

No: 216/TCT-TCKT

Hà Nội, 31 March, 2025

V/v : Explanation of the qualified opinion  
and fluctuation in Profit after tax in the  
Consolidated Financial Statements for 2024  
compared to the same period last year

To: - State Securities Commission  
- Hanoi Stock Exchange

1. Name of Organization : **Vietnam Machinery Installation Corporation -JSC**

2. Stock code : **LLM**

Pursuant to Circular No. 96/2020/TT-BTC dated November 16, 2020, issued by the Ministry of Finance, guiding the disclosure of information on the securities market, which stipulates that companies must explain the reasons when the following case occurs:

*-The auditor does not fully accept the financial statements; the public company must disclose the annual financial statements, the audit report, along with an explanatory document from the company.*

*- The after-tax profit during the reporting period has incurred a loss, shifting from profit in the corresponding period of the previous year to a loss in this period, or vice versa.*

*- The profit after tax in the Statement of Profit and Loss of the reporting period changes by 10% or more compared to the same period of the previous year*

*- The data and business performance results in the income statement during the reporting period show discrepancies of 5% or more before and after the audit or review."*

The Vietnam Machinery Installation Corporation - JSC explains the reasons of the qualified opinion, the fluctuation in after-tax profit compared to the same period last year, and the discrepancy compared to the pre-audit report in the consolidated financial statements for the year 2024 as follows:

**1. Basis for Qualified Opinion:**

**1.1 The matters affecting the Consolidated Financial Statements arising at Subsidiaries:**

*Accounts receivable and provisions for bad debts*

*As of January 1, 2024 and December 31, 2024, at subsidiaries of the Corporation including: Lilama Erection Mechanical Joint Stock Company, Lilama 5 Joint Stock Company, Lilama 7 Joint Stock Company recorded a number of receivables over payment term with a total value of VND 79.91 billion and VND 78.32 billion. However, we have not yet obtained audit evidence on the assessment of the The Board of Management and other relevant documents on the recoverability of these receivables. Therefore, we were unable to determine the necessary adjustments (if any) to the Corporation's Consolidated Financial Statements for the fiscal year ended December 31, 2024.*

### *Inventories*

*We have performed the necessary audit procedures, however, we were not able to collect sufficient audit evidence to confirm the accuracy and loss (if any) of work in process at the Corporation's subsidiaries, including Lilama Erection Mechanical Joint Stock Company, Lilama 5 Joint Stock Company, and Lilama 7 Joint Stock Company with a total amount as of January 1, 2024 and December 31, 2024 are VND 301.45 billion and VND 287.24 billion. Therefore, we have not yet determined the necessary adjustments related to the item "Work in progress" as well as the effects (if any) on the Consolidated Financial Statements for the fiscal year ended December 31, 2024 of the Corporation.*

### *Liabilities*

*As of January 1, 2024 and December 31, 2024, the Corporation's subsidiary - Lilama 5 Joint Stock Company is reflecting overdue loan interest expenses with the same amount of VND 74.01 billion and a loan from the Bank for Investment and Development of Vietnam - Bim Son Branch (BIDV) in the amount of VND 183.01 billion and VND 182.96 billion. With the audit procedures performed, we have no basis to determine the accuracy and completeness of loan interest expenses recorded this year and previous years as well as the accuracy and completeness of the Bank loan BIDV products of this subsidiary. Therefore, we cannot assess the effects (if any) related to the items "Short-term accrued expenses", "Borrowings and finance lease liabilities" at the time of January 1, 2024 and December 31, 2024 and the item "Financial expenses" on the Corporation's Consolidated Financial Statements for the fiscal year ended December 31, 2024.*

