**FGL: Explanation for the qualified opinion of auditor**

On 27 Mar 2020, Gia lai Coffee Joint Stock Company explained the qualified opinion of auditor as follows:

In the Independent Auditing Report No.16/220/BCKT/ AUD - DNNVALUES dated March 27, 2020 of Branch of Vietvalues Auditing and Consulting Co., Ltd. in Da Nang, it includes the qualified opinions on financial statement of the fiscal year ended on 31 December 2019 of the Company as follows:

1. As stated in Section I.5 of the Notes to the financial statement, the Company officially moved to operate as a joint stock company from September 13, 2018. However, up to now, the equitized enterprise (Gia Lai Coffee One Member Company Limited) has not handed over assets and capital sources to Gia Lai Coffee Joint Stock Company. The figures in the Balance Sheet, income statement and cash flows may change in case of a decision of the provincial People's Committee approving the adjustment of State capital at the time of equitization (Gia Lai Coffee One Member Limited Company officially transformed into Gia Lai Coffee Joint Stock Company on September 13, 2018)

2. As presented in Note 4a and 17b, so far the shareholders have contributed sufficient capital. However, at the time of official transformation into a joint stock company (September 13, 2018), the State divested capital in excess of the State number of VND 24,305,036,499. The above capital divestment difference is recorded as receivables and these receivables may change when the final settlement of the capital transfer to the joint stock company is made

3. Financial settlements of the equitization accounting period (State stage) but not yet approved by the competent State agencies:

- Bad debts unrecognized on 12 Sep 2018: VND 5,337,464,136, the Company entered in the item "Enterprise management expenses" of the previous period

- The value of dead avocado and durian trees: VND 4,301,764,350, which the Company entered in the “Other expenses” of the previous period

- Wage, petrol and telephone expenses from September 13, 2018 to December 13, 2018 must be paid to the executive board whose tasks are to hand over to the joint stock company (VND 113,656,787); the Company entered in the "equitization receivables" of the previous period but not yet approved

Summary of the above mentioned financial handling issues at the State stage may affect the balance sheet, income statement and cash flow (if any), depending on the approval of the authorities

4. As stated in section VIII.1, the total amount of land rent and late payment penalties in la Grai District and Chu Se District were not fully recorded into the operating costs of the Company, namely:

- State-owned enterprise stage: VND 7,731,014,367 (land rent) and VND 488,910,250 (fine for late payment)

- The stage of Joint Stock Company: VND 307,997,953 (land rent) and VND 65,308,458 (late payment fine)

No adjustment of the data is due to the handover process between the State-owned company and the joint stock company and due to no agreement to land area to calculate land rent. This data may affect the balance sheet, income statement and cash flow (if any), depending on the approval of the competent State agency

The Company explains the above opinions as follows:

The above contents are all related to the handover of assets and financial handling when the Company transforms from State-owned one-member Co., Ltd. into Joint Stock Company without reaching agreement with the People's Committee of Gia Lai Province

The first opinion - the handover of assets between the Joint Stock Company and the State-owned one-member Co., Ltd.: the Company did not have the Minutes of asset handover on September 13, 2018. And up to now, the Company continues to perform and coordinate with the People's Committee of Gia Lai Province to complete this work, but the progress is a bit slow. In the coming time, the Company will urgently complete this work so that the Company has a basis to manage assets and stabilize the situation of production and business activities

The second opinion - on September 13, 2018, the State divested capital in excess of VND 24,305,036,499: The main reason is due to accumulated losses on September 13, 2018 (this loss of State-owned one-member Co., Ltd. incurred before the time of equitization).The Company temporarily recorded it in the item "equitization receivables" and requested the People's Committee of Gia Lai Province to comment on this loss. Official data depends on the Decision of the People's Committee of Gia Lai province and the competent authorities

Third opinion, regarding the handling of liabilities and assets of State-owned one-member Co., Ltd. without a Decision of the People's Committee of Gia Lai province:

- Bad debts not determined on September 12, 2018 of VND 5,337,464,136. According to the Company's opinion, on September 12, 2018, the above liabilities did not identify the objects to receive and could not send letters for confirmation for debt reconciliation so the Company could not collect the debt. Therefore, the Company entered the above debts in the enterprise management expenses in the pre-equitization period

- The value of dead avocado and durian trees: VND 4,301,764,350: In the opinion of the Company, on September 12, 2018, the dead avocado and durian trees were not included in the property inventory record. Therefore, the Company entered the above debts in the other expenses of the pre-equitization stage

- Salary, petrol, telephone costs from September 13, 2018 to December 13, 2018 must be paid to the Executive Board whose tasks are hand-over to the Joint Stock Company (VND 113,656,787). In the opinion of the Company, these expenses are to complete equitization, so the Company is following up on the item of equitization receivables

5. The fourth opinion, concerning the handling of land rent and late payment fines in Ia Grai and Chu Se districts, not fully recorded to the Company's operating expenses, specifically:

- The stage of State-owned Company: VND 7,731,014,367 (land rent) and VND 488,910,250 (fine for late payment)

- The stage of Joint Stock Company: VND 307,997,953 (land rent) and VND 65,308,458 (late payment fine)

This is the land rent arising during the period of state-owned company, not in the equitization plan and not in the enterprise valuation dossier. On the other hand, it is not appropriate for the Provincial Department of Taxes to include land rent of the area of ​​land assigned by the Provincial People's Committee to the locality for management. The company has made a document to send to the provincial People's Committee and relevant departments to handle accordingly