**HNE: Explanation for the qualified opinions of auditor**

On 26 Mar 2020, HANEL Joint Stock Company explained the qualified opinions of auditor as follows:

Hanel Joint Stock Company would like to explain the qualified opinions of auditor in the separate financial statements of 2019 as follows:

1. Content 1: As presented in Note 9 - Notes to the separate financial statements: The Company recorded the receivable balance of N&G Investment and Development Joint Stock Company (referred to as N&G Company") in the other short-term liabilities in the Balance sheet on 31 December 2019 VND 22,920,788,809 higher than the value determined by N&G Company. This difference was not agreed by the two parties to finalize the figures. We conducted the audit procedure to send a letter for confirmation of this receivable, but until the time of issuing the audit report, we did not receive any feedback of confirmation. At the same time, this debt was overdue but not evaluated by the Company for a provision for doubtful debts estimated at VND 78.92 billion (including additional amount of 2018: VND 62.92 billion). If the provision is made, the General and Administration expenses in 2019 will increase by VND 16 billion (in 2018: increase by VND 62.92 billion); in the Balance Sheet: The provision for doubtful short-term receivable will increase and the undistributed after-tax profit will decrease by VND 78.92 billion

Explanation: N&G Company and Hanel Company signed a Memorandum of Confirmation and Handling of Debts No.01/2017/ BBCN - HANEL - N&G dated May 31, 2017 with the principal and interest temporarily calculated until July 31, 2015 of VND 102,920,788,809. This content was approved by the Board of Directors of N&G Company at the same day Meeting. Then, N&G Company continued to confirm the debt amount according to the corresponding arising amount at the time of December 31, 2017, June 30, 2018. However, since December 31, 2018, N&G Company has started to have conflicting opinions about debts against previously signed documents. On November 7, 2019, N&G Company sent to Hanel Company a Dispatch 118/2019/ CV - N&G with the content of repayment plan in Q4/ 2019 and 2020. Then, N&G Company sent to Hanel Company a Dispatch No.29/2000/ CV - N&G dated February 24, 2020 and No.08/ CV - N&G dated January 17, 2020 mentioning and confirming the repayment plan showed in Official Letter 118/2019/ CV - N&G dated November 7, 2019. However, this repayment plan was not consistent with the requirements of Hanel Company. Up to now, the two sides have continued to discuss and negotiate. Hanel Company required N&G Company to confirm the debt on December 31, 2019 and propose a suitable and feasible repayment plan. The Company has reported the related contents to the Owner - Hanoi People's Committee. In the coming time, in case of inconsistency with the handling plan, the Company will carry out the procedures to send to the law enforcement agencies to protect the legitimate rights and interests of the Company

2. Content 2: On 31 December 2019, the Company did not fully evaluated and made provision for doubtful debts with receivables from customers and other receivables. The total estimated doubtful receivables balance: VND 14,794,189,722 (excluding provision for doubtful debts -N&G Company). If provision is made, the administrative expense will increase by VND 14.79 billion in 2019; in the Balance Sheet: The provision for doubtful short-term receivables will increase and the undistributed after-tax profit target will decrease with the corresponding amount

Explanation: For doubtful debts that were fully provisioned: Some amounts that the Company has made a provision before equitization. However, when determining the value of an equitized enterprise, it must be written back and included in the value of the State according to regulations. On June 27, 2017, the company moved into the model of a joint stock company and until December 2018, the handover from the Company to the Joint Stock Company was completed. The Company is in the progress of revaluation and beginning to make provisions from the time of preparation of the financial statements on June 30, 2019

3. Content 3: As presented in Note 39 - Notes to the separate financial statements: the Company did not record the cost of land rental according to Notice No.11247/TB - CT - QLD dated 13 March 2020 of Hanoi Tax Department on land rent and water surface rent unit with land rent for investment in construction and commercial operation of technical infrastructure of Sai Dong B Industrial Park of VND 58,010/m2/year; expected value respectively were about VND 9.2 billion and VND 1.3 billion, respectively, the delayed payment was VND 0.4 billion and VND 0.1 billion. However, according to our calculation based on the unit price and the area of ​​land rent calculation in this Notice: VND 15.331 billion (in which the value in 2019: VND 13.400 billion, in 2018: VND 1.931 billion) and the estimated amount of late payment was VND 757 million (2019: VND 556 million, 2018: VND 201 million). If the land rental fee and late payment interest are fully recorded, the cost of goods sold and service provision in 2019 will increase by VND 13.400 billion (2018: increase by VND 1.931 billion). Other expenses in 2019 will increase by VND 556 million (2018: VND 201 million). Profit before tax of each year will decrease correspondingly

