

DHG PHARMACEUTICAL JOINT STOCK COMPANY

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED 30 JUNE 2019**

DHG PHARMACEUTICAL JOINT STOCK COMPANY

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CONTENTS	PAGE
Corporate information	1
Consolidated balance sheet (Form B 01-DN/HN)	2
Consolidated income statement (Form B 02- DN/HN)	4
Consolidated cash flow statement (Form B 03-DN/HN)	6
Notes to the consolidated financial statements (Form B 09-DN/HN)	7

DHG PHARMACEUTICAL JOINT STOCK COMPANY

CORPORATE INFORMATION

Establishment decision	No. 2405/QD-CT.UB dated 5 August 2004 This decision was issued by the People's Committee of Can Tho City.	
Business registration certificate	No. 5703000111 dated 15 September 2004 issued by the Department of Planning and Investment of Can Tho City. The Business registration certificate has been amended several times, and its latest amendment No. 1800156801 dated 01 July 2019 was issued by the Department of Planning and Investment of Can Tho City.	
The Board of Directors	Mr. Nguyen Chi Thanh Ms. Dang Thi Thu Ha Mr. Jun Kuroda Mr. Masashi Nakaura Mr. Maki Kamijo Mr. Doan Dinh Duy Khuong Mr. Phan Minh Tien Mr. Do Le Hung Mdm. Pham Thi Viet Nga Mr. Tran Chi Liem	Chairman (resigned on 11 June 2019) Chairman (appointed on 11 June 2019) Member Member (appointed on 11 June 2019) Member (appointed on 11 June 2019) Member Member Member (appointed on 11 June 2019) Member (resigned on 11 June 2019) Member (resigned on 11 June 2019)
The Board of Management	Mr. Doan Dinh Duy Khuong Mr. Le Chanh Dao Ms. Nguyen Ngoc Diep Mr. Tomoyuki Kawata	Interim General Director Deputy General Director Deputy General Director Deputy General Director
The Board of Supervisory	From 11 June 2019, the Company changed its organizational structure, management and control from the Board of Supervisory model to the Audit Committee model under the Board of Directors. Mr. Tran Quoc Hung Ms. Nguyen Phuong Thao Mr. Tran Trung Kien	
Audit Committee	Mr. Do Le Hung Ms. Dang Thi Thu Ha Mr. Maki Kamijo	Head (appointed on 11 June 2019) Member (appointed on 11 June 2019) Member (appointed on 11 June 2019)
Legal representative	Mr. Doan Dinh Duy Khuong	Interim General Director
Head office	288 Bis Nguyen Van Cu, An Hoa Ward, Ninh Kieu District, Can Tho City, Vietnam	

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 01 – DN/HN

INTERIM CONSOLIDATED BALANCE SHEET

Codes	ASSETS	Notes	As at 30.06.2019 VND	As at 31.12.2018 VND
100	CURRENT ASSETS		3,274,575,535,620	3,147,636,450,849
110	Cash and cash equivalents	4	82,131,198,338	75,835,597,431
111	Cash		57,131,198,338	75,330,296,062
112	Cash equivalents		25,000,000,000	505,301,369
120	Short-term financial investments		1,681,500,000,000	1,459,722,000,000
123	Held-to-maturity investments	5	1,681,500,000,000	1,459,722,000,000
130	Short-term receivables		594,373,085,519	669,787,225,237
131	Short-term trade receivables	6	529,237,456,004	618,503,855,955
132	Short-term advances to suppliers		41,788,391,292	26,841,394,656
135	Short-term loan receivables		2,885,036,714	3,395,400,976
136	Other short-term receivables	7	55,524,743,100	55,618,287,897
137	Provision for short-term doubtful debts	8	(35,062,541,591)	(34,571,714,247)
140	Inventories	9	883,707,069,858	891,486,976,436
141	Inventories		884,774,422,519	892,301,302,668
149	Provision for devaluation of inventories		(1,067,352,661)	(814,326,232)
150	Other short-term assets		32,864,181,905	50,804,651,745
151	Short-term prepayments	10	5,403,743,422	3,452,228,975
152	Value added tax deductibles		15,874,238,859	32,191,908,956
153	Taxes and other receivables from the State budget	11	11,586,199,624	15,160,513,814
200	NON-CURRENT ASSETS		1,060,604,483,955	1,058,328,035,945
210	Long-term receivables		457,000,000	1,560,000,000
215	Long-term loans receivable		-	1,330,000,000
216	Other long-term receivables		457,000,000	230,000,000
220	Fixed assets		954,923,826,092	976,618,370,054
221	Tangible fixed assets	12	722,252,932,527	741,098,658,417
222	Cost		1,372,848,529,135	1,347,704,245,077
223	Accumulated depreciation		(650,595,596,608)	(606,605,586,660)
227	Intangible fixed assets	13	232,670,893,565	235,519,711,637
228	Cost		269,077,826,514	269,077,826,514
229	Accumulated amortization		(36,406,932,949)	(33,558,114,877)
230	Investment properties	14	218,315,713	247,880,293
231	Cost		982,448,156	1,249,521,792
232	Accumulated depreciation		(764,132,443)	(1,001,641,499)
240	Long-term assets in progress		17,340,679,868	14,087,991,804
242	Construction in progress	15	17,340,679,868	14,087,991,804
250	Long-term financial investments	5	48,491,704,944	25,219,928,995
252	Investments in associate		2,989,082,224	3,042,620,558
253	Equity investments in other entities		27,908,170,200	27,908,170,200
254	Provision for impairment of long-term financial investments		(7,405,547,480)	(5,730,861,763)
255	Held-to-maturity investments		25,000,000,000	-
260	Other long-term assets		39,172,957,338	40,593,864,799
261	Long-term prepayments	10	26,554,182,388	30,170,914,891
262	Deferred tax assets	16	12,618,774,950	10,422,949,908
270	TOTAL ASSETS		4,335,180,019,575	4,205,964,486,794

