

No: 3007-1/19/CV-HAGL
(Re: Explanation for fluctuations in business results in the Consolidated financial statements for the Quarter II of 2019)

THE SOCIALIST REPUBLIC OF VIETNAM
Independence – Freedom – Happiness



Gia Lai, July 30, 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 the Quarter II of 2019 as compared with those for the Quarter II of 2018 as follows:

- Profit after tax in the Quarter II of 2019: VND 22 billion.
- Profit after tax in the Quarter II of 2018: VND 57 billion.

I. Explanation for the losses of Quarter II of 2019

The Group's pre-tax losses for Q2/2019 were VND 687 billion, including business losses of VND 329 billion and other losses of VND 358 billion. The main constituting elements are:

1. Loss from business operations

Gross profit	VND 155 billion
Financial income	VND 191 billion
Financial expenses	VND (393) billion
Selling expenses	VND (102) billion
General and administrative expenses	VND (186) billion
Profits in associates and joint ventures	VND 6 billion
Operating loss	VND (329) billion

The main reasons for those losses lay in high interest expenses, allocation of goodwill in the period and increased transportation costs.

2. Other losses

It is primarily because of the Group's re-evaluation of ineffective assets, and adjustments in the costs of converting plantations.

II. Explanation for fluctuations in business results

1. Business operations

- Revenues from sales of commodities and of services in the period decreased by VND 1,375 billion year over year (Quarter II of 2018: VND 1,888 billion; Quarter II of 2019: VND 513 billion). The major fluctuations are presented as follows:
 - + Revenue from leasing services and other services decreased by VND 272 billion year over year (Quarter II of 2018: VND 335 billion; Quarter II of 2019: VND 63 billion). The main reason was that the Group no longer consolidates revenues from the Hoang Anh Gia Lai - Myanmar complex.
 - + Sales of fruits decreased by VND 522 billion year over year (Quarter II of 2018: VND 930 billion; Quarter II of 2019: VND 408 billion). The main reason lay in a decrease in passion fruit revenue. Additionally, in this period, the Group actively regulated crops and did not harvest as much as in the same period in 2018.
 - + Sales of chili decreased by VND 359 billion year over year (Quarter II of 2018: VND 359 billion; Quarter II of 2019: not generated). The main reason lay in the conversion of the planted areas of chili into those of perennial crops.
 - + Sales of goods and commodities decreased by VND 181 billion year over year (Quarter II of 2018: VND 206 billion; Quarter II of 2019: VND 25 billion). The main reason was the Group's increased focus on investment in fruit plantations.

- + Sales of goods and commodities decreased by VND 46 billion (Quarter II of 2018: VND 67 billion; Quarter II of 2019: VND 21 billion).
- + Sales of cows decreased by VND 38 billion year over year (Quarter II of 2018: VND 38 billion; Quarter II of 2019: not generated).
- Costs of goods sold in the period decreased by VND 581 billion year over year (Quarter II of 2018: VND 939 billion; Quarter II of 2019: VND 358 billion). The major fluctuations are presented as follows:
 - + Costs of leasing and other services decreased by VND 157 billion year over year (Quarter II of 2018: VND 211 billion; Quarter II of 2019: VND 54 billion).
 - + Costs of fruits decreased by VND 67 billion year over year (Quarter II of 2018: VND 331 billion; Quarter II of 2019: VND 264 billion).
 - + Costs of chili decreased by VND 262 billion year over year (Quarter II of 2018: VND 262 billion; Quarter II of 2019: not generated).
 - + Costs of goods and commodities decreased by VND 42 billion year over year (Quarter II of 2018: VND 51 billion; Quarter II of 2019: VND 9 billion).
 - + Costs of selling cows decreased by VND 57 billion year over year (Quarter II of 2018: VND 57 billion; Quarter II of 2019: not generated).

2. Financial operations

- Financial income in the period increased by VND 20 billion year over year (Quarter II of 2018: VND 171 billion; Quarter II of 2019: VND 191 billion). It was due to increased interest incomes.
- Financial expenses in the period decreased by VND 135 billion year over year (Quarter II of 2018: VND 538 billion; Quarter II of 2019: VND 293 billion). It was due to a decrease in interest expenses.
 - + Interest expenses decreased by VND 71 billion year over year (Quarter II of 2018: VND 429 billion; Quarter II of 2019: VND 358 billion). This was primarily because of decreased loan balance.
 - + Loss of exchange rate difference decreased by VND 74 billion year over year (Quarter II of 2018: VND 94 billion; Quarter II of 2019: VND 20 billion).

3. Other operations

- Other incomes in the period increased by VND 14 billion year over year (Quarter II of 2018: VND 4 billion; Quarter II of 2019: VND 18 billion).
- Other costs in the period increased by VND 261 billion year over year (Quarter II of 2018: VND 115 billion; Quarter II of 2019: VND 376 billion). It was because the Group re-evaluated ineffective assets and adjusted the costs of converting plantations in the period.

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 the Quarter II of 2019.

Yours faithfully,

To:

**HOANG ANH GIA LAI JOINT STOCK COMPANY
GENERAL DIRECTOR**

- *As above;*
- *Filed at Filing and Planning and Investment Department.*

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