**PVH: Explanation related to the Audited Financial Statements 2023**

On May 31, 2024, Thanh Hoa Petroleum Construction Joint Stock Company announced Official Dispatch No. 22/XLDKTH-TCKT on disclosing the explanation of the Audited Financial Statements 2023 as follows:

1. The fluctuation in profit targets in the Audited Financial Statements 2023 compared to 2022:

* Profit after tax 2023: VND (1,869,459,628).
* Profit after tax 2022: VND (6,035,342,470).

In 2023, Thanh Hoa Petroleum Construction Joint Stock Company received an insurance payment of VND 3.35 billion for fire and explosion damage, resulting in higher income in 2023 compared to 2022. As a result, the profit after tax in 2023 was higher than in 2022.

1. The loss target of profit after tax 2023:

The loss in profit after tax 2023 is due to total revenue from sales and service provision activities; revenue from financial activities and other income cannot offset the cost of capital and management costs in the period.

1. Disclaimer of opinion on the Financial Statements 2023 of Thanh Hoa Petroleum Construction Joint Stock Company

* Auditors’ opinion: We do not have enough information to evaluate the suitability of the receivables and payables as of January 1, 2023 and December 31, 2023 as follows: Receivables from customers amounting to VND 31.32 billion and VND 88.12 billion; Prepayment for sellers of VND 42.33 billion and VND 45.3 billion; other receivables of VND 12.96 billion and VND 42.19 billion, payables to sellers of VND 67.75 billion and VND 36.7 billion, loans and long-term financial lease debt of VND 2.39 billion

\* Explanation of Thanh Hoa Petroleum Construction Joint Stock Company: These are outstanding debts from previous projects implemented by Thanh Hoa Petroleum Construction Joint Stock Company. Thanh Hoa Petroleum Construction Joint Stock Company has established a debt recovery team to follow up and recover these debts, even seeking legal intervention. Currently, Thanh Hoa Petroleum Construction Joint Stock Company is in the process of suing several units to recover these liabilities. For the payables, Thanh Hoa Petroleum Construction Joint Stock Company is awaiting final settlements and payments from the investors to fulfill payment obligations.

* Auditors’ opinion: As of January 1, 2023 and December 31, 2023, the Company is classifying debts on the Balance Sheet: Long-term customer receivables (code 211) of respectively VND 66.24 billion and VND 65.08 billion, long-term prepayments to sellers (code 212) with the same amount of VND 39.29 billion, other long-term receivables (code 216) with the same amount of VND 28.88 billion, Provision for long-term bad debts (code 219) with the same amount of VND 26.81 billion, Long-term payables to suppliers (code 331) with the same amount of VND 69.05 billion, Long-term financial lease loans and debt (code 338) with the same amount of VND 309.75 billion. We do not have enough necessary information to evaluate the appropriateness of classifying these long-term receivables and payables.

\* Explanation of Thanh Hoa Petroleum Construction Joint Stock Company: Long-term receivables and payables of Thanh Hoa Petroleum Construction Joint Stock Company on the Balance Sheet belong to the following works and projects: Project for leveling the ground of Nghi Son Refinery and Petrochemical Complex, Project for housing and services serving Nghi Son Refinery and Petrochemical Complex (Project of 25 hectares), project of constructing infrastructure of Industrial Park I and gathering area for materials and equipment to build Nghi Son Refinery and Petrochemical Complex (Project of 157 hectares) and Lam Kinh Hotel construction investment project. Due to many problems, Thanh Hoa Petroleum Construction Joint Stock Company has not completed the settlement of the above works and projects. The Company has not settled with the investors and the subcontractors. The settlement period lasts beyond one business cycle, hence the above classification. Regarding provisions for bad debts, Thanh Hoa Petroleum Construction Joint Stock Company is based on the classification of receivables of bad debts and needs to set up provisions to classify short-term and long-term. Regarding financial lease loans and debts, the reason for the above classification is because these are loans from 2 long-term credit contracts to invest in the construction of Petroleum Building No. 38A Le Loi Avenue (Contract No. 14/HDTD-DH/PVFCTL08) and investing in the construction of Lam Kinh Hotel (Contract No. 01/2010/HDTD-DH/04032010/PVFCTL-PVFC LAND).