*As of January 1, 2024 and December 31, 2024, the Corporation's subsidiary - Lilama Erection Mechanical Joint Stock Company is recording interest expenses payable from 2023 to the end of 2024 for a short-term loan to Joint Stock Commercial Bank for Investment and Development of Vietnam - Ninh Binh Branch, the amount was VND 10.81 billion and VND 21.31 billion in the item "Other short-term receivables" which was not recorded in the business results for the year. This leads to the 2024 Consolidated Statement of income, the item "Financial expenses" and comparative figures for 2023 is being under-recorded and the item "Total net profit before tax" is being over-recorded are being overstated by the same amount respectively is VND 10.5 billion and VND 10.81 billion. On the Consolidated Statement of Financial position as of January 1, 2024 and December 31, 2024, the item "Other short-term receivables" and the item "Retained earnings" are being recorded in excess with the same corresponding amount.*

*As of December 31, 2024, at the Corporation's subsidiary - Lilama Erection Mechanical Joint Stock Company, according to the announcement of the Social Insurance agency, this subsidiary is obliged to pay late payment interest on Social Insurance with an accumulated amount of VND 7.07 billion (as of January 1, 2024, it was VND 5.95 billion), of which the late payment interest arising in 2024 is VND 1.13 billion (in 2023, it was VND 0.93 billion). This late payment penalty has not been recorded by the Subsidiary on the Financial Statements for the fiscal year ending on December 31, 2024, which leads to the item Other Short-term Payables being recorded lower, the Undistributed Profit after Tax indicator on the Consolidated Statement of Financial position as of December 31, 2024 reflects*

higher with the same amount of VND 7.07 billion (at January 1, 2024, the corresponding impact is VND 5.95 billion). The "Profit after Corporate Income Tax" indicator on the Consolidated Statement of Financial position for 2024 is reflecting a higher amount of VND 1.13 billion (in 2023, the corresponding impact is VND 0.93 billion).

#### *Other Matter*

At the Subsidiary Company - Lilama 7 Joint Stock Company is presenting on the item "Long-term prepaid expenses" as of January 1, 2024 and December 31, 2024 with the amounts of VND 8.72 billion and VND 2.1 billion. Using the audit procedures we have performed, we still cannot assess the suitability of the above data to the Consolidated Statement of Financial position as of January 1, 2024 and December 31, 2024 as well as the The impact of this issue on the Corporation's Consolidated Financial Statements for the fiscal year ended December 31, 2024.

We cannot assess the suitability of the balance of receivables and payables as of January 1, 2024 and December 31, 2024 at the Subsidiary - Lilama 7 Joint Stock Company with the receivables of VND 18.40 billion and VND 20.98 billion, and payables of VND 34.18 billion and VND 33.42 billion, as well as the impact of this issue on the Consolidated Financial Statements of the Corporation.

As of January 1, 2024 and December 31, 2024, the Corporation's subsidiary - Lilama 7 Joint Stock Company is recording interest and late payment penalties for land lease and infrastructure fees arising from previous years in other expenses in 2024 according to Arbitration Award No. 40/19 dated February 4, 2020 between Lilama 7 Joint Stock Company and Saigon - Da Nang Investment Corporation with an amount of VND 4.9 billion without retroactively adjusting these expenses into the business results of previous years. This leads to the indicator "Undistributed profit after tax" on the Consolidated Balance Sheet as of January 1, 2024 being reflected higher and the indicator "Total accounting profit before tax" on the Consolidated Statement of Income in 2024 of the Corporation being reflected lower with the amount of VND 4.9 billion.

#### **1.2 The matters affecting the Consolidated Financial Statements arising at Associates**

The Corporation is presenting the financial statements of its associates using the Equity Method as presented in Note 2.9 - Notes to Consolidated Financial Statements. However, the value of this equity method investment has not been considered for the impact of the negative or negative audit opinion stated in the Audit Reports for the 2024 Financial Statements of the following companies: Lilama 45-1 Joint Stock Company, Lilama 45-3 Joint Stock Company, Lilama 69-1 Joint Stock Company, Lilama 69-3 Joint Stock Company, Lilama Land Joint Stock Company and Erection - Electromechanics Testing Joint Stock Company. We were not able to obtain sufficient appropriate audit evidence about the amounts and matters except in the financial statements of the above entities. As a result, we were unable to determine the necessary adjustments (if any) to the item "Investments in joint ventures and associates" (Code 252 on the Consolidated Statement of Financial position) as at the date January 1, 2024 and December 31, 2024, and item "Share of

