

C SOCIALIST REPUBLIC OF VIETNAM

Independence – Freedom – Happiness



No:0903.21/CV-HAGL
 (Re: Interpretation of
 retrospective adjustments in
 audited FS's 2018 and 2019)

Gia Lai, 9 March, 2021

To: - **The State Securities Commission**
 - **Ho Chi Minh Stock Exchange**

According to Letter No. 706/UBCK-GSDC signed by The State Securities Commission on 3 March 2021 regarding the retrospective adjustments in HAG's audited Financial Statements ("FS") 2019 ; Hoang Anh Gia Lai Joint Stock Company ("Company") (stock code: HAG) would like to further interpret a number of details about the basis of provision for each receivable and the reason why the parent company has not made provision for receivables in 2018 and 2019, specifically:

1. Basis of making provision for receivables:**a. Basis of making provision for receivables in the audited separate FS:**

Based on the qualified opinion relating the short term and long term receivables outstanding in the audited separate FS 2018, 2019 which are VND'000 7,203,785,884 and VND'000 10,297,732,389 respectively, the Company's Board of Management decided to make provisions as follows:

ENTITY	VND'000	
	2018	2019
Gia Lai Livestock JSC	4,365,255,572	5,728,839,392
Le me JSC	1,556,446,096	4,315,618,872
Phu Hoàng Anh JSC	341,668,291	-
Huynh De Construction JSC	229,216,928	-
Hoang Anh Gia Lai Wooden Furniture JSC	219,468,433	220,176,467
Thanh Binh Investment & Construction Consultant Co., Ltd	219,817,820	27,595,944
An Tien Co., Ltd	124,235,470	-
Phuc Bao Minh Construction Service Trading JSC	67,975,000	-
Dai Loc Hung Thinh One Member Co., Ltd.	61,576,500	-
Hoang Anh Mekong JSC	12,624,060	-
Minh Tuan Trading and Service Co., Ltd	5,501,714	5,501,714
Total	7,203,785,884	10,297,732,389

Figures of provision made:

Beginning of the year	-	4,771,829,896
Provision	4,771,829,896	140,796,233
End of the year	4,771,829,896	4,912,626,129

In which:

Gia Lai Livestock JSC	3,227,068,800	3,276,998,959
Le me JSC	1,544,761,096	1,635,627,170

b. *Basis of making provision for receivables in the audited consolidated FS:*

Based on the qualified opinion relating the short term and long term receivables outstanding in the audited consolidated FS 2018, 2019 which are 2018, 2019 respectively VND'000 7,594,857,478 and VND'000 10,504,891,358, the Company's Board of Management decided to make provisions as follows:

ENTITY	VND'000	
	2018	2019
Gia Lai Livestock JSC	4,550,604,169	5,864,257,830
Le me JSC	1,556,446,096	4,324,620,870
Phú Hoàng Anh JSC	341,668,291	-
Huynh De Construction JSC	229,216,928	-
Hoang Anh Gia Lai Wooden Furniture JSC	224,338,556	220,760,283
Thanh Binh Investment & Construction Consultant Co., Ltd	219,817,820	27,595,944
An Tien Co., Ltd	200,852,876	62,154,717
Phuc Bao Minh Construction Service Trading JSC	124,235,470	
Dai Loc Hung Thinh One Member Co., Ltd.	67,975,000	-
Hoang Anh Mekong JSC	61,576,500	-
Minh Tuan Trading and Service Co., Ltd	12,624,058	-
Total	5,501,714	5,501,714
Figures of provision made:	7,594,857,478	10,504,891,358
Beginning of the year		
Provision	-	4,957,178,493
End of the year	4,957,178,493	99,868,074
<i>In which:</i>	4,957,178,493	5,057,046,567
<i>Gia Lai Livestock JSC</i>		
<i>Le me JSC</i>	3,412,417,397	3,412,417,397
<i>Gia Lai Livestock JSC</i>	1,544,761,096	1,644,629,170

2. *Basis of making provision for RECEIVABLES ABOVE:*

Item	VND'000	
	2018	2019
A. Audited Separate FS		
Total receivables	7,203,785,884	10,297,732,389
Assessment of recoverability of the debts above from the following sources:		
- <i>Gia Lai Livestock's recoverable net assets</i>	1,133,841,883	1,598,889,518
- <i>Le me's recoverable net assets</i>	-	1,235,310,000
- <i>offsetting with payables</i>	16,029,889	1,147,389,610
- <i>Guaranteed by Mr. Doan Nguyen Duc – BOD chairman and related individuals</i>	1,282,084,216	1,403,517,132

Item	Năm 2018	Năm 2019
Provision for undetermined recoverability of the receivables	4,771,829,896	4,912,626,129
Provision at beginning of the year	-	4,771,829,896
Additional provision	4,771,829,896	140,796,233
B. Audited consolidated FS		
Provision for undetermined recoverability of the receivables	7,594,857,478	10,504,891,358
Provision at beginning of the year		
- Additional provision	1,133,841,883	1,598,889,518
- Provision for undetermined recoverability of the receivables	-	1,235,310,000
- Provision at beginning of the year	16,029,889	1,147,389,610
- Additional provision	1,487,807,213	1,466,255,663
Provision for undetermined recoverability of the receivables	4,957,178,493	5,057,046,567
Provision at beginning of the year	-	4,957,178,493
Additional provision	4,957,178,493	99,868,074

3. Reason for the Company provision above:

Hoang Anh Gia Lai is a Group operating in the agricultural sector dependent on and influenced by market factors. In previous years, based on the positive market conditions related to agriculture, the Board of Management assessed that the ability to recover receivables is high.

In 2020, Covid-19 outbreak makes information on the risks of agricultural markets as well as agricultural sector more evident. Therefore, the Board of Management realized that the previous judgments of risk have not been evaluated most prudently, so the decision to make retrospective adjustment to the Company's audited financial statements 2019 by making provisions for outstanding receivables to avoid auditors' qualified opinion in FS 2020.

In the future, as projects and assets serve as a basis for growth and increase in value, there could be gradual reversal of these provisions. The Board of Directors believes that the provision above will help improve the transparency of the financial statements and give shareholders better access to information.

Above is the Company's interpretation of retrospective adjustment to the audited FS's 2018 and 2019.

Yours sincerely,

HOANG ANH GIA LAI JOINT STOCK COMPANY
GENERAL DIRECTOR

Recipients:

- As above;
- Archives-Planning&Investment

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