**LO5: Official Dispatch on explaining the auditor’s qualified opinion**

On March 18, 2024, Lilama No.5 JSC announced Official Dispatch No. 17/LM5-TCKT on explaining the auditor’s qualified opinion on the Financial Statements ended December 31, 2023 as follows:

1. Content 1:

After performing the necessary audit procedures, the auditor is still unable to collect sufficient evidence to affirm the accuracy of the expense for Work in progress of the Company as of January 01, 2023 and December 31, 2023 amounting to VND 179.136 billion and VND 162,314 billion respectively. Therefore, the auditor is yet to determine necessary adjustments (if any) for item “Expense for Work in progress” as well as impacts (if any) on the Financial Statements for the fiscal year ended December 31, 2023 of the Company.

Explanation:

Regarding the handover process between periods, some projects that were executed by the Company prior to the transition phase to current staff members have not been properly documented and recorded. Therefore, the company is currently reviewing the dossiers to accurately determine the previous phase data, which has resulted in the company lacking sufficient basis to make adjustments (if any) to ensure that the production and business expense balances are fully and appropriately reflected, leading to the inability to determine adjustments for the closing balances.

1. Content 2.

As of January 01, 2023 and December 31, 2023, the Company recorded overdue receivables amounting to VND 26.36 billion and 27.8 billion respectively. However, the auditor has yet to collect evidence for the Board of Management’s assessment regarding the recoverability of these receivables. Therefore, the auditor fails to determine necessary adjustments (if any) for the Financial Statements for the fiscal year ended December 31, 2023 of the Company.

Explanation:

During the handover process between periods, some old debt records spanning over three years for certain entities have not been handed over. The Company has sent confirmations to the relevant customers, but has not received responses. Therefore, the company lacks sufficient evidence to make adjustments.

1. Content 3.

The balance sheet as of January 1, 2023, and December 31, 2023, reflects payable interest expense with an amount of VND 74.01 billion. The auditor has performed the necessary audit procedures but has been unable to gather appropriate evidence to determine the accuracy and completeness of the recorded interest expense that needs to be recognized for this year and previous years of the Company. Therefore, the auditor is unable to determine the necessary adjustments (if any) related to the "Short-term Payables" item as of January 1, 2023, and December 31, 2023, and the "Financial Expenses" in the Financial Statements for the fiscal year ended December 31, 2023.

Explanation:

Regarding the provision made by Vietnam Joint Stock Commercial Bank For Industry and Trade: The loan from Vietnam Joint Stock Commercial Bank For Industry and Trade is currently under the responsibility of the Department of Civil Judgments Enforcement for recovering the principal and interest debts. As Lilama No.5 JSC is a significant local entity, the enforcement of the judgment against Lilama No.5 JSC could cause social instability at the local level. Currently, the Civil Judgments Enforcement has announced a Decision stating that there are no conditions for further enforcement against Lilama No.5 JSC this year. At the time of the Financial Statements, the entity has not received the reconciled profit figures between the Department of Civil Judgments Enforcement and Vietnam Joint Stock Commercial Bank For Industry and Trade, and there has been no notice of closing balances from the banks... Therefore, the interest expense of VND 74.01 billion represents an estimated value based on the remaining principal amount owed to Vietnam Joint Stock Commercial Bank For Industry and Trade over the years.

1. Content 4.

As of the issue of this Auditor’s Report, the auditor has not obtained confirmations for the loan as of January 1, 2023, and December 31, 2023, from Joint Stock Commercial Bank for Investment and Development of Vietnam - Bim Son Branch, with the same amount of VND 183.38 billion. Despite the audit procedures performed, the auditor is still unable to assess the appropriateness of the above-mentioned account balance on the balance sheet as of January 1, 2023 and December 31, 2023, as well as the impact of this issue on the Company's Financial Statements.

Explanation:

Joint Stock Commercial Bank for Investment and Development of Vietnam - Bim Son Branch ceased lending to the company in 2019 due to overdue debts classified as Group 5 (bad debts). In 2023, the auditor submitted data reconciliation form, but Joint Stock Commercial Bank for Investment and Development of Vietnam did not provide the requested reconciliation, hence no specific data is available for determination.