**FGL: Explanation on Financial Statements 2023**

On March 20, 2024, Gia lai Coffee Joint Stock Company announced Official Dispatch No. 20/CV-FGL on explaining the Financial Statements for the year ended December 31, 2023 as follows:

In the Financial Statements for the end of the fiscal year No. 17/2024/BCKT/AUD-VVALUES dated March 15, 2024 of the Branch of VIETVALUES Auditing and Consulting Co., Ltd in Da Nang, there are qualified opinions about the Company's Annual Financial Statements for the accounting period ending December 31, 2023, specifically as follows:

1. As presented in Section 1.5 of the Notes to the Financial Statements, the Company officially switched to operating under the joint stock company model on September 13, 2018. However, up to now there is still no Decision of the People's Committee approving the adjustment of State capital at the time of equitization (Gia Lai Coffee Company Limited) and officially changing into Gia lai Coffee Joint Stock Company (on September 13, 2018). Therefore, the data on the Financial Statements of previous years may change when there is an official approval decision from the Competent Authority.
2. As presented in note V.4a - Other short-term receivables and V. 19b - Details of the owner's investment capital, currently the shareholders have contributed capital in full. However, at the time of official transformation into a Joint Stock Company (September 13, 2018), upon equitization, the State divested capital in excess of the State capital of VND 24,305,035,075. The difference in capital divestment above is recorded as receivables and this receivable may change when officially finalizing the transfer of capital to the Joint Stock Company.
3. As presented in section VIII. 1 - Contingencies, land rent and late payment penalty according to the Tax Authority's Notice have not been fully recorded in the Company's previous period's operating expenses. Payable to the State budget for this land rent is because the two parties have not agreed on the payment obligation and are going through procedures to re-negotiate, specifically:
* State-owned enterprise stage: VND 7,774,706,081 (land rental) and VND 2,350,758,470 (late payment penalty).
* Joint Stock Company period (2019): VND 395,826,472 (land rental) and VND 135,444,900 (late payment penalty).

The data has not been adjusted yet because of the handover procedures between the State-owned Enterprise and the Joint Stock Company and the lack of agreement on the land rental calculation area. This data may affect the Balance Sheet (if any) depending on the approval decision of the competent State Agency.

1. As stated in point (b) of Note V15.b, last year (2022), the Board of Directors of the Company decided to use the Certificates of land use rights, ownership of houses and other assets attached to land granted to the Company to secure loans from Bien Ho Tea Joint Stock Company (joint investment company) at the Vietnam Bank for Agriculture and Rural Development - Gia Lai Branch. The above guarantee of loans from companies that are related parties is not in accordance with the provisions of Decree No. 155/2020/ND-CP detailing the implementation of a number of articles of the Law on Securities.

The Company explains the above comments specifically as follows:

The above contents are all related to the transfer of assets and financial handling when the Company equitizes from a one-member State Limited Company to a Joint Stock Company that has not yet been agreed upon by the People's Committee of Gia Lai Province.

The first opinion, related to the handover of assets between the Joint Stock Company and the One-member State Limited Company, the Company has not had a Minute of Asset Handover as of September 13, 2018. And up to now, the Company is still continuing to implement and coordinate with the People's Committee of Gia Lai Province to complete this work, but progress is a bit slow. In the coming time, the Company will urgently complete this work so that the Company has a basis to manage assets and stabilize production and business activities.

The second opinion, as of September 13, 2018, the State had divested capital exceeding the number of State capital of VND 24,305,035,075. The main reason is due to the accumulated loss as of September 13, 2018 (this accounting loss of the one-member State Limited Company arose before the time of equitization). The company temporarily recorded this to the item "Receivable from equitization" and requested the People's Committee of Gia Lai Province to comment on this loss. Official data will depend on the decision of the People's Committee of Gia Lai Province and the competent authorities.