* Auditors’ opinion: As of December 31, 2023, the Company has not yet reassessed bad debt provisions for receivable debts. We do not have enough necessary information to evaluate the appropriateness of the short-term and long-term receivable provision balances presented in the attached Financial Statements.

\* Explanation of Thanh Hoa Petroleum Construction Joint Stock Company: Regarding outstanding receivables from the previously implemented projects of Thanh Hoa Petroleum Construction Joint Stock Company, Thanh Hoa Petroleum Construction Joint Stock Company has considered making a provision for bad debts of VND 26.81 billion. For the remaining amount, Thanh Hoa Petroleum Construction Joint Stock Company is actively taking all measures to collect debts, even Thanh Hoa Petroleum Construction Joint Stock Company has asked for legal intervention to recover the above outstanding debts.

* Auditors’ opinion: Inventories targets (code 141) and Long-term unfinished production and business expenses (code 241) of the Balance sheet as of December 31, 2023, reflect some projects that halted construction from 2020 or earlier, amounting to about VND 249.31 billion (See notes No. 9 and No. 13a). The Company has not evaluated the recoverable value of these projects.

\* Explanation of Thanh Hoa Petroleum Construction Joint Stock Company: These are the costs incurred for projects that have been completed but not yet settled. Lam Kinh Hotel Project: VND 199.60 billion; Project for leveling the ground of Nghi Son Refinery and Petrochemical Complex: VND 31.94 billion; Nghi Son 25 hectares project: VND 7.79 billion; Other projects: VND 9.98 billion; Thanh Hoa Petroleum Construction Joint Stock Company is still actively working with relevant parties to soon finalize the project, record revenue and reduce the aforementioned production and business costs.

* Auditors’ opinion: The company is recording depreciation costs of the Petroleum building at 38A Le Loi Avenue, and expenses incurred for office rental activities at this building into the Inventories target (code 141) with a balance as of December 31, 2023 of VND 4.2 billion (as of January 1, 2023, VND 2.2 billion) (See note 9). If the Company presented the Financial Statements according to the current accounting regime: Inventory targets (code 141) will reduce the above balances, and at the same time the target of profit after tax (code 421) also reduces the corresponding amount; Cost of goods sold target on the Income Statement will increase by VND 2.01 billion (figures in 2022 will increase by VND 2.21 billion).

\* Explanation of Thanh Hoa Petroleum Construction Joint Stock Company: Building 38A is an office building for rent with a large rental area including 11 floors, each floor is 573 m² wide. However, the building has just completed repairs and has not been put into business for long, the number of tenants is high, and the rental area is very small, so Thanh Hoa Petroleum Construction Joint Stock Company has allocated part of the building's costs to current business expenses and will allocate the remaining costs to business expenses as the building becomes more stable and tenant occupancy increases.

* Auditor’s opinion: The target of construction in progress costs (code 242) of the Balance sheet as of December 31, 2023 reflecting the value of investment costs in the project of “Constructing Infrastructure for Industrial Park I and the material and equipment storage area for the Nghi Son Refinery and Petrochemical Complex in Mai Lam Commune, Tinh Gia District, Thanh Hoa Province” with the amount of VND 19.4 billion. However, this project has been terminated since August 1, 2013. (See note No. 13b).

\* Explanation of Thanh Hoa Petroleum Construction Joint Stock Company: Related to the Project of Constructing Infrastructure for Industrial Park I and the material and equipment storage area for the Nghi Son Refinery and Petrochemical Complex in Mai Lam Commune, Tinh Gia District, Thanh Hoa Province” (157 hectares Nghi Son project), on September 24, 2014 Thanh Hoa Petroleum Construction Joint Stock Company had a working minute with its partner, Anhphat Investment Construction- Trading Joint Stock Company (Anh Phat Company) on the agreement to refund investment costs in the project with a total value of VND 26,422,536,093, of which the agreed investment value to be refunded is VND 14,760,774,232, the value not yet agreed upon is VND 11,661,761,861, which is related to site clearance compensation costs that Thanh Hoa Petroleum Construction Joint Stock Company has paid to households to recover land but has not completed the related procedures. On October 12, 2017 the Company had a Minutes on Value Confirmation (1st time) on the expenses repayment invested in the 157 hectares Nghi Son project with Anh Phat Company, according to which the total value to be repaid excluding VAT is VND 8,457,020,096. The Company has recorded the project's revenue, and at the same time recorded the corresponding value of the cost of goods sold. Currently, the Company is still actively working with Anh Phat Company to agree on the remaining cost value. If an agreement is reached, the Company can record project revenue, while reducing the project's unfinished construction costs by an amount of about VND 17.96 billion.

