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

On 30 Mar 2020, HANEL Joint Stock Company explained the qualified opinion of auditor as follows:

As presented in Note 8 - Notes to the consolidated 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 target of other short-term receivables of the Balance sheet on 31 December 2019 higher VND 22,920,788,809 than the value determined by N&G Company, this difference was not mutually agreed to compare the final figures by the two sides. We conducted the audit procedure for sending letters for confirmation of this receivable; however, until the time of issuing audit report, we did not receive a confirmation letter. At the same time, this debt was overdue but was made a provision for doubtful debts; the estimated provision is approximately VND 78.92 billion (including additional value for 2018: VND 62.92 billion). If provision is made, the enterprise administration expense in 2019 increases by VND 16 billion (VND 62.92 billion in 2018); in the balance sheet: The provision for short-term doubtful receivables will increase and the undistributed profit after tax target will decrease with the amount of VND 78.92 billion

Explanation: N&G Company and Hanel Company signed Memorandum of Confirmation and Handling of Debts No. 01/2017/BBCN - HANEL - N&G dated May 31, 2017 with the amount of principal and interest temporarily calculated on July 31, 2015: 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 liabilities compared to the previously signed documents. On November 7, 2019, N&G Company sent to Hanel Company a Dispatch 118/2019/ CV - N&G about repayment plan in Q4/ 2019 and 2020. Then, N&G sent to Hanel Company official dispatch No.29/2020/ CV-N&G dated February 24, 2020 and CV 08/ CV - N&G on January 17, 2020 mentioning and confirming the repayment plan reflected 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. Now, the two sides continue to discuss and negotiate. Hanel Company requires N&G Company to confirm the debt of December 31, 2019 and propose a suitable and feasible repayment plan. The Company reported the relevant contents to the Owner - Hanoi People's Committee. In the coming time, in case of inconsistency with the settlement 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 and Hanel Investment and Trading Joint Stock Company - the Company's subsidiary did not fully assess and make provision for doubtful debts for some receivables from customers and other receivables. Estimated total provision for doubtful debts of the Company and Subsidiaries is respectively VND 14,794,189,722 (excluding provision for doubtful debts from N&G Company) and VND 10,047,006,799. If provision is made, the administrative expense will increase by VND 24.8 billion; in the balance sheet: The provision for short-term doubtful receivables will increase and the undistributed after-tax profit target will decrease with VND 24.8 billion

Explanation: For doubtful debts which were fully provisioned by Hanel Company: some amounts were made provision before equitization. However, when determining the value of an equitized enterprise, it must be included in the value of the State according to regulations. On June 27, 2017, the Company moved into a joint stock company model and completed the handover from the Company Limited to Joint Stock Company in December 2018. The company is gradually reevaluating and starting to make provision gradually from the time of preparation of the financial statements on June 30, 2019

For Hanel Investment and Trading Joint Stock Company, in 2019, the Company's production and business situation encountered many difficulties, in the process of restructuring the apparatus and changing its orientation and business items, mainly focusing on debt collection by many methods: suing, collecting goods to deduct debts… Besides, in the debt reconciliation minutes, customers only confirmed but most of them were not attached to the debt repayment commitment. The company shall make a provision first for all for customers who stopped working, sued/ had a judgment of winning the lawsuit but it is difficult to collect

3. Content 3

As presented in Note 43 - Notes to the consolidated financial statements: It describes the Company did not record the cost of land rental according to Notice No.11247/TB - CT - QLD dated 13 March 2020 of Hanoi City Tax Department on land rent and water surface 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 are about VND 9.2 billion and VND 1.3 billion, respectively, the delayed payment is VND 0.4 billion and VND 0.1 billion respectively. However, according to our estimates on the basis of unit price and land rent area in this Notice was VND 15.331 billion (of which the value in 2019 was VND 13.400 billion, 2018: VND 1.931 billion) and the amount of late payment was estimated at 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 target of the Company in 2019 will increase by VND 13.400 billion (in 2018, it will increase by VND 1.931 billion), other expense targets of 2019 will increase by VND 556 million (2018: VND 201 million). Profit before tax of each year will decrease by the same value

