**LIC: Explanation on Financial Statements FY 2023**

On March 30, 2024, Licogi Corporation - JSC announced Official Dispatch No. 137/2024/CV-TCKT on the auditor’s qualified opinion for the Audited Consolidated Financial Statements 2023 as follows:

1. Thinh Liet New Urban Area Project

As of January 01, 2023, the Corporation has capitalized loan interest into the item: "Long-term production and business expenses in progress" of the Thinh Liet New Urban Area Project with a total accumulated value of VND 395.2 billion. In 2023, the Corporation continues to capitalize loan interest into "Long-term production and business expenses in progress" of VND 1.6 billion. Accordingly, the total value of accumulated capitalized interest expenses as of December 31, 2023 is VND 396.8 billion. Because the Thinh Liet New Urban Area Project has been prolonged, we cannot collect the necessary information to determine the interest expenses capitalized on this project according to Vietnamese Accounting Standard No. 16 - Borrowing expenses.

Explanation on the auditor's qualified opinion of the audit company regarding the Thinh Liet New Urban Area Project:

The Thinh Liet Urban Area Project is granted a construction investment license by the Hanoi People's Committee on September 17, 2007 to Infrastructure Construction and Development Corporation, then transferred to Licogi Corporation - JSC and Licogi Urban and Housing One Member Company Limited respectively. Capitalized interest expenses are directly related to this project. However, the project is prolonged because of objective factors. Up to now, the project is still in the process of site clearance compensation and will continue to be implemented in the near future, so the Corporation still capitalize interest expenses related to this project without temporarily suspending the capitalizing the interest expenses. At the same time, when establishing the subsidiaries: Licogi Urban and Housing One Member Company Limited and Licogi 2 Investment and Construction One Member Company Limited, the Corporation determines these capitalized interest expenses as part of capital contribution assets when establishing subsidiaries.

This issue is overcome when the Company implement profitable project business, thus, the Corporation recovers its invested capital.

1. Debts receivable and debts payable:

As of January 01, 2023 and December 31, 2023, the Corporation's subsidiaries are recording a number of receivables for which the auditor cannot assess the rights and obligations, existence, accuracy and completeness as well as assess the loss of these receivables. Specifically: Licogi 15 Joint Stock Company VND 79.5 billion and VND 77.45 billion; Water Electrical System and Machinery Installation Licogi Joint Stock Company: VND 8.6 billion and VND 5.5 billion; Foundation Engineering and Construction 20 Joint Stock Company: VND 89.9 billion and VND 87.36 billion; Licogi 10 Joint Stock Company: VND 47.4 billion and VND 34.6 billion; Licogi Quang Ngai Joint Stock Company: VND 7.39 billion and VND 15.4 billion.

Explanation on the auditor's qualified opinion of the audit company regarding receivables and payables:

The above contents are existing issues of subsidiaries that have arisen for a long time and have not been able to be overcome due to many reasons such as: the settlement process of unfinished projects and projects, lawsuits and financial difficulties leading to difficult debt reconciliation with customers; or investors and main contractors being hesitant and avoiding implementing debt reconciliation for fear of debt collection, etc. These contents have also been recorded in the auditor's qualified opinion in the Audited Financial Statements from 2016 to present.

1. Inventory

The auditor cannot carry out necessary audit procedures to determine the existence of inventory as of January 01, 2023 and December 31, 2023 of the Corporation's subsidiaries, specifically as follows: Licogi 15 Joint Stock Company: VND 11.4 billion and VND 14.06 billion; Foundation Engineering and Construction 20 Joint Stock Company: VND 10.3 billion and VND 10.3 billion; Licogi 10 Joint Stock Company: VND 90.1 billion and VND 78.9 billion.

Explanation on the auditor's qualified opinion of the audit company regarding inventory:

This is due to the characteristics of being construction units that carry out construction projects in many places, far away and with complex construction items. In particular, Licogi 10 Joint Stock Company and Licogi 15 Joint Stock Company are units with projects under construction in Laos and the Central provinces.

