Gas Group, we have coordinated with functional departments of armed forces in Quang Ngai Province to take security and order assurance measures of the Refinery onshore and offshore as an important construction work for national security. Anti-terrorism rehearsals with coordination of related agencies are also organized on an annual basis to ensure response preparedness in case of incidents.

2.2. Existing or signed large contracts

| No | Contract no. | Effective period | Contract contents | Partners | Estimated value (VND) |
|--|--|---|--|-------------------------------|-----------------------|
| Investment and construction contracts | | | | | |
| 1 | Contract No. 280815/FEED/BSR-AFW dated August 28th, 2015 | June, 2015 to March, 2017 ¹⁴ | The Contract for Front-End Engineering Design (FEED) of Dung Quat Refinery Upgrading and Expansion Project | Amec Foster Wheeler (England) | 538.493.120.000 |
| 2 | Contract No. 160712/DHDT/BSR-AXN | July, 2016 to February, 2022 | Technology License Contract for Diesel Hydro treating Unit (DHDT) | AXENS Company (France) | 70.063.284.280 |
| 3 | Contract No. 160630/SDA/BSR-UOP | July, 2016 to February, 2022 | Technology License Contract for SDA Unit | UOP Company (the U.S.) | 83.205.595.220 |
| 4 | Contract No. 160630/AKLY/BSR-UOP | July, 2016 to January, 2022 | Technology License Contract for Alkylation Unit | UOP Company (the U.S.) | 77.378.028.860 |
| 5 | Contract No. 160712/GHDT/BSR-AXN | July, 2016 to January, 2022 | Technology License Contract for Gasoline Hydro treating Unit (GHDT) | AXENS Company (France) | 87.536.610.700 |
| 6 | Contract No. 160616/HGU/BSR-KTS | July, 2016 to February, 2022 | Technology License Contract for Hydrogen Generation Unit (HGU) | KT (Italy) | 24.023.998.900 |

This Contract is still effective because FEED design has not been approved and two parties have not liquidated the Contract.

| No | Contract no. | Effective period | Contract contents | Partners | Estimated value (VND) |
|---|---|--|---|---|-----------------------|
| 7 | Contract No. 160715/SRU/BSR-JNL | July, 2016 to February, 2022 | Technology License Contract for Sulfur Recovery Unit (SRU) | JACOBS Company (the Netherlands) | 29.526.518.780 |
| 8 | Contract No. 160630/NHT2/BSR-UOP | July, 2016 to February, 2022 | Technology License Contract for NHT Unit | UOP Company (the U.S.) | 38.357.067.540 |
| 9 | Contract No. 327/2017/HDKT/BSR-PTSC dated April 17th, 2017 | From April, 2017 to April, 2018 | Construction Contract for Upgrading and Expansion of Canteen of Quang Quat Refinery | PTSC Quang Ngai Joint Stock Company | 12.582.703.301 |
| 10 | Contract No. 327/2017/HDKT/BSR-PTSC dated April 17th, 2017 | From August, 2017 to December, 2017 | Construction Contract for Landscape Renovation of Road to Administration Office of Dung Quat Refinery | Consortium of PTSC Quang Ngai Joint Stock Company and Tan Phong Construction One Member Company Limited | 10.537.971.373 |
| Contract for Crude Oil Purchase and Gasoline, Oil, LPG, FO and PP Sale (Term and Spot Contracts) | | | | | |
| 1 | Appendix 1.10 of Contract No. 189/PVOIL-BSR/06-10/K (from January, 2017 to December, 2017) | From January 01st, 2017 to December 31st, 2017 | Appendix of Contract for Crude Oil Supply from White Tiger field in 2017 | PVOIL/VIETSOVPE TRO | 32.024.025.000.000 |

| No | Contract no. | Effective period | Contract contents | Partners | Estimated value (VND) |
|----|---|--|---|---|--|
| 2 | No. 04T-SD/PVOIL-BSR/2017 (Term Contract for the last six months of 2017) | From August 01st, 2017 to December 31st, 2017 | Contract for Crude Oil Supply from Black Lion field for the last five months of 2017 | PVOIL/(PVN, PVEP, UK, KNOC, GEOPETRO) | 5.291.370.000.000 |
| 3 | No. TGT-008/T/PVOIL-BSR/2017 (Term Contract for the last six months of 2017) | Effective from May 14th, 2017 | White Rhinoceros | PVOIL/(PVEP, SOCO, OPECO, PTTER, TVL 15-2/11) | 4.241.268.000.000 |
| 4 | Appendix 2.38 of Contract No. 189/PVOIL-BSR/06-10/K/ and Contract No. 1095590 (Term Contract for two compulsory lots and two optional lots) | From January, 2017 to December, 2017 | Appendix of Long-Term Import Trust Contract for Azeri Crude Oil in 2017 by SOCAR Trading Singapore Pte Ltd to DQR | PVOIL/SOCAR TRADING SINGAPORE | 2.634.054.319.948 |
| 5 | 1150/HDKT/BSR-PETROLIMEX/2017 | From January 01st, 2017 to December 31st, 2017 | Consumption Contract for Gasoline and Oil Products of DQR | Vietnam National Petroleum Group | This is a principal contract without specific price. Product price is calculated based on monthly actual output and unit price as provided for by law. Annual revenue from services is about VND 2,8 trillion. |

| No | Contract no. | Effective period | Contract contents | Partners | Estimated value (VND) |
|----|--------------------------------|--|---|--|--|
| 6 | 1144/HĐKT/BSR-PVOIL/2017 | From January 01st, 2017 to December 31st, 2017 | Distribution and Sale Contract for Gasoline and Oil Products of DQR | PetroVietnam Oil Corporation - One Member Company Limited | This is a principal contract without specific price. Product price is calculated based on monthly actual output and unit price as provided for by law. Annual revenue from services is about VND 1,5 trillion. |
| 7 | 1143/HĐKT/BSR-SAIGONPETRO/2017 | From January 01st, 2017 to December 31st, 2017 | Consumption Contract for Gasoline and Oil Products of DQR | The One-Member Limited-Liability Oil & Gas Company of Ho Chi Minh City | This is a principal contract without specific price. Product price is calculated based on monthly actual output and unit price as provided for by law. Annual revenue from services is about VND 424 billion. |
| 8 | 1113/BSR-PVGAS NORTH | From January 01st, 2017 to December 31st, 2017 | Distribution and Sale Contract for LPG products of DQR from January 01st, 2017 to December 31st, 2017 | PetroVietnam Northern Gas Joint Stock Company | This is a principal contract without specific price. Product price is calculated based on monthly actual output and unit price as provided for by law. Annual revenue from services is about VND 104 billion. |

| No | Contract no. | Effective period | Contract contents | Partners | Estimated value (VND) |
|--|------------------------------------|--|--|--|---|
| 9 | 1119/BSR-P&C DA NANG | From January 01st, 2017 to December 31st, 2017 | Purchase and Sale Contract for Polypropylene products of DQR in 2017 | Da Nang Chemical and Plastic Joint Stock Company | This is a principal contract without specific price. Product price is calculated based on monthly actual output and unit price as provided for by law. Annual revenue from services is about VND 157 billion. |
| 10 | CONTRACT NO. 1221-2016/BSR-VIETSEA | From February, 2017 to June, 2017 | Consumption Contract for FO Products of DQR | VIETSEA COMPANY PTE, LTD | This is a principal contract without specific price. Product price is calculated based on monthly actual output and unit price as provided for by law. Annual revenue from services is about VND 87 billion. |
| Contract for Purchase of Raw Materials, Materials, Parts, Chemical Products and Catalysts | | | | | |
| 1 | 74-2014/PTSC-QN/BDV-NAM2017 | Effective from November 21st, 2016 | Hire tugboats at SPM and Jetty for production in 2017 | PTSC Quang Ngai Joint Stock Company | 135.649.746.100 |
| 2 | 10-2017/ĐĐH-BSR-01-PVBLD | Effective from January 05th, 2017 | Purchase pallets for PP unit | PetroVietnam Building and Commercial Joint Stock Company (PV Building) | 16.504.400.000 |

| No | Contract no. | Effective period | Contract contents | Partners | Estimated value (VND) |
|----|-------------------------------|------------------------------------|--|--|-----------------------|
| 3 | 21-2017/ĐĐH-BSR-02-PVBLD | Effective from January 09th, 2017 | Purchase Polypropylene plastic resins bags under Purchase Order No. 087/DH-DDSX on November 30th, 2016 | PetroVietnam Building and Commercial Joint Stock Company (PV Building) | 19.800.000.000 |
| 4 | PL02-HD200-2015/HĐ/BSR-07-PMS | Effective from February 07th, 2017 | Sign unit price contract for scaffold installation services to perform regular maintenance and repair works for the Refinery in 2017 | Petroleum Maintenance Services Joint Stock Company (PMS) | 17.625.288.787 |
| 5 | 100-2017/BSR-01-FIS | Effective from February 09th, 2017 | Purchase materials, equipment and services to reinforce information security system and remedy weaknesses, prevent cyber attacks | FPT Information System Company Limited | 19.429.950.000 |
| 6 | 287-2017/HĐ/BSR-ANDK | Effective from April 10th, 2017 | Provide security services to DQR in 2017 | PetroVietnam Security Service Corporation - Central Region Branch | 37.548.567.000 |
| 7 | 292-2017/HĐ/BSR-01FPT | Effective from April 10th, 2017 | Upgrade and standardize network infrastructure in SOA/SONA and replace old and damaged materials | FPT Information System Company Limited | 18.207.550.000 |

| No | Contract no. | Effective period | Contract contents | Partners | Estimated value (VND) |
|-----------------------------|----------------------------------|---------------------------------|---|--|-----------------------|
| 8 | ADDENDUM07-HD091015/BSR-HONEYWEL | Effective from April 26th, 2017 | Hire long-term service assistance services for control systems supplied by Honeywell | Honeywell Pte Ltd | 27.915.011.670 |
| 9 | 393-2017/DDH-BSR-04-PVBLD | Effective from April 27th, 2017 | Purchase PP plastic resins bags | PetroVietnam Building and Commercial Joint Stock Company (PV Building) | 19.800.000.000 |
| 10 | ADDENDUM01-775-2016/HB/BSR-SHELL | Effective from May 17th, 2017 | Hire technical consultancy and support series with Shell Global Solutions in 2017 | Shell Global Solutions International B.V | 17.446.073.400 |
| 11 | 416-2016/HB/BSR-04PTSC-PLBS01 | Effective from June 05th, 2017 | Paint, repair and prevent corrosion to P3-Jetty | PTSC Quang Ngai Joint Stock Company | 16.954.616.168 |
| 12 | AMENDMENT-ESA-BSR-UOP | Effective from June 19th, 2017 | Provide consultancy and support to operation, optimization and online reliability management of NHT-CCR-ISOM Unit | Uop Llc | 19.316.250.000 |
| Other contracts (Insurance) | | | | | |

| No | Contract no. | Effective period | Contract contents | Partners | Estimated value (VND) |
|----|-----------------------|-------------------------------------|---|---------------------------|-----------------------|
| 1 | 489-2017/HĐ-BSR-PVIBH | From May 26th 2017 to May 26th 2018 | Contract for Issue and Management of Insurance Policies for All Asset Risks (including insurance of machine falling, breaking, business discontinuity and compulsory fire and explosion insurance) and Commercial General Liability Insurance of DQR during the period of 2017 - 2018 | PVI Insurance Corporation | 226.354.431.230 |

2.3. Financial position and business performance

| Indicators | For financial year ended at | | | | As on |
|---|-----------------------------|------------|------------|------------|----------------------|
| | 31/12/2013 | 31/12/2014 | 31/12/2015 | 31/12/2016 | 30/09/2017 |
| Capital structure | | | | | |
| Debt/Total assets | 0.70 | 0.66 | 0.46 | 0.47 | 0.40 |
| Debt/Equity | 2.35 | 1.95 | 0.86 | 0.89 | 0.66 |
| Self-financing ratio | 0.30 | 0.34 | 0.54 | 0.53 | 0.60 |
| Loan/Equity | 1.78 | 1.60 | 0.58 | 0.48 | 0.35 |
| Total assets/Equity | 3.35 | 2.95 | 1.86 | 1.89 | 1.66 |
| Asset structure | | | | | |
| Short-term assets/Total assets | 59.85% | 57.27% | 45.23% | 49.01% | 47.77% |
| Long-term assets/Total assets | 40.15% | 42.73% | 54.77% | 50.99% | 52.23% |
| Solvency | | | | | |
| Quick ratio | 0.93 | 1.07 | 1.84 | 1.59 | 1.81 |
| Short-term solvency ratio | 1.29 | 1.28 | 2.36 | 2.05 | 2.58 |
| Business performance | | | | | |
| Total asset turnover | 1.82 | 1.50 | 1.37 | 1.23 | 0.90 |
| Fixed asset turnover | 4.20 | 3.70 | 2.93 | 2.37 | 1.78 |
| Working capital turnover | 15.43 | 11.52 | 7.50 | 4.80 | 3.33 |
| Accounts payable turnover (days) | 27.30 | 24.53 | 23.05 | 27.41 | 30.74 |
| Accounts receivable turnover (days)..... | 36.41 | 39.90 | 38.99 | 44.38 | 46.76 |
| Inventory turnover (days) ¹⁵ | 38.00 | 34.81 | 32.21 | 35.66 | 46.64 |
| Profitability | | | | | |
| Gross profit margin | 5.76% | 1.55% | 10.54% | 8.71% | 11.52% |
| Net profit margin..... | 1.85% | 0.11% | 7.21% | 6.47% | 10.56% |
| Profit after tax/Net revenue | 1.92% | 0.12% | 6.49% | 6.10% | 10.05% |
| ROE..... | 12.05% | 0.55% | 21.07% | 14.06% | 16.09% ¹⁶ |
| ROA | 3.50% | 0.18% | 8.92% | 7.49% | 9.08% ¹⁷ |

Source: Audited standalone financial statements, BSR, 2013-2016 and Q3.2017 FS

2.3.1. Assets size, Assets structure and capital

Assets size: Our total assets during the period of 2013 - 2016 reached about VND 72,323 billion on the average, decreasing by 10.52%/year in size. The main reason of slump in TA is a decline in size

¹⁵ Cost of goods sold used for this ratio does not include adjustable collection to be paid to accurately present warehousing situation of the Company.

¹⁶ Calculated as at 30/09/2017 and not project for the whole fiscal year

¹⁷ Calculated as at 30/09/2017 and not project for the whole fiscal year

of working capital resulting from fall in crude oil in recent years¹⁸. Besides, fixed assets mainly include machine, equipment systems, and hi-tech units with high amount of annual depreciation (about VND 2.3 trillion/year). As on September 30th, 2017, our value of total assets was VND 59,063 billion, decreasing by about VND 2,256 billion in comparison with that of the end of 2016, mainly resulting from periodic provisioning for fixed asset depreciation. In the next stage, our total assets will rocket because the UE Project¹⁹ has been implemented and is expected to be put into operation from 2022.

Assets structure: Assets structure during the period of 2013 - 2016 changed with increase in long-term assets and decrease in short-term assets. However, changes were not significant. As on December 31, 2013, long-term assets and short-term assets accounted for 40.15% and 59.85% of total assets, respectively. As on December 31st, 2016, the above percentage changed to 50.99% and 49.01%, respectively. This change mainly came from a decline in the size of working capital as crude oil price dropped dramatically. As on December 30th, 2017, our short-term assets decreased by about VND 1,842 billion in comparison with that as on December 31st, 2016, mainly resulting from profit remittance by us to PVN and slump in cash and cash equivalents. Cash and cash equivalents as on September 30th, 2017 is VND 11,217 billion, reducing by VND 1,547 billion in comparison with the beginning balance.

Capital Structure: In our capital structure, ratio of liabilities to owner's equity went down from 70.18% at on December 31st, 2013 to 47.21% at on December 31st, 2016. The main reason for this change is drop in working capital demand, resulting in the Company having no demand for short-term loans. Our short-term loans mainly include due long-term loans. On the other hand, our long-term loans reducing by VND 3,130 billion/year on the average during the period of 2013 - 2016 were paid by the Company based on schedule for repayment of loans during construction of DQR. At on September 30th, 2017, our capital structure included 39.78% of liabilities and 60.22% of owner's equity.

Owner's equity: During the period of 2013 - 2016, we received additional capital of about VND 1,340 billion from PVN, including VND 713 billion in 2016 after enterprise valuation (December 31st, 2015). Ratio of owner's equity to total capital was 52.79% at on December 31st, 2016. In the first nine months of 2017, we received additional capital of about VND 414 billion from PVN to implement UE Project and also added about VND 1,150 billion to our Investment and development fund under current regulations.

¹⁸ According to the Energy Information Administration of the U.S. Department of Energy, crude oil price of more than 100 USD/barrel at the end of 2013 declined to no more than 40 USD/barrel at the end of 2015 before it reached 50 USD/barrel at the end of 2016.

¹⁹ UE Project will be put into operation in 2022 with total expected initial investment capital of USD 1.8 billion (equivalent to about VND 38,990 billion) with equity/loan ratio of 30/70 (under the Decision No. 9016/QĐ-DKVN dated December 22nd, 2014)

2.3.2. Solvency

Short-term solvency ratio and quick ratio went up over years, by 1.74 and 1.36 times higher than the average ratio of the period of 2013 - 2016, respectively. On the other hand, we have regularly monitored current and future solvency standards to ensure that the Company maintains sufficient amount of provision in cash and pays due debts under liquidity regulations. At on September 30, 2017, short-term solvency ratio and quick ratio of BSRR was 2.58 and 1.81 times, respectively. These ratios jumped because our liabilities decreased by VND 3,730 billion in comparison with the beginning balance, and we paid due debts and remit profit after tax to PVN in 2016.

2.3.3. Business performance

Total asset turnover of our company was about 1.48 times during the period of 2013 - 2016. Working capital turnover ratio decreased by about 50% because the size of working capital declined when crude oil price crashed. Cash turnover during the period of 2013 - 2016 was 49.52 days on the average. We paid attention to monitoring of trade receivable and ensured payment to suppliers on schedule. At on September 30th, 2017, inventory of BSR amounted to VND 8,480 billion, increasing by VND 1,644 billion in comparison with the beginning balance because we periodically and seasonally increased inventory amount to ensure normal business operation, especially in rain and hurricane season. Accordingly, the average number of days in inventory up to September 2017 was 46.64, increasing by about 11.47 days in comparison with that of previous years. Besides, the number of accounts payable days and accounts receivable days did not significantly fluctuate in comparison with that of previous years and reached 30.74 and 46.76, respectively.

