**TNS: Explanation on shares being put under trading restriction**

On April 5, 2024, Thong Nhat Flat steel Joint stock company announced Official Dispatch No. 27/TNS-TCKT on explaining and providing solutions for shares being put under trading restriction as follows:

1. Explanation for the disclaimer of opinion of the audit organization on the Financial Statements 2022 and gave a modified opinion on the Financial Statements 2023.

According to the Audited Financial Statements 2022, the audit organization refuses to comment on the following specific contents:

* The Company has not yet recorded interest expenses payable to Viet Nam Steel Corporation and late payment interest expenses with Vnsteel - Phu My Flat Steel Company Limited. Based on the interest rate specified in the contract and outstanding debt, the accumulated loan interest and late payment interest until December 31, 2022 is VND 50.1 billion (of which the accumulated loan interest and late payment interest until January 1, 2022 is VND 48.54 billion). As a result, on the Balance Sheet as of December 31, 2022 and January 1, 2022, the target "Short-term payable expenses" (Code 315) is under-reflecting and the target "Undistributed profit after tax" (Code 421) is over-reflecting with the same amount of VND 50.1 billion and VND 48.54 billion, respectively. At the same time, on the income statements 2021 and 2022, the target "Financial expenses" (Code 21) is under-reflecting by VND 1.57 billion and VND 7.08 billion, respectively, and the target "Total profit before tax" (Code 50) is over-reflecting the corresponding amount. Because the Company is in the process of negotiating with relevant parties to stop calculating interest, we have not recorded interest expenses and late payment interest incurred over the years.
* In 2022, the Company has re-evaluated the value of a number of tools and instruments which are steel work rolls of which the value has been fully allocated and tracked in the Short-term prepaid expenses item. This resulted in an increase in the Short-term prepaid expenses item, and a decrease in cost of goods sold targets during the period and an increase in total profit corresponding to a total amount of VND 8.4 billion. The audit organization has not been able to evaluate the fairness of re-evaluating the value of these steel work rolls.
* As of December 31, 2022, the total amount of overdue debt is VND 209.674 billion (as of January 1, 2022, it is VND 218.34 billion), the Company's short-term debt exceeds its short-term assets by VND 151.16 billion (as of January 1, 2022, it is VND 160.76 billion), the quick ratio was 0.11 (as of January 1, 2022, it is 0.15), accumulated loss is VND 164.73 billion (as of January 1, 2022, it is VND 164.99 billion), payables are 8.5 times higher than owners' equity (as of January 1, 2022, it is 9.6 times), the Company's net cash flow during the period is negative VND 7.5 billion. The Company has not reached any significant new agreement on debt rescheduling. The above targets indicate the existence of material uncertainties that cast significant doubt about the Company's ability to continue as a going concern. Accordingly, due to many difficulties in business operations in 2022, the Company cannot improve these targets.
* According to the "Minute of confirmation of inspection data" of the Tax Department of Ba Ria - Vung Tau Province dated August 8, 2022, the Company recorded revenue for debts payable to Vietnam Osaka Fuji Co., Ltd. with the amount of VND 684 million. The audit organization has not yet evaluated the fairness of this debt write-off.
* According to the Audited Financial Statements 2023, the audit organization issued a qualified opinion on the following specific contents:
* The Company has not yet fully recorded interest expenses payable to the Viet Nam Steel Corporation and late payment interest expenses with Vnsteel - Phu My Flat Steel Company Limited. Based on the interest rate specified in the contract and outstanding debt, the accumulated loan interest and late payment interest until December 31, 2023 is VND 54.51 billion (estimated accumulated value until January 1, 2023 is VND 50.11 billion). In addition, regarding interest expenses arising in 2023, the Company is recording an increase in other receivables and payables of VND 4.4 billion. As a result, on the Balance Sheet as of December 31, 2023, the target "Short-term payables" is under-reflecting an amount of VND 50.11 billion (as of January 1, 2023, it is VND 50.11 billion); The target "Undistributed profits after tax" is over-reflecting an amount of VND 54.51 billion (as of January 1, 2023, it is VND 50.11 billion) and the target "Other short-term receivables" is over-reflecting an amount of VND 4.4 billion. At the same time, on the income statement 2023 and 2022, the target "Total accounting profit before tax" is over-reflecting an amount of VND 4.4 billion and VND 1.57 billion, respectively.
* As of December 31, 2023, the total amount of overdue debt is VND 218.73 billion (as of January 1, 2023, it is VND 209.67 billion), the Company's short-term debt exceeds its short-term assets by VND 146.5 billion (as of January 1, 2023, it is VND 151.71 billion), the quick ratio was 0.18 (as of January 1, 2023, it is 0.11), accumulated loss is VND 169.94 billion (as of January 1, 2023, it is VND 173.72 billion), payables are 11.94 times higher than owners' equity (as of January 1, 2023, it is 11.39 times). The Company has not reached any significant new agreement on debt rescheduling. Therefore, the Company will not be able to arrange financial resources to pay due loans under current operating conditions. The above signs along with the issues mentioned in Note 1 (Characteristics of the enterprise's operations in the fiscal year that affect the Financial Statements) show the existence of material uncertainties leading to significant doubt about the Company's ability to continue as a going concern. However, the Company's Financial Statements for the fiscal year ending December 31, 2023 are still presented under a going concern assumption.

2. Plan to overcome the situation of restricted transactions

* Regarding the issue of guarantee interest expenses of Viet Nam Steel Corporation (VNS), interest expenses on late payment of purchases from Vnsteel - Phu My Flat Steel Company Limited (PFS), and overdue payable debts until December 31, 2023, we will continue to work with VNS and PFS on debt repayment plans and propose not calculating interest on outstanding debt in the Financial Statements 2016, 2017, 2018, 2019, 2020, 2021, 2022 and 2023 so that an agreement can be reached in 2024.
* Regarding the issue of re-evaluating a number of tools and instruments that are steel work rolls, we have made retroactive adjustments on the figures at the beginning of the year on the Financial Statements 2023 (detailed in Note No. 34. Comparative data in the Note of the Financial Statements 2023).
* For signs indicating the existence of material uncertainties that cast significant doubt on the Company's ability to continue as a going concern, the Company will continue to apply groups of business - market solutions, financial management, financial restructuring, increasing revenue, reducing costs, strengthening production and business management, enhancing customer search, calling for support from related parties, especially looking for commitments to support the market and customers from Viet Nam Steel Corporation and its member units.
* Regarding the issue that the Company has written off debts payable to Vietnam Osaka Fuji Co., Ltd. with an amount of VND 684 million according to the minutes of confirming inspection data of the Tax Department of Ba Ria - Vung Tau Province dated August 8, 2022, we worked with Vietnam Osaka Fuji Co., Ltd. and agreed that writing off such payables is appropriate. At the same time, we have made retroactive adjustments on the figures at the beginning of the year on the Financial Statements 2023 (detailed in Note No. 34. Comparative data in the Note of the Financial Statements 2023).