Explanation: Hanoi People's Committee issued Decision No.136/ QD - UBND dated November 7, 2018 on the adjustment of land users from Hanoi Electronics Company to Hanel Joint Stock Company

At the time of 2010, when signing the land lease annex for Sai Dong B IZ, in the face of the urgent fact of the establishment history of Sai Dong B IZ, the Ministry of Finance allowed to keep the land rent unit price under the contract signed between Hanel Company and Hanoi Department of Land Administration without increasing according to the published state price unit, supplementing the provision of the rate of increase of 15% for each 5-year period

- On December 19, 2018, Long Bien District Tax Department sent Notice No. 22076/ TB - CCT - TB & TK to Hanel Company on the additional collection of land rent in 2018 in Sai Dong B Industrial Park, Long Bien, Ha Noi based on Document No.82629/ TB - CT - QLD of the Tax Department of Ha Noi City. With the new unit price according to the notice of Long Bien Tax Department, it was calculated 50 times higher than the price unit submitted by Hanel Company before equitization

On February 12, 2020, the Company sent Official Letter No.53a/ CV - Hanel to Hanoi City People's Committee and Departments to report and ask for guidance on the adjustment of land rent price unit in Sai Dong B Industrial Park, Long Bien district, Ha Noi

On March 13, 2020, based on the conclusion of the inter-ministerial Meeting on September 9, 2020, Hanoi Tax Department issued Notice No.11247/ TB - CT - QLD on prices of land rent and water surface rent (replacement of Notice No. 82629), accordingly, the rent price was reduced by 50% compared to the Notice No. 82629 applying Clause 2, Section III, List A issued with Decree 118/2015/ ND - CP dated November 12, 2015 of the Government

Hanel Company is continuing to work with Tax Department of Long Bien District to perform the next steps to receive guidance of determination of payable tax

4. Content 4: At the time of issuing this report, long-term financial investments of the Company were not evaluated and fully made provision for diminution in value of long-term financial investments, specifically: - The Company did not collect financial statements of the investments in following companies: Hanel Manufacturing, Processing and Import-Export Joint Stock Company; Hanel Software and Communication Joint Stock Company; Hanoi Public Transport Joint Stock Company (joint-venture company, associate) and Hanpad Investment Joint Stock Company, N&G Development Investment Joint Stock Company; Hanoi Telecommunications Joint Stock Company; Van Noi Ecological Urban Joint Stock Company, Hanel Electronic and Automation and Electronic Joint Stock Company, Vietnam Service and Investment Import Export Joint Stock Company (investments in other entities). We do not collect the 2019 financial statements of these companies. On the most recent date of December 31, 2019, the total value book of the investments was VND 42,630,901,041 and the provision for devaluation of these investments was VND 1,809,411,820. We cannot assess the impact of the provision for diminution in value of financial investments as well as the necessary additional adjustments (if any) and the impact of this issue on the separate financial statements for the fiscal year ended on December 31, 2019 of the Company

- The Company did not evaluate and make full provision for diminution in value of long-term financial investments. Provision for diminution in value of long-term financial investments needs additional provision of investments in Hanel Investment and Trading Joint Stock Company; Hanel Software Solution Joint Stock Company; ICD Hanoi Co., Ltd. and Petrolimex Insurance Joint Stock Company: VND 8,989,112,431. If provision is made, financial expenses will increase by VND 8.989 billion; in the Balance Sheet: The provision for long-term financial investment will increase and the undistributed after-tax profit target will decrease with the corresponding amount

Explanation: For long-term financial investments that were not fully made provision: Some amounts made a provision before equitization, however, when determining the value of an equitized enterprise, it must be re-calculated and included in the value of the State in accordance with regulations. On June 27, 2017, the Company moved into a joint stock company model and only completed the handover from the Company Limited to Joint Stock Company in December 2018. The company is gradually reevaluating and starting to make provision from the time of preparation of the financial statements on 30 June 2019. The time when the Company prepared and issued financial statements was not the deadline to submit the financial statements to the state agencies, so some companies which the company does not hold dominant capital and did not issue financial statements