**VSG: Explanation of the cause and proposing a plan to overcome the situation of shares being put under trading restriction**

On April 17, 2024, South Vietnam Container Shipping Joint Stock Company announced Official Dispatch No. 25/CV/VSG on explaining the cause of negative owners’ equity, disclaimer of opinion of the audit organization on the Financial Statements and solution as follows:

1. Explanation for the reason for negative owners’ equity

According to the Reviewed Financial Statements 2023, the owners' equity target is still negative VND 697.73 billion due to loss of business results from 2008 to 2023. Specifically:

* The Company's target of undistributed profit after tax as of December 31, 2023 is negative VND 864.9 billion, mainly because the Company invested in buying 03 ships in foreign currency from commercial loans. After only being put into operation for a few years, the shipping market declined sharply (from around the end of 2008), the supply of ships on the market greatly exceeds shipping demand, fuel prices often remain high, repair expenses increase with ship age, especially financial expenses related to loan interest payments and the exchange rate difference between USD and VND is too large;
* Since 2018, the Company has leased the fleet of vessels from Vietnam Maritime Commercial Joint Stock Bank (“MSB”) to sublease, the receivables of this activity are often neglected by charter partners and are increasingly increasing, leading to the need to set up huge provisions for receivables according to accounting standards, greatly affecting the Company's overall production and business results;
* Especially in recent times, complicated developments after the Covid-19 epidemic, along with widespread/prolonged geopolitical conflicts on a large scale,... have caused a global economic recession, a decline in trade activities, supply chain disruptions, etc. This is also the cause that negatively affected the Company's production and business results in recent years.

1. Explanation of disclaimer of opinion of the audit organization on the Financial Statements 2023

In the Financial Statements 2023, the audit company disclaims to give an opinion because of wanting readers to pay attention to the Company's ability to continue operating, the cumulative accounting profit target was negative and short-term debt exceeded short-term assets. This is a common characteristic of shipping enterprises during the period of restructuring and arranging/reorienting production and business activities accordingly. However, for the whole year 2023 and up to now, the Company still maintains continuous/stable operations thanks to debt rescheduling from the bank;

In addition, the confirmation of customer receivables for some charter partners (MSB fleet) is facing difficulties, on the one hand, because some customers are asking for rent exemption/reduction in order to share the negative impact from the maritime shipping market facing too many difficulties (due to epidemics, political conflicts... that have lasted for a long time) has directly affected their business results. On the other hand, it is due to lack of cooperation from some customers (especially customers with too large debts to pay);

The Company's arrears of land rent from 2014 to 2020 are being extended for 3 years so that the Company can continue to negotiate with the lessor to reduce this rent amount. Because there is no specific response from the Tax Department, the Company still extends the allocation time in the hope of receiving exemption approval from the Management Agency/Leasing Unit.

1. Solutions

* In 2023, the Company has made appropriate decisions/orientations for production and business activities, proactively cut loss-making activities, in addition to maintaining/strengthening/optimizing effective activities,  
  combined streamlining the management apparatus to prepare resources to find new development opportunities;
* Facing the difficulties and challenges of 2024 as well as in the coming time, the Company continues to review overall to optimize production and business activities to bring profit, combines situation analysis/forecasting market developments to prioritize maximizing positive resources, looks for new partners/customers, developing new products/services, improves product/service quality to meet increasing customer needs as well as match market trends;

However, with the accumulated losses that have existed over many years, combined with increasing financial costs related to loan interest and price differences, it has been determined that removing the Company's shares from the status of being put under trading restriction is very difficult. The Company is still trying to solve the problem with the solutions mentioned above, combines with drastic debt recovery from customers with large outstanding debts to ensure realized revenue and reduce receivable provisions, negotiates with funding banks to find suitable support solutions for businesses, etc. to overcome the situation of persistent losses and thereby bring production and business activities to gradually stabilize and develop again.