

**HYDRAULICS CONSTRUCTION
CORPORATION NO.4 - JOINT STOCK
COMPANY**

SOCIALIST REPUBLIC OF VIETNAM
Independence – Freedom – Happiness

No: *021* /CV-BTC-TCT

Ho Chi Minh City, March 26, 2025

Explain the difference in after-tax profit of the combined financial statements and consolidated financial statements for 2024 before and after the audit compared to the same period last year; the difference before and after the audit. Convert from loss to profit. Explain the exceptional audit opinion and how to fix it.

To: STATE SECURITIES COMMISSION (SSC)
HANOI STOCK EXCHANGE

- Pursuant to Article 14 of Circular No. 96/2020/TT-BTC dated November 16, 2020, issued by the Ministry of Finance, guiding information disclosure in the securities market, effective from January 1, 2021, replacing Circular No. 155/2015/TT-BTC dated October 6, 2015;
 - The general and consolidated financial statements for Q4/2024 of Hydraulics Construction Corporation No. 4 – JSC.
 - The Audited general and consolidated financial statements for 2023 and 2024 of Irrigation Hydraulics Construction Corporation No. 4 – JSC.
- 1. Hydraulic Construction Corporation No. 4 – JSC provides an explanation for the reasons behind the over 10% increase in the difference in profit after tax in the audited general and consolidated financial statements for 2024 compared to the same period of the previous year, transitioning from a loss in 2023 to a profit in 2024 as follows:**
- In 2024, the construction activities of the Corporation have been reaching their final stages, with most projects awaiting acceptance and final settlement. Revenue from construction activities was insignificant, as there were no new ongoing projects. The primary source of revenue in 2024 came from office rental services. In accordance with the Resolutions of the Board of Directors, the Corporation restructured its capital by divesting investments in certain units, generating financial revenue and alleviating financial difficulties. As a result of capital restructuring and repayment of bank loans, financial expenses decreased compared to the same period last year. Additionally, cost of goods sold and administrative expenses also declined due to cost-saving measures.
 - These factors have contributed to the increase in profit after tax in the audited general and consolidated financial statements for 2024 compared to the same period of the previous year, resulting in a transition from a loss in 2023 to a profit in 2024.
- 2. Explanation of the Over 5% Difference in Profit After Tax in the General and Consolidated Financial Statements for 2024 Before and After Audit.**

- The profit after tax in the general and consolidated financial statements for 2024 before and after the audit remains unchanged

3. Correct the audit opinion except for the 2023 audit report as follows:

a. General Financial Statements

- The General Financial Statements for 2023 of the Corporation for the fiscal year ended December 31, 2023, have been audited, the auditor has issued an exceptional audit opinion, the Corporation has specifically handled and corrected as follows:
 - + **Audit Opinion:** As of the report issuance date, we have not obtained confirmation letters for accounts receivable amounting to VND 139,891,840,678 (of which VND 68,107,312,442 has been provisioned for doubtful debts). Additionally, among the unconfirmed receivables, there is an amount of VND 30,832,107,293 related to receivables from individuals entrusted with construction subcontracts. If these receivables from subcontracting costs cannot be recovered, operating expenses will increase by VND 30,832,107,293, and profit will decrease by the corresponding amount
 - + **Remedial Actions by the Corporation:** In the 2024 General Financial Statements, the Corporation has addressed the issue by collecting confirmation letters, implementing alternative procedures to verify accounts receivable, and making an additional provision for doubtful debts amounting to approximately VND 33.79 billion
 - + **Audit Opinion:** As of the report issuance date, we have not obtained confirmation letters for accounts payable amounting to VND 93,322,487,734
 - + **Remedial Actions by the Corporation:** In the 2024 General Financial Statements, the Corporation has addressed the issue by collecting confirmation letters and implementing alternative procedures to verify the accounts payable balances.

b. Consolidated Financial Statements:

- The Consolidated Financial Statements for 2023 of the Corporation for the fiscal year ended December 31, 2023, have been audited, the auditor has issued an exceptional audit opinion, the Corporation has specifically handled and corrected as follows:
 - + **Audit Opinion:** As of the report issuance date, we have not obtained confirmation letters for accounts receivable amounting to VND 141,569,263,395 (of which VND 68,107,312,442 has been provisioned for doubtful debts). Additionally, among these unconfirmed receivables, there is an amount of VND 30,832,107,293 related to receivables from individuals entrusted with construction subcontracts. If these receivables from subcontracting costs cannot be recovered, operating expenses will increase by VND 30,832,107,293, and profit will decrease by the corresponding amount
 - + **Remedial Actions by the Corporation:** In the 2024 Consolidated Financial Statements, the Corporation has addressed the issue by collecting confirmation letters, implementing

alternative procedures to verify accounts receivable, and making an additional provision for doubtful debts amounting to approximately VND 33.79 billion

