**NDT: Report on explanation of reason and solution**

On April 17, 2024, Nam Dinh Textile Garment Joint Stock Corporation announced Official Dispatch No. 39/DMND on explaining the reason and solution to overcome the status of shares being put under alert as follows:

1. Reason: Because the Annual Financial Statements are given a qualified opinion by the audit company for more than 3 consecutive years, specifically:
2. Basis of auditor’s qualified opinion on the Financial Statements 2020:
* On the Separate Financial Statements:

“Financial investment reserve: Weaving Joint Stock Company-Nam Dinh Textile Garment is an joint venture. Due to limited information related to the ability to pay overdue receivables of VND 37.444 billion from customers of Weaving Joint Stock Company-Nam Dinh Textile Garment, the auditor may not be able to carry out appropriate audit procedures to obtain limited assurance regarding the recoverability of these receivables. Therefore, we cannot determine the recoverable value of the long-term investment of Nam Dinh Textile Garment Joint Stock Corporation in Weaving Joint Stock Company-Nam Dinh Textile Garment and the provision that must be made for this investment as of December 31, 2020.

Income from dividends: The Corporation records a dividend of VND 5.75 billion from Weaving Joint Stock Company-Nam Dinh Textile Garment, a joint venture based on the Board of Directors' dividend payment proposal without approval of this joint venture’s General Meeting of Shareholders. Therefore, as of December 31, 2020, the Corporation's rights to receive this dividend has not been established. Hence, as of December 31, 2020 and for the year ending on the same date, other short-term receivables and undistributed profit after tax on the Separate Balance Sheet are recorded an excess of VND 5.75 billion; financial revenue and profit after tax on the Separate Business Results Report are recorded an excess of VND 5.75 billion.

* On the Consolidated Financial Statements:

Weaving Joint Stock Company-Nam Dinh Textile Garment is a joint venture. Due to limited information related to the ability to pay overdue receivables of VND 37.444 million from customers of Weaving Joint Stock Company-Nam Dinh Textile Garment, the Company needs to make provisions for the above overdue receivables. The Company's net assets and payables, and actual owners’ equity will be changed. Therefore, the auditor cannot determine whether physical adjustments are necessary for investments in joint venture accumulated loss on the Consolidated Balance Sheet as of December 31, 2020; financial expenses, profit in joint venture, loss after tax and basic loss per share on the Consolidated Business Results Report for the year ending on the same date.

Explanation on the qualified opinion in 2020:

Financial investment reserve: In 2021, Weaving Joint Stock Company-Nam Dinh Textile Garment has collected overdue receivables from customers in the amount of: VND 35.849 billion; The remaining receivables of VND 1.595 billion have been collected by January 2022. Therefore, the Corporation's long-term financial investment in Weaving Joint Stock Company-Nam Dinh Textile Garment is not affected.

Income from dividends: The Corporation relies on two reasons to account for VND 5.75 in 2020: Firstly, this is the business results in 2020; Secondly, the Corporation bases on the dividend payment announcement approved by the Board of Directors of VNDC as of December 31, 2020; VNDC's Board of Directors holds 81.07% of the voting rights, so the Corporation has recorded this amount in other short-term receivables and undistributed profit after tax on the Separate Balance Sheet as of December 31, 2020; financial revenue and profit after tax on the Separate Business Results Report 2020.

1. Basis of auditor’s qualified opinion on the Financial Statements 2021:
* On the Separate Financial Statements:

“Income from dividends: In 2020, The Corporation records a dividend of VND 5.75 billion from Weaving Joint Stock Company-Nam Dinh Textile Garment, a joint venture based on the Board of Directors' dividend payment proposal without approval of this joint venture’s General Meeting of Shareholders. On April 29, 2021, VNDC Company approves the Annual General Mandate 2021 on dividend distribution from retained profit in 2020 at a rate of 25%, equivalent to VND 5.75 billion for the Corporation. Therefore, for the year ending on December 31, 2021, financial revenue and profit after tax on the Separate Business Results Report recorded a shortfall of VND 5.75 billion.

Provision of salary fund: According to the auditor's conclusion, as of December 31, 2021, the Corporation has made the provision of salary fund of VND 15 billion to pay employees for the next period to ensure production stability. This record is not consistent with Vietnamese Accounting Standard No. 18 - Provisions, contingent assets and liabilities (VAS18) because the Corporation has no current debt obligations to employees at the time of reporting”.

* On the Consolidated Financial Statements:

“Provision of salary fund: As of December 31, 2021, balance payable to employees and short-term provision payable worth VND 22 billion is the amount that the Corporation and its subsidiaries appropriate salaries to pay employees for the next period to ensure production stability. This record is not consistent with Vietnamese Accounting Standard No. 18 - Provisions, contingent assets and liabilities (VAS18) because the Corporation has no current debt obligations to employees at the time of reporting

Explanation on the qualified opinion in 2021:

Income from dividends: The Corporation has accounted for VND 5.75 billion in 2020, so the Corporation does not record it anymore in 2021.

