VINACONEX JOINT STOCK CORPORATION
CONSTRUCTION JSC NO. 1

SOCIALIST REPUBLIC OF VIETNAM
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No. 07 10 /2026/CV-TCKT
Re: Explanation of profits in the second quarter of 2026 decreased by more than 10% compared to the second quarter of 2025

Hanoi, July 20, 2026

To: - State Securities Commission of Vietnam
- Hanoi Stock Exchange

Company Name: Construction Joint Stock Company No. 1 (Stock Code: **VC1**), headquartered at: D9, Khuat Duy Tien, Thanh Xuan District, Hanoi City.

Pursuant to the applicable regulations on information disclosure on the securities market, Construction Joint Stock Company No. 1 hereby provides an explanation regarding the variance in business performance figures on the Financial Statements for Q2/2026 compared to Q2/2025 (with a downward variance exceeding 10%) as follows:

1. Comparative Financial Data:

- **Profit After Tax of Q2/2025:** VND 1,744,606,690.
- **Profit After Tax of Q2/2026:** VND 1,524,814,573.
- **Decrease:** VND -219,792,117 (Equivalent to a **12.6%** drop).

2. Primary Causes of the Decrease in Profit After Tax:

Although net revenue in Q2/2026 reached **VND 269,061,461,733**, representing a robust growth of **45.8%** (an increase of VND 84,463,036,493) over the same period last year driven by accelerated construction progress across projects, profit after tax still declined by 12.6% due to the following sector-specific reasons:

- **Reclassification of Construction Warranty Expenses under New Accounting Regulations:**

  Starting from Q2/2026, the Company adopted the new corporate accounting regime in accordance with Circular No. 99/2025/TT-BTC. Under the new guidance, provisions for construction warranty expenses are classified directly into **Selling Expenses (Account 641)** instead of being accrued into cost of goods sold/general manufacturing costs (Account 627) as previously required under Circular 200/2014/TT-BTC. This regulatory reclassification led to a technical, sudden spike in Selling Expenses of **VND 481,532,394** (whereas no such expense was recorded in the same period last year).

- **Cost of Goods Sold (COGS) Under Severe Market Pressures:**

As construction is the Company's core business activity, production costs are highly vulnerable to the market price fluctuations of raw materials (steel, iron, cement, etc.) and direct labor. The sharp rise in raw material costs during the period drove Q2/2026 COGS up by 44.8% (an increase of VND 79,052,850,595). Even though the technical gross profit margin slightly improved to 5.05% due to the bofurcation of warranty expenses, the resulting surplus was still insufficient to offset other rising operational expenses during the period.

- **Sharp Increase in General & Administrative (G&A) Expenses by 107.5% (+VND 3,629,285,991):**
    - *Management Staff Costs:* Increased by **VND 2,101,598,077** (+149.7%). This increase was technical in nature, as the Company applies a policy of accruing management personnel costs based on a percentage of actual revenue generated in the period (with final settlement to be executed at year-end). Since net revenue grew significantly by 45.8% this quarter, the corresponding accrued staff costs increased proportionally, which does not reflect any change in fixed salary policies or headcount expansion.
    - *Provisions for Bad Debts due to Delayed Client Payments:* Given the widespread difficulties in the real estate and construction markets, project owners prolonged the volume valuation process and delayed the approval of final settlement dossiers, leading to payment delays. To ensure adherence to the accounting principle of prudence, the Company recognized a provision for doubtful short-term receivables amounting to **VND 2,450,483,372** for overdue construction debts (no such provision was incurred in the same period last year).
- **Other Expenses Incurred from Asset Disposal for a New Project:**

Other Expenses in Q2/2026 increased by VND 828,583,186. This was primarily driven by the demolition of the Company's old headquarters in Thanh Xuan District to clear the ground for a new strategic development: the *"Mixed-use Housing Project"*. Consequently, the Company had to write off the asset and record the remaining net book value of this fixed asset into other expenses for the period, totaling **VND 621,929,753**. This project completed its site preparation and was officially **launched/broken ground at the end of June 2026**.

- **Escalating Financial Expenses:**

Financial expenses rose by 34% (+VND 871,716.623) because the Company had to increase utilization of its working capital credit lines to advance construction costs while funds were temporarily tied up by clients.

3. Remedial Measures for the Coming Period:

To address these industry-specific challenges and enhance operational efficiency, the Board of Management is aggressively implementing the following solutions:

- Focus on accelerating construction and sales at the *Mixed-use Housing Project* launched at the end of June 2026 to early recognize breakthroughs in revenue and profit for the Company in the upcoming phases.
- Actively work with current project owners to expedite volume valuations and sign final project settlements to accelerate cash recovery and reverse bad debt provisions.
- Optimize procurement operations by proactively signing long-term framework agreements with major material suppliers to stabilize input costs and minimize the risks of market price volatility.
- Closely monitor actual revenue to precisely balance and finalize management staff costs at the end of the fiscal year.

Construction Joint Stock Company No. 1 hereby guarantees that the information provided above is true and accurate.

Sincerely thank you./.

Recipient:
- As recipient;
- Archived.

GENERAL DIRECTOR

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THÀNH PHỐ HÀ NỘI

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