

No : 295/CV/IFS-2019

Bien Hoa, 23rd July 2019

**To : - State Securities Commission (SSC)
 - Hanoi Stock Exchange (HNX)**

(Re: Explanatory for Consolidated business results of 2nd Quarter 2019)

First we would like to thank you for your continued support.

We would like to provide the result of Consolidated income statement for the 2nd Quarter of year 2019 as following:

Unit: VND'000

Descriptions	2nd Quarter - 2019	2nd Quarter - 2018	%	YTD2019Q2	YTD2018Q2	%
Revenue from sale of goods	460,985,865	464,654,721	-1%	851,339,723	810,876,341	5%
Revenue deductions	43,294,724	32,513,326	33%	70,873,677	52,901,221	34%
<i>Deduction ratio</i>	<i>9%</i>	<i>7%</i>		<i>8%</i>	<i>7%</i>	
Net revenue	417,691,141	432,141,395	-3%	780,466,046	757,975,120	3%
Cost of sales	233,008,657	256,397,130	-9%	444,723,079	451,638,526	-2%
<i>COGS ratio</i>	<i>56%</i>	<i>59%</i>		<i>57%</i>	<i>60%</i>	
Gross profit	184,682,484	175,744,265	5%	335,742,967	306,336,594	10%
<i>Gross Profit ratio</i>	<i>44%</i>	<i>41%</i>		<i>43%</i>	<i>40%</i>	
Financial income	202,884	327,416	-38%	396,299	533,442	-26%
Financial expenses	34,872	1,895,896	-98%	386,440	2,823,307	-86%
<i>In which: interest expense</i>	<i>7,440</i>	<i>794,161</i>	<i>-99%</i>	<i>16,292</i>	<i>1,723,574</i>	<i>-99%</i>
Selling expenses	82,568,260	92,844,109	-11%	162,837,270	172,073,816	-5%
<i>Selling expenses ratio</i>	<i>20%</i>	<i>21%</i>		<i>21%</i>	<i>23%</i>	
General and administration expenses	8,920,866	8,212,875	9%	16,790,750	16,998,657	-1%
Operating profit	93,361,370	73,118,801	28%	156,124,806	114,974,256	36%
Other income	39,163	2,974,363	-99%	172,483	3,212,339	-95%
Other expenses	2,507,690	4,555,237	-45%	5,013,339	5,934,895	-16%
Profit before tax	90,892,843	71,537,927	27%	151,283,950	112,251,700	35%
CIT for the current year	19,421,696	16,069,268	21%	24,326,052	19,083,450	27%
Deferred CIT	7,109,351	(10,250,252)	-169%	6,900,724	(10,458,879)	-166%
Profit after tax	64,361,796	65,718,911	-2%	120,057,174	103,627,129	16%
<i>Profit after tax ratio</i>	<i>15%</i>	<i>15%</i>		<i>15%</i>	<i>14%</i>	
Equity holders of the Company	64,373,920	65,713,636	-2%	120,083,695	103,648,390	16%
Non-controlling interest	(12,124)	5,275	-330%	(26,521)	(21,261)	25%

In the 2nd Quarter of 2019, the Company achieved a profit after tax of VND 64.3 billion, decreased of 2% compared to the same period in 2018, the results was from the following reasons:

Total sales revenue in the 2nd Quarter of 2019 decreased by 1% compared to the same period in 2018, although the sales team of the Company always adheres to the sales target, thoroughly complying with the basic sales rules and focus on opening new sale outlets. The sales management performs reasonable transferring of sale force structure, optimize sales zone and launching sale-promotion policies timely and effectively. As a result, net revenue decreased by 3% compared to the same period in 2018, but net revenue from Q1-Q2 increased by 3% compared to the same period in 2018.

Cost of sales in the 2nd Quarter of 2019 decreased, accounting for 56% of net revenue compared to 59% of the same period last year because in this quarter, the company continued to increase production output, maintain stable purchasing price of materials, reduced processing costs and efficient and economical use of overhead production costs causing the reduction of costs per unit of product, resulting in reduction of the proportion of cost of goods sold

Financial operating expenses decreased in the 2nd Quarter of 2019 as the company repaid all the loans from the parent company at the end of 2018.

In the 2nd Quarter of 2019, the Company continued to implement sales support programs such as discount programs, promotions, special incentive for distributors and sales teams and support programs for outlets, ... with the aim of maintaining and growing sales. Selling expenses remain at 20% of net revenue, reduce compared with same period last year.

General and administration expenses slightly increased by 2.1% on net revenue compared to 1.9% in the same period last year due to the reduction of some related operating expenses.

Other incomes in this quarter mostly referred to the compensation from several suppliers

Other expenses mostly referred to the depreciation cost of several idled assets which are not use in the period.

Current corporate income tax expense increased because in 2nd Quarter of 2019, the company achieved a profit before tax margin of 15%, equally to the 2nd Quarter of 2018.

Deferred income tax increased due to the reversal of the deferrred tax asset in Quarter 2 of 2019.

Above are some explanation for operating results of the 2nd Quarter 2019.

Thanks and best regards.

ONBEHALF OF THE COMPANY

(Signed and sealed)

Yutaka Ogami
Chairman cum General Director