*joint ventures and associates' profit or loss" (Code 24 on the Consolidated Statement of Income) in 2024 of the Corporation.*

***Causes of the Qualified Opinion:***

1.1 Regarding issues affecting the consolidated financial statements arising from subsidiaries:

*For the opinion related to receivables and allowances for doubtful debts:* Currently, the general economic situation is facing many difficulties, therefore, customers of the subsidiaries of the Corporation (Lilama 5, Lilama 7, and Lilama Mechanical Installation) are experiencing challenges in arranging payment financing. Additionally, the settlement of projects faces many obstacles. As a result, the subsidiaries are making provisions based on their assessment of potential losses.

Regarding the qualified opinion on inventory: In the financial statements of the three subsidiaries of LILAMA, including Lilama 5, Lilama 7, and Lilama Mechanical Installation, there is currently a reflection of exclusions regarding the accuracy and losses (if any) of the item "Work in Progress". The reason is that these companies have not been able to provide adequate documentation to prove the benefits that can be obtained from the inventory or any losses (if any) related to the Work in Progress item for the auditors. In the coming time, these companies will conduct inspections, reconciliations, and determine any losses (if any) on projects to fully reflect costs in their business results.

*Regarding the financial expenses and payables of Lilama 5:* As of January 1, 2024, and December 31, 2024, Lilama 5 had overdue bank loans; however, the company and the banks have not reconciled or confirmed the interest and late payment penalties related to the overdue loans. Therefore, the auditing entity has provided an opinion on this loan as well as related financial expenses.

*Regarding the financial expenses of Lilama Mechanical Installation:* The company is estimating and temporarily recording the interest expenses payable for the short-term loan at the Vietnam Joint Stock Commercial Bank for Industry and Trade - Ninh Binh Branch, amounting to 10.8 billion VND under the item "Other short-term receivables," which has not been recognized in the business results for 2024. Lilama Mechanical Installation is working with the bank to reconcile and determine the interest value to accurately reflect in its business results.

*Regarding the late payment penalties as notified by the Social Insurance Agency of Lilama Mechanical Installation:* Lilama Mechanical Installation is working with the insurance agency to request a deferment of the principal insurance debt payment and to request a waiver of late penalties. Based on the results of these discussions, the company will reflect this in its financial statements and production results.

***Regarding other issues:***

For the prepaid expenses of Lilama 7: These are tools and equipment, long-term expenses; however, the company has not conducted inventory and accurate assessments to determine the allocation to production expenses.

**2. Reasons for the Profit Transitioning from a Loss in the Previous Year to a Profit in the Current Period and The profit after tax changes by 10% or more compared to the same period of the previous year:**

The consolidated after-tax profit of LILAMA in 2024 is 79.2 billion VND.

The consolidated after-tax profit of LILAMA in 2023 was negative 19.5 billion VND.

*Reason:* In 2024, management expenses amounted to 55.9 billion VND, a decrease of 63.9 billion VND compared to the same period last year. This is due to a significant reduction in the parent company's management expenses compared to the same period last year (decreasing from 99.5 billion VND to 39.5 billion VND). Along with this, some affiliated companies also improved their business performance (Lilama 10, Lilama 18, Lilama 69-3). This is the main reason for the discrepancy in after-tax profit compared to the same period last year.

### **3. Reasons for the Profit Discrepancy of 5% Compared to the Pre-Audit Report:**

The after-tax profit of LILAMA before the audit was 74.5 billion VND.

The after-tax profit of LILAMA after the audit was 79.2 billion VND.

*Reason:* This discrepancy is due to adjustments in the financial statements of the affiliated companies after the audit, which increased the profit in the joint-venture companies. Additionally, the after-tax profit of the parent company also increased. These are the main factors causing the after-tax profit after the audit to be higher than before the audit.

The above explanation clarifies the changes in profit after tax compared to the same period last year. LILAMA affirms that the provided information is accurate and takes full legal responsibility for the explanation.

**Authorized person for information disclosure**