Explanation: Ha Noi People's Committee issued Decision No.6136/QD - UBND dated November 7, 2018 on the adjustment of land user from Hanoi Electronics Company to Hanel Joint Stock Company

In 2010, when signing the land lease annex for Sai Dong B IZ, due to the urgent situation of the establishment history of Sai Dong B IZ, the Ministry of Finance allowed to keep the land rent price under the contract signed between the Hanel Company with the Hanoi Department of Land Administration without increasing on the current published price by the State, supplementing the provision of the rate of increase of 15% for each 5-year cycle

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 at Sai Dong B Industrial Park, Long Bien Hanoi based on Document No.82629/TB-CT-QLD of Ha Noi Tax Department With the new unit price according to the notice of Long Bien Tax Department, it was calculated 51 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: For investments in joint ventures and associates: We were not provided with financial statements for the fiscal year ended on 31 December 2019 (the latest financial statements are of the fiscal year ended on December 31, 2018) of the following joint ventures, associates: Hanel Manufacturing Processing and Import - Export Joint Stock Company and Northern Digital Television Joint Stock Company. The Company records the value of investments in joint ventures and associates in the above companies based on the financial statements for the fiscal year ended on December 31, 2018 of the joint ventures. We do not assess the profit/ loss from the joint venture activities of the above companies in 2019 as well as the impact of this issue on the Company's consolidated financial statements. The total value of investments in these companies is recorded on the target of Investments in joint ventures and associates under the equity method on 31 December 2019: VND 18,027,495,745

- For investments in other entities: In addition to the investment in Petrolimex Insurance Joint Stock Company (listed on Ho Chi Minh Stock Exchange), we are provided with financial statements for the fiscal year ended on December 31, 2019 of the units. On 31 December 2019, the total value of these investments was VND 45,635,685,440 and the value of the provision for devaluation of financial investment made: VND 1,209,411,820, accordingly we are unable to value the effect of provision for diminution in value of financial investments as well as necessary adjustments (if any) and the impact of this matter on the consolidated financial statements for the fiscal year ended on December 31, 2012 of the Company

Explanation: 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. On the other hand, some companies were not compulsory to audit their financial statements, so they only prepared the financial statements for the tax authorities and other state management agencies as prescribed

5. Content 5

On 31 December 2019, the Company's Subsidiary - Hanel Media Joint Stock Company recorded the construction expense in progress and uncompleted production and business costs of Hanel TV Television Service Project with VND 3,575,991,121 and VND 4,976,827,881. The Hanel TV Television Service Project stopped implementing. If the Subsidiary recognizes the expenses spent to carry out the above project into the business results, the other cost indicator increases to VND 8,552,819,002; Profit before tax of the Company decreased with the corresponding amount)

Explanation: Regarding Hanel TV Television Service, construction in progress (VND 3,575,991,121) and uncompleted production and business expenses (VND 4,976,827,881): this project is temporarily suspended and the Company aims to seek investors or partners to transfer

6. Content 6

On 31 December 2019, the outstanding inventory balance and the in-transit delay of the Company's subsidiary - Hanel Software Solution Joint Stock Company included operation expense in progress (short-term and long-term) of VND 4,628,574,276 and finished product of VND 1,497,185,109. The Subsidiary did not assess the net realizable value of the above mentioned inventory balances. Therefore, we cannot determine whether we need to adjust the balance related to inventories and related items in the consolidated financial statements for the fiscal year ending on the same day of the Company or not

Explanation: The short-term work in progress and the aforementioned product were invested by Hanel Software Solution Joint Stock Company to build the core to develop for software products exploited later, mainly arising before the year 2018 and was expected to be distributed into subsequent projects but due to HanelSoft's target customers changing business strategies, many new competitors appeared to be invested strongly and methodically. Meanwhile, from 2018 to now, the Company has encountered many difficulties in terms of personnel and exploiting the customer market, so it has developed fewer products that bring income from core products and packaged products. The Company is in the restructuring phase and looking for opportunities to develop in the future