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 01 – DN/HN

INTERIM CONSOLIDATED BALANCE SHEET (cont.)

Codes	RESOURCES	Notes	As at 30.06.2019 VND	As at 31.12.2018 VND
300	LIABILITIES		1,280,799,188,132	1,061,702,377,563
310	Current liabilities		1,215,244,964,688	1,001,487,737,988
311	Short-term trade payables	17	138,691,736,896	145,750,476,107
312	Short-term advances from customers		16,558,819,325	9,728,206,186
313	Taxes and amounts payable to the State budget	11	13,763,956,404	13,641,750,175
314	Payables to employees		112,050,323,395	180,019,655,715
315	Short-term accrued expenses	18	36,203,701,084	40,052,115,726
318	Short-term unearned revenue	19	31,652,356,064	9,030,131,533
319	Other current payables	20	68,278,865,697	2,004,193,753
320	Short-term loans	21	717,843,962,053	557,901,327,419
322	Bonus and welfare funds	22	80,201,243,770	43,359,881,374
330	Long-term liabilities		65,554,223,444	60,214,639,575
342	Long-term provisions	23	47,242,283,562	39,753,692,402
343	Science and technology development fund	24	18,311,939,882	20,460,947,173
400	EQUITY		3,054,380,831,443	3,144,262,109,231
410	Owner's equity		3,054,380,831,443	3,144,262,109,231
411	Owner's contributed capital	25	1,307,460,710,000	1,307,460,710,000
411a	- Ordinary shares carrying voting rights		1,307,460,710,000	1,307,460,710,000
412	Share premium	25	6,778,948,000	6,778,948,000
418	Investment and development fund	25	1,392,604,475,464	1,270,235,596,228
421	Retained earnings	25	339,992,575,880	550,252,659,422
421a	- Retained earnings accumulated to the prior year end		29,909,699,604	28,072,641,016
421b	- Retained earnings of the current period		310,082,876,276	522,180,018,406
429	Non-controlling interests	26	7,544,122,099	9,534,195,581
440	TOTAL RESOURCES		4,335,180,019,575	4,205,964,486,794

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant

Doan Dinh Duy Khuong
Interim General Director
19 July 2019

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 02 – DN/HN

CONSOLIDATED INCOME STATEMENT

Codes	Notes	For the 3-month period ended		For the 6-month period ended		
		30.06.2019	30.06.2018	30.06.2019	30.06.2018	
		VND	VND	VND	VND	
01	Gross revenue from goods sold and services rendered	28	1,111,752,828,466	1,040,328,312,093	1,965,930,637,146	2,071,531,391,489
02	Deductions	28	135,930,293,860	107,171,806,815	222,916,985,842	229,945,894,793
10	Net revenue from goods sold and services rendered	28	975,822,534,606	933,156,505,278	1,743,013,651,304	1,841,585,496,696
11	Cost of sales	29	530,753,110,743	497,284,754,239	961,388,044,076	1,027,346,466,881
20	Gross profit		445,069,423,863	435,871,751,039	781,625,607,228	814,239,029,815
21	Financial income	30	32,288,766,975	28,148,976,719	58,274,909,316	51,459,524,293
22	Financial expenses	31	29,023,815,603	26,679,876,958	50,918,084,453	53,852,153,598
23	<i>In which: Interest expense</i>		<i>7,159,512,747</i>	<i>7,428,675,233</i>	<i>12,483,770,311</i>	<i>14,975,360,579</i>
24	Share of net losses from associate		(86,326,590)	-	(53,538,334)	-
25	Selling expenses	32	170,301,088,630	182,823,707,987	292,709,154,234	326,831,151,338
26	General and administrative expenses	32	87,105,019,254	68,838,695,177	154,848,684,656	129,691,641,215
30	Operating profit		190,841,940,761	185,678,447,636	341,371,054,867	355,323,607,957
31	Other income	33	1,327,785,052	5,185,607,297	5,574,913,067	7,135,541,411
32	Other expenses	33	1,855,336,484	958,041,125	3,201,583,780	1,776,458,386
40	Profit from other activities		(527,551,432)	4,227,566,172	2,373,329,287	5,359,083,025
50	Accounting profit before tax		190,314,389,329	189,906,013,808	343,744,384,154	360,682,690,982
51	Current corporate income tax expense	35	19,379,452,638	25,329,318,148	37,847,406,402	27,057,660,701
52	Deferred corporate tax expense	35	(1,983,910,539)	25,875,412,012	(2,195,825,042)	23,943,786,338
60	Net profit after corporate income tax		172,918,847,230	138,701,283,648	308,092,802,794	309,681,243,943

