**UDC: Explanation on the Audited Financial Statements 2023**

On April 17, 2024, Urban Development & Construction Corporation announced Official Dispatch No. 53/UDEC-TCKT on explaining the negative profit in the Annual Financial Statements and fluctuation over the same period as follows:

1. Separate Financial Statements:
2. Explanation on fluctuation of profit after tax over the same period
3. Profit after tax in 2022: - 37,361,393,463
4. Profit after tax in 2023: - 64,302,446,492
5. Fluctuation compared to the same period in 2022 [3]=[2]-[1]: - 26,941,053,029

Reason:

Profit after tax in 2023 has a loss of VND 64 billion, increasing by VND 26 billion compared to a loss of VND 37 billion in the same period in 2022. This is mainly because revenue from goods sales and service provision in 2023 is low (VND 77.17 billion), decreasing by 19.3% compared to VND 95.73 billion in the same period in 2022, in which, construction revenue decreases by 40% from VND 62.95 billion in 2022 to VND 37.33 billion in 2023. The revenue decreases while construction material prices increase, fixed expenses remain unchanged, leading to a loss in gross profit being VND 10.8 billion, decreasing by VND 16 billion compared to a gross profit of VND 5.79 billion in the same period in 2022. In addition, financial expenses and management expenses both increase over the same period, in which, financial expenses increase to VND 42.18 billion compared to VND 35.48 billion in the same period in 2022, increasing by VND 6.7 billion, mainly due to an increase in interest expenses; management expenses increase to VND 11.55 billion from VND 8.4 billion in the same period in 2022, increasing by VND 3.15 billion, mainly due to an increase in provisions for bad receivable debts. All of the above fluctuations have led to an increase in profit after tax in 2023 compared to the same period in 2022.

1. Explanation on fluctuation of profit after tax before and after audit
2. Profit after tax before audit: - 58,986,342,381
3. Profit after tax after audit - 64,302,446,492
4. Fluctuation before and after audit [3]=[2]-[1]: - 5,316,104,111

Reason:

Profit after tax after audit has a loss of VND 64.3 billion, increasing by 9% compared to before audit, equivalent to an increase of VND 5.3 billion. This is mainly due to the audit increasing the provision for bad receivable debts of VND 3.3 billion and recording an increase in cost of goods sold of VND 2 billion.

1. Consolidated Financial Statements:
2. Explanation on fluctuation of profit after tax over the same period
3. Profit after tax in 2022: - 40,310,725,797
4. Profit after tax in 2023: - 79,356,591,786
5. Fluctuation compared to the same period in 2022 [3]=[2]-[1]: - 39,045,865,989

Reason:

Consolidated profit after tax in 2023 has a loss of VND 79 billion, increasing by VND 39 billion compared to the loss in the same period in 2022. This is mainly due to a sharp decrease in revenue from goods sales in 2023 to VND 96 billion from VND 131.25 billion in the same period in 2022 (a decrease of 26%). In addition to the sharp decrease in revenue of the Holding Company as presented in Section I of the Report, revenue at the two subsidiaries also decrease, in which, Thanh Chi Joint Stock Company achieves VND 12.29 billion, decreasing by 50% compared to VND 24.5 billion in the same period in 2022 since there is no revenue from quarry exploitation; UDEC Tourism Company Limited achieves VND 16.49 billion, decreasing by 16% compared to VND 19.66 billion in the same period in 2022. The decrease in revenue leads to a loss of VND 16.57 billion in gross profit in 2023, decreasing by VND 21.52 billion compared to a profit of VND 4.95 billion in the same period in 2022. Besides, in addition to fluctuation in expense increase at the Holding Company, expenses at Thanh Chi Joint Stock Company also increase sharply due to the recording of post-mining environmental recovery expenses and depreciation expenses of machinery and equipment of the quarry in Chau Pha Commune awaiting liquidation, leading to fluctuation in profit after tax in 2023 compared to the same period in 2022.

1. Explanation on fluctuation of profit after tax before and after audit
2. Profit after tax before audit: - 72,195,622,020
3. Profit after tax after audit: - 79,356,591,786
4. Fluctuation before and after audit [3]=[2]-[1]: -7,160,969,766

Reason:

Consolidated profit after tax after audit has a loss of VND 79.3 billion, increasing by VND 7.1 billion, equivalent to an increase of 9.9% compared to before audit. The increase is mainly due to increased fluctuation at the Holding Company, which is explained in the Separate Financial Statements. In addition, the fluctuation occurred is also due to the audit company adjusting post-mining environmental recovery expenses at Thanh Chi Joint Stock Company with an amount of VND 1.8 billion.

1. Explanation on auditor’s qualified opinion in the Separate and Consolidated Financial Statements:

Based on the Audited Separate and Consolidated Financial Statements 2023, AASC Auditing Firm Company Limited gives an qualified opinion related to the value of outstanding production and business expenses as follows:

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As of December 31, 2023, the value of outstanding production and business expenses has not been assessed by the Company for the possibility of recovery since it is waiting for settlement with an amount of VND 66.7 billion. Approve the audit procedures carried out, we are not able to collect necessary documents to provide a basis for the net realizable value of this item. Therefore, we cannot determine the impact of this issue on the attached Separate Financial Statements.

Regarding this issue, the Company explains as follows:

“The value of outstanding production and business expenses is waiting for settlement in the auditor's qualified opinion since the Company currently has a number of contracted projects that, in the construction process, generate construction volume outside the contract as well as price compensation due to fluctuation in unit prices of materials and construction labor. These arising issues have not been confirmed by Party A for payment, leading to the Company not transferring the corresponding expenses. The Company is carrying out necessary procedures for the investor to confirm and assess the possibility of recovery as soon as possible.”