**ILS: Explanation on Financial Statements 2023 and auditor’s qualified opinion**

On March 29, 2024, International Investment Trade and Service Joint Stock Company announced Official Dispatch No. 61/ILS-TCKT explaining the auditor’s opinion on the Consolidated Financial Statements 2023 as follows:

In the Audited Consolidated Financial Statements for the fiscal year ended December 31, 2023, with report No. 441/2024/UHY-BCKT dated March 29, 2024, the audit company expressed a qualified audit opinion as follows:

“In 2023, the investments in joint ventures are still presented using the historical cost method instead of the owners' equity method because the company has not obtained the full-text Financial Statements as of December 31, 2023, from these companies."

1. The company provides the following specific explanations for the reasons:

* Regarding the investment in the Plummy Garment Joint Venture Company: The company was entrusted by the Hanoi People's Committee to manage the state capital with a capital amount of USD 188,245.97, equivalent to 22.6% of the charter capital, represented by the right to use 14,864sqm of land in Phu Man commune, Quoc Oai district, under Decision No. 4271/QD-UBND dated September 26, 2012.
* Up to date, Plummy Garment Joint Venture Company has not made adjustments to the business registration certificate regarding changes in shareholders;
* No Financial Statements provided;
* No capital contribution from Vietnam confirmed.

1. Remedy plan:

The company will coordinate with the relevant departments/agencies to request the joint venture to make adjustments to the business registration.

On March 29, 2024, International Trade and Service Investment Joint Stock Company announced Official Dispatch No. 60/ILS-TCKT regarding the explanation of the business result data for the year 2023 as follows:

1. Explanation of the difference in profit after tax

Unit VND

|  |  |  |  |
| --- | --- | --- | --- |
| Targets for profit after tax | 2023 | 2022 | Value |
|  | (1) | (2) | (1)-(2) |
| Separate Financial Statements | 2,244,886,664 | (18,961,913,395) | 21,206,800,059 |
| Consolidated Financial Statements | 5,430,392,549 | (18,614,142,862) | 24,044,535,411 |

1. Separate Financial Statements:

* Profit after tax in the income statement 2023 changed by 10% or more compared to that of the same period last year.
* Profit after tax in the reported period, transitioning from a loss in the same period of the previous year to a profit in the current period, and vice versa.

The company provides explanations for the two above-mentioned contents:

* In 2023, the company had a debt owed to a supplier of VND 37.9 billion, which was written off and recognized as other income.
* The company allocated a provision for bad receivable debts in 2023, which was lower than in 2022: VND 7.7 billion.
* In 2023, the company allocated provisions for investment losses, leading to an increase in financial expenses: VND 23 billion.
* The company improved the efficiency of its production and business activities, resulting in an increase in gross profit in 2023 compared to the same period in 2022.

1. Consolidated Financial Statements:

* Profit after tax in the income statement 2023 changed by 10% or more compared to that of the same period last year.
* Profit after tax in the reported period, transitioning from a loss in the same period of the previous year to a profit in the current period, and vice versa.

The company provides explanations for the two aforementioned items:

* Mainly due to the impact of targets at the holding company (details presented in the separate financial statements section).
* The entire company system has improved the efficiency of its production and business activities, resulting in consistent profitability.

1. Explanation of the difference in profit after tax before audit and after audit

|  |  |  |  |
| --- | --- | --- | --- |
| The target for profit after tax | Before audit | After audit | Value |
|  | (1) | (2) | (1)-(2) |
| Separate Financial Statements | 5,078,426,286 | 2,244,886,664 | 2,833,539,622 |
| Consolidated Financial Statements | 8,308,506,686 | 5,430,392,549 | 2,878,114,137 |

Profit after tax in the reported period, there is a difference before and after audit of 5% or more, specifically as follows:

* The Separate Financial Statements: The company allocated an additional provision for joint ventures investments of VND 2.8 billion because as of the Q4/2023, the company had not obtained complete financial statements from associated.
* Consolidated Financial Statements: Due to the additional provision made by the Holding company (explained in the Separate Financial Statements section).