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 02 – DN/HN

CONSOLIDATED INCOME STATEMENT (cont.)

Codes	Notes	For the 3-month period ended		For the 6-month period ended	
		30.06.2019 VND	30.06.2018 VND	30.06.2019 VND	30.06.2018 VND
60	Net profit after corporate income tax	172,918,847,230	138,701,283,648	308,092,802,794	309,681,243,943
	In which:				
61	Profit after tax attributable to parent company	174,267,687,660	139,830,206,065	310,082,876,276	311,305,467,330
62	Profit after tax attributable to non-controlling shareholders	(1,348,840,430)	(1,128,922,417)	(1,990,073,482)	(1,624,223,387)
70	Basic earnings per share (VND)	1,354	951	2,278	2,120

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant

Doan Dinh Duy Khuong
Interim General Director
19 July 2019

INTERIM CONSOLIDATED CASH FLOW STATEMENT
(Indirect method)

Codes	Notes	Fiscal period ended	
		30.06.2019 VND	30.06.2018 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01		343,744,384,154	360,682,690,982
		Adjustments for:	
02		44,323,767,067	44,353,849,822
03		10,397,327,774	7,775,783,614
04		(142,094,220)	804,767,708
05		(57,114,133,053)	(54,057,686,211)
06	31	12,483,770,311	14,975,360,579
08		353,693,022,033	374,534,766,494
09		123,413,937,775	166,328,720,264
10		7,526,880,149	(145,290,341,310)
11		(86,795,136,456)	(45,738,949,376)
12		1,748,318,056	2,841,011,165
14		(12,041,051,465)	(14,983,041,446)
15		(35,124,786,789)	(16,424,355,930)
17		(32,923,570,988)	(41,568,246,870)
20		319,497,612,315	279,699,562,991
CASH FLOWS FROM INVESTING ACTIVITIES			
21		(29,606,966,390)	(26,889,663,673)
22		365,509,091	6,182,727,272
23		(1,492,673,917,808)	(1,817,776,863,079)
24		1,247,736,282,070	1,112,871,005,359
25		-	(160,000,000)
27		62,525,617,182	44,652,474,978
30		(211,653,475,855)	(681,120,319,143)
CASH FLOWS FROM FINANCING ACTIVITIES			
33		1,347,170,400,345	1,463,145,782,841
34		(1,187,227,765,711)	(1,275,690,370,296)
36		(261,492,142,000)	(261,492,142,000)
40		(101,549,507,366)	(74,036,729,455)
50		6,294,629,094	(475,457,485,607)
60		75,835,597,431	549,777,216,585
61	4	971,813	58,095,411
70	4	82,131,198,338	74,377,826,389

Tran Ngoc Hien
PreparerHo Buu Huan
Chief AccountantDoan Dinh Duy Khuong
Interim General Director
19 July 2019

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED 30 JUNE 2019**

1 GENERAL INFORMATION

Structure of ownership

On 2 September 2004, DHG Pharmaceutical Joint Stock Company (the “Company”) was equitized from Hau Giang Pharmaceutical United Factory in accordance with Decision No.2405/QD-CT.UB dated 5 August 2004 issued by the People’s Committee of Can Tho City. The Company was officially incorporated as a joint stock company under the Business Registration Certificate No.5703000111 dated 15 September 2014 issued by the Department of Planning and Investment of Can Tho City with the initial charter capital of VND 80,000,000,000

The Company’s shares were listed on Ho Chi Minh Stock Exchange with DHG code in accordance with Decision No. 93/UBCK-GPNY dated 1 December 2006 issued by the State Securities Commission of Vietnam.

The largest shareholder of the Company is Taisho Pharmaceutical Co., Ltd which owned 51.01% and the State Capital Investment Corporation (“SCIC”) which owned 43.31% of share capital of the Company. SCIC is controlled by Commission for the Management of State Capital at Enterprises.