1. Explanation on the auditor's qualified opinion of the audit company regarding other issues:

As of December 31, 2023, Licogi 15 Joint Stock Company has not recorded loan interest expenses according to the Notice on overdue debt and total interest balance and penalty interest balance of the Company at Joint Stock Commercial Bank for Investment and Development of Vietnam - Bim Son Branch being VND 11.4 billion and VND 1.8 billion respectively. For other loans, because we cannot collect loan contracts arising from previous years and there is still a balance until December 31, 2023, we cannot fully estimate the interest that the Company needs to record. As a result, we cannot determine the necessary adjustments related to profit/(loss) in the Corporation's Consolidated Financial Statements for the fiscal year ended December 31, 2023.

Explanation on the auditor's qualified opinion of the audit company regarding the above issues:

Because the Company has a particularly difficult production and business status, long-term losses, enforced invoices, accounts blocked for tax payment, we must request individual invoices each time, causing difficulties for the enterprises because they do not have capital to operate. This issue has also been raised by audits from previous years' Financial Statements and has not been resolved until now. This auditor’s opinion can be removed when subsidiaries overcome these aforementioned issues.

On March 30, 2024, Licogi Corporation - JSC announced Official Dispatch No. 136/2023/CV-TCKT on explaining fluctuations in profit after tax in 2023 in the Audited Consolidated Financial Statements compared to the same period last year as follows:

1. Explanation on fluctuations in profit before and after audit in 2023

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No. | Target | Data after audit | Data before audit | Fluctuation (%) |
| (Million VND) | (Million VND) |
| 1 | Revenue from business activities and revenue from financial activities | 2,205,198 | 2,206,372 | -0.05% |
| 2 | Total expenses | 2,175,821 | 2,175,446 | 0.02% |
| 3 | Other incomes | 9,834 | 9,909 | -0.76% |
| 4 | Other expenses | 23,493 | 21,866 | 7.44% |
| 5 | Profit before tax | 15,718 | 18,969 | -17.14% |
| 6 | Corporate income tax | 8,923 | 8,550 | 4.36% |
| 7 | Profit after tax | 6,795 | 10,419 | -34.78% |

Explanation on profit difference of over 10%:

Profit after tax in the Audited Consolidated Financial Statements 2023 decreased by VND 3,624 billion (equivalent to a decrease of 34.78%) compared to the pre-audit book mainly due to the following reasons:

* These companies adjust their profits to decrease after the audit: Licogi 2 Company, Licogi 10 Company, Water Electrical System and Machinery Installation Licogi Joint Stock Company...
* Profit from the joint venture: Bac Ha Hydropower Joint Stock Company decreases compared to before the audit.

1. Explanation on audited business results in 2023 compared to the same period in 2022

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No. | Target | 2023 | 2022 | Fluctuation (%) |
| (Million VND) | (Million VND) |
| 1 | Revenue from business activities and revenue from financial activities | 2,205,198 | 2,325,434 | -5.2% |
| 2 | Total expense | 2,175,821 | 2,235,016 | -2.6% |
| 3 | Other incomes | 9,834 | 8,651 | 13.7% |
| 4 | Other expenses | 23,493 | 46,610 | -49.6% |
| 5 | Profit before tax | 15,718 | 52,459 | -70.0% |
| 6 | Corporate income tax | 8,923 | 8,550 | 4.4% |
| 7 | Profit after tax | 6,795 | 43,909 | -84.5% |

Explanation on profit difference over 10%:

Profit after tax in the Audited Consolidated Financial Statements 2023 reaches VND 6,795 billion, decreasing by VND 37,114 billion (equivalent to a decrease of 84.5%) compared to the same period in 2022, mainly due to the following reasons:

* Profit after tax in 2023 of a number of unit decreases compared to the same period in 2022 such as: Licogi 2, Licogi 10...Due to the change in profit structure from the Holding Company in 2023 compared to 2022: Income from financial activities in 2023 decreases compared to 2022.
* Profit from investment activities in joint venture in 2023 decreases compared to the same period in 2022: due to decreased profits from Bac Ha Hydropower Joint Stock Company and Licogi 14.

