

No: 114 / UDEC-TCKT  
*Re: Profit explanation*  
*Audited report for the loss year and*  
*auditor's qualification opinion*

*Vung Tau, March 30, 2025*

**To: Hanoi Stock Exchange**

- Pursuant to Circular 96/2020/TT-BTC dated 16/11/2020 on guiding information disclosure in the securities market of the Ministry of Finance.

- Based on the 2024 after-tax profit target loss, the change compared to the same period in 2023 and the disclaimers in the separate and consolidated audited reports, Urban Development and Construction Corporation Province (Stock code: UDC) explains as follows:

**I./ Separate financial statements:**

**1./ Explanation of profit after tax fluctuations compared to the same period**

1- Profit after tax in 2023:	- 64,302,446,492
2- Profit after tax in 2024:	-26,169,351,693
3- Fluctuation compared to the same period in 2023 [3]=[2]-[1]:	38,133,094,799

**Reason:**

In 2024, in addition to the contracts carried over from the previous year, the company also signed many new construction contracts, so the company's revenue increased sharply compared to the same period. Specifically, the revenue achieved in the year was VND 329 billion, an increase of 326% compared to VND 77 billion in the same period of 2023, of which the construction revenue was VND 160 billion, an increase of 330% compared to VND 37 billion in the same period of 2023. However, due to the low gross profit margin of construction activities and the sharply increased expenses for inventory provision and allowance for doubtful debts from VND 3.9 billion in 2023 to VND 58.2 billion in 2024, the company's profit in 2024 was still a loss of VND 26 billion, a decrease of VND 38 billion compared to the loss of VND 64 billion in the same period of 2023.

## **II./ Consolidated Financial Statements:**

### **1./ Explanation of profit after tax fluctuation compared to the same period**

1- Profit after tax in 2023:	- 79,703,904,494
2- Profit after tax in 2024:	- 46,693,339,761
3- Fluctuation compared to the same period in 2023 [3]=[2]-[1]:	33,010,564,733

#### **Reason:**

The consolidated profit after tax in 2024 was a loss of VND 46 billion, a decrease of VND 33 billion compared to the loss in the same period of 2023. In addition to the profit fluctuation at the parent company as presented in Section I of this document, there were also profit fluctuations at 02 subsidiaries, in which UDC Company Limited (100% owned by the Company) had a loss of VND 4.06 billion, a decrease of VND 7.83 billion compared to the loss of VND 11.89 billion in the same period of 2023. From May 2024, UDC Company Limited no longer leased and operated Phu My Golf Hotel as before. The Board of Directors of the parent company is comprehensively restructuring the business operations of UDC Company Limited for the company to operate more efficiently. For Thanh Chi Joint Stock Company (52.15% owned by the Company), in 2024, Thanh Chi Joint Stock Company had a loss of VND 17.1 billion, an increase of VND 4.5 billion compared to the loss of VND 12.6 billion in the same period of 2023 due to no longer operating the quarry and facing many difficulties in warehouse leasing. Currently, Thanh Chi Joint Stock Company is restructuring, focusing on exploiting and developing the existing warehouse system in Phu My Industrial Park.

## **III./ Explanation of audit disclaimers in the separate and consolidated reports:**

### **1./ Explanation of disclaimer regarding work-in-progress costs and bad debts:**

Based on the separate and consolidated financial statements that have been audited in 2024, AASC Auditing Firm has a disclaimer related to the value of stagnant work-in-progress costs and bad debts as follows:

*“As of 01/01/2024 and 31/12/2024, the value of stagnant work-in-progress costs due to pending settlement or temporary suspension of construction was VND 66.72 billion and VND 28.65 billion, respectively, and outstanding receivables were VND 14.40 billion and VND 1.93 billion, respectively, which have not been assessed for recoverability by the Company. We have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the net realizable value of this item.”*

Company's explanation:

The value of stagnant work-in-progress costs pending settlement in the audit disclaimer is due to the fact that the company still has a number of construction projects with changes in quantity and unit price of materials and labor compared to the contract, but these changes have not been confirmed and paid by the investor, leading to the company not yet transferring the corresponding costs.

