

No: 323 /CTCN-TCKT

Da Nang, March 12, 2025

Re: Explaining that the profit after tax on the 2024 audited financial statements decreased by more than 10% compared to 2023; the profit after tax in the 2024 audited financial statements period fluctuated and increased by more than 5% compared to the pre-audited financial statements; and explaining the auditor's exception opinion on the Parent and Consolidated Financial Statements

Dear : - State Securities Commission
 - Hanoi Stock Exchange

Pursuant to Circular No. 96/2020/TT-BTC dated November 16, 2020, issued by the Ministry of Finance guiding information disclosure on the securities market. To ensure that the State Securities Commission, the Hanoi Stock Exchange, and the company's shareholders have a clearer and more comprehensive understanding of the 2024 audited financial statements, the company hereby provides the following explanations:

I. Explaining that the profit after tax on the 2024 audited financial statements decreased by more than 10% compared to 2023:

1. Parent company Financial Statement :

Profit after tax 2024 : 100.505.792.803 VND

Profit after tax 2023 : 135.543.494.511 VND

Reasons: The after-tax profit for Q4 2024 amounted to 100.505.792.803 VND, driven by the company's stable business operations and growth in revenue and recorded water output. However, in 2024, the assets of the project to increase water supply capacity and expand the water supply network began to be put into use. The depreciation costs of fixed assets, asset rental costs, water purchase costs from the Hoa Lien Water Plant, and interest expenses increased significantly. These higher expenses resulted in a decrease of more than 10% in operating profit for 2024 compared to the same period in 2023.

2. Consolidated Financial Statement:



Profit after tax 2024 : 100.354.867.362 VND

Profit after tax 2023 : 135.530.874.378 VND

Reason: Consolidated net profit after tax for 2024, which is based on the combined financial statements of the Parent Company and its subsidiary, decreased by more than 10% compared to the same period in 2023. The Parent Company recorded a profit of VND 100,505,792,803 VND, while the subsidiary recorded a loss of VND 150,925,441 VND, leading to business result consolidated after tax profit 100,354,867,362 VND.

From the above reasons, the profit of the Audited Financial Statements of the Separate Financial Statements and the Audited Financial Statements of the Consolidated Financial Statements for 2024 decreased more than 10% over the same period in 2023.

II. Explaining the profit after tax in the 2024 audited financial statements fluctuated and increased by more than 5% compared to the pre-audited financial statements

1. Parent company Financial Statement:

Profit after tax 2024 before caudit : 94.927.894.603 VND

Profit after tax 2024 after audit : 100.505.792.803 VND

Reason: The profit after tax in 2024 before auditing was: 94,927,894,603 VND. During the audit process, the company adjusted and added the depreciation costs of fixed assets, asset rental costs of water supply infrastructure, and supplemented extraordinary income from the increase in fixed assets formed from the science and technology fund for production and business activities, leading to a more than 5% increase in post-audit net profit compared to the pre-audit financial statements .

2. Consolidated Financial Statement:

Profit after tax 2024 before audit : 94.776.969.162 VND

Profit after tax 2024 after audit : 100.354.867.362 VND

Reason: The consolidated profit after tax for 2024 before and after the audit was prepared based on the aggregation of the financial statements of the Parent Company and its subsidiary. As a result, the consolidated audited financial statements for 2024 was an increase of more than 5% compared to the pre-audit financial statements.

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III. Explaining the auditor's exception opinion on the Parent and Consolidated Financial Statements:

The audited financial statements for 2024 state the basis for the audit opinion except:

“As presented in Note VIII.2, according to point 1 of Official Letter No. 3415/UBND-STC dated June 25, 2024, from the People's Committee of Da Nang City: 'Request the Representative to provide comments for the Water Supply Company to adjust the 2023 Financial Statements, creating a source of funds to reimburse the cost of using clean water infrastructure assets invested by the state budget, which the Company has received, operated, and used from June 2015 to December 31, 2023, with a minimum amount of 66,057,265,726 VND (allocated in 2023 and 2024).' Accordingly, the Company retrospectively adjusted the 2023 Financial Statements for the cost of using clean water infrastructure assets in the amount of 33,028,632,863 VND (of which the increased cost for 2023 is 23,422,656,621 VND) and adjusted the financial year ending December 31, 2024, by 33,028,632,863 VND (allocated to the 2024 expenses). As of December 31, 2024, the Company has fully allocated the amount of 66,057,265,726 VND.

This adjustment does not fully comply with Vietnamese Accounting Standard No. 29 on Accounting Policy Changes and Estimates, issued by the Ministry of Finance under Decision No. 12/2005/QĐ-BTC on February 15, 2005. Accordingly, if the retrospective adjustment is made correctly, on the 2024 Statement of Profit or Loss, the 'Cost of Goods Sold' item would decrease by 33,028,632,863 VND, and the 'Profit Before Tax' item would increase by the corresponding amount; on the Balance Sheet as of December 31, 2023, the 'Taxes and Other Receivables from the State' item would increase by 3,302,863,286 VND, the 'Other Short-term Payables' item would increase by 33,028,632,863 VND, and the 'Retained Earnings' item would be 53,808,055,262 VND instead of 83,533,824,839 VND as in the attached Financial Statements."

Company's Explanation:

On June 25, 2024, the People's Committee of Da Nang City issued Official Letter No. 3415/UBND-STC, providing comments on the proposal of the State Capital Representative at the 2024 Annual General Meeting of Shareholders of Da Nang Water Supply Joint Stock Company. As requested in Official Letter 3415/UBND-STC, the Company made adjustments to the 2023 Financial Statements, creating a source of funds to reimburse the cost of using clean water infrastructure assets invested by the State budget, which the Company received, operated, and utilized from June 2015 to December 31, 2023, with



the amount of 66,057,265,726 VND (allocated in 2023: 33,028,632,863 VND and in 2024: 33,028,632,863 VND). The allocation as per the request in Official Document No. 3415/UBND-STC dated 25/06/2024 by the People's Committee of Da Nang City does not comply with accounting standards, which led to a qualified opinion.

In the 2023 financial statements, the Company has restated the 2023 financial statements to reflect the costs associated with the use of the value of clean water infrastructure assets, amounting to VND 33,028,632,863 (of which, the cost increase for the year 2023 is VND 23,422,656,621), and adjusted the financial year ending on 31/12/2024 to an amount of VND 33,028,632,863 (allocated to costs in 2024). As of 31/12/2024, the Company has fully allocated the amount of VND 66,057,265,726

This is the explanation from Da Nang Water Supply Joint Stock Company. We respectfully report to the State Securities Commission and the Hanoi Stock Exchange.

Sincerely.

Recipients:

- As above
- Save Archive, TCKT

General Director 

HỒ MINH NAM