The Company’s head office is located at 288 Bis Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District, Can Tho City, S.R. Vietnam.

The number of employees of the Group as at 30 June 2019 was 2,946 (as at 31 December 2018: 3,054).

Operating industry and principal activities

The Group’s operating industry is to manufacture and sell pharmaceutical products, provide health care services.

The Group’s principal activities are to manufacture and trade pharmaceuticals, medical tools and supplies, medical equipment, dietary supplements and cosmeceuticals, provide health care services.

The Group’s structure

As at 30 June 2019 and 31 December 2018, the Company’s subsidiary and associate were as follows:

Name	Principal activities	Business Registration Certificate	Proportion of ownership interest and voting power held	
			Closing balance	Opening balance
Subsidiary				
Fuji Medic Limited Liability Company	Health care services	No. 1801472944 issued by the Planning and Investment Department of Can Tho City on 27 July 2016	51%	51%
Associate				
Vinh Hao Algae Processing Joint Stock Company	Manufacturing and trading spirulina algae	No. 4803000150 issued by the Planning and Investment Department of Binh Thuan Province on 4 February 2008	31.36%	31.36%

1 GENERAL INFORMATION (cont.)**Normal production and business cycle**

The Group's normal production and business cycle is carried out for a time period of 12 months or less.

Disclosure of information comparability in the consolidated financial statements

Comparative figures on the consolidated balance sheet are the figures of the audited consolidated financial statements for the fiscal year ended 31 December 2018, comparative figures on consolidated income statement and consolidated cash flow statement are the figures of the audited consolidated financial statements for the fiscal period ended 30 June 2018.

2 ACCOUNTING CONVENTION AND FINANCIAL YEAR**Accounting convention**

The consolidated financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.

The consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Group (its subsidiaries) up to 30 June each year. Control is achieved where the Group has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Company.

Intra-group transactions and balances are eliminated in full on consolidation.

Non-controlling interests consist of the amount of those non-controlling interests at the date of the original business combination (see below) and the non-controlling interests' share of changes in equity since the date of the combination. Losses in subsidiaries are respectively attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Financial year

The Group's financial year begins on 1 January and ends on 31 December.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Group in the preparation of these consolidated financial statements, are as follows:

Estimates

The preparation of consolidated financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting requires the Board of Management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the financial period. Although these accounting estimates are based on the Board of Management's best knowledge, actual results may differ from those estimates.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**Business combinations**

Assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to profit and loss in the year of acquisition.

The non-controlling interests are initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Investments in associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The results, assets and liabilities of associate are incorporated in these financial statements using the equity method of accounting. Interests in associate are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Company's share of the net assets of the associate. Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are not recognized.

Where a group entity transacts with an associate of the Company, unrealized profits and losses are eliminated to the extent of the Company's interest in the relevant associate.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in transit, demand deposits and short-term investments with maturity term not exceeding 3 months from the date of investment, which are highly liquid, readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Financial investments***Held-to-maturity investments***

Held-to-maturity investments comprise investments that the Board of Management has the positive intent or ability to hold to maturity.

Held-to-maturity investments include term deposits to earn periodic interest (except for term deposits presented in "cash and cash equivalents" item). These investments are measured at cost less provision for impairment of financial investments. Interest income from term deposits is recognized in the income statement on accrual basis.

Loan receivables

Loan receivables are measured at cost less provision for doubtful debts. Provision for doubtful debts relating to loan receivables is made in accordance with prevailing accounting regulations.

Equity investments in other entities

Equity investments in other entities represent the Group's investments in ordinary shares of the entities over which the Group has no control, joint control, or significant influence.

Equity investments in other entities are carried at cost less provision for impairment. The provision for impairment of these investments is made when the entities made losses, except for loss that was anticipated in their business plan before the date of investment.

Receivables

Receivables represent the amounts recoverable from customers or other debtors and are stated at book value less provision for doubtful debts.

Provision for doubtful debts is made for receivables that are overdue for six months or more, or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost of inventories comprises cost of purchases and other directly attributable expenses. In the case of manufactured products, cost comprises direct materials and where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realizable values as at the balance sheet date.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives, as follows:

	<u>Years</u>
Buildings and structures	3 - 50
Machinery and equipment	3 - 20
Motor vehicles	3 - 20
Office equipment	3 - 10

Gain or loss resulting from sales and disposals of tangible fixed assets is the difference between proceeds from sales or disposals of assets and their residual values and is recognized in the income statement.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease.

Intangible fixed assets and amortization

Intangible fixed assets represent the value of land use rights and computer software that are stated at cost less accumulated amortization.

Definite land use rights are amortized using the straight-line method over the terms indicated in the land use right certificate. Indefinite land use rights are carried at cost and not amortized under prevailing regulations.