+ **Audit Opinion:** As of the report issuance date, we have not obtained confirmation letters for accounts payable amounting to VND 109,118,454,776

+ **Remedial Actions by the Corporation:** In the 2024 Consolidated Financial Statements, the Corporation has addressed the issue by collecting confirmation letters and implementing alternative procedures to verify the accounts payable balances.

4. Explaining the audit opinion except for the audited financial statements for 2024. Remedial measures:

a. General Financial Statements:

+ **Audit Opinion:** As of the date of this report, we have not yet collected confirmation letters for the receivables as at December 31, 2024, amounting to approximately VND 124.25 billion (of which approximately VND 92.84 billion has been provisioned for doubtful debts). Additionally, among these unconfirmed receivables, there is approximately VND 25.63 billion due from individuals under construction contracts, as presented in section V.5 of the attached combined financial statement notes (of which approximately VND 20.26 billion has been provisioned for doubtful debts). This is an amount that the Corporation is addressing in accordance with the approval of the Board of Management in document No. 286/TT-TCT dated December 31, 2023, regarding the allocation of the losses from completed construction projects with the investors to the individuals as per the terms of the contracting agreements. As of the date of this report, these individuals and the Corporation have not yet completed the final settlement to determine the exact figures. In the event that these receivables related to the construction costs are not recoverable, the business expenses will increase by approximately VND 5.37 billion, and the profit will decrease by the corresponding amount.

+ **Remedial Actions by the Corporation:** The Corporation has addressed the issue by continuing to collect confirmation letters and implementing alternative procedures to verify accounts receivable. Additionally, it is actively working with subcontracted individuals to recover outstanding debts and has made provisions for doubtful debts for amounts deemed unlikely to be recovered.

+ **Audit Opinion:** As of the date of this report, we have also not yet collected confirmation letters for the payables as at December 31, 2024, amounting to approximately VND 93.65 billion. Through other procedures performed, we have been unable to obtain the necessary information to assess the existence and completeness of these liabilities, as well as the impact (if any) of this issue on the related figures presented in the combined financial statements.

+ **Remedial Actions by the Corporation:** The Corporation has addressed the issue by collecting confirmation letters and implementing alternative procedures to verify the accounts payable balances.

- + **Audit Opinion:** As presented in Note V.12 of the combined financial statements, the balance of unfinished construction costs as at December 31, 2024, for the housing project at 34 Thuy Loi Street, Phuoc Long A Ward, District 9 (now Thu Duc City), Ho Chi Minh City is approximately VND 21.78 billion (compared to approximately VND 22.33 billion as at January 01, 2024). We have not yet obtained appropriate audit evidence regarding the future economic benefits that may arise from this project. Therefore, we have not determined whether any adjustment to these figures is necessary.
- + **Remedial Actions by the Corporation:** The Corporation is working with the relevant authorities to accelerate the project implementation progress.
- + **Audit Opinion:** As presented in Note V.13 of the combined financial statements, the Corporation has an investment in Somo Vietnam Group JSC with a carrying value as at December 31, 2024, of VND 30,000,000,000. We have not yet obtained appropriate audit evidence to assess the necessary provisions (if any) as at December 31, 2024. Therefore, we have not determined whether any adjustments to these figures are necessary.
- + **Remedial Actions by the Corporation:** As of the financial statement preparation date, the Corporation has not yet received the financial statements of the investee, as the investee has not completed its 2024 financial statements. In the coming period, the Corporation will continue to collect evidence from the investee's financial statements to assess the provision amount (if any) to be recognized in future financial statements.

b. Consolidated Financial Statements:

- + **Audit Opinion:** As of the date of this report, we have not yet collected confirmation letters for the receivables as at December 31, 2024, amounting to approximately VND 134.68 billion (of which approximately VND 92.84 billion has been provisioned for doubtful debts). Additionally, among these unconfirmed receivables, there is approximately VND 25.63 billion due from individuals under construction contracts, as presented in section V.5 of the attached consolidated financial statement notes (of which approximately VND 20.26 billion has been provisioned for doubtful debts). This is an amount that the Corporation is addressing in accordance with the approval of the Board of Management in document No. 286/TT-TCT dated December 31, 2023, regarding the allocation of the losses from completed construction projects with the investors to the individuals as per the terms of the contracting agreements. As of the date of this report, these individuals and the Corporation have not yet completed the final settlement to determine the exact figures. In the event that these receivables related to the construction costs are not recoverable, the business expenses will increase by approximately VND 5.37 billion, and the profit will decrease by the corresponding amount.
- + **Remedial Actions by the Corporation:** The Corporation has addressed the issue by continuing to collect confirmation letters and implementing alternative procedures to verify accounts receivable. Additionally, it is actively working with subcontracted individuals to recover outstanding debts and has made provisions for doubtful debts for amounts deemed unlikely to be recovered.

- + **Audit Opinion:** As of the date of this report, we have also not yet collected confirmation letters for the payables as at December 31, 2024, amounting to approximately VND 109,42 billion. Through other procedures performed, we have been unable to obtain the necessary information to assess the existence and completeness of these liabilities, as well as the impact (if any) of this issue on the related figures presented in the consolidated financial statements.
- + **Remedial Actions by the Corporation:** The Corporation has addressed the issue by collecting confirmation letters and implementing alternative procedures to verify the accounts payable balances.
- + **Audit Opinion:**
 - ✓ As presented in Note V.7 of the consolidated financial statement disclosures, the balance of work-in-progress costs at the subsidiary - Hydraulic 4B Real Estate Investment JSC for the residential project located at 34 Thuy Loi Street, Phuoc Long A Ward, District 9 (now Thu Duc City), Ho Chi Minh City, as at December 31, 2024, is approximately VND 9.24 billion (as at January 1, 2024, approximately VND 9.24 billion). We have not obtained sufficient and appropriate audit evidence regarding the net realizable value of the work-in-progress costs of this project. Therefore, we are unable to determine whether any adjustments to these figures are necessary.
 - ✓ As presented in Note V.13 of the consolidated financial statements, the balance of unfinished construction costs as at December 31, 2024, for the housing project at 34 Thuy Loi Street, Phuoc Long A Ward, District 9 (now Thu Duc City), Ho Chi Minh City and the 414 High-Rise Building Construction Project is approximately VND 22.25 billion (compared to approximately VND 22.80 billion as at January 01, 2024). We have not yet obtained appropriate audit evidence regarding the future economic benefits that may arise from this project. Therefore, we have not determined whether any adjustment to these figures is necessary.
 - ✓ As presented in Note V.8 of the consolidated financial statement disclosures, the balance of other long-term prepaid expenses at the subsidiary - Hydraulic 4B Real Estate Investment JSC as at December 31, 2024, is approximately VND 5.36 billion (as at January 01, 2024, approximately VND 5.35 billion). We have not obtained sufficient and appropriate audit evidence to assess the appropriateness and accuracy of this other long-term prepaid expense balance. Therefore, we are unable to determine whether any adjustments to these figures are necessary.
- + **Remedial Actions by the Corporation:** The aforementioned items are costs related to the implementation of the District 9 project. The Corporation is working with the relevant authorities to accelerate the project's progress.
- + **Audit Opinion:** As presented in Note V.14 of the consolidated financial statements, the Corporation has an investment in Somo Vietnam Group JSC with a carrying value as at December 31, 2024, of VND 30,000,000,000. We have not yet obtained appropriate audit evidence to assess the necessary provisions (if any) as at December 31, 2024. Therefore, we have not determined whether any adjustments to these figures are necessary.

- + **Remedial Actions by the Corporation:** As of the financial statement preparation date, the Corporation has not yet received the financial statements of the investee, as the investee has not completed its 2024 financial statements. In the coming period, the Corporation will continue to collect evidence from the investee's financial statements to assess the provision amount (if any) to be recognized in future financial statements.

The above is the explanation provided by Irrigation Construction Corporation No. 4 – JSC, respectfully submitted to the State Securities Commission and the Hanoi Stock Exchange.

Sincerely!



Recipients:

- As above;
- Board of Directors, Control Board
- Save document, of Finance

Lê Thanh Sơn