2.3.4. Profitability

Our profit after tax in 2013, 2014, 2015 and 2016 was VND 2,932 billion, VND 149 billion, VND 6,170 billion and VND 4,492 billion, respectively. Drop in profit in 2014 resulted from fluctuations of crude oil price, leading to increase in amount of provision for inventory and fall in production output affected by the second Turnaround in the year. The average ROE and ROA during the period of 2013 - 2016 was 11.94% and 5.02%, respectively. In 2015, because favorable market situation made cost of goods sold (COGS) only account for 89.46% of revenue. In comparison with COGS in 2013 and 2014, the value of COGS in 2015 decreased by 41% and 32%, respectively. Hence, our profit after tax in 2015 was about VND 6,170 billion. On the other hand, despite fierce competition from goods imported from Korea and ASEAN, our profit after tax was still VND 4,492 billion in 2016 as a result of flexible and proactive sale as well as effective management of operating cost. In the first nine months of 2017, our business result was extremely positive when we operate in normal market mechanism after financial mechanism "3-5-7" that was imposed on us by the Government was completely cancelled from January 1st, 2017. Our profit after tax in the first nine months of 2017 was VND 5,466 billion, accounting for 122% of total profit in 2016, and is 4.73 times higher in comparison with the same period of 2016.

2.4. Taxes and payables to the State budget

2.4.1. Our tax incentive policies

- **Corporate income tax:** Pursuant to the Decision No. 952/QĐ-TTg dated 2012, we are entitled to a tax rate of 10% for 30 years, tax exemptions for 4 years and 50% tax deductible for the next 9 years from the first year that we generate income subject to tax.
- **Import tax for refining and petrochemical products:** Most Favored Nation (MFN) import tariff²⁰ currently applicable to gasoline and oil products is as follows:

| Products | Most Favored Nation (MFN) tariff rate | Import tax rate applicable to BSR in adjustable collection mechanism (after deducting retained import tax) | Import tax rate applicable to BSR after completely canceling adjustable collection mechanism (As of January 01st, 2017) |
|-----------------------------|---------------------------------------|--|---|
| Gasoline of all types | 20% | 13% | - |
| Diesel Oil (DO) | 7% | 0% | - |
| Jet A-1/KO | 7% | 0% | - |
| FO | 7% | 0% | - |
| LPG | 5% | 0% | - |
| PP plastic resins | 3% | 0% | - |

Source: Binh Son Refining and Petrochemical Co., Ltd

From 2012 to September, 2016, we were entitled to incentives as provided for in the Decision No. 952/QĐ-TTg/2012. Accordingly, we are entitled to retain 7% of import tax for Gasoline and Oil, products, 5% for LPG and 3% for Petrochemical. Difference between import tax rate and this preferential rate is the adjustable collection amount paid to the State. If import tax rate is less than this preferential rate, PVN will pay difference between import tax rate and preferential rate to us. Pursuant to the Decision No. 1725/QĐ-TTg dated 2016 on amending and supplementing some articles of the Decision No. 952/QĐ-TTg dated 2012, from September, 2016 to December 31st, 2016, we were only subjected to the adjustable collection rate of 10% for gasoline products and was not subjected to adjustable collection for other products.

Pursuant to:

- The Circular No. 182/2015/TT-BTC dated 16/11/2015 by the Ministry of Finance on issue of preferential import and export tariff according to a list of goods subject to tax;
- The Circular No. 48/2016/TT-BTC dated 17/03/2016 by the Ministry of Finance on changes in preferential import tax rates in gasoline and oil;
- The Decision No. 36/2016/QĐ-TTg dated 01/09/2016 by the Prime Minister on application of normal tax rates to imported goods;
- The Decree No. 122/2016/ND-CP dated 01/09/2016 by the Government on issue of preferential import and export tariff;
- The Law on Import and Export Tax dated 06/04/2016,

From January 01st, 2017, adjustable collection mechanism was completely canceled. Accordingly, we control our selling price and no longer pays adjustable collection amount to the State.

- *Equipment import tax during construction:* Pursuant to the Decision No. 546/QĐ-TTg dated June 17th, 2005 by the Prime Minister, we are entitled to import tax exemptions for materials and equipment that cannot be manufactured domestically.
- *Import tax for chemical products and catalysts:* Pursuant to the Investment Incentive Certificate No. 13/UDDT dated February 15th, 2006 by the Dung Quat Economic Zone Authority, we are entitled to import tax exemptions for production ingredients, materials, components and semi-finished products that cannot be manufactured domestically or can be manufactured, but do not meet quality standards for five years from the date of business commencement.
- *Special consumption tax:* Pursuant to the Law on amendment and supplementation of some articles of the Law on Special Consumption Tax dated November 26th, 2014, tax rate applicable to gasoline of our company is as follows:

| Products | Special consumption tax rate |
|---------------------|---------------------------------|
| RON92, RON95 | 10% |
| E5 RON92..... | 8% |
| Other products..... | Inapplicable |

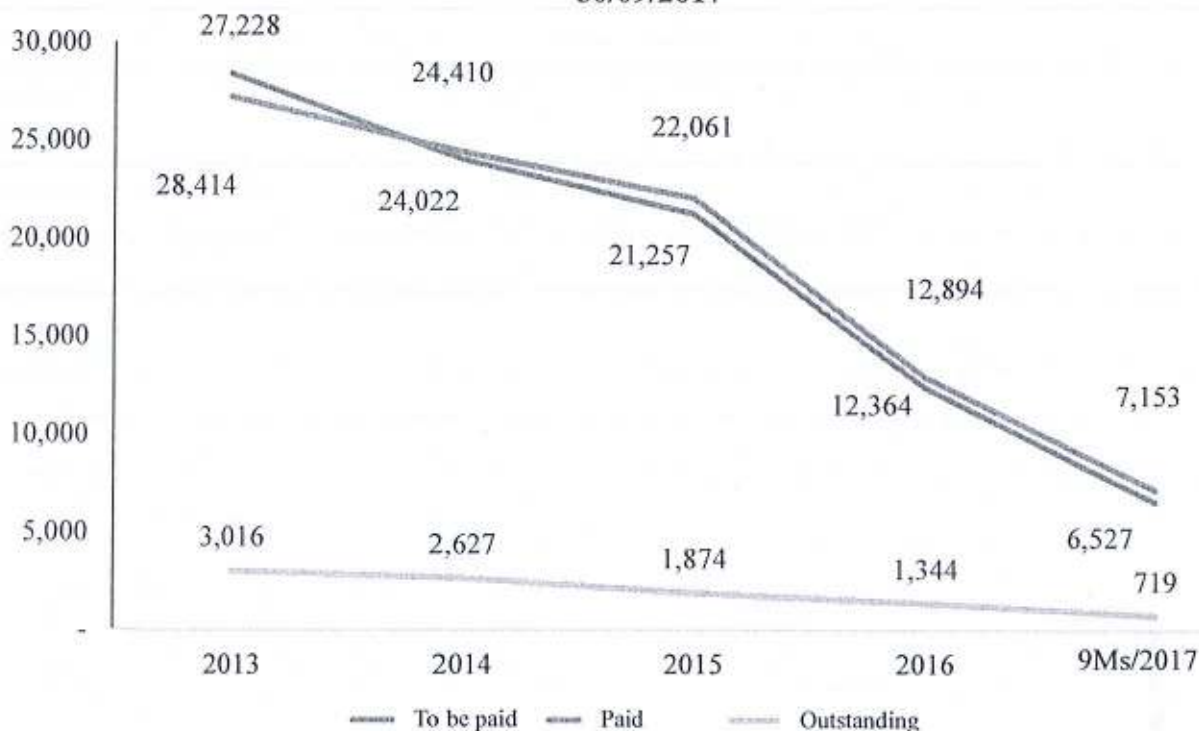
Source: Binh Son Refining and Petrochemical Co., Ltd

- *Land and housing tax:* Pursuant to the Decree No. 142/2005/ND-CP dated November 14th, 2005, we are exempted from land rental applicable to the Refinery and units in Dung Quat Economic Zone. Pursuant to the Circular No. 153/2011/TT-BTC, we are exempted from non-agricultural land use tax for land in Dung Quat Economic Zone.
- *Personal income tax:* Employees are entitled to 50% tax deductible for income subject to tax during their services in Dung Quat Economic Zone as provided for in the Circular No. 119/2005/TT-BTC dated December 22nd, 2005.

Pursuant to Clause 3, Article 10, Decree No. 59/2011/ND-CP, "Joint-stock companies may use all assets and capital amounts already handed over to them for organizing production and business; take over all interests, obligations and liabilities from equitized enterprises and have other rights and obligations provided by law.". Hence, we shall inherit all the preferential mechanisms and policies that we are enjoying after being transformed into a joint stock company.

2.4.2. Situation of payment of taxes and payables to the State budget

Our situation of tax payment during 2013 - 2016 period and up to 30/09/2017



Source: Audited standalone financial statements, BSR, 2013-2016 and Unaudited Q3.2017 FS

Details breakdown of taxes and payables to the State budget

| Criteria | For at the fiscal year ended at December 31 st , | |
|-------------------------------------|---|--------------|
| | 2015 | 2016 |
| | (VND billion) | |
| Value-added tax | 485 | 584 |
| Import and export tax | (1) | (1) |
| Special consumption tax | 378 | 395 |
| Corporate income tax | 31 | 202 |
| Other taxes, fees and charges | 184 | 15 |
| Adjustable collection | 797 | 149 |
| Total | 1,874 | 1,344 |

Source: Audited standalone financial statements, BSR, 2013-2016 and Unaudited Q3.2017 FS

2.5. Key financial performance in the period 2013-2016 and 9Ms/2017

| For financial year ended at | | | | As on |
|-----------------------------|------------|------------|------------|------------|
| 31/12/2013 | 31/12/2014 | 31/12/2015 | 31/12/2016 | 30/09/2017 |

| Criteria | For financial year ended at | | | | As on |
|--|-----------------------------|------------|------------|------------|------------|
| | 31/12/2013 | 31/12/2014 | 31/12/2015 | 31/12/2016 | 30/09/2017 |
| | (VND billion) | | | | |
| 1. Total asset value | 89,614 | 79,770 | 58,589 | 61,319 | 59,063 |
| 2. The State-owned capital according to accounting books | 26,722 | 27,042 | 31,519 | 32,368 | 35,566 |
| 3. Short-term loans | 26,470 | 26,284 | 3,767 | 3,628 | 2,636 |
| <i>In which, overdue debts</i> | - | - | - | - | - |
| 4. Long-term loans | 21,175 | 17,116 | 14,541 | 11,783 | 9,691 |
| <i>In which, overdue debts</i> | - | - | - | - | - |
| 5. Doubtful debts | - | - | - | - | - |
| 6. Total average number of employees (People) | 1,401 | 1,410 | 1,491 | 1,493 | 1,537 |
| 7. Total salary fund | 442 | 438 | 466 | 449 | 328 |
| 8. The average income/person/month (Million VND/month) | 29.48 | 30.52 | 30.73 | 30.71 | 27.97 |
| 9. Total revenue | 154,270 | 128,374 | 95,885 | 74,565 | 54,982 |
| 10. Total cost | 151,339 | 128,224 | 89,402 | 69,812 | 49,228 |
| 11. Operating profit | 2,932 | 149 | 6,483 | 4,753 | 5,754 |
| 12. Profit after tax | 2,932 | 149 | 6,170 | 4,492 | 5,466 |
| 13. Profit after tax/the State-owned capital | 12.05% | 0.55% | 21.07% | 14.06% | 16.09% |

Source: Audited standalone financial statements, BSR, 2013-2016 and Unaudited Q3.2017 FS

2.6. Factors affecting the operation of BSR in the period 2013-2016 and 9Ms/2017

2.6.1. Advantages

BSR is currently the only refinery operating in Vietnam. Thanks to our important position, along with the large customer network such as Petrolimex, PVOil, Thanh Le and Saigon Petro, in the period of 2013 - 2016, almost all products of the company are consumed.

With strong position in national energy security, We always receive great incentives from the Government such as incentives on land rent, lease periods and tax policies, as well as security and safety for the system of the plant

Our machinery is imported from Japan, America and France, always ensure stable operation at over 100% of designed capacity. After the UE project is put into operation, it is expected that our processing capacity will increase by 30% to about 8.5 million tons of crude oil per year. Along with that, the product quality will meet EURO V standard by European standards. Large warehousing and storage systems along with modern seaport systems will minimize waiting times for tankers at the port.

We have a team of highly qualified personnel and advanced human resource management procedures. At present, more than 50% our staff have university level and above. Our employees are

trained professionally right after starting to work at the company. Human resources is one of the largest assets and a major advantage of the Company.

We have close relationships with regional and international oil refineries, so it is easy to share experiences, solve problems and improve technical and technological issues as well as be supported by top experts.

2.6.2. Disadvantages

Before the UE project is completed, our products are still in the process of upgrading and standardization to strive for quality of EURO IV and EURO V Standards.

Our products are mainly traditional oil refining products (except for PP plastic resins), not diversified yet, especially products with high efficiency such as petrochemical products.

2.7. Position and capacity of Binh Son Refining and Petrochemical Company Limited in the Oil refinery industry of Vietnam

2.7.1. Position of Company in the industry

BSR is the only oil refinery operating in Vietnam with designed capacity of 6.5 million tons of crude oil per year and the approved investment capital is USD 3 billion. Every year, the factory supplies about 30% of the country's gasoline demand.

The designed production of the Refinery is as follows:

| Order | Product name | Design capacity (Unit: thousand tons/year) |
|-------|-------------------------------------|--|
| 1 | RON92 | 1,400 – 1,800 |
| 2 | RON95 | 600 – 700 |
| 3 | DO | 2,900 – 3,200 |
| 4 | FO | 60 – 100 |
| 5 | Jet A-1 | 80 – 400 |
| 6 | Liquefied petroleum gas (LPG) | 400 – 420 |
| 7 | PP plastic resins | 135 – 150 |
| 8 | Propylene | 136 – 150 |

As the only oil refinery operating in Vietnam, we are currently consuming more than 40% of domestic production of crude oil. The establishment of the Refinery helps Vietnam complete the chain of exploitation - processing oil and gas industry.

In terms of output, our products (mainly gasoline and diesel) are distributed by big Companies in Vietnam such as Petrolimex (accounting for about 41% of the company's gasoline sales, PVOil (25%), Thanh Le, Sai Gon Petro. Only two largest customers which are Petrolimex and PVOil, occupy over 70% of the domestic market.

According to the expected progress, Nghi Son Oil Refinery complex at Nghi Son Economic Zone in Thanh Hoa province will be put into operation in 2018. After being officially put into operation,

Dung Quat and Nghi Son will supply about 80% of gasoline demand for the domestic market. Thereby, it helps to improve the self-sufficiency of gasoline resources of Vietnam.

2.7.2. Development prospects of gasoline industry until 2040

a. World market

According to the *"World Oil Market Report 2016"* issued by OPEC on 08/11/2016, the world economy is on the rebound and will keep growing by 3.7% per year until 2021. In the long run, global GDP will reach USD 245 trillion (PPP in 2011) by 2040, representing an increase of 235% from 2015 and equivalent to a growth rate of 3.5 %/year. Major growth drivers in the coming years will come from developing countries, which will account for ¾ global GDP growth.

Crude oil will continue to play role as a primary source of energy for demand of gasoline for vehicles and machinery, along with the chemical industry. Plastics and other advanced materials will bring benefits to manufacturers and consumers including efficiency in fuel consumption.

Demand for crude oil in the medium term will reach 99.2 million barrels/day by 2021 (from 94.2 million barrels/day in 2016) and 109.4 million barrels/day by 2040 with the growth rate of 16.4 million barrels/day during 2015-2040. Developing countries will continue to have the largest increase in oil consumption (an increase of 6.4 million barrels/day by 2021 and 24.6 million barrels/day by 2040). Meanwhile, developed countries tend to reduce consumption, reduced by 0.5 million barrels/day by 2021 and by 8.9 million barrels/day by 2040. In this period, crude oil prices are expected to rebound with an annual increase of about USD 5/barrel. In the long term, oil prices are expected to reach USD 92/barrel by 2040 (with the price level of 2015), equivalent to a nominal price of USD 155/barrel.

Oil sands are still being researched and developed. However, due to the climate change policy adopted at COP 21 in December 2015, the development of oil sands is unpredictable. According to OPEC, it is projected that by 2040, oil production will reach 4.4 million barrels/day.

The development of green technology will be a prominent trend in coming years, especially the electrification of vehicles and machinery. In particular, primary energy sources for electricity generation such as gas, nuclear and renewable energy sources will grow to replace the role of coal.

b. Vietnamese market

Vietnam's economy is recovering, although the growth rate in 2016 only reached 6.21%¹. However, in the context of domestic and international economic fluctuations and potential abnormalities, this is a remarkable growth rate.

Regarding the macroeconomic outlook for Vietnam in 2017, the World Bank forecasts Vietnam's growth prospects to be positive over the medium term, with GDP expected to improve to 6.3% in 2017 and 2018².

According to the roadmap for implementing the emission standard adopted in Decision No. 49/2011/QĐ-TTg, Vietnam will apply the EURO IV emission standard from 01/01/2017 and EURO

V from 01/01/2022. Accordingly, petrol and oil products produced should meet this standard in line with the Government's roadmap.

Forecasting about the gasoline market, according to the Development plan of the system of crude oil and gasoline products in 2025, vision to 2035 drafted by the Department of Planning, Ministry of Industry and Trade in cooperation with Petrolimex Engineering JSC, by 2020 Vietnam will consume about 19.35 million tons of gasoline products/year, by 2025 it will be 24.23 million tons/year, and by 2030 it will be 29.74 million tons/year, and 35.89 million tons/year in 2035.

Regarding imported products, in the context of developing integration trend, Vietnam has signed FTAs in intra-ASEAN and with other countries such as Korea and China. This leads to the reduction of tariff barriers, especially the import tax, which makes imported products having very competitive price compared to domestic ones.

Therefore, in the coming years, Vietnam's gasoline market will be very competitive, requiring members in the market (including the Company) to constantly strive to improve the quality of products and services.

2.7.3. The correspondence of our development orientation with industry orientation, State policy and general trend of the world

The development of the oil refining industry is especially important to the Vietnamese economy. With the availability of oil and gas resources, the development of oil refining industry - the downstream sector of the entire oil and gas industry, and having high added value in the industry's production cycle will ensure the economic and political benefits of the country.

