

No : 063/CV/IFS/2020

Bien Hoa, 20 July 2020

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

(Re: Explanatory for Business results of 2nd Quarter 2020)

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

We would like to provide the result of income statement for the 2nd Quarter of year 2020 as following:

Unit: VND'000

Descriptions	2nd Quarter - 2020	2nd Quarter - 2019	%	YTD2020Q2	YTD2019Q2	%
Revenue from sale of goods	385,086,009	460,985,866	-16%	718,292,273	851,339,724	-16%
Revenue deductions	33,740,867	43,294,724	-22%	62,443,376	70,873,677	-12%
<i>Deduction %</i>	<i>9%</i>	<i>9%</i>		<i>9%</i>	<i>8%</i>	
Net revenue	351,345,142	417,691,142	-16%	655,848,897	780,466,047	-16%
Cost of sales	214,626,896	235,657,122	-9%	400,282,561	449,784,451	-11%
<i>COGS %</i>	<i>61%</i>	<i>56%</i>		<i>61%</i>	<i>58%</i>	
Gross profit	136,718,246	182,034,020	-25%	255,566,336	330,681,596	-23%
<i>GP %</i>	<i>39%</i>	<i>44%</i>		<i>39%</i>	<i>42%</i>	
Financial income	1,574,924	851,615	85%	2,547,985	1,661,123	53%
Financial expenses	76,167,422	34,872	218320%	76,164,578	386,440	19609%
<i>In which: interest expense</i>	<i>4,930</i>	<i>7,439</i>	<i>-34%</i>	<i>10,538</i>	<i>16,291</i>	<i>-35%</i>
Selling expenses	67,277,762	82,568,261	-19%	128,901,494	162,837,271	-21%
<i>Selling expenses %</i>	<i>19%</i>	<i>20%</i>		<i>20%</i>	<i>21%</i>	
General and administration expenses	7,471,830	8,167,757	-9%	16,338,248	15,435,759	6%
Operating profit (loss)	(12,623,844)	92,114,745	-114%	36,710,001	153,683,249	-76%
Other income	273,312	33,145	725%	337,948	166,465	103%
Other expenses	659,281	1,357,597	-51%	725,545	2,713,154	-73%
Profit (loss) before tax	(13,009,813)	90,790,293	-114%	36,322,404	151,136,560	-76%
CIT for the current year	1,855,669	18,984,235	-90%	5,567,187	23,485,151	-76%
Deferred CIT	1,652,826	7,317,978	-77%	1,652,826	7,317,978	-77%
Profit (loss) after tax	(16,518,308)	64,488,080	-126%	29,102,391	120,333,431	-76%
<i>PL %</i>	<i>-5%</i>	<i>15%</i>		<i>4%</i>	<i>15%</i>	

During the 2nd Quarter, the company has completed the merger of Avafood Limited Company (Avafood) pursuant to the Merger Agreement signed on 25 May 2020 has been approved by the competent authority according to the Enterprise Registration Certificate of Interfood No. 3600245631, issued by Dong Nai Province Business Registration Office, with its 7th amendment on 30 June, 2020. Combination with the liquidation of investment to Avafood, during 2nd Quarter of 2020, the company has made loss of VND 16.6 Billion after tax. And accumulated to Quarter 2-2020, the Company achieved an after-tax profit of VND 29 billion, coming from following reasons:

Total sales revenue in the 2nd Quarter of 2020 decreased by 16% compared to the same period in 2019 due to the impacts and effects of the COVID-19 pandemic, however, the Company's sales team tried to keep abreast of the sales target. As a result, in this quarter the net sales decreased by 16% compared to the same period in 2019.

The increase in financial expenses was mainly due to the merger losses of Avafood. These expenses showed the difference between the book value of the investment was greater than the book value of assets and liabilities due to the merger.

Cost of sales in the 2nd Quarter of 2020 increased, accounting for 61% of net revenue compared to 56% of the same period last year because in this quarter, the company decreased about 38% production volume due to sale reduced. However, the Company still 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.

In the 2nd Quarter of 2020, 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. However, due to the impact of the disease, some customers did not meet the sales targets, leading to a reduction in selling expenses to 19% of net sales, down 1% compared to the same period of the last year.

General and administration expenses increased by 2.1% on net revenue compared to 2.0% in the same period last year due to the increase of some related outsources services expenses.

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

Above are some explanation for operating results of the 2nd Quarter of 2020.

Thanks and best regards.

ONBEHALF OF THE COMPANY

(Signed and sealed)

Yutaka Ogami
General Director