**LM7: Explanation on Financial Statements 2023**

On March 20, 2024, Lilama 7 JSC announced Official Dispatch No. 12/LILAMA7/TC-KT on explaining the difference in profit after tax in 2023 compared to 2022 as follows:

* Profit after tax in 2023: VND (21,072,850,469), profit after tax in 2022: VND (20,172,202,177), loss increased over the same period by VND (900,648,292). The reason being:

In 2023, the Company had little work, acceptance and capital recovery of projects were slow, leading to low revenue, interest costs and input costs increasing. As a results, revenue was insufficient to cover fixed costs such as: Loan interest expense, general and administrative expenses, fixed asset depreciation expenses...

* Revenue in 2023 decreased compared to 2022 by (VND 8,218,186,325)
* For Gross profit in 2023 compared to 2022, the loss over the same period decreased by: VND 1,624,483,244
* For Net profit from production and business activities in 2023 compared to 2022, the loss over the same period increased by: VND 568,363,549.
* Other profit in 2023 compared to 2022 decreased by VND 1,469,011,841.
* Profit after tax in 2023 is a loss: The reason is low revenue while cost of goods sold and interest expenses are high.

On March 20, 2024, Lilama 7 JSC announced Official Dispatch No. 13/LILAMA7/TC-KT on explaining auditor's qualified opinion on the Financial Statements 2023 as follows:

* Basis of auditor’s qualified opinion:
* We have performed the necessary audit procedures, however, we cannot collect sufficient audit evidence to confirm the accuracy of the Company's costs of Work in progress at January 1, 2023 with a total amount of VND 62.270 billion and at December 31, 2023 with a total amount of VND 65.142 billion. Therefore, we have not yet determined the necessary adjustments related to the item "Work in progress" as well as the impact (if any) to the Company's Financial Statements ended December 31, 2023.
* At January 1, 2023 and December 31, 2023, the Company is recording a number of overdue receivables with a total value of VND 9.231 billion and VND 18.446 billion, respectively. However, we have not collected audit evidence regarding the Board of Management's assessment of the recoverability of these receivables, so we cannot determine the necessary adjustments (if any) to the company's Financial Statements for the fiscal year ended December 31, 2023.
* By the time of releasing this auditor's report, we have not yet collected all the reconciliation and debt confirmation minutes dated January 1, 2023 and December 31, 2023, respectively, on customer receivables of VND 10.202 billion and VND 8.664 billion; prepayment to the seller of VND 3.334 billion and VND 3.625 billion; Other receivables of VND 1.320 billion and VND 1.411 billion; prepayment receivables of VND 4.858 billion and VND 4.758 billion; prepayment payables of VND 15.467 billion and VND 14.526 billion; payable to the seller of VND 16.680 billion and VND 16.278 billion; The buyer pays in advance of VND 0.624 billion and VND 0.537 billion; and other short-term payables of VND 2.874 billion and VND 2.916 billion. We are unable to assess the appropriateness of the balances of the above items on the balance sheet as of January 1, 2023 and as of December 31, 2023, as well as the impact of this issue on the Company’s Financial Statements.
* Up to the time of issuing this auditor's report, we have not fully collected dossiers or documents to confirm the data of other long-term prepaid expenses (presented in note 11 of the notes to the Financial Statements) as of January 1, 2023 with an amount of VND 11.120 billion and as of December 31, 2023 with an amount of VND 8.723 billion. We cannot evaluate the appropriateness of the above data on the balance sheet as of January 1, 2023 as of December 31, 2023 as well as the impact of this issue on the Company's Financial Statements for the fiscal year ended December 31, 2023.
* Explanation for the auditor's qualified opinions is as follows:
* Because some projects are being settled with investors, the Company has yet to determine the exact cost of Work in progress at the time of reporting.
* At the time of reporting, the Company has not evaluated the recoverability of overdue receivables. In recent times, due to the difficult economic situation, customers have not been able to pay their debts.
* As of December 31, 2023, the Company sent a debt reconciliation minutes of receivables and payables to customers, but at the time of audit, the Company had not received the full debt reconciliation minutes.
* Long-term prepaid expenses: The Company has not accurately evaluated some tools and long-term costs to determine the allocation of production and business expenses during the period.