Firstly, due to the high added value of the industry, the ability to contribute to GDP, budget revenues and the development of the economy is very high. This is reflected in the fact that many countries in the world, despite their lack of oil and gas resources such as Japan, South Korea, Thailand are still focusing on developing the petrochemical industry with many brand names such as JX Nippon, Idemitsu of Japan; SK Energy, KNOC of Korea; PTT, SCG of Thailand. This is especially true for Vietnam because it has available oil and gas resources. If were exploited and exported directly, they would bring only low added value, while being subject to many risks of fluctuations in oil prices.

Secondly, the development of the oil refining industry contributes to ensure domestic energy security; helps reduce dependence on imported oil and gas. Before the Refinery comes into operation, all gasoline consumed in Vietnam is dependent on imports. The Refinery was put into operation in 2009 and since its establishment, the Refinery has supplied about 30% of the market's demand for gasoline. However, in order to increase the self-sufficiency of the gasoline supply, the State continues to orient the continuous development of oil refinery industry, reflected in the investment in Nghi Son Oil Refinery Complex, which is expected to be put into operation in early 2018 and the deployment of Long Son Oil Refinery Complex.

At present, our products are meeting EURO II and EURO III standards. In order to meet the prescribed fuel requirements, we expect to implement the UE Project. The purpose of the UE project is to increase the processing capacity of the plant from 6.5 million tons of crude oil per year to 8.5 million tons per year, while increasing the quality of output to EURO V standard.

2.8. Pre-equitization Human Resources

2.8.1. Labor structure

- Summary of our labor structure as at December 31st 2016 is presented in the following table:

| Criteria | Quantity | Percentage (%) |
|---|--------------|----------------|
| By gender | 1.567 | 100,00% |
| Male | 1.359 | 86,73% |
| Female | 208 | 13,27% |
| By education | 1.567 | 100% |
| Graduated from universities or higher qualification | 854 | 54,50% |
| Graduated from colleges | 189 | 12,06% |
| Graduated from vocational schools | 137 | 8,74% |
| Technical workers | 387 | 24,70% |
| Untrained workers | - | - |
| Manual workers..... | - | - |
| By age(years old) | 1.567 | 100,00% |
| 30 and under | 271 | 17,28% |
| From 31 to 39 years old | 1.071 | 68,37% |
| From 40 to 49 years old | 199 | 12,69% |
| From 50 to 55 years old | 18 | 1,15% |
| 55 and over | 8 | 0,51% |
| By labor contract | 1.567 | 100,00% |
| Non-contractual employees(our management) | 11 | 0,70% |
| Indefinite contracts | 1.327 | 84,68% |
| 1 – 3 years contracts..... | 229 | 14,61% |
| Probationary contract | - | - |

Source: Binh Son Refining and Petrochemical Co., Ltd

2.8.2. Overview/Highlights of human resources

- Because refining and petrochemical industry typically requiring much technical excellence, development of human resource is one of our top priorities. As a result of much attention and direction from the Group and the Management Board of the Company, our human resource has developed in quantity and quality and met our business operation requirements in recent years.
- During the period of 2013 - 2015, in order to serve production expansion and UE Project, total number of the Company's employees dramatically increased from 1,412 (at on December 31st, 2013) to 1,547 at on December 31st, 2015. At on December 31st, 2016, total number of employees went up to 1,567. According to human resource planning of the Company in 2017 approved by the Group, total number of our employees was 1,610 for purposes of UE Project.
- Besides, we have also paid much attention to quality of our staff to ensure operation effectiveness of the Refinery. Accordingly, our employees holding bachelor's degree or higher currently account

for 54.5%. On the other hand, the number of employees at the age of less than 40 accounts for up to over 85% of total employees, in which, the number of employees from 31 years old to 39 years old accounts for the highest percentage. This will ensure stability of our workforce in the future. Managerial staff have been professionally trained with extensive knowledge, qualification and experience in refining and petrochemical industry. Human resource not only meets requirements on quantity, quality but also ensures our long-term stability and has facilitated safe and effective operation of the Refinery.

- For training activities, our employees have regularly participated training and coaching courses to improve profession and operations. They not only participated domestic short-term training courses but also regularly had opportunities to exchange their knowledge, profession and operations via coaching courses with international prestigious partners in refining and petrochemical industry from the U.S., Russia, Romania and Malaysia.
- In addition to current high-quality human resource, we have employed operation and maintenance (O&M) experts by separate contracts to give support to our activities and improve qualification of its employees via exchanging and working with these experts.

3. OUR ACTUAL STATE AT THE TIME OF VALUATION

3.1. Our main assets

- Binh Son Refining and Petrochemical Co., Ltd is a unit assigned to assume responsibility for directly receiving, managing and operating DQR. Our assets are mainly systems of units, machinery and equipment at Dung Quat Refinery in Dung Quat Economic Zone, Quang Ngai Province.
- Land area for construction of DQR is subject to payment of annual land rental. However, BSR is exempted from land rental for land area in Dung Quat Economic Zone according to Decree No. 142/2005/ND-CP on November 14th, 2005 and non-agricultural land use tax for land area in Dung Quat Economic Zone according to Circular No. 153/2011/TT-BTC. Accordingly, among over 398 hectares (ha) of DQR's land area, we have about 300 hectares (ha) of land area with lease term up to 2055 - 2059 and entitled to land rental exemption. Although the remaining land area has shorter lease term, we are also entitled to similar incentives. Besides, our head office in Quang Ngai City, Quang Ngai Province is in a land area subject to payment of annual land rental.

3.1.1. Short-term assets

- Actual state and fluctuation of our short-term asset system before enterprise valuation (during 2013 - 2015 period) is presented in the following table:

| Items | 31/12/2013 | 31/12/2014 | 31/12/2015 |
|--|---------------|---------------|---------------|
| | | (VND billion) | |
| Total assets | 89,614 | 79,770 | 58,589 |
| Short-term assets | 53,635 | 45,686 | 26,502 |
| Cash and cash equivalents | 23,568 | 24,983 | 12,837 |
| Cash on hand | 1,798 | 523 | 458 |
| Cash equivalents | 21,770 | 24,460 | 12,379 |
| Short-term financial investments | - | 2 | 2 |

| Items | 31/12/2013 | 31/12/2014 | 31/12/2015 |
|-------------------------------|---------------|---------------|---------------|
| | | (VND billion) | |
| Short-term receivable | 15,246 | 12,868 | 7,722 |
| Inventory | 14,724 | 7,696 | 5,844 |
| Other short-term assets | 97 | 137 | 98 |
| Long-term assets | 35,978 | 34,084 | 32,087 |

Source: Audited 2013 - 2015 stand-alone financial statements²¹ of BSR

- Our short-term assets in 2015 amounted to VND 26,502 billion, decreasing by 51% in comparison with VND 53,635 billion in 2013. The main reason for this decrease is that total value of our short-term asset system is significantly affected by oil price fluctuation. High oil price in 2013 (100 - 110 USD/barrel) increased value of receivable and inventory to VND 15,246 billion and VND 14,724 billion, respectively. In contrast, when oil price fell during 2014 - 2015 period and remained 50 USD, value of receivable and inventory went down to VND 7,722 billion and VND 5,844 billion in 2015, decreasing by 49% and 60% in comparison with that in 2013, respectively.
- Value of cash and cash equivalents slumped from VND 23,568 billion to VND 12,837 billion, reducing by 45% during 2013 - 2015 period. The main reasons for this reduction is drop of crude oil, resulting in downturn of our working capital size.
- For short-term receivable, during 2013 - 2015, the average age of trade receivable was about 30 days without much fluctuation. Our accounts receivable mainly came from strategic customers, in which, accounts receivable from Petrolimex and companies in Vietnam Oil and Gas Group accounted for about 30% and 30%, respectively.
- For inventory, inventory of the Refinery mainly included four important components named as (i) tools (serving the Refinery's activities and repair, replacement), (ii) crude oil, (iii) finished products and (iv) other inventory such as goods in transit, work in progress, chemical products, catalysts, etc. At the time of enterprise valuation on December 31st, 2015, tools, raw materials, finishes products in stock and other inventory accounted for about 31.5%, 32.3%, 15.4% and 20.8% of inventory value, excluding provision.
- Provision for diminution in value of inventory as at December 31st, 2015 amounted to VND 603.60 billion due to impacts of significant decline in crude oil price during this period (The average Brent crude oil in²² December, 2014 was 62.53 USD/barrel and decreased to 38.12 USD in December, 2015).

3.1.2. Long-term assets

| Items | 31/12/2013 | 31/12/2014 | 31/12/2015 |
|-------|------------|---------------|------------|
| | | (VND billion) | |

²¹ Based on Auditor's Report of the State Audit Office of Vietnam signed on April 13th, 2016, Tax Audit Minutes of the General Department of Taxation on December 29th, 2016 and Official Dispatch No. 3496/BTC-CST of the Ministry of Finance on March 16th, 2016, we made some retrospective restatement to some financial items in 2015 financial statements.

²² Source: Data of crude oil and product price is supplied by BSR.

| Items | 31/12/2013 | 31/12/2014 | 31/12/2015 |
|---------------------------------------|---------------|---------------|---------------|
| | | (VND billion) | |
| Total assets | 89,614 | 79,770 | 58,589 |
| Short-term assets | 53,635 | 45,686 | 26,502 |
| Long-term assets | 35,978 | 34,084 | 32,087 |
| Fixed assets | 35,167 | 33,028 | 31,206 |
| Tangible fixed assets | 34,793 | 32,688 | 30,861 |
| Intangible fixed assets | 374 | 340 | 346 |
| Work in progress | 86 | 355 | 247 |
| Long-term work in progress..... | - | - | - |
| Long-term financial investments | 725 | 632 | 599 |
| Other long-term assets | - | 70 | 35 |

Source: Audited 2013 - 2015 stand-alone financial statements of BSR

- Total value of long-term assets of the enterprise during 2013 - 2015 period remained stable (VND 32,087 billion to VND 35,978 billion) because the Refinery was put into operation and was only invested for some small items and units. Drop in value of fixed assets mainly came from annual depreciation value.

- Because our main business lines were production, refining and petrochemical, long-term asset structure mainly included tangible fixed assets (system of machines, equipment and units was located in Dung Quat Economic Zone), accounting for 96% of total long-term asset value during 2013 - 2015 period.

a. Fixed assets

- Our fixed assets mainly included system of machines, equipment and units located in Dung Quat Economic Zone for our production activities. Activities of the Refinery were supported by supporting items (power, steam generation, domestic water, boiler water, compressed air, nitrogen treatment, etc.), intermediate tanks, product tanks, sea port including single point mooring (SPM) that received ships with size of up to 110,000 DWT and was upgraded to receive ships with size of 150,000 DWT in 2014, port of export for ships with size of up to 30,000 DWT, breakwater, etc. The Refinery (production area) was connected to sea port system (delivery area) by a pipeline system that had length of 7 km and was designed in conformity with geological, topographical conditions and correlation between geographical position of the Refinery and sea port.

- The Refinery was put into operation in 2009 with capacity of 6.5 million tons of crude oil/year and produced products including propylene, LPG, KO (kerosene)/Jet A-1 (aviation turbine fuel), RON92, RON95, Diesel Oil (DO), FO (fuel oil), PP plastic resins, sulfur. Products of the Refinery have met about 30% of demand of Vietnamese market. Main technological units of the Refinery have been licensed from the world-leading suppliers such as NHT/CCR/ISOM unit (UOP, the U.S.), RFCC/LCO-HDT unit (AXENS, France), KTU/LTU/NTU/CNU (Merichem, the U.S.). The Refinery was designed, built and tested by Technip Consortium of France, JSC Consortium of Japan and other foreign subcontractors. The Refinery was fully and modernly equipped with control system operated by DCS, safety protection system in ESD (Emergency Shutdown), gas leakage detection system and fire alarm system, etc. Our system of units is as follows:

| Unit Name | Name in short | Functions | Design capacity (barrel/day) |
|---|---------------|--|------------------------------|
| Crude Distillation Unit | CDU | Decompose crude oil into various fractions/intermediate products | 148,000 |
| Naphtha Hydrotreater Unit | NHT | Separate S, N, water and metals from Naphtha | 23,500 |
| Continuous Catalytic Reformer Unit | CCR | Produce gasoline components with high octane number | 21,100 |
| Kerosene/Jet A-1 Treatment Unit | KTU | Remove S, naphthenic acid and water from jet fuel products | 10,000 |
| Residue Fluidized Catalytic Cracking Unit | RFCC | Treat residue from Atmospheric Distillation Unit into products such as gasoline, LPG, etc. | 69,700 |
| LPG Treater Unit | LTU | Treat LPG generated from RFCC | 21,000 |
| RFCC Naphtha Treater Unit | NTU | Treat Naphtha generated from RFCC | 45,000 |
| Propylene Recovery Unit | PRU | Recover Propylene to produce Polypropylene | 77,240 (kg/hour) |
| Light Naphtha Isomerization Unit | ISOM | Isomerize hydrocarbon to form gasoline components with high octane number | 6,500 |
| LCO Hydrotreater Unit | LCO-HDT | Remove N, S and metals by hydro to clean LCO | 165,000 (kg/hour) |
| Polypropylene Plant | PP | Produce Polypropylene from Propylene | 150,000 (tons/year) |
| Sour Water Stripping Unit | SWS | Remove sour gas from sour water | 82 (m ³ /hour) |
| Amine Regeneration Unit | ARU | Clean and regenerate amine | 102 (m ³ /hour) |

| Unit Name | Name in short | Functions | Design capacity (barrel/day) |
|-----------------------------------|---------------|----------------------------|------------------------------|
| Spent Caustic Neutralization Unit | CNU | Neutralize caustic | 1.5 (m ³ /hour) |
| Sulfur Recovery 1 Unit | SRU | Recover sulfur in sour gas | 5 (tons/day) |
| Sulfur Recovery 2 Unit | SRU2 | Recover sulfur in sour gas | 13 (tons/day) |

Source: Binh Son Refining and Petrochemical Co., Ltd

Turnaround

• Because the unit system has very high value, requires high precision and safety, the whole Refinery is periodically maintained every three years (“Turnaround”/“TA”) besides regular maintenance. Because turn around costs much, we provision turn around cost for a cycle of three years above and recognize diminution in value of provision when repair is due. The Refinery was under three Turnaround in 2011, 2014 and 2017. The third Turnaround started from June 05th, 2017 and ended on July 25th, 2017 one day ahead of schedule. Because the Refinery requires regular and continuous operation, items that require renovation, capacity increase but do not require new investment into new units shall be maintained during TA.

• In detail, cost of the first and second Turnaround is as follows:

| Items | 2011 | 2014 |
|---------------------------------------|---------------|----------|
| | (VND billion) | |
| Major maintenance cost (TA) | 1,074.65 | 1,337.16 |

• Source: Binh Son Refining and Petrochemical Co., Ltd

• It is noted that actual cost of major repair is only determined when the Refinery is completely shut down during TA to remove machinery system from unit system and actual maintenance level is assessed.

• At present, we are provisioning major repair cost and will recognize major repair cost as accrued expense under guidelines in Article 62 of Circular No. 200/2014/TT-BTC. Besides cost recognition, major repair makes the Refinery inoperative for two months. Revenue/profit corresponding to operating capacity for these two months will not be maintained. Consequently, in the year that major repair is performed, our revenue and profit usually decrease in comparison with the same period last year (excluding other objective factors).

Regular maintenance of fixed assets

• Regular inspection and repair process is managed by automatic systems to manage life cycle of assets. We maintain early warning systems. Depending on operating cycle and life cycle of each

asset, maintenance management software will require personnel to measure, inspect to identify damage risks and take prompt solutions on a daily/weekly/monthly/quarterly basis.

| Items | 2013 | 2014 | 2015 |
|--------------------------------|------|---------------|------|
| | | (VND billion) | |
| Regular maintenance cost | 288 | 419 | 252 |

Source: Binh Son Refining and Petrochemical Co., Ltd

b. Long-term financial investments

• As at December 31st, 2015, we have made two investments into its subsidiaries including BSR-BF and PVBuilding and two long-term investments into other companies including PMS and PVOS. List of subsidiaries and long-term investments into other companies is summarized in the following table:

| Items | BSR-BF | PVBuilding | PMS | PVOS |
|---------------------------|--|-------------------------------------|--|--|
| | | (VND billion) | | |
| Owner's equity | 635.81 | 188.03 | 83.02 | 60.35 |
| Charter capital | 1,120.45 | 175.22 | 80.00 | 55.69 |
| Ownership rate | 65.86% | 96.53% | 8.75% | 8% |
| Capital contribution time | T9/2008 | T3/2009 | T9/2009 | T7/2008 |
| Dividend paid in 2015 | - | 8.59 | 0.21 | - |
| Provisioned amount | 319.18 | - | - | - |
| Business lines | Biological gasoline, ethanol and additives | Trade, packing, supporting services | Repair and maintenance of gasoline and oil works | Management of underground oil stockpiles |

Source: Binh Son Refining and Petrochemical Co., Ltd

3.2. Enterprise valuation result and shortcoming to be handled

3.2.1. Enterprise valuation time

• On November 06th, 2015, Vietnam Oil and Gas Group issued Decision No. 2665/QD-DKVN on the equitization of Binh Son Refining and Petrochemical Co., Ltd.. Accordingly, enterprise valuation time is up to the end of December 31st, 2015.

3.2.2. Enterprise valuation methods

According to Decree No. 59/2011/ND-CP, applicable enterprise valuation methods include asset method, discounted cash flow method and other methods. Accordingly, consultants applied asset method to determine enterprise value of BSR.

3.2.3. Enterprise valuation result

On May 31st, 2017, the Ministry of Industry and Trade issued Decision No. 1938/QD-BCT on valuation of Binh Son Refining and Petrochemical Co., Ltd (under control of Vietnam Oil and Gas Group) for equitization. Enterprise valuation result was also concluded by the State Audit Office of

Vietnam in Auditor's Report on valuation consultancy and financial issue handling before official publication of equitized enterprise value for Binh Son Refining and Petrochemical Co., Ltd under Official Dispatch No. 161/KTNN-TH on April 28th, 2017. Accordingly, enterprise value of Binh Son Refining and Petrochemical Co., Ltd for equitization is as follows:

- Actual enterprise value for equitization is 72,879,914,663,162 VND (in words: Seventy two thousand, eight hundred seventy nine billion, nine hundred fourteen million, six hundred sixty three thousand and one hundred sixty two Vietnamese dong), increasing by VND 14,854,654,402,964 in comparison with book value.
- Actual value of the State-owned capital in the enterprise is 44,934,562,233,107 VND (in words: Forty four thousand, nine hundred thirty four billion, five hundred sixty two million, two hundred thirty three thousand, one hundred and seven Vietnamese dong), increasing by VND 13,929,566,073,112 in comparison with book value.

