**GDW: Explanation on the Financial Statements 2023**

On March 20, 2024, Gia Dinh Water Supply Joint Stock Company announced Official Dispatch No. 576/GD-KTTC on the explanation of the Accounting Report 2023 as follows:

1. Explanation on the difference in undistributed profit after tax due to retroactive adjustment to the Accounting Report 2022 :

According to the accounting report 2022 of Gia Dinh Water Supply Joint Stock Company prepared on March 20, 2023 and audited by AFC Vietnam Auditing Company Limited, the undistributed profit after tax is VND 46,374,881,992.

According to the accounting report 2023 of Gia Dinh Water Supply Joint Stock Company prepared on March 12, 2024 and audited by AFC Vietnam Auditing Company Limited, the undistributed profit after tax in 2022 is VND 32,234,476,341.

Difference (Decrease): VND 14,140,405,651.

Reasons: The Company has retrospectively accounted from the undistributed profits of 2022 to pay the difference in wholesale costs of clean water to Saigon Water Corporation according to Official Dispatch No. 6670/TCT-KDDVKH dated September 5, 2023 on reviewing wholesale costs after equitization until the wholesale purchase of clean water is implemented through the master meter and Minutes of the Corporation's Customer Service Sales Department on reviewing the cost of wholesale purchase of clean water after the equitization until the wholesale purchase of clean water is implemented through the master meter.

Accordingly, Gia Dinh Water Supply Joint Stock Company must pay Saigon Water Corporation the difference in water fees at 02 times as follows:

1. At the time of equitization: The difference between revenue and cost of purchasing wholesale clean water (amount of water consumed by customers) as of January 31, 2007 was recorded in the periods of February 2007 and March 2007, corresponding to the amount of VND 3,085,092,417 (excluding VAT)
2. At the time of wholesale purchase of clean water through the master meter (July 2014): The partial difference in output of the period of July 2014 through the customer's meter from May 21, 2014 to June 20, 2014 that has not been measured through the master meter, corresponding to the amount of VND 11,055,313,234 (excluding VAT)

Total amount payable: 3,085,092,417 + 11,055,313,234 = VND 14,140,405,651 (excluding VAT)

1. Explanation of difference in profit after tax 2023 on the accounting report after audit compared to 2022
2. Specific amount:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Targets | In 2023 (After audit) | In 2022 | Difference | Rate |
| Profit after tax | 35,973,076,446 | 21,194,668,963 | 14,778,407,483 | 69.73% |

Profit after tax in 2023 increased by VND 14,778,407,483 compared to profit after tax in 2022, corresponding to an increase rate of 69.73%.

1. Explanation on some major differences in some targets:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Targets | In 2023 (After audit) | In 2022 | Difference | Rate |
| Wholesale water output (m3) | 59,996,924 | 59,523,910 | 473,014 | 0.79% |
| Water consumption (m3) | 54,007,052 | 52,078,295 | 1,928,757 | 3.7% |
| Water loss rate (%) | 9.97 | 12.46 | Decreased by 2.49% |  |
| I. Business Activities  1. Net revenue | 653,386,688,918 | 623,794,738,627 | 29,591,950,291 | 4.74% |
| 2. Cost of goods sold | 391,246,442,350 | 387,541,984,546 | 3,704,457,804 | 0.96% |
| 3. Selling expenses | 138,056,653,944 | 138,897,954,014 | (841,300,070) | (0.61%) |
| 4. General and administrative expense | 80,176,061,089 | 73,276,865,555 | 6,899,195,534 | 9.41% |
| 5. Profit from business activities | 44,576,199,026 | 23,982,217,697 | 20,593,981,329 | 85.87% |
| II. Financial activities  1. Revenue from financial activities | 2,027,499,957 | 1,338,694,167 | 688,805,790 | 51.45% |
| 2. Expenses of financial activities | 1,358,832,466 | 1,434,410,982 | (75,578,516) | (5.27%) |
| 3. Profit (loss) from financial activities | 668,667,491 | (95,716,815) | 764,384,306 | 798.59% |
| III. Other incomes  1. Other revenue | 1,626,859,681 | 4,530,343,682 | (2,903,484,001) | (64.09%) |
| 2. Other expenses | 816,920,518 | 1,500,013,500 | (683,092,982) | (45.54%) |
| 3. Other profits | 809,939,163 | 3,030,330,182 | (2,220,391,019) | (73.27%) |
| IV. Profit before tax | 45,386,138,189 | 27,012,547,879 | 18,373,590,310 | 68.02% |
| V. Profit after tax | 35,973,076,466 | 21,194,668,963 | 14,778,407,503 | 69.73% |

The average retail price in 2023 reached VND 12,062/m3, an increase of 1.4% compared to the unit price in 2022 (VND 11,896/m3) where water revenue reached VND 651,960,640,979; Total revenue reached VND 653,386,688,918 compared to the total revenue in 2022 of VND 623,794,738,627, an increase of VND 29,591,950,291, equivalent to an increase of 4.74%.

