

No: 197 /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 2025
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 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 2025 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 at 1 January 2025 and 31 December 2025, at the subsidiaries of the Corporation, including Lilama Erection Mechanical Joint Stock Company, Lilama 5 Joint Stock Company, and Lilama 7 Joint Stock Company, certain overdue receivables were recorded with total outstanding amounts of VND 76.17 billion and VND 92.26 billion, respectively. However, we have not obtained sufficient audit evidence regarding the assessment by the Board of Management, as well as other relevant supporting documentation, on the recoverability of these receivables. Accordingly, we are unable to determine the necessary adjustments (if any) to the Corporation's consolidated financial statements for the financial year ended 31 December 2025.

Inventories



We have performed necessary audit procedures; however, we are unable to obtain sufficient appropriate audit evidence to ensure the accuracy and any potential impairment (if any) of inventory balances at the subsidiaries of the Corporation, including Lilama Erection Mechanical Joint Stock Company, Lilama 5 Joint Stock Company, and Lilama 7 Joint Stock Company. The total inventory balances as at 1 January 2025 and 31 December 2025 were VND 287.24 billion and VND 246.69 billion, respectively. Accordingly, we have not been able to determine the necessary adjustments relating to the "Inventories" account, as well as any potential impacts (if any) on the Corporation's consolidated financial statements for the financial year ended 31 December 2025.

Liabilities

As at 1 January 2025 and 31 December 2025, a subsidiary of the Corporation – Lilama 5 Joint Stock Company – has recorded accrued interest expenses that are overdue for payment amounting to VND 74.01 billion, and loans from the Joint Stock Commercial Bank for Investment and Development of Vietnam – Bim Son Branch (BIDV Bank) amounting to VND 182.96 billion at both dates. Based on the audit procedures performed, we have no basis to determine the accuracy and completeness of interest expenses recorded in the current year and prior years, as well as the accuracy of and obligations related to the outstanding loan balances with BIDV Bank of this subsidiary. Accordingly, we are unable to assess the potential impacts (if any) relating to the items "Short-term accrued expenses", "Borrowings and finance lease liabilities" as at 1 January 2025 and 31 December 2025, and "Finance costs" in the Corporation's consolidated financial statements for the financial year ended 31 December 2025.

As at 1 January 2025 and 31 December 2025, a subsidiary of the Corporation – Lilama Erection Mechanical Joint Stock Company – has presented cumulative borrowing costs from 2023 to 2025 related to a short-term loan with the Joint Stock Commercial Bank for Investment and Development of Vietnam – Ninh Binh Branch, amounting to VND 21.31 billion and VND 31.56 billion, respectively, under the item "Other short-term receivables" instead of recognizing them in profit or loss for each year. As a result, in the consolidated statement of profit or loss, the "Finance costs" for 2025 and the comparative figures for 2024 are understated, while the "Total accounting profit before tax" is overstated by VND 10.24 billion and VND 10.5 billion, respectively. On the consolidated balance sheet as at 1 January 2025 and 31 December 2025, the items "Other short-term receivables" and "Retained earnings" are overstated by VND 21.31 billion and VND 31.56 billion, respectively.

As at 31 December 2025, according to the notification from the Social Insurance Authority, a subsidiary of the Corporation – Lilama Erection Mechanical Joint Stock Company – is obligated to pay late payment penalties on social insurance contributions with a cumulative amount of VND 8.03 billion (VND 7.07 billion as at 1 January 2025), of which VND 0.96 billion relates to penalties incurred in 2025 (VND 1.13 billion in 2024). These penalties have not been recognized by the subsidiary in its financial statements for the year ended 31 December 2025. Consequently, the item "Other short-term payables" is understated, and "Retained earnings" on the consolidated balance sheet as at 31 December 2025 is overstated

by VND 8.03 billion (with a corresponding impact of VND 7.07 billion as at 1 January 2025). The item “Profit after corporate income tax” in the consolidated statement of profit or loss for 2025 is overstated by VND 0.96 billion (and by VND 1.13 billion for 2024).

Other Matter

At a subsidiary – Lilama 7 Joint Stock Company – the item “Long-term prepaid expenses” is presented as at 1 January 2025 and 31 December 2025 with an amount of VND 2.1 billion at both dates. Based on the audit procedures performed, we are unable to assess the appropriateness of these balances as well as their impact on the Corporation’s consolidated financial statements for the financial year ended 31 December 2025.

We are also unable to assess the appropriateness of receivable and payable balances as at 1 January 2025 and 31 December 2025 at subsidiaries – Lilama 7 Joint Stock Company and Lilama Erection Mechanical Joint Stock Company – with receivables amounting to VND 50.89 billion and VND 21.06 billion, and payables amounting to VND 48.35 billion and VND 34.49 billion, respectively, as well as the impact of these matters on the Corporation’s consolidated financial statements for 2025.