Appropriation for reserve salary fund: In 2021, production and business activities are effective. At the same time, the Group's Executive Agency assesses that Vietnam's textile and garment industry will be under great pressure since markets that are important trading partners of Nam Dinh Textile Garment Joint Stock Corporation such as China, Korea, Thailand, Bangladesh... are still applying strict measures against Covid-19, significantly impacting on the supply chain of raw materials, auxiliary materials and consumption of textile and garment products of the Corporation; major markets cut spending, in which garments will be the item with the most spending cut. Therefore, the Corporation makes the provision of salary fund to proactively respond to the complicated developments of the Covid-19 pandemic, ensuring stable income for employees and a stable skilled workforce, and complying with the provisions of Circular No. 96/2015/TT-BTC dated June 22, 2015 (Instructions on corporate income tax in Decree No. 12/2015/ND-CP dated February 12, 2015 of the Government on detailing the implementation of the law to amend and supplement a number of articles of tax laws, and amend and supplement a number of articles of Circular No. 78/2014/TT-BTC dated June 18, 2014, Circular No. 119/2014/TT-BTC dated August 25, 2014 and Circular No. 151/2014/TT-BTC dated October 10, 2014 of the Ministry of Finance). In which, Clause 2, Article 4 clearly states that the provision of the salary fund must not exceed 17% of the realized salary fund and ensure that after the provision, the enterprise will not incur losses.

1. Basis of auditor’s qualified opinion on the Financial Statements 2022:
* On the Separate Financial Statements:

“Provision of salary fund: As of January 01, 2022, balance payable to employees worth VND 15 billion is the amount that the Corporation makes salary provision in the Separate Financial Statements for the year ending on December 31, 2021 to pay employees for the next period. This record of this salary provision on the Separate Financial Statements for the year ending on December 31, 2021 of the Corporation is not consistent with Vietnamese Accounting Standard No. 18 - Provisions, contingent assets and liabilities (VAS18) because the Corporation has no current debt obligations to employees at the time of reporting Therefore, as of January 01, 2022, on the Separate Balance Sheet, payables to employees are recorded an excess of VND 15 billion; taxes and payables to State budget are recorded as a shortfall of VND 3 billion; and undistributed profit after tax is recorded as a shortfall of VND 12 billion. For the fiscal year ending on December 31, 2022, the Corporation has reversed the above salary provision into general and administrative expense instead of adjusting it to undistributed profit after tax as of January 01, 2022. According to the auditor, this record is not in accordance with the provisions of Vietnamese Accounting Standards No. 29 - Changes in accounting policies, accounting estimates and errors (“VAS 29”)”.

* On the Consolidated Financial Statements:

“Provision of salary fund: As of January 01, 2022, balance payable to employees worth VND 15 billion and short-term provision payable worth VND 7 billion are the amounts that the Corporation and its subsidiaries make salary provision in the Consolidated Financial Statements for the year ending on December 31, 2021 to pay employees for the next period. According to the auditor, the record of this salary provision on the Consolidated Financial Statements for the year ending on December 31, 2021 of the Corporation and its subsidiaries is not consistent with Vietnamese Accounting Standard No. 18 - Provisions, contingent assets and liabilities because the Corporation and its subsidiaries have no current debt obligations to employees at the time of reporting. Therefore, as of January 01, 2022, on the Consolidated Balance Sheet, short-term provision payable is recorded an excess of VND 7 billion; taxes and payables to State budget are recorded as a shortfall of VND 4.4 billion; corporate income tax payable is recorded as a shortfall of VND 4.4 billion; and undistributed profit after tax is recorded as a shortfall of VND 17.6 billion. For the fiscal year ending on December 31, 2022, the Corporation has reversed VND 15 billion out of a total of VND 22 billion of the above salary provision into general and administrative expense instead of adjusting it to undistributed profit after tax as of January 01, 2022; and used VND 7 billion of short-term provision payable in 2021 to pay salary expenses in 2022. According to the auditor, this record is not in accordance with the provisions of Vietnamese Accounting Standards No. 29 - Changes in accounting policies, accounting estimates and errors (“VAS 29”)”.