* Auditor’s opinion: The Company is temporarily recording in the targets Unearned revenue (code 318) and Customer receivables (code 131) of the interim balance sheet for the value of completed work round 7, round 8- National Highway 217 Cam Thuy project is VND 16.4 billion. These completed workloads have all been accepted by the investor and supervision consultant and have been handed over, received, and put into use by the parties since December 22, 2020. However, the Company has not yet settled these items with the general contractor, Thong Nhat Construction Company Limited (See Note 18).

\* Explanation of Thanh Hoa Petroleum Construction Joint Stock Company: The reason we have not recorded it directly in Revenue is that at the time of recording this value, it was still in the process of being disputed in court. Currently, there is an official Decision from the People's Court of Ninh Binh Province, we are arranging a working schedule with Thong Nhat Construction Company Limited to finalize the acceptance value and settlement according to the Court's ruling. After reaching an agreement with Thong Nhat Construction Company Limited, we will issue invoices and record the corresponding revenue value.

* Auditors’ opinion: The Company has not recorded the expenses payable to Vietnam Public Joint Stock Commercial Bank related to 02 projects "Lam Kinh Hotel" and project "Petroleum Building 38A" from 2015 to December 31, 2023 with a value of about VND 551.46 billion. (See note No. 20).

\* Explanation of Thanh Hoa Petroleum Construction Joint Stock Company: Borrowing costs related to the project "Housing Service and Commercial Complex" from 2015 to December 31, 2023 have not been recorded in the Financial Statements because to PVCombank and the Company have many different opinions, PVC-TH has not agreed with the interest rate that PVCombank calculates. On the other hand, for Lam Kinh Hotel Project, the Company is not the owner, nor is it the beneficiary of revenue from business activities of Lam Kinh Hotel. Therefore, the Company believes that the obligation to pay the aforesaid outstanding balance is the responsibility of Công ty CP khách sạn Lam Kinh (tentatively translated as Lam Kinh Hotel Joint Stock Company). At the present time, this loan interest is still in the process of negotiation and settlement. After the final decision of the Court, the Company will base it on compliance with regulations.

* Auditors’ opinion: During the year, the Company is recording other income as late payment interest of Công ty TNHH xây dựng Hùng Sơn (tentatively translated as Hung Son Construction Company Limited under the recognized settlement agreement (See Note 27) with an amount of VND 1.1 billion but the money has not been collected yet. This recognition makes the balance as of December 31, 2023 of the target of other short-term receivables (code 136) and the undistributed profit after tax target (code 421) reflect an excess of VND 1.1 billion. Other income targets on the Income Statement 2023 reflect excess amount of VND 1.1 billion.

\* Explanation of Thanh Hoa Petroleum Construction Joint Stock Company: According to the Decision to recognize the agreement of the litigants of the People's Court of Hai Duong City, Hai Duong Province, Hung Son Construction Company Limited agreed to pay to the Company the amount of VND 3.2 billion, of which VND 2.1 billion is debt for the construction contract and VND 1.1 billion is interest due to late payment of construction work. In accordance with the Court's Decision and in order not to miss the debt when recovering, the Company recorded the debt receivable from Hung Son Construction Company Limited for the late payment interest of VND 1.1 billion and also recognized the corresponding other income.

* Auditors’ opinion: The major repair costs of the Petroleum Building as of December 31, 2023 are presented on the item Long-term prepaid expenses with a value of VND 8.72 billion (see note 10). However, the Company has not yet provided acceptance of completed repairs, so we cannot determine the appropriateness of the balance of this prepaid expense and the portion recorded in expenses during the year.

\* Explanation of Thanh Hoa Petroleum Construction Joint Stock Company: As of December 25, 2023, the repair of Petroleum Building No. 38A was completed, but there is still one construction unit that has not completed the final settlement documents with the Company, therefore the Company has not been able to provide acceptance and completion of the repair.