

VIETNAM OIL AND GAS GROUP  
PETROVIETNAM ENGINEERING  
CONSULTANCY JOINT STOCK  
COMPANY

No: 210/TKDK-TCKT.

Re: Explanation of contents related to the 2023  
separate financial statements.

THE SOCIALIST REPUBLIC OF VIETNAM  
Independence - Freedom - Happiness

Ho Chi Minh City, March 27<sup>th</sup>, 2025

To: - The State Securities Commission of Vietnam  
- The Ha Noi Stock Exchange

*Pursuant to Circular 96/2020/TT-BTC dated 16/11/2020.*

We would like to explain the contents related to the audited 2023 Separate Financial Statements as follows:

1. Basis for Qualified Opinion:

1.1 Due to the appointment time being far from the fiscal year end, we were unable to perform the observation procedures for the cash, inventory, and fixed assets with values as of December 31, 2023 of 1.83 billion VND, 6.31 billion VND, and 0.27 billion VND, respectively. Therefore, we could not assess the impact of this matter on the attached Separate Financial Statements.

1.2 We have performed all necessary audit procedures but could not obtain sufficient appropriate audit evidence to assess the appropriateness of the recognition of Inventory (code 140) and Short-term Payable Expenses (code 315) on the Separate Financial Statements with values as of December 31, 2023 of 6.31 billion VND and 46.87 billion VND, respectively, and Cost of Goods Sold (code 11) on the Income Statement with a value of 75.75 billion VND due to the recognition of cost of goods sold during the year based on the planned ratio and not on actual incurred costs. Therefore, we could not determine whether adjustments to these figures are necessary, nor their impact on other figures in the attached Separate Financial Statements.

1.3 As of December 31, 2023, the balance of receivables without confirmation was 115.62 billion VND (As of January 1, 2023: 129.79 billion VND), and the balance of payables without confirmation was 226.07 billion VND (As of January 1, 2023: 207.35 billion VND). Of which, the PV ENGINEERING is monitoring some long-outstanding receivables, and the allowance for doubtful debts has been recorded with a total value as of December 31, 2023 of 106.61 billion VND and 69.68 billion VND, respectively (As of January 1, 2023: 98.36 billion VND and 63.25 billion VND, respectively). We could not assess the recoverability of these receivables and therefore could not determine whether adjustments to related figures in the attached Separate Financial Statements are necessary.

1.4 According to the information presented in Note 33 of the Separate Financial Statements, in 2022, the PV ENGINEERING recorded in Administrative Expenses the additional office rental payable to PetroVietnam Gas Corporation - Joint Stock Company according to the Memorandum of Understanding signed on 2022-05-11 regarding the adjustment of office rent for the period from 2011 to 2013 with the amount of 42.60 billion VND. We did not obtain sufficient documentation to assess the



appropriateness of the recognition of this expense and its impact on the attached Separate Financial Statements.

1.5 According to the information presented in Note 33 of the Separate Financial Statements, the PV ENGINEERING and its subsidiary, Petrovietnam Engineering (Malaysia) Sdn. Bhd, are involved in a lawsuit with the general contractor of the Rapid refinery and petrochemical complex project in Malaysia, related to additional costs incurred during the project implementation. The PV ENGINEERING has not recorded the payable obligation to the general contractor according to the final ruling of the Arbitration Council of 12,099,227.99 USD, equivalent to 295.52 billion VND (excluding late payment interest up to 31/12/2023). Also, according to the information presented in Note 38, the PV ENGINEERING made a retrospective adjustment to decrease the allowance for doubtful debts on the Separate Statement of Income Statements for 2022 by 21.99 billion VND and a retrospective adjustment to increase the allowance for doubtful debts on the Separate Statement of Income Statements for 2021 by 438.15 billion VND. We have performed all audit procedures but could not assess the impact of these matters on the attached Separate Financial Statements.

Regarding the aforementioned project, the Separate Financial Statements as of December 31, 2023 present balances of related items including: Long-term financial investments and Provision for long-term financial investment impairment recognized at 5.35 billion VND, receivables including Short-term receivables from customers at 70.95 billion VND, Short-term loan receivables at 238.92 billion VND, Other short-term receivables at 132.77 billion VND, and Provision for doubtful short-term receivables at 442.63 billion VND. We could not obtain sufficient appropriate audit evidence regarding the recoverability related to the project implementation, therefore we could not determine whether adjustments to the above items are necessary, as well as its impact on other figures in the attached Separate Financial Statements.