Explanation on the qualified opinion in 2022:

In 2022, the Corporation makes the provision of salary fund to expenses in accordance with Circular 96/2015/TT-BTC dated June 22, 2015 ('Instructions on corporate income tax in Decree No. 12/2015/ND-CP dated February 12, 2015 of the Government on detailing the implementation of the law to amend and supplement a number of articles of tax laws, and amend and supplement a number of articles of Circular No. 78/2014/TT-BTC dated June 18, 2014, Circular No. 119/2014/TT-BTC dated August 25, 2014, and Circular No. 151/2014/TT-BTC dated October 10, 2014 of the Ministry of Finance). In which, Clause 2, Article 4 clearly states: “In cases where an enterprise has made the provision of salary fund in the previous year, but after 6 months from the end of the fiscal year, the enterprise has not used or has not fully used the provision of salary fund, the enterprise must calculate and reduce expenses for next year”.

1. Basis of auditor’s qualified opinion on the Financial Statements 2023:
* On the Separate Financial Statements:

The audit company (KPMG) gives the qualified opinion: "The impact of the provision of salary fund in 2021 on comparative information in the Financial Statements 2023", as follows:

“As of January 01, 2022, balance payable to employees, worth VND 15 billion is the amount that the Corporation makes salary provision in the Separate Financial Statements for the year ending on December 31, 2021 to pay employees for the next year. This record of this salary provision on the Separate Financial Statements for the year ending on December 31, 2021 of the Corporation is not consistent with Vietnamese Accounting Standard No. 18 - Provisions, contingent assets and liabilities (VAS18) because the Corporation has no current debt obligations to employees at the end of the accounting period in 2021 corresponding to this amount. For the year ending on December 31, 2022, the Corporation has reserved the above salary provision into general and administrative expense instead of adjusting it to undistributed profit after tax as of January 01, 2022 according to the provisions of Vietnamese Accounting Standards No. 29 - Changes in accounting policies, accounting estimates and errors (“VAS 29”). Therefore, for the year ending on December 31, 2022, general and administrative expenses are recorded as a shortfall of VND 15 billion; current corporate income tax expense is recorded an excess of VND 3 billion; and profit after tax is recorded an excess of VND 12 billion.

This issue has caused us to give a qualified opinion on the Separate Financial Statements for the year ending on December 31, 2022 of the Corporation. We also give a qualified opinion on the current year's Separate Financial Statements due to the impact this issue has on the comparability of general and administrative expenses, current corporate income tax expense and loss after tax for the current year, and related comparative figures for the year ending on December 31, 2022”.

* On the Consolidated Financial Statements:

The audit company (KPMG) gives the qualified opinion: "The impact of the provision of salary fund in 2021 on comparative information in the Financial Statements 2023", as follows:

“As of January 01, 2022, in the balance payable to employees and short-term provision payable, there is VND 22 billion that are the amounts that the Corporation and its subsidiaries make salary provision in the Consolidated Financial Statements for the year ending on December 31, 2021 to pay employees for the next year. This record of this salary provision on the Consolidated Financial Statements for the year ending on December 31, 2021 of the Corporation and its subsidiaries is not consistent with Vietnamese Accounting Standard No. 18 - Provisions, contingent assets and liabilities (VAS18) because the Corporation and its subsidiaries have no current debt obligations to employees at the end of the accounting period in 2021 corresponding to this amount. For the year ending on December 31, 2022, the Corporation and its subsidiaries have reserved VND 19 billion out of a total of VND 22 billion of the above salary provision into general and administrative expenses instead of adjusting it to undistributed profit after tax as of January 01, 2022 according to the provisions of Vietnamese Accounting Standards No. 29 - Changes in accounting policies, accounting estimates and errors (“VAS 29”). Therefore, for the year ending on December 31, 2022, general and administrative expense is recorded a shortfall of VND 19 billion; current corporate income tax expense is recorded an excess of VND 3.8 billion; and profit after tax is recorded an excess of VND 15.2 billion.

This issue has caused us to give a qualified opinion on the Consolidated Financial Statements for the year ending on December 31, 2022 of the Corporation and its subsidiaries. We also give a qualified opinion on the current year's Consolidated Financial Statements due to the impact this issue has on the comparability of general and administrative expenses, current corporate income tax expense and loss after tax for the current year, and related comparative figures for the year ending on December 31, 2022”.

Explanation on the qualified opinion in 2023:

In 2023, KPMG Limited gives a qualified opinion on the Separate and Consolidated Financial Statements for the year ending on December 31, 2023 of the Corporation and its subsidiaries. We also give a qualified opinion on the current year's Separate and Consolidated Financial Statements due to the impact this issue has on the comparability of general and administrative expenses, current corporate income tax expense and loss after tax for the current year, and related comparative figures for the year ending on December 31, 2022.

1. Solution:

Based on the explanation and proactive correction of issues according to the auditor’s qualified opinion as stated, our Corporation will correct the audit company's qualified opinion to the next year's Financial Statements so that NDT's shares will not be put under alert