In 2024, the Company assessed and made provisions for some work-in-progress costs of these projects with a total amount of VND 38 billion. However, due to difficulties in the assessment process, there are still some projects with work-in-progress costs that have not been assessed in a timely manner, leading to the audit continuing to issue a disclaimer for these unassessed amounts. Similarly, for outstanding receivables, in 2024, the company made provisions for VND 20.2 billion, however, there are still some receivables that have not been provided for with the amount of VND 1.93 billion, leading to the audit disclaimer. The Company will continue to carry out necessary procedures to assess the recoverability of work-in-progress costs of the projects and outstanding receivables as soon as possible.

## **2./ Explanation of disclaimer regarding corporate income tax expenses from real estate transfer activities**

Based on the 2024 separate and consolidated financial statements that have been audited, AASC Auditing Firm has a disclaimer related to the determination of corporate income tax expenses as follows:

*“In Note 31 of the notes to the Separate financial statements, the Company is presenting the taxable income of its main business activities and real estate business activities with negative amounts of VND 11.26 billion and VND 12.07 billion, respectively; Corresponding corporate income tax expenses are VND 0 and VND 2.41 billion, respectively. We could not collect the necessary documents as a basis for analyzing the profits of each of the above business activities of the Company.”*

Company's explanation:

In 2024, the Company generated revenue from real estate transfer activities. Due to the lack of agreement between the Company and the auditor in determining and allocating expenses for real estate transfer activities, the auditor issued a qualified opinion. The Company is carrying out the necessary procedures to explain and work with the tax authorities regarding the corporate income tax arising from this real estate transfer activity.

## **3./ Explanation of the qualified opinion related to the overdue interest of the payable debt to the Enterprise Arrangement Support Fund:**

Based on the audited 2024 separate and consolidated financial statements, AASC Auditing Firm has a qualified opinion regarding the overdue interest of the payable debt to the Enterprise Arrangement Support Fund as follows:



*“The Company is recording a payable to the Enterprise Arrangement and Development Support Fund of VND 39.5 billion and dividends payable corresponding to the state investment capital of VND 25.7 billion. The overdue interest related to the above payables has not been recorded because the Company is waiting for guidance and direction from the competent authority.”*

Company's explanation:

Currently, the company has a payable debt to the Enterprise Arrangement and Development Support Fund for equitization of VND 39.5 billion and dividends payable for the years 2009, 2010, 2011, and 2012 of VND 25.7 billion, and is being recorded as a payable on the financial statements as of 31/12/2024. However, the overdue interest related to this debt has not been recorded on the financial statements by the company because:

In the 2018 Audit Result Notification No. 257/TB-KTNN KV XIII dated 05/09/2019 of the State Audit Office of Region XIII, the State Audit Office proposed that the People's Committee of Ba Ria - Vung Tau province determine the late payment interest for the increased state capital from the time of determining the enterprise value until it was officially converted into a joint stock company and the dividends distributed from the state capital in 2009, 2010, 2011, and 2012 that the unit has not yet paid to the Enterprise Arrangement and Development Support Fund, and at the same time handle the late payment interest when determining the enterprise value for state capital divestment according to Decision 1232/QD-TTg dated 17/08/2017 of the Prime Minister and Plan No. 110/KH-UBND dated 11/10/2017 of the People's Committee of Ba Ria - Vung Tau province. As of the financial statement preparation date, the Company has not yet received guidance and direction from competent authorities on implementing procedures for determining enterprise value for state capital divestment at the Company. The company will record overdue interest when there is specific guidance from competent authorities.

#### **IV./ Auditor's emphasis of matter regarding significant doubt about the Company's ability to continue as a going concern:**

The company's business activities in 2024 have had many positive changes; the company has signed many new contracts, thereby significantly improving the company's revenue compared to the same period last year. Besides, the Ba Ria - Vung Tau Provincial People's Committee approved the restructuring plan in document No. 10602/UBND-VP dated 30/07/2024 and assigned the state capital representative at the company to participate in voting to approve the company's restructuring plan for the period 2021-2025 at the company's General Meeting of Shareholders.


For the above reasons, the Company believes it will overcome the current difficulties, and this is the basis for the audited financial statements to be presented on a going concern basis.

Above is the explanation of Urban Development and Construction Corporation Province, respectfully submitted to the Shareholders.

Sincerely.

**Recipients:**

- As above.
- Archive.

**GENERAL DIRECTOR**  
  
**Mai Ngọc Dinh**

