**DNM: Explanation on the Financial Statements 2023**

On March 29, 2024, DANAMECO Medical Joint Stock Corporation announced Official Dispatch No. 9/DNM on explaining the difference in profit after tax in 2023 compared to that of 2022 and the audit company's qualified opinion as follows:

1. Explanation for difference of profit after tax in 2023 The profit after tax in 2023 increased compared to that of 2022 in the Audited Income Statements as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| Target | 2023 (VND) | 2022 (VND) | Increase/decrease rate (%) |
| Profit after tax | -54,399,015,439 | -83,828,145,226 | 35% |

* Reason:

In 2023, the Company improved its efficiency from gross profit by focusing on producing high-profit items and cutting ineffective ones.

Additionally, it intensified policies to save operational costs in 2023, such as financial expense, selling expense, and general and administrative expense.

However, the expense from investing in machinery and equipment for producing epidemic prevention items in previous years meant that, although the new machinery was not involved in production activities during the period, depreciation still had to be allocated as per regulations. Also, investments in upgrading and repairing the factory to meet international customer requirements at the initial market entry stage were not effective, leading to the Company’s business results still being negative in 2023.

1. The explanation of the auditor's qualified opinion in the Audited Financial Statements 2023 No. 2004.01/2023/ BCTC- NVT2 issued by Nhan Tam Viet Auditing Company Limited on March 28, 2024 is as follows:

According to the inventory decision, DANAMECO Medical Joint Stock Corporation organized a stock inventory, but at that time, Nhan Tam Viet Auditing Company Limited had not signed a contract with Danameco, so it did not witness the actual inventory of stock and cash fund in 2022.

At the end of the year, Danameco also made great efforts to confirm the debt with customers, but due to many aspects of feedback from the customers, which are some companies and hospitals that changed personnel, the debt confirmation was not timely signed at the time of this 2023 report. Danameco will rectify and urge customers to sign the confirmation letter in the next reporting period to prove the receivables are correct as reported.

In the Income Statement 2023, we incurred provisional revenue from the association with Thai Nguyen Central Hospital amounting to VND 6,427,288,265, and the receivable balance of the activity up to December 31, 2023 was VND 8,468,062,442, which has not been confirmed with the hospital. Revenue estimation is based on contracts signed between the two parties. However, the reconciliation process requires time for both parties to reach agreement. Therefore, we are currently striving to complete it to ensure that any outstanding debts are resolved as soon as possible.

The attached Income Statement 2022 included cost of goods sold amounting to VND 5,856,025,914, revenue corresponding to this cost was recognized in 2021 and the Company issued invoices; make a record of delivery and acceptance of goods and record sales in 2022 with the amount of VND 49,183,486,880. Because partners placed orders in large quantities to ensure the contract implementation, the accountant issued invoices and performed delivery procedures to collect payments. In reality, the goods were still at DANAMECO’s warehouse and being filed for shipment at the warehouse. After that, these customers have received enough goods according to the issued invoices, the accountant is implementing revenue recognition at the time of invoice issuance and cost recognition at the time the goods actually leave the warehouse. We are reviewing these dossiers and making appropriate adjustments in the near future.