According to Clause 5, Resolution No. 84/2017/ND-CP on September 06th, 2017 of the Government in the Government's regular meeting in August, 2017 on enterprise valuation and use of enterprise value based on accounting books for Equitization plan development for two member units of Vietnam Oil and Gas Group (PVN), the Government agreed on proposals of the Ministry of Industry and Trade allowing PVN to apply book value non-adjustment mechanism based on enterprise valuation result when developing charter capital size of joint stock companies in equitization plan and use enterprise valuation result to establish starting price in case of initial public offering for PetroVietnam Power Corporation (PVPower) and Binh Son Refining and Petrochemical Co., Ltd (BSR).

Summary of enterprise valuation result is present in the table below:

| Criteria (1) | Book value (2) | Valuation result (3) | Difference (4) = (3) - (2) |
|---|---------------------------|---------------------------|-------------------------------|
| | | (VND) | |
| A. Existing assets (I+II+III+IV) | 58,025,260,260,198 | 72,879,914,663,162 | 14,854,654,402,964 |
| I. Long-term assets | 32,085,763,771,901 | 45,771,426,232,879 | 13,685,662,460,978 |
| 1. Fixed assets | 31,205,142,922,921 | 42,618,423,372,974 | 11,413,280,450,053 |
| a. Tangible fixed assets | 30,859,396,493,399 | 42,272,676,943,452 | 11,413,280,450,053 |
| b. Intangible fixed assets (excluding land use right value) | 345,746,429,522 | 345,746,429,522 | - |
| 2. Long-term financial investments | 599,130,240,707 | 612,110,385,698 | 12,980,144,991 |
| 3. Construction in progress | 246,732,002,189 | 246,732,002,189 | - |
| 4. Goodwill | - | 1,816,013,092,442 | 1,816,013,092,442 |
| 5. Other long-terms assets (excluding goodwill) | 34,758,606,084 | 478,147,379,576 | 443,388,773,492 |
| II. Short-term assets | 25,939,496,488,297 | 27,108,488,430,283 | 1,168,991,941,986 |
| 1. Cash and cash equivalents | 12,836,910,122,445 | 12,835,500,247,137 | (1,409,875,308) |
| 2. Short-term financial investments | 2,000,000,000 | 2,000,000,000 | - |
| 3. Accounts receivable | 7,712,857,207,783 | 7,720,159,766,140 | 7,302,558,357 |
| 4. Materials and goods in stock | 5,289,811,337,037 | 6,447,408,692,881 | 1,157,597,355,844 |
| 5. Other short-term assets | 97,917,821,032 | 103,419,724,125 | 5,501,903,093 |
| B. Non-utilized assets | - | - | - |
| I Short-term assets | - | - | - |
| 1. Irrecoverable debts | - | - | - |
| C. Assets awaiting liquidation, handover | - | - | - |
| 1. Fixed assets awaiting liquidation | - | - | - |
| 2. Fixed assets awaiting handover | - | - | - |

| Criteria (1) | Book value | Valuation result | Difference |
|---|--------------------|--------------------|--------------------|
| 3. Inventory | - | - | - |
| D. Assets generated from welfare and commendation fund (not for business operation) | 1,133,662,685 | 1,133,662,685 | - |
| Total asset value of enterprise (A+ B+ C+ D)..... | 58,026,393,922,883 | 72,881,048,325,847 | 14,854,654,402,964 |
| In which: Total actual value of enterprise | 58,025,260,260,198 | 72,879,914,663,162 | 14,854,654,402,964 |
| E1. Actual liabilities (excluding welfare fund generating fixed assets) | 27,020,264,100,203 | 27,945,352,430,055 | 925,088,329,852 |
| In which: <i>Value of land use right payable to the State budget</i> | - | - | - |
| E2. Non-business expenditure | - | - | - |
| Total actual value of the State-owned capital in the enterprise [A-(E1+E2)] | 31,004,996,159,995 | 44,934,562,233,107 | 13,929,566,073,112 |
| Value of assets not equitized | - | - | - |
| Actual value of the State-owned capital in the enterprise for equitization | 31,004,996,159,995 | 44,934,562,233,107 | 13,929,566,073,112 |

3.2.4. Assets excluded from enterprise value

Assets excluded from enterprise value are fixed assets generated from Welfare and commendation fund with remaining amount of VND 1,133,662,685.

3.2.5. Shortcoming to be handled

For assets excluded from the enterprise value, we shall assume responsibility for keeping on managing and performing procedures on transfer to Trade Union of the Joint Stock Company for management as provided for in Clause 4, Article 14, Decree No. 59/2011/ND-CP on July 18th, 2011 of the Government.

3.3. Current state of land use

3.3.1. Current state of land use

Among 3,980,770.2 m² of our land area leased by the State, the land area exempted from land use tax is 3,974,864.7 m². Besides, the land area leased by the State with collection of annual land rental that our head office is located at No. 208, Hung Vuong Boulevard, Quang Ngai City, Quang Ngai Province with area of 5,905.5 m².

- *Details about land area and land use purposes are presented in attached appendices.*

3.3.2. Overall assessment of current state of land use

In recent years, we have used land area for right purposes, effectively exploited the land area for business operation and fulfilled financial obligations to the State. Land management observed regulations of the Land Law in 2003, the Land Law in 2013 and regulations of the competent authorities of the State. Land assignment, recovery, issue of land use right certificate, management and adjustment of cadastral documents are performed under processes. In the next years, we will focus on land use for right purposes for maximum operating profit. Land management and use will be performed as provided for by the State.

PART V: POST-EQUITIZATION ENTERPRISE DEVELOPMENT ORIENTATION

1. INFORMATION ABOUT POST-EQUITIZATION ENTERPRISE

1.1. Name and fundamental information

Vietnamese name Công ty Cổ phần Lọc – Hóa dầu Bình Sơn
 Type of company Joint Stock Company
 English name Binh Son Refining and Petrochemical Joint Stock Company
 Abbreviated name BSR
 Head office No. 208, Hung Vuong Boulevard, Tran Phu Ward, Quang
 Ngai city, Quang Ngai Province
 Tel 0255.3825825
 Website www.bsr.com.vn
 Symbol (logo)



1.2. Business lines

After being transformed into a joint stock company, our main business lines will be as follows:

- Production, processing, trading, import, export, storage, transportation, distribution of petroleum, petroleum products, intermediate products, biofuels, chemical products, additives, catalysts, raw materials for refining and petrochemical industry;
- Provision of services in production, processing, trading, import, export, storage, transportation, distribution of petroleum, petroleum products, intermediate products, biofuels, chemical products, additives, catalysts, machine, equipment materials, parts, vehicles, raw materials for refining and petrochemical industry;
- Provision of project consultancy and management services (project management consultancy, design supervision consultancy, purchase, installation and commissioning of projects, operation consultancy, maintenance of projects) related to industrial engineering, pipeline engineering, oil stockpiles and other projects related to refining and petrochemical industry;
- Provision of analytical services for crude oil, petroleum products and chemicals, additives, catalysts, biofuels related to refining and petrochemical;
- Repair, maintenance of machines and equipment in refining and petrochemical industry;
- Marine and seaport services related to refining and petrochemical industry;
- Training of human resource, employment and provision of experts in management, operation, maintenance, repair in refining and petrochemical and seaport industry, scientific researches, applications, repair in refining and petrochemical industry;

- Investment and development of domestic, foreign refining, petrochemical and biofuel projects.
- Trading of other business lines not prohibited by the law and approved by the General Meeting of Shareholders.

1.3. Tentative charter capital and expected charter capital structure

1.3.1. Tentative charter capital

a. Characteristics of shares

All shares of Binh Son Refining and Petrochemical Joint Stock Company at the time of establishment are ordinary shares. Share purchase, sale, transfer, inheritance shall be performed as provided for in our Charter after equitization and related legal documents.

b. Tentative charter capital when the Company is transformed into joint stock company

Based on principles for determination of charter capital size and legal bases, our tentative charter capital for equitization is shown in the table below:

| Tentative charter capital | Value (in VND) |
|---|---------------------------|
| The State capital recorded in the accounting books at the time of valuation. | 31,004,996,159,995 |
| The State capital for equitization | 31,004,996,159,995 |
| The State capital for equitization (rounding) | 31,004,996,160,000 |
| Tentative charter capital | 31,004,996,160,000 |

1.3.2. Post-equitization charter capital structure

According to our Equitization Plan approved by the Prime Minister in Decision No. 1978/QĐ-TTg dated 08/12/2017, foreign investors are allowed to buy our shares with the ownership rate of all foreign investors up to 49% charter capital as prescribed. Specifically, our charter capital structure is as follows:

| Ownership structure | Number of shares (Shares) | Par value (VND) | Percentage |
|---|------------------------------|---------------------------|---------------|
| The Government of Vietnam | 1,333,214,835 | 13,332,148,350,000 | 43.00% |
| Shares offered to the company employees ²³ | 6,483,000 | 64,830,000,000 | 0.21% |
| <i>Shares offered to employees at preferential rate according to seniority</i> | <i>1,437,000</i> | <i>14,370,000,000</i> | <i>0.05%</i> |
| <i>Shares offered at preferential rate according to working commitment with the Company</i> | <i>5,046,000</i> | <i>50,460,000,000</i> | <i>0.16%</i> |
| Shares offered to BSR's trade union | - | - | 0.00% |
| Shares offered to strategic investor(s) | 241,556,969 | 2,415,569,690,000 | 7.79% |

²³ Included shares offered to our 25 employees working at NSRP. These employees are in our post-equitization human resources plan and have rights to buy shares offered to employees at preferential rate.

| | | | |
|---|----------------------|---------------------------|----------------|
| Shares offered in the initial public offering | 1,519,244,812 | 15,192,448,120,000 | 49.00% |
| Total..... | 3,100,499,616 | 31,004,996,160,000 | 100.00% |

1.4. Expected business model

After equitization, BSR will operate in form of joint stock company as provided for in the Enterprise Law and current legal normative documents. Our expected organizational structure is as follows:

1.4.1. The General Meeting of Shareholders

The General Meeting of Shareholders includes all shareholders having voting right and is our highest decision making body.

1.4.2. The Board of Directors

a. The Board of Directors

The Board of Directors manages us, has full right to act on behalf of us to decide, fulfill the Company's rights and obligations out of the approval from the General Meeting of Shareholders.

The Board of Directors has five (05) members. The tenure of the Board of Directors is five (05) years. The tenure of a member of the Board is no more than five (05) years, members of the Board may be re-elected with unlimited tenure.

The Board of Directors may appoint another person as a temporary member of the Board to fill a vacancy and this new member shall seek for consent in the next General Meeting of Shareholders. With the consent from the General Meeting of Shareholders, the appointment of a new member shall be deemed as effective from the date appointed by the Board of Directors. The tenure of a new member of the Board shall be from the effective date of appointment to the date that the tenure of the Board of Directors ends. In case a new member is not approved by the General Meeting of Shareholders, all decisions of the Board of Directors before the General Meeting of Shareholders with vote of the replaced member of the Board of Directors shall still be deemed as effective.

b. Chairman of the Board

The Board of Directors shall elect one of its members as a Chairman. Chairman of the Board shall not hold the position of General Director of the Company.

Chairman of the Board shall assume responsibility for calling and chairing the General Meeting of Shareholders and meetings of the Board of Directors and have other rights and responsibilities as provided for in our Charter and Enterprise Law.

Chairman of the Board shall assume responsibility for ensuring that the Board of Directors sends annual financial statements, our income statement, auditor's report and inspection report of the Board of Directors to the General Meeting of Shareholders.

In case Chairman of the Board resigns or is removed from office, the Board of Directors shall elect a new Chairman within ten (10) days.

1.4.3. The Supervisory Board

The Supervisory Board: The Supervisory Board is a body elected by shareholders and acts on behalf of shareholders to independently, objectively, honestly supervise and assess all of our business and management activities, our current financial position and assumes responsibility before the General Meeting of Shareholders for implementation of assigned tasks.

The Supervisory Board of the Company has three (03) members and supervisors can be re-elected with unlimited tenure. Supervisors shall be professional supervisors or auditors. Supervisors shall not hold management positions in the Company and shall not hold positions in the Accounting Division of the Company. Supervisors may not be shareholders of the Company. Supervisors shall not be members or employees of an independent audit firm auditing financial statements of the Company.

Members of the Supervisory Board are elected by the General Meeting of Shareholders, tenure of the Supervisory Board shall not be more than five (05) years.

1.4.4. The General Directors and Supporting Units of the General Directors

The General Director (GD) is our legal representative directing daily activities of the Company.

The General Director is elected by the Board of Directors from one of its members, subject to supervision of the Board of Directors and assumes responsibility before the Board of Directors and law for his/her management. The General Director shall not hold position of Chairman of the Board of Directors at the same time.

Tenure of the General Director is five (05) years. The General Director may be re-elected with unlimited tenure. Appointment, removal from office, dismissal and resignation of the General Director shall observe related legal provisions.

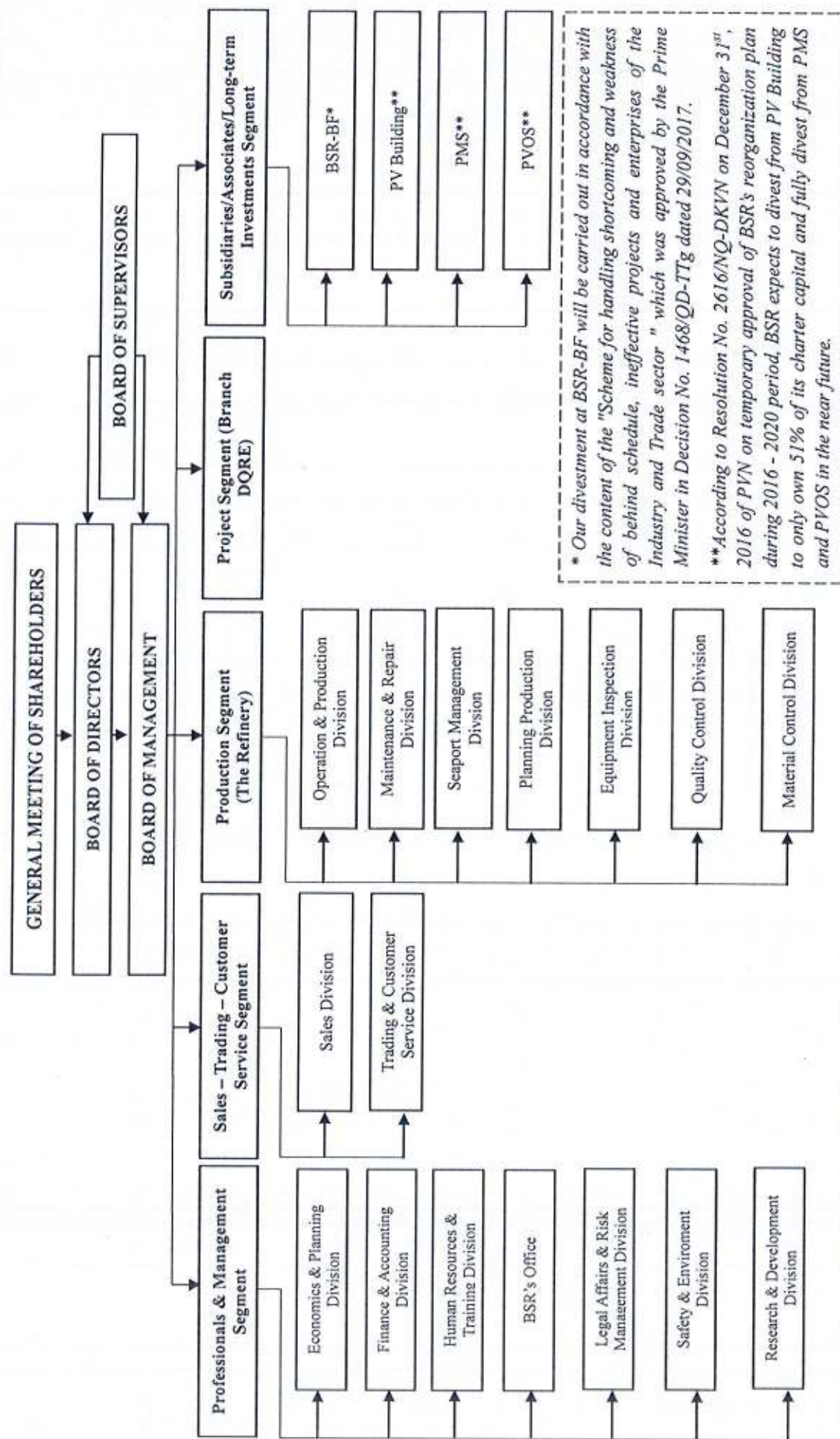
Supporting Units of the General Directors: Supporting Units of the General Directors are Deputy General Directors, Chief Accountant, Offices, Professional and Operational Committees and equivalent Departments of the Company whose functions are advising and assisting the GD in management.

1.4.5. Organizational structure

Our organizational structure includes:

- The General Meeting of Shareholders;
- The Board of Directors;
- The Board of Supervisors;
- The General Director.

For the above organizational plan, organizational chart of the Company after equitization is expected as follow:



1.5. Use of additional capital contributed by Vietnam Oil and Gas Group for implementation of UE Project after the time of valuation (December 31st, 2015) up to September 30th, 2017

The additional capital contributed by PVN to BSR after enterprise valuation (December 31st, 2015) up to September 30th, 2017 amounted **VND 1,127,802,519,804**.

We shall refund the additional capital contributed Vietnam Oil and Gas Group as prescribed in Decision No. 1978/2017/QĐ-TTg dated 08/12/2017. In detail, *"the additional capital contributed by Vietnam Oil and Gas Group for implementation of UE Project after the time of valuation will be refunded to PVN as prescribed by law."*

1.6. Divestment from subsidiaries and associates from September 30th, 2017 to the time of information publication

1.6.1. Divestment from BSR-BF

According to Q3.2017 stand-alone financial statements, as on September 30th, 2017, BSR have contributed VND 742,165,320,000 worth of capital to BSR-BF.