Computer software is amortized using the straight-line method over its useful life from 3 to 8 years.

Investment properties

Investment properties are buildings, or part of buildings or infrastructure or buildings and land held by the Company to earn rentals or for capital appreciation. Investment properties held to earn rentals are stated at cost less accumulated depreciation while investment properties held for capital appreciation are stated at cost less impairment loss. The costs of purchased investment properties comprise their purchase prices and any directly attributable expenditures, such as professional fees for legal services, property transfer taxes and other related transaction costs. The costs of self-constructed investment properties are the finally accounted construction or directly attributable costs of the properties.

Investment properties held to earn rentals are depreciated using the straight-line method over their estimated useful lives from 10 to 16 years.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**Construction in progress**

Properties in the course of construction for production, rental or administrative purposes, or for other purposes, are carried at cost. Cost includes costs that are necessary to form the assets in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Prepayments

Prepayments are expenses which have already been paid but relate to results of operations of multiple accounting periods. Prepayments comprise leasehold improvement expenses, land rentals, costs of small tools, supplies and spare parts issued for consumption and other prepayment expenses.

Land rentals represent the prepaid land rentals. The prepaid land rentals are allocated to the consolidated income statement using the straight-line method over the lease term.

Others have been capitalized as prepayments, and are allocated to the consolidated income statement using the straight-line method in accordance with the current prevailing accounting regulations.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Board of Management's best estimate of the expenditure required to settle the obligation as at the consolidated balance sheet date.

Severance allowance payable

The severance allowance for employees is accrued at the end of each reporting year for all employees having worked at the Group for full 12 months and above. Working time serving as the basis for calculating severance allowance shall be the total actual working time subtracting the time when the employees have made unemployment insurance contributions as prescribed by law, and the working time when severance allowance has been paid to the employees. The allowance made for each year of service equals to a half of an average monthly salary under the Vietnamese Labor Code, Social Insurance Code and relevant guiding documents. The average monthly salary used for calculation of severance allowance shall be adjusted to be the average of the 6 consecutive months nearest to the date of the financial statements. The increase or decrease in the accrued amount shall be recorded in the consolidated income statement.

Provision for dismantling and restoration costs

In accordance with Circular No.200/2014/TT-BTC issued by the Ministry of Finance, since 1 January 2015, the Group is required to provide for dismantling and restoration costs of the Group's leased premises or land. The provision for dismantling and restoration costs is determined based on the estimated dismantling and restoration costs to be incurred at the time of returning the premises or land at the end of the lease term and recognized on a straight-line basis over the period from 1 January 2015 to the time of returning the premises or land.

Unearned revenue

Unearned revenue represents the fair value of goods and services provided to customers for free or at discount in the customer loyalty programs. Unearned revenue is recognized for the portion of obligation that the Group has not yet fulfilled to customers.

Revenue recognition

Revenue from the sale of goods is recognized when all five (5) following conditions are satisfied:

- (a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**Revenue recognition (cont.)**

Revenue of a transaction involving the rendering of services is recognized when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several periods, revenue is recognized in each period by reference to the percentage of completion of the transaction at the consolidated balance sheet date. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

- (a) The amount of revenue can be measured reliably;
- (b) It is probable that the economic benefits associated with the transaction will flow to the Group;
- (c) The percentage of completion of the transaction at the consolidated balance sheet date can be measured reliably; and
- (d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate.

Dividend income from investments is recognized when the Group's right to receive payment has been established.

Sales deductions

Sales deductions include trade discounts, sales returns and allowances. Sales deductions incurred in the same period of the related sales of products, goods and services are recorded as deduction of revenue of that period.

Sales deductions for the products, goods or services which are sold in the previous periods, incurred after the balance sheet date but before the issuance of the financial statements are recorded as deduction of revenue of the current reporting period.

Customer loyalty programs

Revenue is recognized at total consideration received less fair value of goods and services which are provided to customers for free or at discount. Fair value amounts of goods and services provided for free or at discount are recognized as unearned revenue. If customers do not meet the required conditions stated in the customer loyalty programs at the end of the programs and hence, are not entitled to the free or discounted goods and services, the unearned revenue is realized into the income statement.

When customers meet all the required conditions and the Group is the one providing the free or discounted goods and services to customers, the unearned revenue is realized into the Group's income statement at the time that obligations to customers are fulfilled, which means goods are delivered and services are rendered to customers.

When customers meet all the required conditions and obligations of providing the free or discounted goods and services to customers are carried out by a third party. If the Group does not act as an agent of the third party, the unearned revenue is realized into the Group's income statement at the time that third party provides the free or discounted goods and services to customers. If the Group acts as an agent of the third party, the Group recognizes revenue for the difference between the unearned revenue amount and the amount payable to the third party for providing such free or discounted goods and services to customers. The amount paid to the third party is treated as the payment of the liability.

