**TCK: Supplemental explanations on the auditor’s opinion in the Audited Financial Statements 2023:**

On March 29, 2024, Construction Machinery Corporation - JSC announced Official Dispatch No. 90/COMA-TCKT on explaining the difference of 10% or more in profit after tax in the Financial Statements 2023 compared to that in 2022; changing from loss of the previous period to profit in this period; the difference of 5% or more before and after audit; auditor’s qualified opinion as follows:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Statement type | Targets | Reporting period | Difference | Rate (%) |
| 2023 | 2022 |
| The Combined Financial Statements | Profit after tax | 1,700,698,113 | (2,275,569,504) | 3,976,267,617 | (174.74%) |
| The Consolidated Financial Statements | Profit after tax | (23,147,865,056) | (3,595,073,941) | (19,552,791,116) | 543.88% |
| Profit after tax of the Holding company | (14,043,010,686) | (3,844,204,800) | (10,198,805,887) | 265.30% |

1. There was a difference of 10% or more in the production and business results in 2023 compared to that in 2022 in the Combined and Consolidated Financial Statements, the profit after tax changed from loss in the previous period to profit in this period in the Combined Financial Statements, because:
* The profit in the Combined Financial Statements: VND 1,700,698,113
* In 2023, the corporation had actively search for jobs, exploited service businesses; hence, the revenue reached 88% compared to the year’s plan. At the same time, the corporation also actively recovered all the debts, balance the capital for the payables to the State budget, implement the reversal of provision for bad receivable debts for the debts that had been recovered.
* On January 31, 2023, the Prime Minister promulgated Decision No. 01/2023/QD-TTg on reducing 30% of the land and water surface renting price of 2022.
* On April 14, 2023, the Government promulgated Decree No. 12/2023/ND-CP on extending the time to pay the value-added tax (VAT), the corporate income tax, the personal income tax, and the land rent in 2023. In 2023, the corporation did not have arising fines from late tax payments, leading to the decrease of other expenses and general and administrative expenses year on year.

With the above reasons, the profit after tax in the Report on the production and business activities results in 2023 was a profit and changed from 10% above compared to that in 2022 in the Combined Financial Statements.

* Profit after tax in the Consolidated Financial Statements turns into loss of VND 23,147,865,056, because:

In 2023, the profit after tax in the income statements of four subsidiaries of the holding company (owning 100% of charter capital), including Construction and Material Equipment Trade Company Limited No. 27, The Import-Export Manufactured Service and Countryside Development Company Limited, Minh Khai Lock Joint Stock Company (with a 67.47% contributed capital) and Song Chu Construction and Machinery Joint Stock Company (with a 51.39% contributed capital) reported losses in their business results due to few transfers of projects from the previous year, no new contracts in 2023, leading to lower revenue for the units, as well as high interest expenses, which led to insufficient gross profit to offset general and administrative expenses. In 2023, the profit after tax of the Holding company and 03 subsidiaries was little and not enough to make up for the loss of the other 04 subsidiaries. Therefore, there was a loss in profit after tax in the Report on the production and business results in the Consolidated Financial Statements 2023.

With the above situation, the profit after tax in the Report on the production and business results in 2023 was a loss and changed from 10% or more compared to that in 2022 in the Consolidated Financial Statements.

1. There was a difference of 5% or more in the Audited Combined and Consolidated Financial Statements 2023 compared to the disclosed ones:
* After audit, there were current corporate income tax expenses and change in profit of 06 subsidiaries: Ha Bac Construction Machinery Joint Stock Company No. 2, Song Chu Construction And Machinery Joint Stock Company, Construction Machinery & Water Electric Machine Installing JSC COMAEL, Minh Khai Lock Joint Stock Company, Construction and Material Equipment Trade Company Limited No. 27, and The Import-Export Manufactured Service and Countryside Development Company Limited.
1. The auditor's qualified opinion:
* At the time of preparing the Financial Statements, some customers had not signed confirmation of overdue receivable and payable debts for more than 6 months. The corporation assessed the recoverability of these debts in the next fiscal year, so a provision of approximately VND 9.1 billion has not been made.
* As of December 31, 2023, the subsidiaries had not conducted physical inventory counting and net realizable value assessment for their inventories, with a total amount of VND 14.1 billion, including VND 9.7 billion for Construction Machinery & Water Electric Machine Installing JSC, VND 1.6 billion for Minh Khai Lock Joint Stock Company, VND 1.6 billion for Thai Binh Mechanical and Construction Joint Stock Company, and VND 1.2 billion for Ha Bac Construction Machinery Joint Stock Company No. 2.
* Sufficient appropriate audit evidence could not be obtained regarding the balances of receivables of the subsidiary companies as of December 31, 2023, which amounted to VND 48,464,509,402 (compared to VND 50,061,128,064 as of December 31, 2022) and payables as of December 31, 2023, which amounted to VND 36,406,506,270 (compared to VND 39,920,558,164 as of December 31, 2022). Construction Machinery & Water Electric Machine Installing JSC COMAEL, Minh Khai Lock Joint Stock Company had not handle the shortage assets with the value of: VND 2.066 billion;
* At the time of preparing the report, The Import-Export Manufactured Service and Countryside Development Company Limited., a subsidiary of the holding company, received notifications regarding land use fees for the "Decoimex Expanded Residential Project in Ward 6 and Ward 9, Vung Tau City" from the Vung Tau - Con Dao Tax Department. The amount of land use fees that should be paid by December 31, 2023 is VND 136,220,567,156 and the late payment are: VND 110,377,724,121. Accordingly, the company did not accept the figures provided by the local tax agency because the tax department calculated the land use fees based on the entire public land area. The company has sent a document to the tax authorities but has not received a response. Therefore, the figures presented in the Consolidated Financial Statements for the fiscal year ending December 31, 2023, may be subject to change based on the final decision of the tax authorities.