**L35: Explanation on the Audited Financial Statements 2023**

On March 27, 2024, LILAMA Erection Mechanical JSC announced Official Dispatch No. 37/CBTT-L35 on explaining the contents related to the Audited Financial Statements 2023 as follows:

1. Explanation on the audit company’s qualified opinion on the Financial Statements:

* Qualified opinion No. 1: This is a receivable debt that has arisen for over 3 years and the two parties are currently settling the contract, resulting in receivable debt that has not yet been assessed regarding the recoverability, leading to the Auditor giving this qualified opinion.
* Qualified opinion No. 2: Because the audit company was appointed after December 31, 2022 (replacing the previous audit company which is not allowed to audit Financial Statements of entities with public interests), the auditor did not participate in witnessing the inventory of the Company's Inventory on January 1, 2022 and December 31, 2022, so the auditor gave this qualified opinion.
* Qualified opinion No. 3: During the year, the company recorded interest expenses payable in 2023 for short-term loans with Joint Stock Commercial Bank for Investment and Development of Vietnam - Ninh Binh Branch but the production and business results for the year have not yet been recorded, so the auditor gave this qualified opinion.
* Qualified opinion No. 4: During the year, the company has not recorded and presented on the Financial Statements 2023 the late payment penalty interest from the Social Insurance agency of Ninh Binh Province, so the auditor gave this qualified opinion.

1. Explanation of profit after tax in the production and business results report changing from 10% compared to the same period last year:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No. | Target | In 2023 (VND) | In 2022 (VND) | Comparison  (%) |
| 1 | Profit after tax | (8,853,668,588) | (12,884,450,156) | (68.71%) |

* Reason: Revenue realized in 2023 decreased sharply compared to revenue in 2022, while input cost increased... leading to negative profit after tax and a difference of over 10% compared to the same period last year.

1. Explanation on the loss in profit after tax in the Financial Statements 2023:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No. | Target | In 2023 (VND) | In 2022 (VND) | Comparison  (%) |
| 1 | Revenue from goods sale | 37,828,198,332 | 92,681,792,527 | 40.82% |
| 2 | Financial revenue | 5,163,538 | 100,253,149 | 5.15% |
| 3 | Other incomes | 2,310,000,000 | - | - |
| 4 | Cost of goods sold | 40,176,901,484 | 85,243,860,848 | 47.13% |
| 5 | Financial expenses | 31,618,224 | 9,558,699,568 | 0.33% |
| 6 | General and administrative expenses | 5,490,601,743 | 5,953,014,222 | 92.23% |
| 7 | Other expenses | 3,297,909,007 | 4,603,049,556 | 71.65% |
| 8 | Profit before tax | (8,853,668,588) | (12,576,578,518) | 70.40% |
| 9 | Corporate income tax | - | 307,871,638 | - |
| 10 | Profit after tax | (8,853,668,588) | (12,884,450,156) | 68.72% |

Reason: In 2023, the Company's production and business activities continue to face many difficulties, failing to complete the proposed production and business plan. Some projects that the company is constructing such as Song Hau 1 Thermal Power Plant and Van Phong 1 Thermal Power Plant have all come to an end; some projects are in the final stages such as Vung Ang 2 Thermal Power Plant; Some high-value contracts have not yet been implemented such as Mai Thanh Lime. As a result, revenue dropped sharply over the same period. In addition, production costs are still high, human resources are low, materials and fuel prices fluctuate... also reducing the Company's operating efficiency, leading to negative profits in 2023.