



No: /CV-HAGL  
(Re: Explanation for  
the Consolidated financial statements  
for Quarter IV of 2018)

Gia Lai, January 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: HAG) would like to give the explanation for the loss and fluctuations in business results in the Consolidated financial statements for Quarter IV of 2018 as follows:

#### **I. Explanation for the loss in Quarter IV of 2018:**

The Group's pre-tax loss in Quarter IV of 2018 was VND 344 billion, including business losses of VND 195 billion and other losses of VND 149 billion. The main constituent elements are presented as follows:

##### **1. Loss from business operations**

- Gross profit	:	VND 224 billion
- Financial income	:	VND 211 billion
- Financial expenses	:	VND (319) billion
- Selling expenses	:	VND (47) billion
- General and administrative expenses	:	VND (291) billion
- Profit in joint ventures and associates	:	VND 27 billion
- Operating loss	:	VND (195) billion

It was mainly resulted from high interest expenses and some provisions for expenses related to business operations made by the Group.

##### **2. Other losses**

Other losses incurred were mainly resulted from the Group's re-assessment of ineffective assets, and adjustment in which the costs of investing in oil palm plantations are rearranged into the costs of converting them to fruit tree plantations.

#### **II. Explanation for fluctuations in business results**

##### **1. Business operations**

- Revenues from sales of goods and rendering of services in the period decreased by VND 63 billion as compared to those in the same period of 2017 (Quarter IV of 2017: VND 1,106 billion; Quarter IV of 2018: VND 1,043 billion). The major fluctuations are presented as follows:
  - + Revenue from the fruit and chili sale increased by VND 304 billion compared to that in the same period in 2017 (Quarter IV of 2017: VND 379 billion; Quarter IV of 2018: VND 683 billion), stemming from the increased fruit harvest area and the Group's additional revenue from fruit-sale activities of Dai Thang Agriculture Development Co., Ltd, a subsidiary bought by the Company in March, 2018.
  - + Revenue from the sale of goods and commodities decreased by VND 175 billion compared to that in the same period in 2017 (Quarter IV of 2017: VND 200 billion; Quarter IV of 2018: VND 25 billion), mainly caused by the Group's policy of focusing on fruit-tree sector.
  - + Revenue from the leasing service and other services decreased by VND 283 billion compared to that in the same period of 2017 (Quarter IV of 2017: VND 340 billion; Quarter IV of 2018: VND 57 billion), mainly caused by the fact that the Group no longer consolidates the revenue from Hoang Anh Gia Lai - Myanmar complex.

- + Revenue from the sale of cows decreased by VND 52 billion compared to that in the same period of 2017 (Quarter IV of 2017: VND 100 billion; Quarter IV of 2018: VND 48 billion) as a result of the Group's priority given to focusing capital funding on the fruit-tree sector instead of the cow sector.
- + Revenue from the sale of rubber latex increased by VND 168 billion compared to that in the same period in 2017 (Quarter IV of 2017: VND 53 billion; Quarter IV of 2018: VND 221 billion). It mainly stems from the increased area put into operation in 2018 as compared to that in 2017.
- + Revenue from the sale of real estate decreased by VND 27 billion as compared to that in the same period of 2017 (Quarter IV of 2017: VND 34 billion; Quarter IV of 2018: VND: 7 billion).
- Cost of goods sold in the period increased by VND 183 billion as compared to that in the same period in 2017 (Quarter IV of 2017: VND 636 billion; Quarter IV of 2018: VND 819 billion). The major fluctuations are presented as follows:
  - + Cost of fruits and peppers increased by VND 309 billion compared to that in the same period in 2017 (Quarter IV of 2017: VND 128 billion; Quarter IV of 2018: VND 437 billion).
  - + Cost of goods and commodities increased by VND 42 billion as compared to that in the same period of 2017 (Quarter IV of 2017: VND 1 billion; Quarter IV of 2018: VND 43 billion).
  - + Cost of the leasing service and other services decreased by VND 183 billion as compared to that in the same period of 2017 (Quarter IV of 2017: VND 239 billion; Quarter IV of 2018: VND 56 billion).
  - + Cost of cows sold decreased by VND 173 billion as compared to that in the same period in 2017 (Quarter IV of 2017: VND 214 billion; Quarter IV of 2018: VND 41 billion).
  - + Cost of rubber latex increased by VND 217 billion as compared to that in the same period in 2017 (Quarter IV of 2017: VND 19 billion; Quarter IV of 2018: VND 236 billion).
  - + Cost of the sale of real estate decreased by VND 29 billion as compared to that in the same period of 2017 (Quarter IV of 2017: VND 35 billion; Quarter IV of 2018: VND 6 billion).

## **2. Financial operations**

- Financial income in the period increased by VND 11 billion as compared to that in the same period in 2017 (Quarter IV of 2017: VND 200 billion; Quarter IV of 2018: VND 211 billion).
- Financial operation expenses in the period decreased VND 268 billion as compared to that in the same period in 2017 (Quarter IV of 2017: VND 587 billion; Quarter IV of 2018: VND 319 billion). The major fluctuations are as follows:
  - + Interest expenses decreased VND 195 billion as compared to that in the same period in 2017 (Quarter IV of 2017: VND 521 billion; Quarter IV of 2018: VND 326 billion). The main reason for this is due to the decrease of loan balance.
  - + Loss from exchange rate differences decreased VND 64 billion as compared to that in the same period in 2017 (Quarter IV of 2017: VND 45 billion; Quarter IV of 2018: VND (19) billion).

## **3. Other operations**

- Other incomes in the period decreased VND 21 billion as compared to that in the same period in 2017 (Quarter IV of 2017: VND 53 billion; Quarter IV of 2018: VND 32 billion). The major fluctuations are as follows:
  - + Profit from disposal of fixed assets decreased 39 VND billion as compared to that in the same period in 2017 (Quarter IV of 2017: VND 39 billion; Quarter IV of 2018: not generated).
  - + Other revenues increased VND 18 billion as compared to that in the same period in 2017 (Quarter IV of 2017: VND 14 billion; Quarter IV of 2018: VND 32 billion).
- Other expenses in the period decreased VND 283 billion as compared to that in the same period in 2017 (Quarter IV of 2017: VND 464 billion; Quarter IV of 2018: VND 181 billion). The main reason is that in Quarter IV of 2017, The Group has carried out an assessment of inefficient assets and reclassified the investment cost of oil palm plantations to the cost of converting to fruit tree planting. This cost is less than that in Quarter IV of 2018.

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 IV of 2018.

Yours faithfully,

**To:**

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

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

**VO TRUONG SON**