1.6 The PV ENGINEERING's Separate Financial Statements (attached) reflect the financial position as of December 31, 2023 with an accumulated loss (code 421) of 760.39 billion VND; Equity (code 400) at year-end is negative 474.69 billion VND; Short-term payables (code 310) are 5.24 times greater than Short-term assets (code 100); Net cash flow from operating activities this year is negative 127.99 billion VND; The balance of overdue payables is 481.69 billion VND. These issues, along with the explanations of the Board of Management in Note 2.3 and the basis for our opinion stated above, indicate the existence of material uncertainties that may cast significant doubt on the Corporation's ability to continue as a going concern. However, the Corporation's Separate Financial Statements for the fiscal year ended December 31, 2023 are still prepared on a going concern basis.

1.7 Note 33 of the Separate Financial Statements presents information regarding the Ho Chi Minh City People's Court's decision to annul Resolution No. 11/NQ-TKDK-DHĐCĐ of the Annual General Meeting of Shareholders 2020 dated on April 29, 2022 and Resolution No. 29/NQ-TKDK-DHĐCĐ of the Annual General Meeting of Shareholders 2023 dated on June 30, 2022 of the PV ENGINEERING according to Appellate Judgment No. 505/2023/QĐDS-PT dated April 25, 2023. We have not obtained sufficient appropriate audit evidence to determine and assess the impact of this issue on the items in the attached Separate Financial Statements (if any).



2. Explanation of the entity:

*\* With contents other than on the financial statements:*

For items 1.1 to 1.3, due to the actual situation of the entity, the Extraordinary General Meeting of Shareholders to approve the list of financial statement audit units was not held until January 8, 2025, and the audit unit was not selected and the contract signed until February 12, 2025, so the above items could not be carried out on time.

For item 1.4, office rental expenses, previously the parties had a memorandum of understanding to review the rental price (2011-2013) suitable for the joint venture parties. The price and invoice were issued and given to PVE. To date, PVE's 20% capital contribution in the joint venture contract has been auctioned to repay Vietcombank's loan, the winning bidder is PV Gas, so PVE must settle with the joint venture and record the outstanding office rent for 2011-2013. These amounts have been reconciled by both parties and completed as of December 31, 2024.

For item 1.5, the lawsuit related to the Rapid refinery and petrochemical complex project in Malaysia: there has been a ruling from the International Chamber of Commerce (ICC), however, the ruling does not mention the specific division of value for the related parties (the construction contract has a division of scope of work among the members participating in the project). The partner has also brought the case to the Ho Chi Minh City court, and the Ho Chi Minh City court is currently in the process of accepting and reviewing the presentations of the related parties. Therefore, we do not have enough objective information to determine the final outcome of the recorded amounts for the parties. Therefore, we only assess the recoverability of receivables related to the member unit Petrovietnam Engineering (Malaysia) Sdn. Bhd as doubtful and make a provision for this related amount.

Regarding item 1.6, the matter of continuous operation: as we are a unit operating based on a core of staff and employees, who are highly qualified engineers, carrying out projects with high intellectual content, we believe that retaining the current workforce means the unit still has the ability to recover. This has also been demonstrated in the recent period, as we have maintained our work to meet production and business activities according to the set targets.

Regarding item 1.7, we held an Extraordinary General Meeting of Shareholders on January 8, 2025 to restructure personnel in accordance with regulations and to ensure uninterrupted operation of the Company.

The opinions expressed by the audit unit are all based on current accounting and auditing standards, the auditor's exception is reasonable and we must accept it. Previously, the Company determined that the above contents could be handled soon in a short time. However, in reality, up to now, the above issues are still unresolved related to the settlement procedures of disputed projects as well as the legal aspects related to the lawsuit. The Company recognizes that it is difficult to resolve all the issues mentioned in a short time, so it agrees with the exception, and at the same time makes provisions related to projects that cannot be handled and reaches an early agreement with partners.

*\* Regarding the after-tax profit change of more than 10%, from the previous year's loss to interest this year:*


In 2023, due to the ruling of the International Chamber of Commerce (ICC) International Chamber of Commerce, the partner requested banks to deduct the


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performance bond for the contract from our Company. Therefore, in the period, we had to record this mandatory debt, leading to a sharp decrease in profit.

In addition, the remaining receivables with the General contractor of the Rapid petrochemical complex project are considered difficult to recover, so the provision for bad receivable debts on business results. This also affects profits after tax.

**PERSON IMPLEMENTING THE DISCLOSURE  
GENERAL DIRECTOR**

  
*Ngô Ngọc Thường*

Recipients: 

- As above;
- File: Office, Finance and Accounting Department.