Foreign currencies

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognized in the consolidated income statement.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**Borrowing costs**

Borrowing costs are recognized in the income statement in the year when incurred unless they are capitalised in accordance with Vietnamese Accounting Standard No. 16 “Borrowing costs”. Accordingly, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. For specific borrowings for the purpose of construction of fixed assets and investment properties, borrowing costs are capitalized even when the construction period is under 12 months.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable income for the period. Taxable income differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognized on significant differences between carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are applied in accordance with the prevailing tax laws in Vietnam.

Dividend distribution

The Company's profit after tax is available for appropriation to shareholders as dividends after approval by shareholders at the Company's Annual General Meeting of Shareholders.

Final dividends are declared and paid from retained earnings based on the approval of shareholders at the Annual General Meeting of Shareholders.

Appropriation of the Company's net profit after tax of 2018 was approved by the Board of Directors as follows:

- Dividends declared for 2018: 35% of par value.
- Appropriation to the bonus and welfare fund: 10% of net profit after tax.
- Remuneration payment to the Board of Directors, Board of Supervisory, Committees under the Board of Directors and the Board of Directors' secretary: VND 6,000,000,000.
- Remaining net profit after tax was appropriated to the investment and development fund.

4 CASH AND CASH EQUIVALENTS

	30.06.2019 VND	31.12.2018 VND
Cash	18,527,557,193	27,969,606,758
Demand deposits	38,422,390,243	47,360,689,304
Cash in transit	181,250,902	-
Cash equivalents (*)	25,000,000,000	505,301,369
	<u>82,131,198,338</u>	<u>75,835,597,431</u>

(*) Cash equivalents represent term deposits at banks with the original maturity terms not exceeding 3 months.

5 FINANCIAL INVESTMENTS

(a) Short-term financial investments

Held-to-maturity investments include term deposits with the remaining term within 12 months from the time of reporting and exclude held-to-maturity investments presented in the item "cash equivalents" in Note 4.

Held-to-maturity investments

	30.06.2019		31.12.2018	
	Cost VND	Book value VND	Cost VND	Book value VND
Term deposits	<u>1,681,500,000,000</u>	<u>1,681,500,000,000</u>	<u>1,459,722,000,000</u>	<u>1,459,722,000,000</u>

(b) Long-term financial investments

	30.06.2019		31.12.2018	
	Cost VND	Provision VND	Cost VND	Provision VND
Investments in associate (*)	2,989,082,224	-	3,042,620,558	-
Equity investments in other entities (**)	27,908,170,200	(7,405,547,480)	27,908,170,200	(5,730,861,763)
	<u>30,897,252,424</u>	<u>(7,405,547,480)</u>	<u>30,950,790,758</u>	<u>(5,730,861,763)</u>

(*) Percentages of ownership and voting rights of the Group in associate are presented in Note 1. Detail of investment in associate is as follow:

	30.06.2019 VND	31.12.2018 VND
Vinh Hao Algae Processing Joint Stock Company	2,989,082,224	3,042,620,558

5 FINANCIAL INVESTMENTS (cont.)

Movements in investments in associate during the period/year were as follows:

	Fiscal period ended 30.06.2019 VND	Fiscal year ended 31.12.2018 VND
Opening balance	3,042,620,558	3,129,548,349
Share of losses	(213,664,361)	(86,927,791)
Adjustment of the prior period's interest	160,126,027	-
Closing balance	<u>2,989,082,224</u>	<u>3,042,620,558</u>

(**) Details of investments in other entities were as follows:

	30.06.2019 VND	31.12.2018 VND
ATP Packaging Joint Stock Company	20,000,000,000	20,000,000,000
Becamex Pharmaceutical Joint Stock Company	4,286,800,000	4,286,800,000
Tra Vinh Pharmaceutical Joint Stock Company	2,575,315,200	2,575,315,200
Ninh Thuan Pharmaceutical & Medical Equipment Joint Stock Company	796,675,000	796,675,000
Tay Ninh Pharmaceutical Joint Stock Company	221,960,000	221,960,000
Cuu Long Pharmaceutical Joint Stock Company	27,420,000	27,420,000
	<u>27,908,170,200</u>	<u>27,908,170,200</u>

Provision balance as at 30 June 2019 and 31 December 2018 represents the provision for impairment of the investment in ATP Packaging Joint Stock Company.

Held-to-maturity investments – long-term

Long-term held-to-maturity investments represent term deposits with a remaining maturity term exceeding 12 months from balance sheet date

	30.06.2019		31.12.2018	
	Cost VND	Book value VND	Cost VND	Book value VND
Term deposits	<u>25,000,000,000</u>	<u>25,000,000,000</u>	<u>-</u>	<u>-</u>

6 SHORT-TERM TRADE RECEIVABLES

	30.06.2019 VND	31.12.2018 VND
Related parties (Note 38)	1,729,217,970	-
Third parties	527,508,238,034	618,503,855,955
	<u>529,237,456,004</u>	<u>618,503,855,955</u>

As at 30 June 2019 and 31 December 2018, there were no single short-term trade receivables accounting for 10% or more of total trade receivables.

