

MINISTRY OF CONSTRUCTION  
VIETNAM MACHINERY INSTALLATION  
CORPORATION - JSC

THE SOCIALIST REPUBLIC OF VIETNAM  
Independence - Freedom - Happiness

No: 579 /TCT-TCKT

Hà Nội, 29<sup>th</sup> August, 2025

V/v : Explanation of the qualified opinion  
and fluctuation in Profit after tax in the  
Consolidated Financial Statements for the  
first 6 months of 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 first 6 months of 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 of January 1, 2025 and June 30, 2025, the Corporation's subsidiaries, including Lilama Mechanical Installation Joint Stock Company, Lilama 5 Joint Stock Company and Lilama 7 Joint Stock Company, recorded a number of overdue receivables with the same amount of VND 76.2 billion. However, we have not yet collected evidence of the Board of Directors' assessment as well as other relevant documents on the ability to collect these receivables. Therefore, we cannot determine the necessary adjustments (if any) to the Consolidated Financial Statements for the accounting period from January 1, 2025 to June 30, 2025 of the Corporation.*

*Inventories*



*We have performed the necessary review procedures, however, we cannot ensure the accuracy and loss (if any) of the unfinished production and business costs at the subsidiaries of the Corporation, including: Lilama Mechanical Installation Joint Stock Company, Lilama 5 Joint Stock Company and Lilama 7 Joint Stock Company with the total value at January 1, 2025 and June 30, 2025 being VND 282.6 billion and VND 281.2 billion, respectively. Therefore, we have not determined the necessary adjustments related to the item "Unfinished production and business costs" as well as the impacts (if any) on the Consolidated Financial Statements for the accounting period from January 1, 2025 to June 30, 2025 of the Corporation.*

#### *Liabilities*

*As of January 1, 2025 and June 30, 2025, the Corporation's subsidiary - Lilama 5 Joint Stock Company is reflecting overdue interest expenses with the same amount of VND 74.01 billion and the loan from the Bank for Investment and Development of Vietnam - Bim Son Branch (BIDV Bank) with the same amount of VND 183 billion. With the review procedures performed, we have no basis to determine the accuracy and completeness of the interest expenses recorded in this period and previous years as well as the accuracy and obligations for the balance of the loan to BIDV Bank of this subsidiary. Therefore, we cannot assess the impacts (if any) related to the items "Short-term payable expenses", "Borrowings and financial lease liabilities" at January 1, 2025 and June 30, 2025 and the "Financial expenses" indicator on the Consolidated Financial Statements for the accounting period from January 1, 2025 to June 30, 2025 of the Corporation.*

*As of January 1, 2025 and December 31, 2025, the Corporation's subsidiary - Lilama Mechanical Installation Joint Stock Company is presenting the accumulated interest expense from previous years for short-term loans to Vietnam Joint Stock Commercial Bank for Investment and Development - Ninh Binh Branch, the amounts of VND 21.3 billion and VND 26.3 billion respectively in the item "Other short-term receivables" without recording in the annual business results. This leads to the fact that on the Consolidated Income Statement, the "Financial Expenses" indicator for the first 6 months of 2025 and the comparative figures for 2024 are being under-recorded, while on the Consolidated Balance Sheet as of January 1, 2025 and June 30, 2025, the "Other short-term receivables" and "Undistributed profit after tax" indicators are being over-recorded with the amounts of VND 21.3 billion and VND 26.3 billion, respectively.*

*As of January 1, 2025, according to the announcement of the Social Insurance agency at the Corporation's subsidiary - Lilama Mechanical Installation Joint Stock Company, it is obliged to pay late payment penalty interest for Social Insurance with an accumulated amount of VND 7.07 billion. This late payment penalty amount has not been recorded by the subsidiary and the late payment penalty has not been calculated in the first 6 months of 2025, which leads to the "Other short-term payables" indicator on the interim consolidated balance sheet and the "Other expenses" indicator on the interim consolidated business performance report being recorded lower corresponding to the late payment penalty interest not recorded.*

#### *Other Matter*



*At the Subsidiary - Lilama 7 Joint Stock Company is presenting on the item "Long-term prepaid expenses" as of January 1, 2025 and June 30, 2025 with the same amount of VND 2.1 billion. Through the review procedures performed, we still cannot assess the conformity of the above figures to the Consolidated Balance Sheet as of January 1, 2025 and June 30, 2025 as well as the impact of this issue on the Consolidated Financial Statements for the accounting period from January 1, 2025 to June 30, 2025 of the Corporation.*

*We cannot assess the appropriateness of the balance of receivables and payables at January 1, 2025 at the Subsidiary - Lilama 7 Joint Stock Company with the receivable amount of VND 21.06 billion, payable amount of VND 33.5 billion as well as the impact of this issue on the Consolidated Financial Statements for the accounting period from January 1, 2025 to June 30, 2025 of the Corporation.*

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

*The Corporation is accounting for investments in associates using the equity method as presented in Note 2.10 - Notes to the interim consolidated financial statements. However, the value of this equity method investment has not been considered for the impact of the basis of the qualified and disclaimer audit opinions stated in the Audit Reports on the 2024 Financial Statements of the Companies: Lilama 45-3 Joint Stock Company, Lilama 69-3 Joint Stock Company, Lilama Real Estate Joint Stock Company and Electromechanical Testing Installation Joint Stock Company. We are unable to assess the impact of these issues on the Financial Statements of the above entities. Therefore, we are unable to determine the necessary adjustments (if any) to the item "Investment in Joint Ventures and Associates" (Code 252 on the Consolidated Balance Sheet) as of January 1, 2025 and June 30, 2025 and the item "Profit or loss in Joint Ventures and Associates" (Code 24 on the Consolidated Income Statement) for the accounting period from January 1, 2025 to June 30, 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 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, 2025 and June 30, 2025, Lilama 5 had overdue bank loans. However, the company and the banks have not reconciled or confirmed the accrued loan interest and late payment penalties related to these overdue loans. Therefore, the auditor has expressed an opinion on these borrowings as well as on the financial expenses arising in connection with them.

*Regarding the financial expenses of Lilama Mechanical Installation:* The Company has estimated and temporarily recorded accrued loan interest expenses up to June 30, 2025 for a short-term loan at the Bank for Investment and Development of Vietnam (BIDV) – Ninh Binh Branch in the amount of VND 26.3 billion under “Other short-term receivables,” but has not yet recognized it in the profit and loss for the first six months of 2025. Lilama Mechanical and Installation is currently working with the Bank to reconcile and determine the loan interest value in order to accurately reflect it in the 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 first 6 month of 2025 is 75.6 billion VND.

The consolidated after-tax profit of LILAMA in first 6 month of 2024 was 53.1 billion VND.

*Reason:* In the first six months of 2025, the Corporation’s general and administrative expenses amounted to VND 22.14 billion, a significant decrease compared to the same period last year. The main reason is that during this period, the Parent Company – LILAMA – recovered certain doubtful debts, leading to a reversal of provisions for doubtful receivables of VND 16.9 billion. In addition, the Corporation recorded other income of VND 15.9 billion, which increased substantially compared to the same period last year, primarily due to the Parent Company’s reversal of warranty provisions for projects whose warranty periods had expired. These were the key factors contributing to the increase in consolidated net profit after tax for the first half of 2025 compared to the same period of the previous 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 63.1 billion VND.

The after-tax profit of LILAMA after the audit was 75.6 billion VND.

*Reason:* Mainly due to the increase in net profit after tax in the Parent Company – LILAMA's separate financial statements compared to 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**

