

No : 590 /CV-IFS-2014

Bien Hoa, 14th August 2014

To : State Securities Commission

(Re: Explanatory for Consolidated business results of 2nd Quarter 2014)

First we would like to thank for your support recently.

We would like to provide the result of consolidation income statement for the 2nd quarter of year 2014 as following:

Descriptions	Quarter 2 - 2014	%	Quarter 2 - 2013	%	Variance	%
	Thousand VND		Thousand VND		Thousand VND	
Gross sales	310,377,378		281,521,217		28,856,161	10%
Less deductions:	11,810,663		7,903,493		3,907,170	49%
Net sales	298,566,715	100%	273,617,724	100%	24,948,991	9%
Cost of sales	229,060,519	77%	198,824,552	73%	30,235,967	15%
Gross profit	69,506,196	23%	74,793,172	27%	(5,286,976)	-7%
Income from financial activities	3,063,872	1.0%	490,533	0.2%	2,573,339	525%
Expenses for financial activities	9,333,466	3%	6,960,943	3%	2,372,523	34%
<i>Including: interest expense</i>	1,749,920	1%	2,090,789	1%	(340,869)	-16%
Selling expenses	121,904,602	41%	122,117,672	45%	(213,070)	0%
General and administration expenses	8,911,547	3%	8,401,323	3%	510,224	6%
Operating profit (loss)	(67,579,547)	-23%	(62,196,233)	-23%	(5,383,314)	9%
Other income	7,526,911	3%	725,504	0%	6,801,407	937%
Other expenses	769,940	0%	1,837,750	1%	(1,067,810)	-58%
Profit (loss) before tax	(60,822,576)	-20%	(63,308,479)	-23%	2,485,903	-4%
CIT for the current year	-	0%	-	0%	-	
Deferred CIT	94,551	0%	120,125	0%	(25,574)	0%
Profit(loss) after tax	(60,917,127)	-20%	(63,428,604)	-23%	2,511,477	-4%
Minority interest	120,008	0%	(41,265)	0%	161,273	-391%
Net profit	(61,037,135)	-20%	(63,387,339)	-23%	2,350,204	-4%

We would like to explain several factors related to the results of consolidated operations as of the reporting period as follows:

Net sales in the 2nd quarter of year 2014 increased by 9% comparing to the same period in year 2013, due to the company has expanded the sale outlets nationwide, launched new product (green tea), deployed selling program to increase the customer consuming, and as results the company has achieved and overcome the sale target for the 2nd quarter and also for 1sh half year 2014.

Cost of goods sold in the 2nd quarter of 2014 increased, with ratio of 77% net sales compared to 73% of last year due to the increasing cost of input raw material, and an additional inventory provision was made in the 2nd quarter accounting to VND 16 billion.

Income from financial activities in the 2nd quarter of 2014 increased comparing to the same period last year, mostly related to the difference of exchange rate for the items of foreign currencies according to the regulations.

Expenses for financial activities in the 2nd quarter of 2014 increased relating to the foreign exchange rate revaluation, the loan interest was kept at 1% per net sale due to the Company is still maintaining the inter-company off-shore loans with interest rates about 1.9% per annual.

In the 2nd quarter of 2014, the company continued performance of the advertising program, promotion and supporting for distributors, outlets, and salesmen.... lead to the selling expenses still kept high and accounted for 41% net sale.

General and administration expenses increased compared to the same period in 2013 and kept at 3% net sale

Other income in this period increase due to the discounts from the main suppliers.

Other expenses mostly referred to the depreciation cost of several idled assets.

Above are some explanation for operating results of 2nd Quarter 2014.

Thanks and best regards!

ONBEHALF OF THE COMPANY

(Signed and Sealed)

Michio Nagabayashi
Chairman, General Director