

**URBAN DEVELOPMENT AND DESIGN
CONSULTING JSC**

No. 10/2025/CDO/CV

*(Explanation of the reasons and proposed solutions
for addressing the auditor's disclaimer of opinion on
the 2024 financial statements.)*

SOCIALIST REPUBLIC OF VIETNAM
Independence – Freedom – Happiness

Hanoi, April 29th, 2025

To: - Hanoi Stock Exchange

- Based on the audited parent company's financial statements for the year 2024, issued on April 4, 2025;
- Based on the audited consolidated financial statements for the year 2024, issued on April 4, 2025;
- Pursuant to Decision No. 476/QĐ-SGDHN dated April 23, 2025, regarding the maintenance of restricted trading status;

First of all, Urban Development and Design Consultancy Joint Stock Company (the "Company") would like to extend our respectful greetings and sincere thanks for the support from the Hanoi Stock Exchange (HNX) over the past period.

Recently, our company received Official Letter No. 476/QĐ-SGDHN dated April 23, 2025, from the Hanoi Stock Exchange (HNX) regarding the decision to maintain restricted trading status. According to Article 2 of the document, within 15 days from the date the shares are placed under restricted trading, Urban Development and Design Consultancy Joint Stock Company must submit a written explanation to the Hanoi Stock Exchange stating the reasons and proposing corrective measures. In relation to this matter, the Company would like to provide the following explanation and corrective action plan:

1. Regarding the consolidated financial statements for 2024

-Regarding the opinion: "The Company had an accumulated loss of VND 83.63 billion, some of the Company's payables were overdue. In 2024, the Company had loss after tax of VND 1.93 billion and negative cash flow from production and business activities."

The company's losses primarily stem from the prolonged impact of the COVID-19 pandemic, which created difficulties for both the company and its partner companies, amounting to VND 5.16 billion. The company has made provisions for its investments in subsidiaries and projects in the hospitality and restaurant sector, totaling VND 16.13 billion. Additionally, it has set aside provisions for doubtful receivables amounting to VND 24.97 billion. Furthermore, exchange rate fluctuations have significantly impacted the company's business results, with an effect of VND 37.37 billion. All provisions have been made in accordance with regulations. However, the company remains confident in its ability to recover business operations post-pandemic and to collect outstanding receivables and investment returns from projects, ensuring positive cash flow for sustainable business operations in the coming years.

- Regarding the opinion: "We were appointed as Auditors after 31 December 2024, therefore we were unable to witness the fixed assets of the Company. Therefore, we are unable to determine the existence of cash as at 01 January 2024 and 31 December 2024 with a value of VND 1.1 billion and



VND 1.87 billion respectively, inventory as at 1 January 2024 with a value of VND 157.69 million as well as the existence of fixed assets at 1 January 2024 and 31 December 2024 with original costs of VND 21.999 billion and VND 22.15 billion, respectively VND is presented on the Company's consolidated financial statements".

The Company explained: Due to the date of signing the contract with the Audit Firm after 31 December 2024, it is not possible to participate in the inventory of the Company's fixed assets. However, every year, the Company still conducts inventory and assessment of fixed assets in accordance with regulations. Fixed assets by 2021 have been fully depreciated in accordance with regulations. The inventory we have exported in the forth quarter of 2024.

Regarding the opinion: "As of 01 January 2024 and 31 December 2024, the unreconciled receivables balance presented on the items "Short-term trade receivables", "Short-term prepayments to suppliers", "Other short-term receivables", "Other long-term receivables" totaled VND 3.3 billion and VND 4.07 billion respectively; the unreconciled payable balances presented in the items " Short-term trade receivables", "Taxes and other payables to the State budget", "Other payments" totaled VND 17.7 billion and VND 15.3 billion respectively"

The Company explained: For short-term trade receivables, short-term prepayments to suppliers, other short-term receivables, other long-term receivables, short-term trade payables, other payables, the Company is currently assessing the recoverability and determining losses for these receivables. Economic difficulties have affected the business situation of the Company and partner companies, short-term trade receivables face many difficulties, so it affects the situation of receivables and payables of the Company.

- Regarding the opinion: "The Company is presenting the construction in progress of the Candle Xieng Khouang Hotel Construction Project with the amount as of 01 January 2024 and 31 December 2024 of VND 50.44 billion and VND 50.25 billion respectively invested by its subsidiary – Consultancy Design and Urban Development Public Company. The above value of construction in progress include the construction in progress cost related to the project recorded at the parent company - Consultancy Design and Urban Development Joint Stock Company with the amount as of 01 January 2024 and 31 December 2024 of VND 20.4 billion. In addition, according to the Overseas Investment Registration Certificate No. 2017003393 first issued by the Ministry of Planning and Investment for the first time on 09 June 2009, registered for the first adjustment on 23 October 2017, the Project investment is behind the schedule in the Investment Certificate".

The company explained: Due to the Covid epidemic lasting in 2021 and 2022, the implementation of the Project was stalled and behind schedule. Currently, the Company is waiting for the People's Committee of Xieng Khuoang Province to approve the appropriate adjustment of the project's functions. With the recovery of production and business and the current progress of implementing the Project, the Company will soon put the Project into operation.

- Regarding the opinion: "The Company is presenting in the Financial Statements the debt for Taxes and other payables to State budget of the parent company - Consultancy Design and Urban Development Joint Stock Company in the amount of VND 17.29 billion and VND 14.89 billion. We

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have not collected the minutes of reconciliation of the Company's Tax Obligations and amounts payable to the State at the above times. According to the Notice of Tax Debt No. 114665/TB-CCT-KDT dated December 10, 2024 of the Ba Dinh District Tax Department, the total amount of unpaid debt to the State budget of the parent company is VND 40.7 billion. With the available audit evidence, we were unable to determine the necessary adjustments to the item "Taxes and other payables to State budget" and related items to the Company's Consolidated Financial Statements.