In 2023, the actual water loss rate reached 9.97%, down 2.49% compared to 2022, but the wholesale purchase price of clean water increased by VND 91.21/m3, from VND 6,515.28/m3 (in 2022) to VND 6,606.49/m3 (in 2023) which increased the cost of buying wholesale clean water and cost of goods sold by VND 3,704,457,804, corresponding to an increase of 0.96%.

Net profit from business activities increased by VND 20,593,981,329, equivalent to an increase of 85.87% because in 2023, the increase rate of revenue of 4.47% is higher than the increase rate of total expenses (total cost of goods sold, selling expenses, and general and administrative expenses increased by VND 9,762,353,268, equivalent to an increase of 1.63% compared to 2022).

Financial profit increased by VND 764,384,306, equivalent to an increase of 798.59% due to an increase in bank deposit interest income of VND 688,805,790 and a decrease in bank loan interest payments of VND 75,578,516 compared to 2022.

Other profits decreased by VND 2,220,391,019, corresponding to a decrease of 73.27% compared to 2022.

Thus, in 2023, the Company achieved a profit before tax of VND 45,386,138,189 and has exceeded the profit plan by 63.03% (the profit before tax plan is VND 27,839,000,000); Profit after tax is VND 35,973,076,466, higher than the same period in 2022 by VND 14,778,407,503, corresponding to an increase of 69.73%

1. Explanation of the difference in profit after tax in the accounting report 2023 after audit compared to before audit
2. Specific figures:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Targets | 2023 (after audit) | 2023 (before audit) | Difference | Rate |
| Profit after tax | 35,973,076,446 | 25,995,509,619 | 9,977,566,827 | 38.38% |

Profit after tax in 2023 after audit increased by VND 9,977,566,827 compared to profit after tax before audit, corresponding to an increase of 38.38%.

1. Explanation on some major differences in some targets:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Targets | 2023 (after audit) | 2023 (before audit) | Difference | Rate |
| I. Business Activities  1. Net revenue | 653,38,688,9186 | 653,38,688,9186 | 0 |  |
| 2. Cost of goods sold | 391,246,442,350 | 391,246,442,350 | 0 |  |
| 3. Selling expenses | 138,056,653,944 | 138,640,501,104 | (583,847,160) | 0.42% |
| 4. General and administrative expenses | 80,176,061,089 | 80,653,748,493 | (477,687,404) | 0.59% |
| 5. Net profit from business activities | 44,576,199,026 | 43,514,664,462 | 1,061,534,564 | 2.44% |
| II. Financial activities  1. Revenue from financial activities | 2,027,499,957 | 2,027,499,957 | 0 |  |
| 2. Expenses of financial activities | 1,358,832,466 | 1,358,832,466 | 0 |  |
| 3. Profit (loss) from financial activities | 668,667,491 | 668,667,491 | 0 |  |
| III. Other incomes  1. Other revenue | 1,626,859,681 | 1,626,859,681 | 0 |  |
| 2. Other expenses | 816,920,518 | 11,872,233,752 | (11,055,313,234) | (93.12)% |
| 3. Other profits | 809,939,163 | (10,245,374,071) | 11,055,313,234 | 107.9% |
| IV. Profit before tax | 45,386,138,189 | 33,269,290,391 | 12,116,847,798 | 36.42% |

After AFC Auditing Company Limited audits the Company's accounting report 2023, there are a number of selling expenses and general and administrative expenses that must be adjusted as follows:

* Downward revision of salary costs (selling expenses and general and administrative expenses) due to excess accounting of: VND 1,152,451,394.
* Upward revision of depreciation expenses (selling expenses and general and administrative expenses) due to incorrect accounting of: VND 90,916,830.
* Downward revision of other costs by VND 11,055,313,234 due to the retroactive adjustment of accounting of the difference in water costs payable to Saigon Water Corporation at the time of wholesale purchase of clean water through the master meter (July 2014) from undistributed profits from 2021 and earlier.

The adjustment of the above expenses has made selling expenses decrease by VND 583,847,160, a decrease of 0.42%; General and administrative expenses decreased by VND 477,687,404, a decrease of 0.59% and other costs decreased by VND 11,055,313,234, a decrease of 93.12%, which increased profit before tax by VND 12,116,847,798, corresponding to an increase of 36.42% and profit after tax in 2023 increased by VND 9,977,566,827 from VND 25,995,509,619 (before audit) to VND 35,973,076,446 (after audit), corresponding to an increase of 33.38% compared to before the audit.