7 OTHER SHORT-TERM RECEIVABLES

	30.06.2019	31.12.2018
	Value	Value
	VND	VND
Interest income receivable	40,543,432,865	46,266,887,751
Receivable from employees	10,234,574,624	5,715,446,761
Other receivables	4,746,735,611	3,635,953,385
	<u>55,524,743,100</u>	<u>55,618,287,897</u>

8 BAD DEBTS

	30.06.2019		
	Cost	Recoverable	Provision
	VND	amount	VND
		VND	VND
Total amount of receivables and loans past due or not past due but impaired	213,701,007,321	178,638,465,730	(35,062,541,591)
	31.12.2018		
	Cost	Recoverable	Provision
	VND	amount	VND
		VND	VND
Total amount of receivables and loans past due or not past due but impaired	205,852,717,492	171,281,003,245	(34,571,714,247)

As at 30 June 2019 and 31 December 2018, there was no balance of receivables accounting for 10% or more of total past due receivable amount.

Movements in the provision for doubtful debts during the period/year were as follows:

	Fiscal period	Fiscal year
	ended	ended
	30.06.2019	31.12.2018
	VND	VND
Opening balance	34,571,714,247	21,712,831,939
Increase during the period/year	490,827,344	12,865,960,026
Reversal during the period/year	-	(7,077,718)
Closing balance	<u>35,062,541,591</u>	<u>34,571,714,247</u>

9 INVENTORIES

	30.06.2019		31.12.2018	
	Cost	Provision	Cost	Provision
	VND	VND	VND	VND
Goods in transit	53,292,896,340	-	66,470,323,130	-
Raw materials	372,575,006,088	-	376,766,969,549	-
Work in progress	61,778,683,056	-	54,189,946,414	-
Finished goods	366,623,838,658	(1,067,352,661)	346,534,828,838	(814,326,232)
Merchandise	30,503,998,377	-	48,339,234,737	-
	<u>884,774,422,519</u>	<u>(1,067,352,661)</u>	<u>892,301,302,668</u>	<u>(814,326,232)</u>

9 INVENTORIES (cont.)

Movements in the provision for inventories during the period/year were as follows:

	Fiscal period ended 30.06.2019 VND	Fiscal year ended 31.12.2018 VND
Opening balance	814,326,232	2,456,156,179
Additional provision	253,026,429	
Utilization of provision	-	(1,320,277,628)
Reversal of provision	-	(321,552,319)
Closing balance	<u>1,067,352,661</u>	<u>814,326,232</u>

The provision for devaluation of inventories was made for inventories of which costs were higher than net realizable value.

As at 30 June 2019 and 31 December 2018, the Group did not have any slow moving, damaged or sub-standard inventories.

10 PREPAYMENTS**Short-term prepayments**

	30.06.2019 VND	31.12.2018 VND
Operating leases	3,643,875,359	101,800,010
Others	1,759,868,063	3,350,428,965
	<u>5,403,743,422</u>	<u>3,452,228,975</u>

Prepayments are allocated within 12 months since the time of prepayment.

Long-term prepayments

	30.06.2019 VND	31.12.2018 VND
Prepaid land rental	10,195,145,076	10,367,868,894
Tools and supplies	9,118,547,648	11,828,145,326
Leasehold improvements	-	77,295,492
Others	7,240,489,664	7,897,605,179
	<u>26,554,182,388</u>	<u>30,170,914,891</u>

Movements in long-term prepayments during the period/year were as follows:

	Fiscal period ended 30.06.2019 VND	Fiscal year ended 31.12.2018 VND
Opening balance	30,170,914,891	31,156,425,691
Increase	4,198,887,152	13,147,094,166
Allocation during the period/year	(7,785,225,655)	(14,147,024,752)
Reclassifications of opening balance	(30,394,000)	14,419,786
Closing balance	<u>26,554,182,388</u>	<u>30,170,914,891</u>

11 TAXES AND OTHER RECEIVABLES FROM/PAYABLES TO THE STATE BUDGET

Receivables

	Opening balance	Payable during the period/year	Paid during the period/year	Closing balance
Import value added tax	3,713,591,537	(23,083,796,487)	23,094,924,216	3,724,719,266
Import and export duties	926,396,477	(4,595,972,495)	3,748,832,508	79,256,490
Corporate income tax	10,504,843,481	(37,847,406,402)	35,124,786,789	7,782,223,868
Land use tax	15,682,319	(15,682,319)	-	-
Total	15,160,513,814	(65,542,857,703)	61,968,543,513	11,586,199,624

