

VIETNAM NATIONAL INDUSTRY –
ENERGY GROUP
PETROVIETNAM ENGINEERING
CONSULTANCY JOINT STOCK
COMPANY

THE SOCIALIST REPUBLIC OF VIETNAM
Independence - Freedom – Happiness

No: 251/TKDK-TCKT

Ho Chi Minh City, April ^{15th}, 2025

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

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 Consolidated Financial Statements as follows:

1. Basis for Qualified Opinion:

1.1 Because the time of appointment as an auditor is far from the end of the fiscal year, we were not able to conduct observation procedure the counting of cash, inventories, fixed assets with the value as at 31/12/2023 were VND 1.84 billion, VND 600.15 billion and VND 0.35 billion, respectively. Therefore, we were unable to evaluate the impacts of such matters on relevant items on the attached Consolidated Financial Statements.

1.2 We have fully performed sufficient audit procedures and were unable to obtain sufficient appropriate audit evidence to assess the conformity of the recognition of Inventories item (code 140) and Short-term accrued expenses item (code 315) on the Consolidated Financial Statement as at 31/12/2023 with the amount of VND 600.15 billion and VND 33.93 billion, respectively, the Cost of goods sold item (code 11) on the Consolidated Statement of Income with the amount of VND 130.19 billion because the recognition of cost of goods sold in the year based on the planned rate instead of the actual costs incurred, therefore, we were unable to determine whether any adjustments to relevant items as well as the impacts of such matter onto the attached Consolidated Financial Statements.

1.3 As at 31/12/2023, the outstanding balance of receivables without confirmation of balances was VND 225.60 billion (as at 01/01/2023: VND 230.97 billion), outstanding balance of payables without confirmation of balances was VND

390.79 billion (as at 01/01/2023: VND 377.62 billion). In which, the Corporation has been monitoring certain long-outstanding receivables and the provision for doubtful debts, with total amounts as at 31/12/2023 of VND 204.60 billion and VND 136.47 billion, respectively (as at 01/01/2023 with the amount of VND 202.08 billion and VND 130.01 billion, respectively). We were unable to assess the recoverability of these receivables and, therefore, could not determine whether any adjustments to the relevant items in the attached Consolidated Financial Statements are necessary.

1.4 As in Note No. 27 to the Consolidated Financial Statements for the year 2022, the Corporation recognized in General administrative expenses with additional office lease payments payable to PetroVietnam Gas Joint Stock Corporation, pursuant to the Memorandum of Agreement signed on 11/05/2022, regarding the adjustment of office rental fees for the period from 2011 to 2013 with amount of VND 42.60 billion. We were unable to obtain sufficient appropriate documentation to assess the appropriateness of the recognition of this expense or its impact on the attached Consolidated Financial Statements.

1.5 As in Note No. 40 to the Consolidated Financial Statements, the Corporation and its subsidiary, Petrovietnam Engineering (Malaysia) Sdn. Bhd is involved in a legal dispute with the main contractor of the Rapid petrochemical complex project in Malaysia, relating to additional charges incurred during project execution. The Corporation has not recognized a payable obligation to the main contractor in accordance with the final arbitration award amounting to USD 12,099,227.99, equivalent to VND 295.52 billion (excluding interest from overdue payment as at 31/12/2023). In addition, as in Note No. 41, the Corporation retrospectively adjusted a decrease in provision for doubtful debts in the Consolidated Statement of Income for the year 2022 by VND 3.91 billion, and a corresponding retrospective adjustment to increase provision for doubtful debts in the year 2021 by VND 55.55 billion. We have performed all necessary audit procedures but were unable to determine the impact of the above matters on the attached Consolidated Financial Statements.

1.6 As at the date of issuance of the Auditors' Report, we had not obtained the Financial Statements for the fiscal year ended as at 31/12/2023 of the subsidiary – Petrovietnam Engineering (Malaysia) Sdn. Bhd ("PVE Malaysia"). Furthermore, we

were unable to perform alternative procedures necessary to evaluate the financial information of that subsidiary. Accordingly, we are unable to determine whether any adjustments might be necessary to the attached Consolidated Financial Statements arising from the Financial Statements of PVE Malaysia.

1.7 The Consolidated Financial Statements of the Corporation (attached) as at 31/12/2023 reflect an accumulated loss (code 421) of VND 415.99 billion; Owner's equity (code 400) as at the year-end is negative VND 137.30 billion; Current liabilities (code 310) exceed Current assets (code 100) by 1.18 times; Net cash flow from operating activities of the year are negative VND 109.32 billion; The outstanding balance of overdue payables amounts to VND 771.53 billion. These matters, along with the explanations provided by the Board of Management as in Note No. 2.3 and the bases for our qualified opinion described above, indicate the existence of material uncertainties that may cast significant doubt on the Corporation's ability to continue as a going concern. Nevertheless, the Consolidated Financial Statements for the fiscal year ended as at 31/12/2023 have been prepared on a going concern basis.

1.8 As in Note No. 40, the Consolidated Financial Statements present information regarding the decision of the People's Court of Ho Chi Minh City to annul Resolution No. 11/NQ-TKDK-DHDCD of the 2020 Annual General Meeting of Shareholders, approved on 29/04/2022, and Resolution No. 29/NQ-TKDK-DHDCD of the 2023 Annual General Meeting of Shareholders, approved on 30/06/2022 of the Corporation, according to Appellate judgment No. 505/2023/QDDSD-PT dated 25/04/2023. We do not assess the impact of this matter on the attached Consolidated Financial Statements.

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.

For item 1.6, currently the Subsidiary - Petrovietnam Engineering (Malaysia) Sdn. Bhd ("PVE Malaysia") has no more personnel operating in Malaysia, and there is no business arising due to waiting for the decision on value division with the related party, the Parent Company (PVE) so the status of the previous report remains the same.

For item 1.7, 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 can 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.

For item 1.8, 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.

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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 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**



Recipients: 

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

Mr. NGO NGOC THUONG