1. Retroactive adjustment:

Retroactive adjustment for targets on the Balance Sheet

Unit: VND

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Assets | Code | Amount at the beginning of the year (before adjustment) | Retroactive adjustment | Amount at the beginning of the year (after adjustment) |
| A. Short-term assets | 100 | 1,958,649,876,827 | (67,981,520) | 1,958,581,895,307 |
| I. Other short-term assets | 150 | 31,722,220,136 | (67,981,520) | 27,185,906,502 |
| 1 Value added tax deducted | 152 | 24,782,119,674 | (58,201,215) | 24,723,918,459 |
| 2 Taxes and other payables to the State Budget | 153 | 2,471,768,348 | (9,780,305) | 2,461,988,043 |
| Total assets | 270 | 4,158,197,091,512 | (67,981,520) | 4,158,129,109,992 |

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Capital source |  |  |  |  |
| B. Payables | 300 | 3,713,062,940,257 | 8,088,128,064 | 3,721,151,068,321 |
| I. Short-term payables | 310 | 3,241,627,302,554 | 8,088,128,064 | 3,249,715,430,618 |
| 1 Short-term payables to sellers | 311 | 613,347,098,759 | (43,192,000) | 613,303,906,759 |
| 2 Taxes and other payables to the State Budget | 313 | 174,366,864,211 | 8,131,320,064 | 182,498,184,275 |
| C. Owners’ equity | 400 | 445,134,151,255 | (8,156,109,584) | 436,978,041,671 |
| I. Owners’ equity | 410 | 445,134,151,255 | (8,156,109,584) | 436,978,041,671 |
| Undistributed profit after tax | 421 | (562,286,439,243) | (8,156,109,584) | (570,442,548,827) |
| Undistributed profit after tax accumulated until the end of the previous period | 421a | (596,762,430,704) | (7,774,172,039) | (604,536,602,743) |
| Undistributed profit after tax in this year | 421b | 34,475,991,461 | (381,937,545) | 34,094,053,916 |
| Total capital source | 440 | 4,158,197,091,512 | (67,981,520) | 4,158,129,109,992 |

Retroactive adjustment for targets on the Income Statement

Unit: VND

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Target | Code | Last year (before adjustment) | Retroactive adjustment | Last year (after adjustment) |
| 13. Other expenses | 32 | 46,595,348,782 | 15,009,215 | 46,610,357,997 |
| 15. Total profit before tax | 50 | 52,474,444,893 | (15,009,215) | 52,459,435,678 |
| 16. Current corporate income tax expense | 51 | 7,685,572,511 | 366,928,330 | 8,052,500,841 |
| 18. Profit after tax | 60 | 44,290,844,410 | (381,937,545) | 43,908,906,865 |
| Profit after tax of the Corporation | 70 | 34,475,991,461 | (381,937,545) | 34,094,053,916 |
| 19. Basic earnings per share | 70 | 383 | (121) | 262 |
| 20 Diluted earnings per share | 71 | 383 | (121) | 262 |
| Retroactive adjustment for targets on the Cash Flow Statement | | | | |
| Unit: VND | | | | |
| Target | Code | Last year (before adjustment) | Retroactive adjustment | Last year (after adjustment) |
| I. Cash flow from business activities |  |  |  |  |
| 1. Profit before tax | 01 | 52,474,444,893 | (15,009,215) | 52,459,435,678 |
| 2. Profit from business activities before changing working capital | 08 | 65,746,331,517 | (15,009,215) | 65,731,322,302 |
| (Increase)/Decrease in receivable | 09 | 320,299,342,338 | 67,981,520 | 320,367,323,858 |
| (Increase)/Decrease in payables | 11 | (276,664,363,281) | (52,972,305) | (276,717,335,586) |