Based on the Decision No. 1468/QĐ-TTg dated September 29th, 2017 by the Prime Minister on approval of *"Scheme for handling shortcoming and weakness of behind schedule, ineffective projects and enterprises of the Industry and Trade sector"*: The restart and re-operation of the Refinery before units of Vietnam Oil and Gas Group transfers or divests from the Project shall be prioritized.

Accordingly, BSR shall establish a roadmap for divestment from BSR-BF after successfully restarting PetroVietnam Central Biofuels Plant. Up to the third quarter of 2017, investment of BSR into BSR-BF accounts for 61% of its charter capital.

1.6.2. Divestment from PV-Building

According to Q3.2017 stand-alone financial statements, as on September 30th, 2017, we have contributed VND 145,892,845,365, accounting for 83.26% of charter capital of PV-Building.

Pursuant to the Resolution No. 2616/NQ-DKVN dated December 31st, 2016 by Vietnam Oil and Gas Group on temporary approval of reorganization plan of Binh Son Refining and Petrochemical Co., Ltd during the period of 2016 - 2020, BSR shall divest from PV-Building to only own 51% of charter capital of PV-Building in the near future.

1.6.3. Divestment from PMS and PVOS

According to Q3.2017 stand-alone financial statements, as on September 30th, 2017, we have fully contributed capital amounted to VND 7,000,000,000 to Petroleum Maintenance Services Joint Stock Company (PMS).

According to Q3/2017 stand-alone financial statements, as on September 30th, 2017, we shall contribute VND 160,000,000,000 to PetroVietnam Oil Stockpile Company Limited (PVOS), accounting for 10% of charter capital of PVOS. We have contributed VND 4,244,000,000.

Pursuant to the Resolution No. 2616/NQ-DKVN dated December 31st, 2016 by Vietnam Oil and Gas Group on temporary approval of reorganization plan of Binh Son Refining and Petrochemical Co., Ltd during the period of 2016 - 2020, BSR expects to wholly divest from PMS and PVOS in the near future.

2. POST-EQUITIZATION EMPLOYMENT PLAN

| No. | Contents | The number of employees |
|------------|---|-------------------------|
| I | Total number of employees at the time of publication of equitized enterprise value | 1,563 |
| 1 | Non-contractual employees | 11 |
| 2 | Employees working under labor contracts | 1,552 |
| | Employees working under labor contracts with indefinite term | 1337 |
| | Employees working under labor contracts with definite term of 12 months to 36 months | 215 |
| | Seasonal or part-time employees working for less than 12 months (probationary contracts and vocational contracts) | - |
| 3 | Employees who are taking leave but are listed as employees of agencies and units | - |
| II | Total number of employees who will be unemployed at the time of publication of equitized enterprise value | 0 |
| 1 | The number of employees eligible for retirement as provided for by current law | - |
| 2 | The number of employees whose labor contracts will be terminated | - |
| | Labor contracts expire | - |
| | Labor contracts are voluntarily terminated | - |
| | Labor contracts are terminated for other reasons as provided for by law | - |
| 3 | The number of employees who are unemployed at the time of publication of enterprise value | - |
| | The number of residual employees as provided for in the Decree No. 91/2010/ND-CP | - |
| | The number of employees who are required to terminate labor contracts and entitled to severance allowance | - |
| 4 | The number of employees who are recruited before April 21st, 1998, unemployed and are required to terminate labor contracts | - |
| | The number of employees retiring before retirement age | - |
| | The number of employees who reach retirement age but have not paid social insurance for sufficient periods as provided | - |
| | The number of employees who are required to terminate labor contracts .. | - |
| 4 | The number of employees who are recruited from April 21st, 1998 onwards, unemployed and are required to terminate labor contracts | - |
| III | The number of employees transferred to joint stock company | 1,563 |
| 1 | The number of non-contractual employees..... | 11 |
| 2 | The number of employees whose labor contracts have not expired | 1,538 |
| 3 | The number of employees who take leave and are entitled to social insurance regimes | 14 |
| | Sick leave | 2 |

| | | |
|---|---|----|
| | Maternity leave | 12 |
| | Leave for work accidents and occupational diseases | - |
| 4 | The number of employees whose labor contracts are being suspended for | - |
| | Military services | - |
| | Other obligations of citizens | - |
| | Arrest, detention | - |
| | Agreements of two parties | - |
| | Sick leave | - |
| | Maternity leave | - |
| | Leave for work accidents and occupational diseases | - |

Source: Binh Son Refining and Petrochemical Co., Ltd

The number of management officers, trade union officers and employees signing labor contracts with us at the time of enterprise value publication on May 31st, 2017 is 1,563. Total number of employees not transferred to joint stock company is 0 (zero). Total management officers, employees and trade union officers transferred into joint stock company is 1,563. At the time of enterprise value publication, we have no residual employee.

3. POST-EQUITIZATION LAND USE PLAN

After we are transformed into Joint Stock Company, our main business lines are still in refining and petrochemical industry, thus, our land use plan remains no change in comparison with current use state. In detail, we will keep on using current land plots for business operation in form of annual land lease by the Government.

For land area serving UE Project, after compensation, land clearance and resettlement are completed, Dung Quat Economic Zone Authority shall perform procedures for land assignment under Dung Quat Refinery Upgrading and Expansion project.

The Post-equitization land use plan is approved under the Decision No. 589/QĐ-UBND dated April 08th, 2016 and the Decision No. 663/QĐ-UBND dated September 20th, 2017 by the People's Committee of Quang Ngai Province as follows:

| No. | Contents | Area (m ²) | Address | Period of use | Purposes of use | Current use form | Post-equitization use plan |
|-----|--|------------------------|--|--|---|--|--|
| 1 | Management, operation of Dung Quat Refinery No. 1. | 2,782,525.90 | Binh Tri and Binh Thuan Commune, Binh Son District | - 726,410.5 m ² : to October 17 th , 2027 - 2,056,115.4 m ² : to March 31 st , 2058 | Business operation: Construction of Dung Quat Refinery | The land plot was leased by the People's Committee of Quang Ngai City to the Company for business operation under the Decision No. 136/QĐ-UBND dated May 31 st , 2013. We signed Land Lease Contract No. 95/HĐTD on December 10 th , 2013 with the Department of Natural Resources and Environment and was issued with Land Use Right Certificate in form of land lease by the Government with collection of annual land use fee. | Continuation in land lease in form of annual fee payment |
| 2 | Corridor of Product tanks. | 241,929.50 | Binh Thuan Commune, Binh Son District | - 141,890.7 m ² : to October 17 th , 2027 - 100,038.8 m ² to March 31 st , 2058 | Business operation: Corridor of Product tanks | The land plot was leased by the People's Committee of Quang Ngai City to the Company for business operation under the Decision No. 306/QĐ-UBND dated December 03 rd , 2013. We signed Land Lease Contract No. 95/HĐTD on December 03 rd , 2013 with the Department of Natural Resources and Environment and was issued with Land Use Right Certificate in form of land lease by the Government with collection of annual land use fee. | Continuation in land lease in form of annual fee payment |
| 3 | Polypropylene Production Unit. | 129,014.00 | Binh Tri Commune, Binh Son District | To April 19 th , 2032 | Business operation: Construction of Polypropylene Production Unit | The land plot was leased by Dung Quat Economic Zone Authority to the Company for business operation under the Decision No. 349/QĐ-BQL dated December 30 th , 2013. We signed Land Lease Contract No. 01/HĐTD on January 01 st , 2015 with Dung Quat Economic Zone Authority in form of land lease by the Government with collection of annual land use fee. We have not received Land Use Right Certificate. | Continuation in land lease in form of annual fee payment |

| No. | Contents | Area (m ²) | Address | Period of use | Purposes of use | Current use form | Post-equitization use plan |
|-----|--|-------------------------|---|-------------------------------------|--|--|--|
| 4 | Dung Quat Packaging Production Plant | 24,069.00 | Binh Tri Commune, Binh Son District | To April 22 nd , 2059 | Business operation: Construction of Dung Quat Packaging Production Plant | The land plot was leased by Dung Quat Economic Zone Authority to the Company for business operation under the Decision No. 136/QĐ-BQL dated on June 25 th , 2014. We signed Land Lease Contract No. 01/HĐTD on December 15 th , 2014 with Dung Quat Economic Zone Authority in form of land lease by the Government with collection of annual land use fee. We have not received with Land Use Right Certificate. | Continuation in land lease in form of annual fee payment |
| 5 | Watch Tower of Dung Quat Refinery. | 377,609.6m ² | Binh Tri Commune, Binh Son District | To March 31 st , 2058 | Watching panorama of Dung Quat Refinery | The land plot was leased by Dung Quat Economic Zone Authority to the Company for business operation under the Decision No. 163/QĐ-BQL dated July 23 rd , 2014 in form of land lease by the Government with collection of annual land use fee. We have not received with Land Use Right Certificate. | Continuation in land lease in form of annual fee payment |
| 6 | Landfill site for non-hazardous solid waste. | 36,085.60 | Binh Tri Commune, Binh Son District | To November 02 nd , 2034 | Landfill site for non-hazardous solid waste | The land plot was leased by the People's Committee of Quang Ngai City to the Company for business operation under the Decision No. 162/QĐ-UBND dated June 03 rd , 2015. We signed Land Lease Contract No. 115/HĐTD on December 31 st , 2015 with the Department of Natural Resources and Environment and was issued with Land Use Right Certificate in form of land lease by the Government with collection of annual land use fee | Continuation in land lease in form of annual fee payment |
| 7 | Employee dormitories in Van Tuong. | 225,756.60 | Binh Tri and Binh Hai Communes, Binh Son District | To January 06 th , 2055 | Industrial park: Employee dormitories | The land plot was leased by the People's Committee of Quang Ngai City to the Company for business operation under the Decision No. 378/QĐ-UBND dated October 06 th , 2014. The land plot is leased by the Government with collection of annual land use fee. We have not received with Land Use Right Certificate. | Continuation in land lease in form of annual fee payment |

| No. | Contents | Area (m ²) | Address | Period of use | Purposes of use | Current use form | Post-equitization use plan |
|-----|--|------------------------|-------------------------------------|----------------------------------|---|---|--|
| 8 | Addition of two crude oil tanks. | 133,396.50 | Binh Tri Commune, Binh Son District | To March 31 st , 2058 | Business operation: Two crude oil tanks | The land plot was leased by Dung Quat Economic Zone Authority to the Company for business operation under the Decision No. 162/QĐ-BQL dated July 23 rd , 2014. The Company signed Land Lease Contract No. 04/HĐTD on December 31 st , 2014 with Dung Quat Economic Zone Authority in form of land lease by the Government with collection of annual land use fee. We have not received with Land Use Right Certificate. | Continuation in land lease in form of annual fee payment |
| 9 | Archives Center and Office. | 24,478.00 | Binh Tri Commune, Binh Son District | To March 31 st , 2058 | Archives Center and Office | The land plot was leased by Dung Quat Economic Zone Authority to the Company for business operation under the Decision No. 217/QĐ-BQL dated October 01 st , 2013. The Company signed Land Lease Contract No. 02/HĐTD on December 31 st , 2014 with Dung Quat Economic Zone Authority in form of land lease by the Government with collection of annual land use fee. We have not received with Land Use Right Certificate. | Continuation in land lease in form of annual fee payment |
| 10 | Head office of the Company at 208 Hung Vuong, Quang Ngai City. | 5,905.50 | Tran Phu Ward, Quang Ngai City | To May 31 st , 2023 | Our head office at 208 Hung Vuong, Quang Ngai City. | The land plot was leased by the People's Committee of Quang Ngai City to the Company for business operation under the Decision No. 295/QĐ-UBND dated December 12 th , 2012. We signed Land Lease Contract No. 151/HĐTD on December 30 th , 2014 with the Department of Natural Resources and Environment and was issued with Land Use Right Certificate in form of land lease by the Government with collection of annual land use fee. | Continuation in land lease in form of annual fee payment |

4. POST-EQUITIZATION ENTERPRISE DEVELOPMENT PLAN & ORIENTATION

4.1. Strategic target

Our strategic target is to develop BSR towards a proactive, dynamic and competitive refining and petrochemical company in domestic and foreign markets, gaining high business performance in association with environmental protection, safety and active participation in social welfare and security.

Our main targets during the period of 2018 - 2022:

- To focus on safe, stable, effective, sustainable production and master technologies.
- To complete Dung Quat Refinery Upgrading and Expansion Project to put into operation in 2022.

4.2. Development orientation of the Company

4.2.1. Overall development orientation

With guidelines of “Safety – Effectiveness – Sustainability”, we have developed basic development principles themselves to not only fulfill economic targets, but also ensure social and environmental targets towards sustainable development:

- Main business lines are production and trading of refining and petrochemical products.
- Products meet standards, regulations and are environmentally friendly at all times.
- Current capacity shall be optimized and Dung Quat Refinery upgrading and expansion shall be promoted to improve effectiveness and ensure sustainable development.
- Internal forces, cooperation and linkage with prestigious and potential partners shall be promoted to utilize advantages, opportunities and share risks.

4.2.2. Business strategy

During the period of 2018 - 2022, based on the assessment of the business environment above, we have determined viewpoints and targets of business strategy implementation as follows:

a. Crude oil sources

- Initial stage before completion of UE Project:

To appropriately stabilize and maintain domestic crude oil supply: We will complete a list of basic crude oil types replacing crude oil from White Tiger oilfield and a list of mixed crude oil in conformity with current specifications of the Refinery. In detail, we will focus on research of base oil/potentially mixed oil for the Refinery after UE Project and expand category of potentially mixed oil (currently including 57 types) for the Refinery before UE Project from the Middle East, Russia and countries of former Soviet Union, West and North Africa, Southeast Asia and Vietnam;

To strengthen use of crude oil with high sulfur content to maximally utilize capacity of Sulfur Recovery Unit (SRU);

To actively take measures to reduce crude oil loss;

To apply derivative financial instruments to limit risks caused by fluctuation of foreign exchange and ensure economic effectiveness at the same time.

- Stages after completion of UE Project:

We will proactively and completely replace crude oil from White Tiger oilfield (or crude oil from White Tiger oilfield is only used to mix) to increase economic effectiveness based on new specifications of the Refinery after UE Project is completed. It is expected that after UE Project is completed, types of basic crude oil to be used will be ESPO and Murban (ratio of 70/30). Mixing oil includes other types of imported oil and all types of Vietnamese oil appropriate to processing capacity of the Refinery after UE Project;

To diversify input materials including crude oil with medium API and sourness, Naphtha, Residue, Gas (Blue Whale gas), Propylene to process refining and petrochemical products.

b. Production and product quality

We will maintain and improve quality of DQR operation and maintenance to ensure absolute safety in operation of the Refinery, successfully implement the fourth Turnaround (TA IV) by 2020 and complete connection of UE Project Cluster by 2022.

On the other hand, we will keep on promoting optimization of DQR operation and production to reduce cost, improve business performance and strive to achieve annual operating capacity equivalent to or higher than 98% of design capacity.

In parallel with optimization of operation and production process, we will also take solutions to diversify products with higher value in comparison with current products and reduce loss for products with low economic effectiveness such as FO and LPG. After the UE Project is completed, we will produce other products such as Asphalt, gasoline and high class DO (under Euro V standard), petrochemical products from Blue Whale gas and MTBE products, Carbon Black, Reformate Residue.

We also set target to gradually improve output product quality so that our products reach level 4 as provided for in QCVN 1:2015/BKHCN (At present, We rely on some minor renovations to produce gasoline with level-3 quality as provided for in QCVN 1:2015/BKHCN (RON95-III)). After the UE, we expect to improve our output product quality to EURO V in conformity with the roadmap for application of emission standards as provided for in the Decision No. 49/2011/QĐ-TTg by the Prime Minister.

c. Sales and consumption markets

We will take solutions to narrow down distance regarding time and geography from the Refinery to consumption locations, including domestic market and export markets. Besides, we will develop strategic markets in the Central and Southern Region. On the other hand, we will take measures to improve stockpile capacity to maximize amount of products distributed by the Refinery such as research of markets, locations and capacity of product distribution and consumption.

Simultaneously, we will strengthen investment into product distribution infrastructure meeting diversified demand of customers, develop strategic stockpile system such as stockpile rental or co-investment into stockpiles with focal units, especially in the Southern Region.

In order to increase business performance and diversify business lines, we will process and export products (Deem processing). Besides, we will promote research and development of new products such as research of Naphtha import for improvement in performance of CCR, research of LSWR import for improvement in performance of RFCC, development of new product types such as asphalt, white gasoline, etc.

On the other hand, measures for strengthening management, understanding of market/customer information for effective control of production coordination, inventory management and appropriate business plan coordination will be planned in detail for implementation. At the same time, we will also pay attention to development of an information management system to collect statistical information of customers via channels of focal companies including information about agents/household consumers/main industrial customers, the Refinery's product consumption structure by regions/areas/localities, opinions about product quality of DQR. We will develop an appropriate and scientific supply chain system to reduce costs, effectively distribute and meet market and customer demand.

In parallel with the above activities, we aim to develop sales policies flexible to markets to maximally and promptly assist customers in consuming products of DQR. BSR will accompany customers, consider customers as top priorities in all sales activities and become a reliable partner for mutual development. Development and management of this customer group require information share and sustainable cooperation mechanism for mutual long-lasting benefits.

Market investment, development, research, analysis and assessment of market development opportunities will be promoted. At the same time, use of derivative financial instruments is necessary to insure against risks of markets and price fluctuations and stabilize business operation.

d. Investment strategies

One of our focal targets during the period of 2018-2022 is to ensure progress and complete the UE Project to put into operation in 2022. UE Project plays a key role in our development strategies and leverages our production capacity to reach a new height towards output production quality meeting EURO V standard in conformity with the roadmap of the Government for improvement of emission

standards to EURO IV by January 01st, 2017 as provided for in the Decision No. 49/2011/QĐ-TTg. New, additional and auxiliary investment components of UE project include:

- Addition of some new technological units, increase of capacity of existing technological units and increase of the Refinery's processing capacity to 192,000 barrels/day (equiv. to 8.5 million tons/year). Typically, new technological units will have a vacuum distillation unit that enables us to produce paraffin (asphalt) as the final product of refining and petrochemical process.
- Addition of one single point mooring (SPM) for ships with size of up to 300,000 DWT;
- Ports of export: upgrading of two offshore terminals for ships with size of up to 50,000 DWT and onshore terminals for ships with size of up to 30,000 DWT;
- Addition of crude oil tanks, intermediate tanks and product tanks as provided for in the Decision No. 1139/2009/QĐ-TTg, in which, storage capacity is equivalent to 15 consecutive days of operation and one ship with the largest size (300,000 DWT) for crude oil tanks, 7 consecutive days of operation for intermediate tanks, 10 consecutive days of operation and one ship with the largest size for product tanks.

e. Investment plan of Upgrading and Expansion Project (UE project)

Project targets

- To increase crude oil processing capacity from 148,000 barrels/day (equiv. to 6.5 million tons/year to 192,000 barrels/day (equiv. to 8.5 million tons/year); (to increase capacity of CDU to 130%);
- To enhance flexibility of crude oil selection, ensure long-lasting and effective crude oil supplies for the Refinery;
- To produce products meeting EURO V standards in conformity with the roadmap of the Government for improvement of emission standards to EURO IV by January 01st, 2017 as provided for in the Decision No. 49/2011/QĐ-TTg;
- To meet domestic demand for refining and petrochemical products;
- To make a contribution to socio-economic development of the country and the Middle Central Region.

