

No: 3003-2/19/CV-HAGL
(Re: Explanation for the audited separate financial statements for 2018)

Gia Lai, March 30, 2019

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

Hoang Anh Gia Lai Joint Stock Company (“**the Company**”) (stock code: HAG) would like to give the explanation for the separate financial statements for 2018 audited by Ernst & Young Vietnam Limited as follows:

I. The difference in business results between the audited separate financial statements for 2018 and the audited separate financial statements for 2017.

VND'000

Item	Business results in the audited separate financial statements for 2018	Business results in the audited separate financial statements for 2017	Difference
Profit after corporate income tax	(108,070,025)	(475,051,993)	(366,981,968)

The primary reasons of the difference are presented as follows:

- Financial income increased by 267,769,025 thousand VND, which is mainly caused by dividends recognized from its subsidiaries by the Company in 2018.
- Financial expenses decreased by 200,317,249 thousand VND because in 2017, the Company recognized investment provisions into subsidiaries which decreased in 2018.
- Selling and administrative expenses increased by 125,438,575 thousand VND because the Company made a provision for several expenses related to business operations.
- Other income increased by 20,519,017 thousand VND because in 2018, the Company received more income from the liquidation of assets.

II. The difference in business results between the separate financial statements for quarter IV of 2018 and the audited separate financial statements for 2018.

VND'000

Item	Business results accumulated from the beginning of the year in the separate financial statements for quarter IV of 2018	Business results in the audited separate financial statements for 2018	Difference
Profit after corporate income tax	(101,652,114)	(108,070,025)	6,417,911

The main reason for the difference is the accounting entry added to recognize losses from exchange rate differences of 5,817,990 thousand VND.

III. Qualified opinion

In the audit report, auditors issued a qualified opinion on the estimation of the recoverability of the total receivables amounting to 2,176,011,448 thousand VND from related parties. This is mainly because the related parties have been operating various business projects such as real estate, farming, livestock with a wide range of assets which are still in the phase of basic investment and construction. As a result, profits and a surplus of cash flow have not been generated, which is difficult to estimate the assets and cash flow to repay the Group. We believe that once the business projects of the related

parties are put into commercial operation and yield profits, the estimation of the recoverability of the receivables will become much easier and the auditors will be able to obtain enough information to issue an unqualified opinion.

IV. Emphasized issues

In the audit report, the auditors emphasized some factors suggesting material uncertainties which possibly led to considerable doubts about the Company's ability to maintain an on-going operation, based on the net loss of 108,070,025 thousand VND incurred in the financial year as at December 31, 2018. It is recorded that, on this day, the Company made an accumulated loss of 22,479,240 thousand VND and its short-term debt exceeded its short-term assets of 173,459,190 thousand VND. Furthermore, the Company reportedly violated some loans and bonds. The Company would like to explain this issue as follows:

- On August 3, 2018, Truong Hai Auto Corporation ("THACO") signed a strategic cooperation agreement with the Company to invest in the agricultural and real estate sector. Accordingly, Thaco has pledged to arrange the restructuring of loans (approximately 14,000 billion VND), mobilize investment capital to tend the current fruit-tree areas, develop and expand the areas (expectedly in 2019 and 2020, the fruit-tree areas will be increased to 30,000 ha with various types of trees like banana, dragon fruit, pomelo, etc.), invest in planting 5,000 ha of medicinal plants, and manufacturing supplemental and complementary products and drinks, and continue to investing in phase 2 of the Myanmar project.
- Besides, the Company discussed the issues with related banks to adjust binding terms in case credit agreements are not applicable at the present time.

For the reasons mentioned above, we believe that the Company will overcome the hardship and we will continue to make financial statements on the basis of on-going operation.

The Group's other operations have been going on normally with no considerable fluctuations. Above is the Company's explanation for the audited separate financial statements for 2018.

Yours faithfully,

To:

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



GENERAL DIRECTOR

VO TRUONG SON

