

No. 511-1/19/CV-HAGL
(Re: *Explanation for fluctuations in business results in the Consolidated financial statements for the Quarter III/2019*)

THE SOCIALIST REPUBLIC OF VIETNAM

Independence – Freedom – Happiness



Gia Lai, 5th November 2019

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

Hoang Anh Gia Lai Joint Stock Company (“the Company”) and its subsidiaries (“the Group”) (stock code: VND HAG) would like to explain the fluctuations in business results in the Consolidated financial statements for Quarter III/2019 as follows:

I. Explanation for the losses in Quarter III/2019:

Loss before tax in Quarter III/2019 was 546 billion dongs, including operating loss of 882 billion dongs and others 1,429 billion dongs. The major elements are as follows:

1. Operating profit

- Gross profit	:	3 billion dongs
- Financial income	:	1.439 billion dongs
- Financial expenses	:	(273) billion dongs
- Selling expenses	:	(91) billion dongs
- General and administrative expenses	:	(137) billion dongs
- Profits in associates and joint ventures	:	(60) billion dongs
- Operating loss	:	882 billion dongs

It was mainly due to proceeds from the transfer of investments to a third party.

2. Other losses

It was mainly due to the Group’s assessment of non-performing assets and adjustment of the cost of investment in rubber and oil palm plantations to fruit plantations.

II. Explanations:

1. Operating activities

- Revenue from sale of goods and commodity and provision of services in the period decreased by 839 billion dongs as compared with that of the same period in 2018 (Quarter III/2018: 1.405 billion dongs; Quarter III/2019: 566 billion dongs). Major fluctuations are as follows :
 - + Revenue from fruits decreased by 572 billion dongs as compared with that of the same period in 2018 (Quarter III/2018: 924 billion dongs; Quarter III/2019: 352 billion dongs) mainly because the Group no longer consolidated revenues from the Group of Dong Duong Companies and Trung Nguyen Rubber JSC. Besides, over 1,200 ha of banana were at harvest time in Laos sustained damage from flood due to unforeseen weather. Also in this period, the Group were still regulating the crops reaping limited crop as compared with that of the same period in 2018.
 - + Revenue from provision of rental service and other services decreased by 167 billion dongs as compared with that of the same period in 2018 (Quarter III/2018: 229 billion dongs; Quarter III/2019: 62 billion dongs). Mainly because the Group no longer consolidated revenue from Hoang Anh Gia Lai – Myanmar complex.

- + Revenue from sale of cows decreased by 41 billion dong as compared with that of the same period in 2018 (Quarter III/2018: 41 billion dong; Quarter III/2019: not generated) mainly because the Group did not prioritize working capital to fund cattle sector, instead, on fruit sector..
- + Proceeds from disposal of investment properties decreased by 38 billion dong as compared with that of the same period in 2018 (Quarter III/2018: 38 billion dong; Quarter III/2019: not generated) mainly because in Quarter III/2018 the Group transferred part of the property project in Quy Nhon city, Binh Dinh province to a third party.
- + Revenue from sale of goods and commodities decreased by 17 billion dong as compared with that of the same period in 2018 (Quarter III/2018: 101 billion dong; Quarter III/2019: 84 billion dong) mainly because the Group focused on fruit sector.
- + Revenue from sale of rubber latex did not change as compared with that of the same period in 2018.
- Cost of goods sold in the period decreased by 100 billion dong as compared with that of the same period in 2018 (Quarter III/2018: 654 billion dong; Quarter III/2019: 554 billion dong). Major fluctuations were as follows:
 - + Cost of fruits decreased by 56 billion dong as compared with that of the same period in 2018 (Quarter III/2018: 365 billion dong; Quarter III/2019: 309 billion dong).
 - + Cost of rental service and other services decreased by 78 billion dong as compared with that of the same period in 2018 (Quarter III/2018: 127 billion dong; Quarter III/2019: 49 billion dong).
 - + Cost of cows decreased by 4 billion dong as compared with that of the same period in 2018 (Quarter III/2018: 4 billion dong; Quarter III/2019: not generated).
 - + Cost of investment property disposal decreased by 17 billion dong as compared with that of the same period in 2018 (Quarter III/2018: 17 billion dong; Quarter III/2019: not generated).
 - + Cost of goods and commodities increased by 3 billion dong as compared with that of the same period in 2018 (Quarter III/2018: 63 billion dong; Quarter III/2019: 66 billion dong).
 - + Cost of rubber latex increased by 53 billion dong as compared with that of the same period in 2018 (Quarter III/2018: 76 billion dong; Quarter III/2019: 129 billion dong).

2. Financing activities

- Financial income increased by 709 billion dong as compared with that of the same period in 2018 (Quarter III/2018: 730 billion dong; Quarter III/2019: 1.439 billion dong) mainly because in Quarter III/2019 the Group had recorded proceeds from disposal of investments.
- Financial expenses decreased by 170 billion dong as compared with that of the same period in 2018 (Quarter III/2018: 443 billion dong; Quarter III/2019: 273 billion dong). Major fluctuations were as follows:
 - + Interest expenses decreased by 159 billion dong as compared with that of the same period in 2018 (Quarter III/2018: 408 billion dong; Quarter III/2019: 249 billion dong) mainly because loan balance decreased.
 - + Loss on exchange rate difference decreased by 6 billion dong as compared with that of the same period in 2018 (Quarter III/2018: 27 billion dong; Quarter III/2019: 21 billion dong).

3. Hoạt động khác

- Other income decreased by 2 billion dong as compared with that of the same period in 2018 (Quarter III/2018: 7 billion dong; Quarter III/2019: 5 billion dong).

- Other expenses increased by 870 billion dongs as compared with that of the same period in 2018 (Quarter III/2018: 563 billion dongs; Quarter III/2019: 1.433 billion dongs) mainly because the Group assessed non-performing assets and adjusted cost of investment in rubber and oil palm plantations to the cost of conversion into fruit plantations.

The Group's other operations have been going on normally with no considerable fluctuations

Above is the Company's explanations on the business results in the Consolidated financial statements for Quarter III of 2019.

Yours faithfully,

<p>Recipients: - As above; - Filed at Filing and Planning and Investment Department.</p>	<p>HOANG ANH GIA LAI JOINT STOCK COMPANY GENERAL DIRECTOR</p> <p>VO TRUONG SON</p>
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