Capital structure and investment capital raising plan

- Pursuant to the Decision No. 9016/QĐ-DKVN dated December 22nd, 2014, total approved investment capital is USD1,813,470,000 (equivalent to about VND 39,989.6 billion). In which, applicable capital structure (owner's equity/loan) is 30/70.
- For loan: We expect to employ consultants to arrange capital for the Project in form of export credit agencies (ECA) and use loans from domestic and foreign commercial banks.

The latest implementation progress

On December 22nd, 2014, PVN officially approved Investment Project for Dung Quat Refinery Upgrading and Expansion.

On August 12th, 2015, the Member's Council of the Company officially approved contractor selection result of contract package "Front-End Engineering Design (FEED)" of Dung Quat Refinery Upgrading and Expansion Project.

As at the end of November, 2017, implementation progress of UE Project is as follows:

- **Item of compensation and resettlement for inhabitants:**

99% of compensation activities and 87% of resettlement area construction activities for inhabitants were completed. 108.2 ha of the Project generally met conditions for levelling.

- **Topographical and geological surveys for FEED: Done.**

- **Bomb, landmines and ordnance clearance:**

– In respect of on-shore clearance of landmines and ordnance (108.2 ha): the work has been completed in 95% total area while the remnant area remains unfinished due to the delay in site handing over from the residents. The work shall be conducted for the off-shore area as soon as the layout of the new SPM and crude pipelines is ratified.

- **FEED:**

– On 24/03/2017, the AFW contractor handed over the FEED dossier, total estimated cost, the invitation to bid (ITB) document for EPC contract. Accordingly, the total estimated project costs ($\pm 10\%$) are USD 1,806.6 million, lower than the approved total capital investment (USD 1,813.4 million)

– On 25/04/2017, we have submitted the FEED dossier and project cost estimation to PVN and MOIT for appraisal and approval according to the current laws.

– The bidding package for the appraisal of FEED and cost estimation is in the execution phase. The contractors will have released the appraisal report by December, 2017.

– During the execution of FEED contract, we have collaborated with the AFW contractor to study on the optimization of some project components such as crude feed scheme, the capacity of process units, auxiliary units and offsite facilities; upgraded CDU configuration, recovery solutions for the wasted caustic contents in LTU unit, the fire prevention and protection system, ETP unit, Asphalt tankage layouts, NHT unit, new SPM pipelines, the air treatment network in DHDT unit, RFCC throughput maximization, product tankages, STG and additional boilers, liquid sulfur production plan, the 3rd tank truck loading terminals;

• Technology licenses:

- In respect of bidding packages for technology licensing for new process units such as HGU, DHDT, GHDT, SDA, ALKYL, NHT and SRU for Dung Quat Refinery Upgrading and Expansion project: BSR/DQRE has selected and signed 07 technology licensing agreements. Currently, we have received the basic engineering design process (BEDP) from the licensors and been inspecting their proposal.
- The FEED contractor (AFW) has contracted with existing technology licensors (AXENS, UOP and MERICHEM) for technology renovation in existing units.
- In respect of bidding packages for technology licensing for existing process units such as CNU, KTU, LTU and RFCC for Dung Quat Refinery Upgrading and Expansion project: the experts have wrapped up the bid grading and evaluation and been in the contract negotiation stage.
- Technology licensing registration: on 24/05/2017, BSR/DQRE has clarified and submitted supplemental documents to the MOST (as per Dispatch no. 2954/BSR-KTKH dated 24/05/2017). We have completed the technology licensing bid for new process units (HGU, DHDT, GHDT, SDA, ALKYL, NHT2 and SRU). On 05/06/2017, MOST granted us the technology transfer contract registration certificates for 07 new process units.
- With regard to RFCC, KTU, LTU, CNU units: the contracts with AXENS and MERICHEM are being reviewed by the contractors' lawyers and are projected to finish the signing within October 2017. With regard to the technology licenses for CCR and ISOM units with UOP, the contractor who had requested to extend the submission deadline to 18/10/2017 is preparing the bid dossiers. The contract exclusive of the technical specifications claims will have accomplished the signing by January, 2018.

• Environmental Impact Assessment (EIA):

BSR/DQRE have collaborated with the AFW/CPSE contractor to update the EIA report according to the MONRE's opinions and resubmitted it to the MONRE along with the Dispatch no. 3789/BSR-ANMT dated 11/07/2017. On 25/08/2017, the MONRE issued the Dispatch no. 2333/TCMT-TD&DTM for further clarification on the EIA report, in which it requests continual assessment on the level of environmental optimization of the expansion project, especially on the environmental impacts of dredging and the dumping of over 1.6 million cubic meters of dredged materials during the project execution.

Accordingly, on 01/09/2017, we issued the Dispatch No. 4868/BSR-ATMT clarifying the aforesaid issues and proposing the MONRE on granting the project conditional approval, in which the dredging and dredged materials disposal shall be further studied and proposed to the MONRE prior to the field implementation.

- **EPC:**

- Preliminary selection: BSR/DQRE has finalized the assessment of bidding dossier for the package “Engineering-Procurement-Construction (EPC)”. On 06/05/2017, we submitted to PVN the Dispatch No. 05/BSR-HĐTV presenting the shortlisted bidders.
- The issuance of the 1st phase invitation to bid for EPC: The shortlisted qualified bidders for the EPC package have been selected. The 1st phase bidding invitation for EPC was issued on 13/11/2017. We expected to close the 1st phase bidding by March, 2018.

- **Capital arrangements:**

- Regarding the selection of the financial arrangement contractors: on 07/09/2017, PVN’s Members’ Council ratified the adjusted contractor selection plan, scope of work and cost estimation for the capital arrangement bidding package by issuing Decision no.5686/QĐ-DKVN. The bidding invitation for financial arrangement was issued on 08/11/2017.
- Regarding the equity participation in the project: According to the 05-year business plan upon the ordinary business assumption, our total long-term funds encompassing available equity, accumulated depreciation and accumulated after-tax profit, after balancing with dividend payout plan, shall secure sufficient counterpart funds for Dung Quat Refinery Upgrading and Expansion project. In the event of the market fluctuations leading to adverse impacts on our business operation, which is likely to make our business plan infeasible to achieve, we shall issue additional shares in that corresponding fiscal year given the approval by the joint-stock company’s General shareholders meeting.

Up-coming execution plan

- **Subprojects:** DQRE is proactively grasping information and actively collaborating with DEZA and provincial authorities at all levels and relating governmental offices to accelerate and settle all entanglements.
- **Bomb, landmines and ordnance clearance**
 - Urge subproject contractors to complete the compensation and site clearance, pay special attention to controversial issues pertaining to the delay in moving houses and architectonic structures of some households so as to hand over the construction site to the contractors for landmines and ordnance clearance;
 - Follow up with PVN to get the approval on the additionally incurred costs during the execution of the ordnance clearance off-shore based on the solutions for the new SPM and crude pipelines as presented in the Dispatch no.7695/BSR-HĐTV dated 29/11/2016 to PVN.

- **FEED:**

- Change orders (C.O): Request the AFW contractor to submit the drafted roll-up solution for the change orders instead of dealing with those separately at present. This document shall determine the actual impacts of such change orders and their relation with each other so that BSR and the contractor can prepare for the up-coming working sessions.

- EIA Report: Follow up with MONRE to get the approval soon.

- **FEED appraisal and approval:**

- Keep up with PVN/MOIT and related Ministries to expedite the appraisal and approval process of the FEED dossier and total cost estimation;

- Execute the bidding package for the appraisal of FEED and cost estimation: The contractor will have finalized the FEED appraisal report and the project appraisal report in the upcoming time.

- **Selection of the technology licensors for the RFCC, KTU, LTU, CNU, CCR and ISOM unit:**

- For RFCC, KTU, LTU, CNU unit: we shall have finalized and wrapped up the signing of technology licensing agreements by 12/2017.

- For CCR and ISOM unit: the UOP contractor requested to extend the bid closing time. We expect the contract, exclusive of technical specifications claims, will be signed by the beginning of 2018.

- **EPC execution:**

- Implement the assessment process on tender documents of the 1st phase EPC. The deadline to submit bids of the 1st phase EPC is March, 1st, 2018.

- **Construction site preparation:** we shall continue clarifying and convincing PVN in order that PVN can approve to add the site leveling bid package to the EPC and shall proactively prepare for necessary procedures to execute the next steps.

- **Capital arrangement:**

- Tentative deadline to submit bids is December 18th, 2017;

- Assess tender documents of bidders;

- Collaborate with PVN's Finance Department to work with domestic and foreign financial institutions for project funding scheme;

- Work with the MOF for the approval of the Government in issuing letter of guarantee for debt capital (currently, we are waiting for the approval of the Government on the list of prioritized projects for Government guarantee until 2020) in order complete the document dossier as requested by the MOF in the Dispatch no. 10242/BTC-QLN dated August, 2nd /2017.

4.3. Forecast business plan in 2018 – 2022

Given the nature of the Oil and Gas industry and our conservative view on socio-economic and market movements, our business plan for period 2018 – 2022 presented in this section is based upon balancing between the profitability targets and the potential risks.

4.3.1. Production output

| Products | Unit | 2018F | 2019F | 2020F | 2021F | 2022F |
|-------------------------------|----------------------|--------------|--------------|--------------|--------------|--------------|
| RON92/E5 RON92..... | thousand tons | 1,513 | 1,486 | 1,282 | 1,349 | 2,608 |
| RON95..... | thousand tons | 981 | 997 | 860 | 826 | - |
| RON97..... | thousand tons | - | - | - | 18 | 409 |
| Jet A-1..... | thousand tons | 131 | 131 | 113 | 138 | 660 |
| Diesel (DO)..... | thousand tons | 3,315 | 3,333 | 2,875 | 2,902 | 3,079 |
| FO | thousand tons | 89 | 90 | 77 | 80 | 120 |
| LPG | thousand tons | 428 | 423 | 365 | 366 | 345 |
| PP..... | thousand tons | 154 | 153 | 132 | 133 | 148 |
| Propylene..... | thousand tons | - | - | - | - | - |
| Sulfur..... | thousand tons | 6 | 6 | 5 | 7 | 36 |
| Asphalt..... | thousand tons | - | - | - | 20 | 446 |
| Total | thousand tons | 6,619 | 6,618 | 5,709 | 5,840 | 7,851 |
| <i>Crude throughput</i> | <i>Thousand tons</i> | <i>7,164</i> | <i>7,164</i> | <i>6,180</i> | <i>6,331</i> | <i>8,696</i> |

4.3.2. Operational performance

Our business cycle is 03 years due to the triennial turn-around. Accordingly, our production volume will decrease to 5.7 million tons in 2020 when the forth Turnaround (TA IV) is executed (the third turnaround is in 2017). In 2021, the total production volume is forecast to be 5.8 million tons due to 02-month temporary shutdown for integration of upgraded and expanded terminals with existing revamping facilities.

In addition to technical and industry-specific factors aforementioned, we expect our business activities will run on stable basis post equitization.

Since the completion of the expansion project in 2022, our production volume will increase to 7.9 million tons with 02 new products RON97 and Asphalt. Besides, we can accommodate our product portfolio according to the market demand. However, gasoline and diesel are still our mainstay products accounting for over 90% of total production volume. In terms of business performance, we expect to raise the revenue from VND 78 trillion in 2018 to VND 133.4 trillion in 2022, an increase by 70.65%, given the assumption that the production output will increase since 2022 thanks to the expansion project completion and the crude oil price will increase to 70 USD/barrel since 2019. In 2022, the revenue is predicted to be VND 3,687 billion, equivalent to ROE of 8.32%.

| Items | 2018F | 2019F | 2020F | 2021F | 2022F |
|--|---------------|----------------|---------------|---------------|----------------|
| | (billion VND) | | | | |
| Revenue from goods and services | 78,170 | 108,130 | 95,520 | 98,325 | 133,401 |
| <i>Revenue deduction</i> | - | - | - | - | - |
| Net revenue | 78,170 | 108,130 | 95,520 | 98,325 | 133,401 |
| Cost of goods sold | 72,571 | 99,419 | 88,258 | 91,696 | 125,877 |
| Gross profits | 5,599 | 8,711 | 7,263 | 6,629 | 7,524 |
| Financial incomes | 544 | 597 | 428 | 710 | 1,023 |
| Financial expenses | 1,173 | 1,286 | 1,477 | 1,427 | 3,155 |
| <i>In which: Interest expenses</i> | 363 | 276 | 200 | 177 | 2,100 |
| Selling expenses | 1,008 | 1,004 | 898 | 907 | 1,143 |
| Administrative expenses | 299 | 299 | 290 | 291 | 358 |
| Operating profits | 3,663 | 6,719 | 5,025 | 4,713 | 3,891 |
| Other revenue | 32 | 44 | 39 | 41 | 56 |
| Other expenses | 38 | 52 | 46 | 48 | 66 |
| Other incomes (loss) | (6) | (8) | (7) | (7) | (10) |
| Profit (loss) before taxes | 3,657 | 6,711 | 5,018 | 4,706 | 3,881 |
| Corporate income tax | 183 | 336 | 251 | 235 | 194 |
| Deferred taxes | - | - | - | - | - |

| | | | | | |
|--|--------|--------|--------|--------|--------|
| Profit (loss) after tax | 3,474 | 6,376 | 4,767 | 4,471 | 3,687 |
| ROE ²⁴ | 10.61% | 17.43% | 11.92% | 10.54% | 8.32% |
| Shareholders' equities | 34,479 | 38,684 | 41,281 | 43,582 | 45,098 |
| Charter capital | 31,005 | 31,005 | 31,005 | 31,005 | 31,005 |
| Dividend pay-out/Charter capital | 7.00% | 7.00% | 7.00% | 7.00% | 7.00% |

²⁴ Pursuant to Article 5, Resolution no. 84/NQ-CP dated 06/09/2017 of the Government, BSR is allowed not to use the asset-based valuation result when determining the joint-stock company's charter capital presented in the Equitization Plan. Accordingly, this charter capital is used to determine the shareholders' equity, Return on Equity and other relevant financial indicators.

4.4. Dividend policy

After taking into account the capital and cash flow requirements for our capital expenditures need during 2018 – 2022 (in which the focal point is the expansion project), we expect to adopt a dividend pay-out ratio of 7% of the charter capital for the 2018 – 2022 period.

4.5. Business plan execution strategy

4.5.1. Corporate governance strategy

To optimize the organizational structure and administrative procedures, we expect to implement the following solutions:

- Continue to improve our organizational structure according to PVN's direction (the Company – Refinery model);
- Stipulate management-support projects: Enterprise Resource Planning (ERP) phase 1, Enterprise Risk Management (ERM); set up and calibrate business strategies for operation, maintenance and IT;
- Allocate experienced experts to execute Dung Quat Refinery Upgrading and Expansion project on schedule;
- Intensify periodic supervision and inspection to ensure full compliance with promulgated procedures; continually evaluate and fine tune the existing procedures to meet the increasingly high operational requirements; perform annual assessment on each position in the operation and maintenance chain so as to improve the training/self-training schemes and the job readiness and pro-activeness;
- Continue to calibrate, update and control the periodic implementation of the issued economic-technical norms.

4.5.2. Feedstock strategy

We have proposed some strategic solutions for long-term crude supplies, in consultation of PVN, to ensure the feedstock flexibility and security during 2018 – 2022:

- Cooperate with PVOil to investigate alternative sources for Bach Ho crude, enter contractual relationship with crude suppliers to guarantee long-term and stable feedstock sources for the refinery;
- Cooperate with PVOil and Vietsovpetro to deal with the quality deterioration of Bach Ho crude (reducing the blending ratio with Rong crude to minimize the impurities) and find a more appropriate crude production mechanism at the crude field;
- Concentrate on processing crudes oil from available domestic sources such as Chim Sao, Te Giac Trang, Su Tu Den, Rang Dong;

Regarding inventory management, we will fine tune the crude oil and products stock in accordance with objective and subjective conditions so as to attain the optimal inventory value;

- Under favorable market conditions, we shall keep the crude oil and product inventories in line with the inventory norms;
- Under unfavorable market conditions, we shall regulate the crude oil and products stock with flexibility to assure the safe, stable and effective operation of the refinery.

Furthermore, we intend to combine comprehensive solutions with forecasting tools and financial instruments to mitigate the crude price fluctuations, as follows:

- Increase the market forecast and analysis, initiate a market database on crude oil and other input materials for the refining and petrochemical industry;
- Adopt derivative financial instruments for hedging against market movements and price fluctuation risks;
- Diversify crude purchasing mechanisms and establish a thorough value chain from crude purchase and transportation to processing so as to reduce the operating costs and raise the production efficiency;
- Define a set of fundamental crude oil standards in line with the refinery's processing configuration for further examination on more suitable and effective crude sources;
- Define a set of standardized commercial conditions in line with common contractual terms in the crude oil market in order to increase the international trade coherence and consistency;
- Investigate alternative crude supply to maximize the profitability and operational flexibility.

4.5.3. Technological adoption strategy

As technological advancement is always one of our mainstay pillars for sustainable operation, we expect to execute the following solutions:

- Enforce the discipline, encourage the detection of defects and technical failures;
- Embolden and support innovations in science and technology to improve the operational efficiency;
- Partner with research-oriented agencies such as research institutes and universities to implement projects addressing our certain demand.

