**LGM: Explanation on and remedy for LGM stock under alert and trading restriction**

On April 12, 2024, Leather Footwear and Garment Making Exporting Corporation announced Official Dispatch No. 52/CV-LG on explaining shares being put under alert and trading restrictions as follows:

1. Reason:

The Annual Financial Statements of Legamex have received a qualified opinion by the audit organization for 3 consecutive years or more, and it shows a negative owners’ equity in the Audited Financial Statements 2023.

* Auditor’s qualified opinion on the Company's capitalization of land rental costs during the year related to the land at No. 106, 3/2 Street, Ward 14, District 10, Ho Chi Minh City, during a period when the project on this land was temporarily suspended. To address this issue, Legamex, based on Article 10 of General Mandate No. 04/NQ-DHDCD/NK3 dated December 28, 2018, has been implementing work to resume delayed projects due to unresolved legal planning issues.
* The negative owners’ equity in the auditor’s report 2023 stems from accumulated losses spanning many years, specifically from 2020 due to the impact of the COVID-19 pandemic, followed by inflation and global economic recession, which had a serious impact on Vietnam's textile and garment industry, with Legamex being significantly affected. That dual impact has engulfed Vietnam's textile and garment industry in recent years, leading to a series of businesses in the industry having to scale back or halt production, and even dissolve their businesses due to a shortage of orders and rising costs. Thus, continuous business losses are inevitable.

Since the end of 2022, the Company has experienced a disruption in its main orders for processing fabric cabinets. In response, the Company proactively transitioned to processing garment orders to adapt to the new circumstances. However, this passive shift resulted in limited orders, low labor productivity, competitive pricing, and a small order volume. Consequently, the revenue generated was only enough to cover the salary costs of production workers and associated welfare regimes. Although in 2023, the Company reduced general and administrative expenses and selling expenses compared to those of 2022, the reduction was not enough to offset expenses, including the significant expense of state land rent. In addition, the Company provisioned bad receivables according to accounting standards. This resulted in a loss of more than VND 62 billion in 2023, followed by accumulated losses of more than VND 133 billion by the end of 2023.

1. Remedy measures:

In 2024, Legamex will synchronously implement many solutions to solve production and business difficulties and the Company's financial situation, specifically as follows:

* The Company will propose to the authorities to remove obstacles so that the project is eligible to proceed and resolve its related backlogs. As a result, the audit company’s qualified opinion will be resolved. Legamex will ensure that costs are recorded and capitalized in accordance with Vietnamese Accounting Standards.
* The Company will maintain current customer orders and continue to seek customers who offer large, stable quantities and competitive unit prices to sustain production activities. The Company will enhance line productivity, expand the number of lines, improve worker skills, and reduce machine downtime and line shutdowns to maximize production and meet customer delivery requirements.
* The Company will aim to minimize costs, especially indirect costs, to continue reducing expenses and increasing profits.
* The Company will propose to the authorities to consider reducing land rent to support businesses during challenging times, in line with the State’s support policies (if any).
* The Company will review and liquidate damaged assets, tools, and inventory that are no longer planned to be used with a view to recovering part of the capital for reinvestment and contributing to its loss reduction.
* The Company will report and seek opinions from the Board of Directors and the General Meeting to consider increasing owner’s equity in 2024 with a view to resolving debts (including state tax debt), supplementing working capital for business activities, and overcome the current situation of negative owner’s equity.