2. Regarding the parent company's financial statements for 2024

- Regarding the opinion: "The Company had an accumulated losses of VND 32.13 billion, short-term liabilities exceed short-term assets by VND 14.16 billion, many of the Company's payable were overdue. In 2024, the Company's profit after tax is VND 2.4 billion and cash flow from production and business activities was negative."

The Company explained: The Company's losses mainly came from the impact of the prolonged Covid epidemic, causing difficulties for the Company and its partner companies, investments in projects in the hotel and restaurant service sector were seriously affected, and receivables were difficult to recover. In addition, the impact of large fluctuations from exchange rate fluctuations also affects the Company's business results. The company has made provisions in accordance with regulations. However, the Company believes that the ability to recover production and business activities after the epidemic and recover debts and investments in projects with good results in the following years will generate cash flow to ensure production and business activities.

- Regarding the opinion: "We were appointed as Auditors after 31 December 2024, therefore we were unable to witness the fixed asset inventory of the Company. Therefore, we were unable to determine the existence of fixed asset item at 01 January and 31 December 2024 with the original cost of VND 2.93 billion presented in the Company's financial statements".

The Company explained: Due to the date of signing the contract with the Audit Firm after 31 December 2024, it is not possible to participate in the fixed asset inventory of the Company. However, every year, the Company still conducts inventory and assessment of fixed assets in accordance with regulations. Fixed assets by 2021 have been depreciated in full value in accordance with regulations. Most of the fixed assets have been damaged, worn out of use, so the company has carried out inventory, liquidation and cancellation.

- Regarding the opinion: "As at 01 January 2024 and 31 December 2024, the unconfirmed outstanding receivables presented in the line items "Short-term trade receivables", "Short-term prepayment to suppliers", "Other short-term receivables", "Other long-term receivables" totaled VND 3.3 billion and VND 4.07 billion respectively; the unconfirmed outstanding payables presented in the line items " Short-term trade payables", "Taxes and other payables to the State budget", "Other payables" totaled VND 17.7 billion and VND 15.3 billion respectively."

The Company explained: For short-term trade receivables, Short-term prepayment to suppliers, other short-term receivables, other long-term receivables, short-term trade payables, other payables, the Company is currently assessing the recoverability and determining losses for these receivables. Economic difficulties have affected the business situation of the Company and partner

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companies, short-term receivables face many difficulties, so it affects the situation of receivables and payables of the Company.

- Regarding the opinion: "The company is presenting the construction in progress of the Candle Xieng Khouang Hotel Construction Project with the amount as at 01 January 2024 and 31 December 2024 of VND 20.4 billion."

The company explained: This is the cost for the project incurred in 2017+2018. However, due to the prolonged Covid epidemic, the project has not been completed, the company has not been able to transfer the cost of this project to the subsidiary, so the unit still collects costs related to the investment in the Candle Xieng Khouang hotel project on construction in progress.

- Regarding the opinion: "The Company made capital contributions to its subsidiary, Consultancy Design and Urban Development Public Company, with the original cost as at 01 January 2024 and 31 December 2024 being VND 82.71 billion, and lend to this subsidiary with values of VND 57.7 billion and VND 61.23 billion respectively, invest in the Candle Xieng Khuoang Hotel Project (the "Project"). According to the Overseas Investment Registration Certificate No. 2017003393 issued by the Ministry of Planning and Investment initially on 09 June 2009 and amended for the first time on 23 October 2017, the Project's investment progress is behind schedule as stated in the Investment Certificate. We are unable to assess the impact of this issue on the lines items "Long-term loan receivable", "Investment in subsidiaries", "Provision for devaluation of long-term investments" and other related items presented in the Company's financial statements".

The company explained: Due to the Covid epidemic lasting in 2021 and 2022, the implementation of the Project was stalled and behind schedule. Currently, the Company is waiting for the People's Committee of Xieng Khuoang Province to approve the appropriate adjustment of the project's functions. With the recovery of production and business and the current progress of implementing the Project, the Company will soon put the Project into operation.

- Regarding the opinion: "The company is presenting in the Financial Statements the amount of tax and other payables to the State budget as at 01 January 2024 and 31 December 2024 of VND 17.3 billion and VND 14.9 billion. According to the Tax Debt No. 114665/TB-CCT-KDT dated 10 December 2024 of Ba Dinh District Tax Department, the total amount of unpaid debt to the State budget is VND 40.7 billion. Currently, the Company is working with the tax authority to review and compare data between the tax administration agency and the data according to the accounting books to handle the differences. Therefore, we are unable to determine the necessary adjustments to the item "Taxes and other payable to the State budget" and related items presented in the Company's separate financial statements".

The company explained: The company has made tax finalization until the end of 2015, the audit team in Hai Ba Trung district of the local budget audit team of Hanoi City inspected the VAT declaration and CIT finalization in 2016. From 2022 to now, the Company has worked many times with the Ba Dinh District Tax Department, has committed to payment and is currently making monthly payments to gradually reduce tax debts. The tax difference between the accounting number and the company's report number is still actively clarifying with the tax authority.

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The above is our explanation regarding the delay in the disclosure of the Company's 2024 audited financial statements. We sincerely hope for the understanding, support, and facilitation from HNX.

Respectfully!

Receipt:

- As to;
- Saved in financial department and archives.

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Bùi Xuân Hiếu