4.5.4. Operational strategy

For the purpose of operational optimization, cost and fuel loss rate reduction, we will apply to following solutions:

- Standardize the feedstock suppliers, issue the company's Codes and Standards, improve the quality of project origination and designation;
- Decrease the energy loss rate in the refinery to below 7% (the average loss rate in 2015 was 7.92%);
- Deploy the IT Master Plan, in which we will intensify the capital in key software in the upcoming time (in combination with the expansion project);

- Design and renovate work items (mainly pertaining to CDU unit) to increase the refinery's capacity;
- Reinforce the employees' discipline and the compliance supervision on O&M and safety procedures;
- Implement the programs and strategies mentioned in the Operation, Maintenance and Safety section in a serious and scientific way to take advantages of all resources for the effective, secure and sustainable operation of the refinery;
- Carry out the secondment schemes for middle- and senior- level operational personnel with other domestic and foreign downstream firms;
- Control stringently the technical sensitive points, inherent incidents, the quality of the feedstock and other input chemicals in order to proactively prepare the response plans;
- Cooperate with catalyst suppliers to put new catalysts into production to optimize the catalyst consumption at RFCC unit.

4.5.5. Human resource strategy

With a determined purposes to establish a high-skilled employees and become a pioneer human resources trainer for the refining and petrochemical industry, we have proposed several solutions, as follows:

- Adopt the Enterprise Resources Planning;
- Perform annual evaluation on each position in the operation and maintenance chain so as to tailor up our training/self-training programs and to determine the number of outsourced O&M specialists required;
- Continue implementing the professors and experts training and the job titles standardization scheme for each position in the organizational structure;
- Foster the on-job training programs to demonstrate our pioneer role in providing high-quality human resources for the industry; prioritize local recruitment to complement and supersede moving staff in line with the government's policies on provincial socio-economic advancement:
 - Progress the personnel training and management system
 - Study on the establishment of the On-job-Training Center (OJT) to educate personnel to other domestic refineries, strengthen a team of instructors and professors with in-depth expertise; extend the training Coordinators network, partner with domestic vocational training institutions and further study on the personnel exchange programs with other firms;
 - Nurture the partnership and coordination mechanism with other relevant agencies for the training and employment of high-skilled human resources;
 - Give priority to local and neighboring-area employment to secure stable labor force to BSR.

4.5.6. Product and marketing strategy

In addition to the detailed market-centric strategies to further promote product consumption and marketing, we have also elaborated a set of general yet strategic solutions in order to promote the product distribution and market expansion as follows:

- Potential market development:
 - **Central Vietnam:** Accounting for a minor proportion of 10% of revenues, having advantages in transportation, targeting to be the sole product supplier for this region by maximizing the road tanker loading capacity to take advantages of the geographical location.
 - **Southern Vietnam:** Sizeable market occupying 90% of revenues, targeting to key regional wholesalers with long-term agreements, leasing strategic petroleum depots for swift supply and raising the products' competitiveness.
 - Build and maintain a sustainable first-grade wholesale distributor system to secure efficient and safe consumption of LPG. In parallel, we shall broaden our LPG distribution channel to producers and traders;
- Expand the PP distribution channel in association with both direct sale to major producers using PP as the material inputs for the processing chain and direct sale to key commercial customers;
- Strategic petroleum depots development:
 - Either lease or cooperate with key traders to invest in petroleum depots, especially in the southern region; Be flexible in product delivery manners and increase road loading to accommodate the market demand;
 - Expand the PP delivery channel under FCA conditions at the product depots located in Dung Quat, Ho Chi Minh and Hanoi. On the other hand, we shall approach the market by delivering our products to the consumption location;
- Sign long-term memorandums of understanding in the next 3 – 5 years with strategic clients so as that they can secure stable supply, expand the market and develop long-run mutual relationship, which eventually shall reduce the fluctuation risks to the Refinery;
- Diversify the client network, be flexible in pricing and pricing timing as well as trading methods;
- Use diverse derivative hedging instruments to minimize business risks associated with price fluctuation, market risks as well as look up the refining profit and take advantages of market opportunities;
- Enhance the market evaluation and forecast to gather sufficient information for our business planning and strategies orienting. Besides, we shall elaborate a database about the market and clients in order to strengthen our value chain in a well-organized and systematic way, which ultimately shall reflect in our business performance;
- Disseminate our brand name to support sales and distribution. We have developed a customer-centric sales policies and a client database for the purposes of marketing, management and customer services.

Our follow-on strategies in the coming time will address the products quality and sales policies to become more flexible and competitive. This will be our general goal to further develop and compete with local and foreign competitors.

4.5.7. Financial strategy

In addition to operational and human resources strategies, we will build and adopt the financial policies in principle that all capital expenditures will be met in time:

- Diversify investment means and ownership; mobilize capital flexibly from foreign and local capital market;
- Concentrate our capital resources on Dung Quat refinery upgrading and expansion project and other projects pertaining the safe and optimal operation of the refinery; guarantee safe and reasonable capital structure and the investment feasibility.

4.5.8. Global economic integration strategy

As a result of a more open and globalized economy, BSR has also launched comprehensive solutions to keep pace with the constantly-changing world outside:

- Enhance the law enforcement and the capability of in-house legal team with in-depth understandings about international regulations, laws, common practices, multi-lateral and bilateral agreements in the energy and oil processing sector;
- Nurture the corporate cultural identity of Vietnam oil and gas industry while permeate good value from an integrating and open environment.

5. LISTING ON THE STOCK EXCHANGE

Upon the completion of the IPO and transformation into Joint Stock Company, we will be a large-scale public company. Share listing registration on the UpCom²⁵ and listing on the stock exchange is inevitable for our further development. We expect to combine public offering with share registration and listing as soon as we complete the transformation into JSC, provided that all listing requirements are met and listing-approving authorities approve on our documents as required by laws.

²⁵ Pursuant to Circular 115/2016/TT-BTC dated 30/06/2016 amending and adding some articles of the circular no. 196/2011/TT-BTC, BSR's shares have to be registered for trading on UpCom within 20 working days since the payment deadline for the bidded shares

PART VI: INFORMATION RELATING TO THE OFFERING

1. RISK FACTORS

An investment in our common shares involves a certain degree of risk. You should consider carefully the following risk factors, as well as the other information contained in this prospectus, before deciding whether to invest in our company. The following risks relate principally to us and our business and the industry in which we operate, the securities market and ownership of our common shares. Any of the risk factors described below could significantly and negatively affect our business, financial condition or operating results, which may reduce our ability to pay dividends and lower the trading price of our common shares.

1.1. Risks Related to Our Business and Industry

1.1.1. Risk related to existing assets and infrastructure

The Refinery has been in operation since 2009 without any significant interruptions. We believe that we will utilize the refinery asset and implement necessary upgrades to optimize their production efficiency. However, operations of such a large-scale plant involves lots of potential risks that can have negative impact on the plant operation as well as the company business performance and financial position.

1.1.2. Risk related to feedstock supply

Binh Son refinery was designed to process high-quality light sweet oil. Nearly 60% of crude oil materials is from White Tiger oilfield, which has shown depletion of reserves after 31 years of production. We are currently investing in the UE project to to diversity sources of crude oil, and increase processing capacity along with developing a Sulfur Recovery Unit (SRU). It is expected that the Refinery will be able to process more than 200 types of crude oil and light sweet oil proportion in total crude oil consumption will decrease after successful implementation of the project.

However, insufficient supply or delay of supply or escalation of price of crude oil is still a potential risk to operation of the plant, and can adversely affect operation of the plant and the Company business performance.

1.1.3. Risk related to third-party agreements

Crude oil for production of BSR is supplied by PVOil and transported to the plant by PVTrans. BSR and these two enterprises, are all subsidiaries of PVN.

PVOil is the exclusive government-backed supplier of crude oil for oil refineries in Vietnam, including BSR. PVOil has always provide BSR with high quality products & services, reliability and professionalism.

PVTrans is a leading transportation service provider in Vietnam.

If there is any interruptions in operation of or any delay in agreement between BSR and PVOil & PVTrans, operation and business performance of PVTrans will be adversely affected.

1.1.4. Risk related to technology licenses

BSR employs advanced technology licenses from world-leading suppliers, such as Axens (France): RFCC/ LCO HDT; UOP (USA): NHT, ISOM, CCR Platforming; Merichem (USA): LTU, NTU, KTU, CNU; MCI (Japan): PP.

Any loss of ability to continue control and defend technology licenses will have negative impact on business performance of BSR.

1.1.5. Risk related to output products prices

The main fuel for operation of BSR is, the same as other refineries, crude oil. The price of crude oil often fluctuates due to changes in economic & political conditions and demand – supply of the market.

Price of main output products, gasoline & diesel oil, shows a strong correlation with price of input crude oil. Hence, potential fluctuation in crude input can cause fluctuation in the company's product prices and will have negative impact on business performance of the company.

1.1.6. Risk related Licenses and Permits

The Company is required to obtain and maintain appropriate licenses & permits, such as wastewater discharge permits, seawater usage rights, seawater usage licenses, and certifications & standards on products. Some of the Company's licenses & permits are issues for a limited period and the Company will have to make periodical evaluation to renew these licenses & permits (environmental report is made biannually, solid waste report is made annually). If the Company should not adhere to the regulation required by the licenses/permits, strict fine from the government will be enforced and plant operation and business performance of the company will be adversely affected.

1.1.7. Risk related to Upgrade and Expansion project

We are planning to carry out the USD 1.8 billion Upgrade and Expansion project to increase processing capability as well as increase our product quality to level 4 & 5 (current: 2 & 3). Implementation of the project involves various potential risks, both operational and financial, that we cannot predict or control. Besides, the project cost can be higher than expected, resulting in decrease in profitability of the project.

1.1.8. Foreign exchange risk

As of September 30th, 2017, the outstanding balance of long-term foreign currency loan of BSR was USD427 million or around VND10,000 billion. VND/USD exchange rate fluctuation can result in significant increase in financial expense of BSR via currency translation losses, and thus, can cause negative impact on business performance and financial position of our company.

1.2. Risks related to the market

1.2.1. Competition

Our main products, gasoline and diesel oil, are under stiff competition from both domestic and international market. Hence, to be able to compete effectively against current and future

competitors, BSR must continually enhance products & service quality as well as increase effectiveness of corporate governance.

1.2.2. Risk related to change in domestic energy policy

Change in government policy on gasoline can cause significant impact to our business performance. In case of significant decrease in gasoline import tax rate, price of imported products can be more competitive than our products, causing negative impact to our business. Besides, our products, oil and gasoline, are currently bearing various taxes and fees, e.g. VAT, environmental tax. Any significant increase in these taxes can increase products price markedly, and resulting in decrease in demand for our products.

1.2.3. Environmental and Social Risk

Potential changes in regulations concerning environmental and social matters can result in reduce in consumption of our products and resulting and cause negative impact on our business performance.

1.2.4. Risk related to Economy

Consumption of our products has shown strong correlation with overall economic condition, both on global and domestic scale. In case of economic slowdown, demand for our products can decrease, causing negative impact on our business performance.

1.3. Risks related to Our Offering

Our stock price may be volatile, and you may not be able to resell shares of our common stock at or above the price you paid

Prior to this offering, BSR has been a wholly-owned subsidiary of PVN and hence, has never been traded publicly. We cannot predict the extent to which a trading market will develop or how liquid that market might become. The initial public offering price may not be indicative of prices that will prevail in the trading market. The trading price of our common stock following this offering is therefore likely to be highly volatile and could be subject to wide fluctuations in price in response to various factors, including:

- Our business performance
- Competition landscape
- Macroeconomic factors
- Stock market fluctuation
- Change in government regulation

The concentration of our capital stock ownership will limit investors' ability to influence corporate matters

We are currently offering just 7.79% of our capital stock to the public via this IPO, and 0.21% to our employees. Besides, our parent company, PVN, will reduce its ownership to 43%. The remaining 49% will be offered to strategic investor(s). Assuming all the stock offerings are

successfully filled, PVN and strategic shareholder(s) will hold about 92% of company stock, hence, will have nearly complete control over BSR corporate matters.

1.4. Other risks

Besides above-mentioned risks, our operations involve various risks that are abnormal in nature, and have low probability of occurrence, and cannot be predicted at, e.g. earthquake, flood, storm, tsunami, epidemic, war and political unrest. These risks/activities can cause significant damage to our factory, our assets or can cause our whole operation to stop, temporarily or permanently, and resulting in significant negative impact on our business performance and financial position.

2. THE OFFERINGS

2.1. The initial public offering (IPO)

2.1.1. Eligible participants

Eligible participants in the IPO are institutional and individual domestic and international investors (including employees of the enterprise undergoing equitization) as prescribed by law.

According to Article 4, Circular 196.2011/TT-BTC dated 26/12/2011, the following entities may not be allowed to participate in the IPO:

- Members of the Equitization Steering Committee, excluding those who are representative of the equitized enterprises;
- Intermediary financial institutions and their employees engaged in providing consultancy, valuation and financial statement audit, and audit agencies engaged in enterprise valuation, except for the underwriters that purchase unsold shares under its underwriting contracts;
- The auctioneer and its employees engaged in the share auction;
- Affiliated companies and associated companies in the same group, parent and subsidiaries.

2.1.2. Details of The Public Offering

The shares in the initial offering shall be publicly auctioned at the Ho Chi Minh Stock Exchange with the following details:

| | |
|---------------------------|---|
| The issuer: | Binh Son Refining and Petrochemical JSC, incorporated as a result of the equitization of Binh Son Refining and Petrochemical Company Limited. |
| Type of shares: | Common stock |
| Par value: | 10,000 VND/share |
| Starting price: | 14,600 VND/share |
| Number of offered shares: | 241,556,969 shares (7.79% charter capital) |

| | |
|-----------------------------------|---|
| Eligible subscriber: | Domestic and international institutions and individuals satisfying the conditions prescribed in the Auction Regulation for the IPO of Binh Son Refining and Petrochemical Co. Ltd. |
| Offering method: | Shares will be allocated in a public auction at the Ho Chi Minh Stock Exchange, according to Decision 895/QĐ-UBCK dated 29/10/2012 by the Head of the State Securities Commission on the standard form of share auction at the Stock Exchange |
| Registration timing and location: | According to the Auction Regulation for the IPO of Binh Son Refining and Petrochemical Co. Ltd. Issued by the Ho Chi Minh Stock Exchange |
| Auctioneer: | Ho Chi Minh Stock Exchange |
| Payment method and deadline: | According to the Auction Regulation for the IPO of Binh Son Refining and Petrochemical Co. Ltd. |

Further details regarding the auction will be set out in the Auction Regulation for the IPO of Binh Son Refining and Petrochemical Co. Ltd. published by the Ho Chi Minh Stock Exchange.

2.2. Shares to be offered to the company's employees

According to the provisions under Clause 1, Article 48 of Decree 59, eligible employees to the offering of shares are regular employees as at the disclosure date of our enterprise valuation results.

The offering of shares at preferential rate to employees is conducted on the basis of approved list of regular employees under 02 schemes as follows:

2.2.1. Shares to be offered to employees according to seniority in the public sector

In accordance with the provisions specified at Clause 1, Article 48 of Decree 59/2011/ND-CP dated 18/07/2011 by the Government of Vietnam regarding the transformation of wholly State-owned enterprises into Joint stock companies, the preferential price offered to the employees are defined as:

“...Those whose names are in the regular employees list as at the disclosure date of the enterprise valuation may purchase a maximum of 100 shares per year of actual working in the public sector at the price equal to 60% of the lowest successful bid (in case of prior public auction) or 60% of the lowest successful sale price of shares sold to strategic investors (in case of prior sale to strategic investors)...

The working period to calculate the number of purchasable shares is determined as:

“...The working period to determine the number of purchasable shares at preferential prices is the total time (full 12 months per year excluding odd months) actually working in the public sector for

regular employees as at the disclosure date of the enterprise value. This period excludes the working time already used to calculate the number of shares offered at preferential price at the previous equitized firms, the working time already calculated for retirement regime, the working time already calculated to receive a lump-sum social insurance allowance... ”

According to which:

- Total number of Vietnamese regular employees as at the disclosure date of our enterprise value – 31/05/2017: 1,563.
- Total number of employees registered for share purchase according to seniority: 1,560.
- Total years of Vietnamese employees in the public sector corresponding to the number of subscribers for the preferential share purchase: 14,370 years.
- Total amount of shares to be offered under this scheme: 1,437,000 shares, equivalent to 0.05% of our post-equitization charter capital

2.2.2. Shares to be offered to employees according to employees' working commitment to the equitizing company

Regular employees at the enterprise valuation disclosure date who are needed by, and commit to continue their employment with, the equitizing company for at least 3 years (after the enterprise is granted the business registration certificate) may purchase an addition of 200 shares for each additional year of commitment, provided that the total number of additionally purchased shares does not exceed 2,000 shares per employee. Qualified professional experts working in the enterprise may additionally purchase 500 shares for each year they commit to continue working in the equitizing enterprise but the total number of additionally purchase shares must not exceed 5,000 shares per employee. The additionally purchase shares may be allocated to the employees at the lowest successful bid in the public offering.

- Qualified experts deemed as professors with high expertise are those satisfying the following criteria: Deputy managers of functional departments or higher-position managers (according to new organizational structure – Functional Department);
- Specialists recognized by BSR;
- Employees obtaining the position-based salary ranges for Associates/Engineers ranked 3 out of 11 or higher;
- Employees in manufacturing units from Senior Field Operator (SFO), Panel Operator (PO), Senior Maintenance Staff (SMS), divers or higher position. Employees obtaining the position-based salary ranges above 3.95 for such position as technical workers, firefighters, packers, drivers of manufacturing units, technicians, clerks/ receptionists/ cashiers/ nurses/ stock keepers of specialized expertise unit.

Total number of additional shares registered subject to future commitment with our company: 5,046,000, accounting for 0.16% of charter capital.

2.2.3. Summary of the offerings to the company employees

Offering method: Direct offering to the employees.

| Scheme | Number of employees | Number of shares (shares) | Offering price |
|-----------------------------------|---------------------|---------------------------|------------------------------|
| Regular employees | | | |
| According to seniority | 1,560 | 1,437,000 | 60% of lowest successful bid |
| According to working commitment | 1,540 | 5,046,000 | Lowest successful bid |
| <i>Non-expert employees</i> | 823 | 1,599,000 | Lowest successful bid |
| <i>Expert employees</i> | 717 | 3,447,000 | Lowest successful bid |

2.3. Shares to be offered to Labor Union

According to Point c, Clause 2, Article 36, Decree No.59/2011/ND-CP by the Government dated 18/07/2011:

- Labor Union at the equitizing enterprise may use their funds in equitizing enterprises to purchase preferred shares of a quantity not exceeding 3% of the charter capital.
- These shares shall be held by the Labor Union and are non-transferable.
- The offering price is equal to 60% of the lowest successful bid.