At a subsidiary of the Corporation – Lilama 7 Joint Stock Company – interest and penalties for late payment of land sublease and infrastructure fees arising from prior years were recognized in other expenses in 2024, in accordance with Arbitration Award No. 40/19 dated 4 February 2020 between Lilama 7 Joint Stock Company and Sai Gon – Da Nang Investment Joint Stock Company, amounting to VND 4.9 billion, without retrospective adjustment to prior years’ results. As a result, the item “Total accounting profit before tax” in the consolidated statement of profit or loss for 2024 (comparative figures) of the Corporation is understated by VND 4.9 billion.

1.2 The matters affecting the Consolidated Financial Statements arising at Associates

The Corporation accounts for its investments in associates using the equity method, as presented in Note 2.9 to the consolidated financial statements. However, the carrying amounts of these investments under the equity method have not been assessed for the effects of the qualified audit opinions stated in the audit reports on the 2025 financial statements of the following companies: Lilama 45-3 Joint Stock Company, Lilama 69-3 Joint Stock Company, and Lilama Real Estate Joint Stock Company.

We are unable to evaluate the impact of these matters on the financial statements of the aforementioned entities. Accordingly, we are unable to determine the necessary adjustments (if any) to the item “Investments in joint ventures and associates” (Code 252 on the consolidated balance sheet) as at 1 January 2025 and 31 December 2025, and the item “Share of profit or loss from joint ventures and associates” (Code 24 on the consolidated statement of profit or loss) for the financial year ended 31 December 2025 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 environment is facing significant difficulties; therefore, customers of the Corporation's subsidiaries (Lilama 5, Lilama 7, and Lilama Erection Mechanical) are experiencing challenges in arranging funds for payment. In addition, project finalization and settlement processes are encountering various obstacles. Accordingly, the subsidiaries are making provisions based on their own assessment of potential losses.

Regarding the qualified opinion on inventory:

In the financial statements of the three subsidiaries of LILAMA, namely Lilama 5, Lilama 7, and Lilama Erection Mechanical, a qualification has been noted regarding the accuracy and potential impairment (if any) of work-in-progress inventories. This arises because these companies have not yet provided sufficient supporting documentation to demonstrate the expected economic benefits recoverable from such inventories or to substantiate any potential losses related to work-in-progress for the auditors. In the coming period, these companies will carry out inspections, reconciliations, and assessments to determine any losses (if any) at project level, in order to fully reflect costs in their operating results.

Regarding the financial expenses and payables of Lilama 5: As at 1 January 2025 and 31 December 2025, Lilama 5 had overdue bank loans; however, the company and the banks have not yet reconciled and confirmed the related interest expenses and late payment penalties for these overdue loans. Therefore, the auditors have issued a qualification regarding these borrowings as well as the related finance costs.

Regarding the financial expenses of Lilama Mechanical Installation: The company is currently estimating and temporarily recording borrowing costs payable in 2025 for a short-term loan from the Joint Stock Commercial Bank for Investment and Development of Vietnam – Ninh Binh Branch, amounting to VND 10.8 billion, under the item "Other short-term receivables" instead of recognizing them in profit or loss for 2025. Lilama Erection Mechanical is working with the bank to reconcile and determine the accurate interest amount in order to properly reflect it in the operating 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.

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1.2 Issues affecting the consolidated financial statements arising from associates

Based on the audit opinions issued on the 2025 financial statements of the associates, including Lilama 45.3, Lilama 69-3, and Lilama Real Estate Joint Stock Company, the auditors of these audit firms expressed opinions other than unqualified opinions. Furthermore, the auditors of AASC (the auditor of LILAMA's consolidated financial statements) were unable to obtain sufficient appropriate audit evidence to determine the impact (if any) relating to the items "Investments in joint ventures and associates" and "Share of profit or loss from joint ventures and associates," and therefore issued a qualified opinion on this matter.

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 2025 is 473,3 billion VND.

The consolidated after-tax profit of LILAMA in 2024 was 79,2 billion VND.

Reason: In 2025, the Parent Company's profit after tax increased by VND 412.9 billion compared to the same period of the previous year, leading to an increase in consolidated 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 356,9 billion VND.

The after-tax profit of LILAMA after the audit was 473,3 billion VND.

Reason: Due to changes in the Parent Company's financial statement figures after audit (increasing from VND 356.9 billion to VND 507.1 billion), resulting in profit after audit being higher compared to the pre-audit figures.

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



To Phi Son