The third opinion, related to the handling of land rent and late payment fines in Ia Grai District and Chu Se District, has not been fully recorded in the Company's operating expenses, specifically:

* State-owned enterprise stage: VND 7,774,706,081 (land rental) and VND 2,350,758,470 (late payment penalty).
* Joint Stock Company period (2019): VND 395,826,472 (land rental) and VND 135,444,900 (late payment penalty).

This is the land rent incurred during the state-owned enterprise period, not included in the equitization plan, not included in the dossier on determination of enterprise value. On the other hand, it is not appropriate for the Tax Department to calculate land rent on the entire land area that has been allocated by the People's Committee to the municipality for management. The company has sent an official dispatch to the Provincial People's Committee and relevant departments of the Province to handle this issue appropriately.

The fourth opinion, regarding the mortgage of land use rights certificates, ownership of houses and other assets attached to land, this is an asset owned by the Company, used as collateral for a loan from Bien Ho Tea Joint Stock Company at the Vietnam Bank for Agriculture and Rural Development - Gia Lai Branch to serve the production and business activities of the two companies.

On March 20, 2024, Gia lai Coffee Joint Stock Company announced Official Dispatch No. 19/2024/CV-FGL explaining the difference of 10% or more in combined profit after tax compared to the same period last year as follows:

Unit: VND

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Targets | December 31, 2023 | December 31, 2022 | Difference | Increase/decrease (%) |
| Profit after tax | (12,441,876,599) | (24,836,837,458) | 12,394,960,859 | 99.62% |

The combined profit after tax of Gia lai Coffee Joint Stock Company for the reviewed financial reporting period ending December 31, 2023 increased compared to the same period in 2022 due to the following factors:

* The cost of coffee for the 2023-2024 crop year in 2023 decreased by VND 1,615,739,746 because the land rent in 2022 was reduced in 2023 according to Decision No. 01/2023/QD-TTg dated January 31, 2023 by the Prime Minister on a 30% reduction in land rent in 2022 and Decision No. 25/2023/QD-TTg of the Prime Minister on a 30% reduction in land rent in 2023 for subjects affected by the COVID-19 pandemic. In 2022, these Decision has not been received.
* In the Financial Statements 2023 period, the Company has collected VND 442,576,300 in cash from previous crop years, compared to the same period in 2022 where only VND 106,063,800 was collected.
* In the Financial Statements 2023 period, coffee sales revenue soared due to the increase in green coffee beans (the company's main product) after many price increases from the beginning of 2023 until now. Domestic coffee prices have increased about 45% over the same period last year and up to 75 - 78% compared to the end of 2022. Revenue from selling green coffee in 2023 reached VND 11,217,337,100, an increase of VND 3,670,250,200 compared to the same period in 2022, which was VND 7,547,086,900.
* On the other hand, during the period, the company no longer allocated long-term banana plantation investment costs (All of these costs were liquidated in Q4/2022); In addition, in 2022, the company must account for the loss from the banana planting project of VND 7,466,862,865.

On March 20, 2024, Gia lai Coffee Joint Stock Company announced Official Dispatch No. 18/2024/CV-FGL on explaining the loss of profit after tax in the reporting period as follows:

Unit: VND

|  |  |
| --- | --- |
| Targets | December 31, 2023 |
| Profit after tax | (12,441,876,599) |

The combined profit after tax of Gia lai Coffee Joint Stock Company for the reviewed financial reporting period ending December 31, 2023 is a loss due to the following factors:

+ In 2023, although revenue has increased due to the increase in green coffee bean prices, general and administrative expenses of: VND 4,892,052,787 and financial expenses (Interest on loan contracts from both individuals and businesses): VND 7,461,910,902 combined with the loss is still higher than the revenue from green coffee sales of VND 11,331,056,127.

+ On the other hand, as of December 31, 2022, the company has liquidated the entire banana project due to ineffectual operations, so in 2023 the Company recorded no banana sales revenue.