Labor Union has to allocate appropriate and valid funding for the share purchase according to applicable laws.

As at the disclosure date of the enterprise value, our Labor Union does **not** subscribe for the preferred shares.

2.4. Shares to be offered to the strategic investor(s)

To ensure the compliance with laws of Vietnam and our post-equitization strategies , we would like to propose general principles for the selection of strategic investor(s) beforehand. After sounding the market, a set of detail selection criteria shall be proposed to competent authorities for ratification. The approved detail criteria shall be the basis for the execution of the strategic sales to potential investor(s)

The strategic investor(s) may be financial investor(s), and/or industrial investors and/or a consortium of both. The consortium of investors is understood to be a group of investors bonding together to join our strategic offering. Strategic investor(s) are expected and encouraged to participate in the offering with the subscription quantity exceeding 5% of our charter capital. Rights and obligations shall be similar and applicable to each consortium member and be subject to the terms and conditions prescribed in the share purchase agreement with BSR as per the approval of competent authorities.

2.4.1. General selection criteria of strategic investor(s)

The general criteria for the selection of the local and foreign strategic investor(s) are as follows:

- Be a juridical entity as required by the laws;
- Carry out any business operation in Oil and Gas, including but not limited to such activities as: crude exploration and productions; refining and marketing; Demonstrate sufficient financial capacity, the business activities of the latest 02 years preceding the share subscription date must be profitable without accumulated losses;
- The shareholders' equity reported in the latest financial statements as at the offering time is at least 10,000 billion VND (Ten thousand billion dong);
- Provide written undertakings by authorized person as of the registration date for the strategic sale in:
 - Sustaining our core business and brand name for at least 05 years since the the time of officially becoming our strategic investor(s);
 - Holding purchased shares in at least 05 years since the first business registration certificate is granted for the joint stock company under the Law on Enterprises.
 - Supporting BSR in the transfer of new technology, personnel training, corporate governance, feedstock supply and product marketing.
 - Participating, proportionate to the shareholding, in our follow-on capital issuance in order that we could conduct and accomplish our business plan, including the Expansion project.
- Experience in the operation of refineries and/or marketing/distribution chain is a plus.
- Obligated to pay compensation when violating the signed commitment in accordance with the actual damage and the right of the State to determine the entire number of shares of strategic investors who violate the commitment.

These aforementioned criteria, based on current legitimate regulations, are applicable to both single investor and every consortium member in case there are more than 01 strategic investor participating in the strategic sale.

2.4.2. Offering method

According to Point b, Clause 5, Article 6, Circular 196/2011/TT-BTC dated 26/12/2011: On the basis of the list of qualified candidates for the strategic sales which is approved by the equitization-deciding agency, the Equitization Steering Committee shall elaborate and execute the strategic sale to investors on the following principles:

- In case there are at most 03 strategic investors registering to purchase shares and the quantity of subscribed shares is larger than the quantity of shares offered to strategic investors, the offering shall be executed through auction according to the current law; if the quantity of subscribed shares is equal to or less than the quantity of shares offered to strategic investors, the Equitization Steering Committee shall negotiate with these investors on the shares number, the sale price and report such to the equitization-deciding agency for approval or decide on such matters as authorized by the equitization-deciding agency;

- In case there are more than 3 strategic investors registering to purchase shares, the offering shall be executed thorough auction among all candidates pursuant to current laws.

2.4.3. Offering volume

The offering to strategic investor(s) is expected to be 49% of the charter capital and conducted within 03 months since the approval date of the Equitization plan. In which:

Total volume offered to strategic investor(s) is 1,519,244,812 shares, equivalent to 15,192 billion VND at par value and 22,181 billion VND at the starting price.

In case the strategic sale is unable to be completed within 03 months as stipulated in Decree No. 59/2011/ND-CP due to various difficulties, the Ministry of Industry and Trade shall report to the Prime Minister for consideration.

2.4.4. Offering price

According to Clause 4, Article 5 Circular 196/2011/TT-BTC dated 26/12/2011: Offering price to strategic investors is determined as follows:

- In case the strategic sale is conducted prior to the public auction: The selling price to the strategic investor is the price agreed with the Equitization Steering Committee (in case of negotiation) or the successful bid of that investor at the auction among strategic investors (in case of auction among strategic investors) which must not be lower than the starting price ratified by the equitization-deciding agency;
- In case the strategic sale is conducted after the public auction: The selling price to a strategic investor is the price agreed with the Equitization Steering Committee (in case of negotiation) or the successful bid of that investor at the auction among strategic investors (in case of auction among strategic investors) which must not be lower than the lowest successful bid at the public auction.
- We shall execute the strategic sale to investors in compliance with applicable laws of Vietnam at that time being.
- In case the strategic sale occurs when Decree No. 126/2017/ND-CP dated 16/11/2017 of the Government on the transformation of state-owned enterprises and one-member limited liability companies State enterprises which invest 100% of their charter capital into joint-stock companies becomes effective, the strategic sale shall comply with the provisions of Decree No. 126/2017/ND-CP.

According to common practice of precedent strategic offerings of equitized SOEs in Vietnam, the price range offered to the investors is based on (i) the lowest successful bid at the IPO, (ii) valuation results (discounted cash flow, comparable method with peer companies or comparable transactions), (iii) the successful bid in case there are more than 01 investors and the offering is conducted through auction, (iv) any specific guiding documents of competent authorities to the offering enterprises.

2.5. Solutions for unsold shares

In case the shares offered to the public and employees are not sold out, the left-over shares shall be treated in accordance with the current laws stipulated at Article 40, Decree No. 59/2011/NĐ-CP dated 18/07/2011:

"1. The number of unsold shares includes:

- a) The number of shares which is refused to purchase by successful bidders*
 - b) The number of shares not registered by investors to purchase through the approved plan for public auction.*
 - c) The number of shares which are refused to purchase by employees and the enterprise' labor union.*
- 2. The Equitization Steering Committee may further publicly offer for sale unsold shares to investors that have participated in the auction under negotiation method. Deposits made prior to the public auction are non-refundable.*
- 3. If some shares remain unsold after being publicly offered for sale by the negotiation method, the Equitization Steering Committee shall report such to the equitization plan-approving agency to adjust the charter capital structure for transformation of a wholly State-owned enterprise into a joint-stock company before the initial general shareholders meeting.*

The Equitization Steering Committee and the state capital representative at the equitized enterprise shall include in the drafted charter for adoption by the first general shareholders meeting the right to further sell the state capital portion in the joint-stock company after it officially commences operation under the Law on Enterprises according to the adjusted equitization plan approved by the competent authorities."

Clause 2, 3; Article 8 Circular 196/2011/TT-BTC dated 26/12/2011 guiding the initial sale of shares and the management and use of proceeds from the equitization of enterprises with 100% state capital into joint-stock companies:

"2. Sale of unsold shares to investors having participated in the auction.

- a) Within 05 working days after the deadline for share purchase payment prescribed in the share auction regulation, the enterprise, under the direction of the Equitization Steering Committee, shall compile a list of unsold shares as set forth in Clause 1, Article 40 Decree 59/2011/ND-CP and further publicly offer to the former auction participants.*
- b) Based on the negotiation results with the investors on the sale of left-over shares, the enterprise as guided by the Equitization Steering Committee shall enter into the sale/purchase agreements with investors within 15 days since the share purchase registration date of the investors.*

3. In case of unsuccessful auction.

- a) Within 03 working days after the deadline for registration for participation in the share auction, the auctioneer shall notify the Equitization Steering Committee and the equitized enterprise about the unsuccessful auction. The Equitization Steering Committee shall report such to the equitization plan-*

approving agency for consideration and decision to adjust the starting price, which, however, must not be lower than the par value, so as to further publicly offer for sale, under negotiation, the unsold shares after the public auction and the unsold shares which employees and the labor union refuse to purchase under the approved plan (if any) within 20 days since the deadline for the share purchase registration.

b) The Equitization Steering Committee shall disclose information on the public offering of unsold shares under negotiation (including the equitized enterprise's information according to Appendix 2 of this Circular) at least 5 days prior to the share purchase registration date.

c) Based on the negotiation results with the investors on the sale of shares, the enterprise as directed by the Equitization Steering Committee shall enter into the share sale/purchase agreement with investors in no later than 10 days since the date at which the investors register to purchase shares."

3. USE OF PROCEEDS

3.1. Estimated expenses

The total estimated equitization expenses is **VND 8,172,627,161**, based on the incurring equitization expenses of other size equivalent SOEs and in consideration of some company-specific factors. The equitization expenses is settled on the actual basis after the completion of the equitization process.

3.2. Use of proceeds

According to the provision in Clause 1a) Article 42 Decree 59, where the equitization involves in selling an existing stake of the government, the proceeds from equitization will be handled as follows

"... a) The proceeds from the enterprise equitization shall be used to cover equitization expenses and benefits payable to laborers left redundant as a result of equitization under the State's regulations and decisions of competent agencies. The remainder shall be handled under Point c of this Clause."

Upon the assumption that the public offering is fully subscribed at the starting price of 14,600 VND/share, use of proceeds calculation is as follows::

| Proceeds | Note | Amount | Unit |
|---|------------------------------------|------------------|---------------|
| Charter capital (prior to equitization)..... | (a) | 31,005 | VND bn |
| Charter capital (post equitization) .. | (b) | 31,005 | VND bn |
| Offering price (estimated starting price) | (c) | 14,600 | VND/share |
| Total shares offered | (d) | 1,767,284,781 | shares |
| Total proceeds from equitization ... | (e) = (f) + (g) + (h) + (j) | 25,794 | VND bn |
| Proceeds from employees' subscription | (f) | 86 ²⁶ | VND bn |
| <i>According to seniority in the public sector</i> | | 13 | VND bn |
| <i>According to working commitment to the company post equitization</i> | | 74 | VND bn |
| Proceeds from the company's union's subscription | (g) | - | VND bn |
| Proceeds from the IPO | (h) | 3,527 | VND bn |
| Proceeds from the strategic sales | (j) | 22,181 | VND bn |
| Par value of the Government's divested stake | (i) | 17,673 | VND bn |
| Par value of the additionally issued shares | (k) | - | VND bn |
| Equitization expenses | (l) | 8 | VND bn |
| Payment of employees' redundant package | (m) | - | VND bn |
| Capital surplus remained at BSR | (n)=[(b-a)/b]x [e-i-k-l-m] | - | VND bn |

²⁶ Inconsistent total due to rounding up numbers

| Proceeds | Note | Amount | Unit |
|--|-----------------------------------|--------|--------|
| Proceeds payable to the Enterprise Reorganization and Development Support Fund | (p) = (e) - (k) - (l) - (m) - (n) | 25,786 | VND bn |

PART VII: CONCLUSION

The Prospectus is provided to prospective investors to assist in the evaluation of the assets, capital, financial performance, operating results and business outlook of the issuer before subscribing in the offering.

The Prospectus is prepared on the basis of the issuer's data, information and the approved equitization plan to protect your legitimate interest and the auction's publicity and fairness. Information relating to the issuer in this prospectus has been presented in a reasonable and prudent basis.

We recommend you to carefully study this Prospectus before deciding to participate in the auction of the issuer's common stock

Quang Ngai, / /2017

KEY PERSONNEL RESPONSIBLE FOR CONTENTS OF INFORMATION ABOUT THE EQUITIZED ENTERPRISE


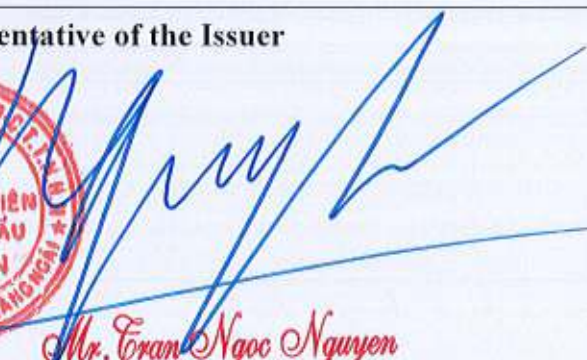
Representative of the Equitization Steering Committee of Binh Son Refining and
Petrochemical Co., Ltd

Thành viên Hội đồng Thành viên



Phan Đình Đức

Representative of the Issuer



Mr. Tran Ngoc Nguyen

PRESIDENT & CEO

Representative of the Lead Financial Advisor



TỔNG GIÁM ĐỐC
Đỗ Huy Hoài

Representative of the Co-financial Advisor



PHÓ GIÁM ĐỐC
Đặng Minh Quang

PART VIII: APPENDIX

1. LIST OF LANDS UNDER OUR USAGE AND MANAGEMENT

APPENDIX 01: LIST OF LANDS UNDER OUR USAGE AND MANAGEMENT

| No. | Contents | Area (m ²) | Address | Period of use | Purposes of use | Current use form |
|-----|--|------------------------|--|--|---|--|
| 1 | Management, operation of Dung Quat Refinery No. 1. | 2,782,525.90 | Binh Tri and Binh Thuan Commune, Binh Son District | - 726,410.5 m ² : to October 17 th , 2027 - 2,056,115.4 m ² : to March 31 st , 2058 | Business operation: Construction of Dung Quat Refinery | The land plot was leased by the People's Committee of Quang Ngai City to the Company for business operation under the Decision No. 136/QĐ-UBND dated May 31 st , 2013. We signed Land Lease Contract No. 95/HĐTD on December 10 th , 2013 with the Department of Natural Resources and Environment and was issued with Land Use Right Certificate in form of land lease by the Government with collection of annual land use fee. |
| 2 | Corridor of Product tanks. | 241,929.50 | Binh Thuan Commune, Binh Son District | - 141,890.7 m ² : to October 17 th , 2027 - 100,038.8 m ² to March 31 st , 2058 | Business operation: Corridor of Product tanks | The land plot was leased by the People's Committee of Quang Ngai City to the Company for business operation under the Decision No. 306/QĐ-UBND dated December 03 rd , 2013. We signed Land Lease Contract No. 95/HĐTD on December 03 rd , 2013 with the Department of Natural Resources and Environment and was issued with Land Use Right Certificate in form of land lease by the Government with collection of annual land use fee. |
| 3 | Polypropylene Production Unit. | 129,014.00 | Binh Tri Commune, Binh Son District | To April 19 th , 2032 | Business operation: Construction of Polypropylene Production Unit | The land plot was leased by Dung Quat Economic Zone Authority to the Company for business operation under the Decision No. 349/QĐ-BQL dated December 30 th , 2013. We signed Land Lease Contract No. 01/HĐTD on January 01 st , 2015 with Dung Quat Economic Zone Authority in form of land lease by the Government with collection of annual land use fee. We have not received Land Use Right Certificate. |

| No. | Contents | Area (m ²) | Address | Period of use | Purposes of use | Current use form |
|-----|--|------------------------|---|-------------------------------------|--|--|
| 4 | Dung Quat Packaging Production Plant | 24,069.00 | Binh Tri Commune, Binh Son District | To April 22 nd , 2059 | Business operation: Construction of Dung Quat Packaging Production Plant | The land plot was leased by Dung Quat Economic Zone Authority to the Company for business operation under the Decision No. 136/QD-BQL dated on June 25 th , 2014. We signed Land Lease Contract No. 01/HDTD on December 15 th , 2014 with Dung Quat Economic Zone Authority in form of land lease by the Government with collection of annual land use fee. We have not received with Land Use Right Certificate. |
| 5 | Watch Tower of Dung Quat Refinery. | 377,609.6m 0 | Binh Tri Commune, Binh Son District | To March 31 st , 2058 | Watching panorama of Dung Quat Refinery | The land plot was leased by Dung Quat Economic Zone Authority to the Company for business operation under the Decision No. 163/QD-BQL dated July 23 rd , 2014 in form of land lease by the Government with collection of annual land use fee. We have not received with Land Use Right Certificate. |
| 6 | Landfill site for non-hazardous solid waste. | 36,085.60 | Binh Tri Commune, Binh Son District | To November 02 nd , 2034 | Landfill site for non-hazardous solid waste | The land plot was leased by the People's Committee of Quang Ngai City to the Company for business operation under the Decision No. 162/QD-UBND dated June 03 rd , 2015. We signed Land Lease Contract No. 115/HDTD on December 31 st , 2015 with the Department of Natural Resources and Environment and was issued with Land Use Right Certificate in form of land lease by the Government with collection of annual land use fee |
| 7 | Employee dormitories in Van Tuong. | 225,756.60 | Binh Tri and Binh Hai Communes, Binh Son District | To January 06 th , 2055 | Industrial park: Employee dormitories | The land plot was leased by the People's Committee of Quang Ngai City to the Company for business operation under the Decision No. 378/QD-UBND dated October 06 th , 2014. The land plot is leased by the Government with collection of annual land use fee. We have not received with Land Use Right Certificate. |

| No. | Contents | Area (m ²) | Address | Period of use | Purposes of use | Current use form |
|-----|--|------------------------|-------------------------------------|----------------------------------|---|---|
| 8 | Addition of two crude oil tanks. | 133,396.50 | Binh Tri Commune, Binh Son District | To March 31 st , 2058 | Business operation: Two crude oil tanks | The land plot was leased by Dung Quat Economic Zone Authority to the Company for business operation under the Decision No. 162/QĐ-BQL dated July 23 rd , 2014. The Company signed Land Lease Contract No. 04/HĐTD on December 31 st , 2014 with Dung Quat Economic Zone Authority in form of land lease by the Government with collection of annual land use fee. We have not received with Land Use Right Certificate. |
| 9 | Archives Center and Office. | 24,478.00 | Binh Tri Commune, Binh Son District | To March 31 st , 2058 | Archives Center and Office | The land plot was leased by Dung Quat Economic Zone Authority to the Company for business operation under the Decision No. 217/QĐ-BQL dated October 01 st , 2013. The Company signed Land Lease Contract No. 02/HĐTD on December 31 st , 2014 with Dung Quat Economic Zone Authority in form of land lease by the Government with collection of annual land use fee. We have not received with Land Use Right Certificate. |
| 10 | Head office of the Company at 208 Hung Vuong, Quang Ngai City. | 5,905.50 | Tran Phu Ward, Quang Ngai City | To May 31 st , 2023 | Our head office at 208 Hung Vuong, Quang Ngai City. | The land plot was leased by the People's Committee of Quang Ngai City to the Company for business operation under the Decision No. 295/QĐ-UBND dated December 12 th , 2012. We signed Land Lease Contract No. 151/HĐTD on December 30 th , 2014 with the Department of Natural Resources and Environment and was issued with Land Use Right Certificate in form of land lease by the Government with collection of annual land use fee. |