Payables

VAT on domestic sales	13,499,506,643	24,209,646,166	(31,379,176,657)	6,329,976,152
Personal income tax	142,243,532	26,186,587,378	(21,625,585,960)	4,703,244,950
Land rental fee, land use tax	-	5,634,306,018	(2,921,612,356)	2,712,693,662
Other taxes	-	437,071,765	(419,030,125)	18,041,640
Total	13,641,750,175	56,467,611,327	(56,345,405,098)	13,763,956,404

12 TANGIBLE FIXED ASSETS

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
Cost					
As at 01 January 2019	523,308,829,235	591,454,224,302	162,771,502,625	70,169,688,915	1,347,704,245,077
Additions during the period/year	-	985,000,000	-	34,900,000	1,019,900,000
Transferred from construction in progress (Note 15)	3,633,801,984	20,650,826,711	594,545,455	193,561,364	25,072,735,514
Transferred from investment properties (Note 14)	267,073,636	-	-	-	267,073,636
Disposals	-	-	(1,215,425,092)	-	(1,215,425,092)
As at 30 June 2019	<u>527,209,704,855</u>	<u>613,090,051,013</u>	<u>162,150,622,988</u>	<u>70,398,150,279</u>	<u>1,372,848,529,135</u>
Accumulated depreciation					
As at 01 January 2019	182,276,573,936	263,974,535,576	100,903,919,325	59,450,557,823	606,605,586,660
Charge for the period/year	14,559,933,079	23,060,905,473	5,539,643,615	1,777,879,237	44,938,361,404
Transferred from investment properties (Note 14)	267,073,636	-	-	-	267,073,636
Disposals	-	-	(1,215,425,092)	-	(1,215,425,092)
As at 30 June 2019	<u>197,103,580,651</u>	<u>287,035,441,049</u>	<u>105,228,137,848</u>	<u>61,228,437,060</u>	<u>650,595,596,608</u>
Net book value					
As at 01 January 2019	<u>341,032,255,299</u>	<u>327,479,688,726</u>	<u>61,867,583,300</u>	<u>10,719,131,092</u>	<u>741,098,658,417</u>
As at 30 June 2019	<u>330,106,124,204</u>	<u>326,054,609,964</u>	<u>56,922,485,140</u>	<u>9,169,713,219</u>	<u>722,252,932,527</u>

The cost of fully depreciated tangible fixed assets but still in use as at 30 June 2019 was VND 225,236,843,582 (as at 31 December 2018: VND 206,527,246,637).

13 INTANGIBLE FIXED ASSETS

	Land use rights with indefinite term VND	Land use rights with definite term VND	Computer software VND	Total VND
Cost				
As at 01 January 2019	95,158,560,046	157,471,235,263	16,448,031,205	269,077,826,514
Purchases during the period/year	-	-	-	-
As at 30 June 2019	<u>95,158,560,046</u>	<u>157,471,235,263</u>	<u>16,448,031,205</u>	<u>269,077,826,514</u>
Accumulated amortization				
As at 01 January 2019	-	22,026,708,192	11,531,406,685	33,558,114,877
Charge for the period/year	-	1,665,525,114	1,183,292,958	2,848,818,072
As at 30 June 2019	-	<u>23,692,233,306</u>	<u>12,714,699,643</u>	<u>36,406,932,949</u>
Net book value				
As at 01 January 2019	95,158,560,046	135,444,527,071	4,916,624,520	235,519,711,637
As at 30 June 2019	<u>95,158,560,046</u>	<u>133,779,001,957</u>	<u>3,733,331,562</u>	<u>232,670,893,565</u>

As at 30 June 2019 and 31 December 2018, the cost of intangible fixed assets included VND 6,007,417,805 of assets which were fully amortized but are still in active use.

14 INVESTMENT PROPERTIES

	Buildings VND
Cost	
As at 01 January 2019	1,249,521,792
Transfer to tangible fixed assets (Note 13)	<u>(267,073,636)</u>
As at 30 June 2019	<u>982,448,156</u>
Accumulated depreciation	
As at 01 January 2019	1,001,641,499
Charge for the period/year	29,564,580
Transfer to tangible fixed assets (Note 13)	<u>(267,073,636)</u>
As at 30 June 2019	<u>764,132,443</u>
Net book value	
As at 01 January 2019	<u>247,880,293</u>
As at 30 June 2019	<u>218,315,713</u>

The cost of fully depreciated investment properties but still in use as at 30 June 2019 was VND 100,067,069 (as at 31 December 2018: VND 367,140,705)

15 CONSTRUCTION IN PROGRESS

	30.06.2019 VND	31.12.2018 VND
Construction of effervescent tablets plant stage 2	-	83,100,000
Construction of DHG Pharmaceutical Plant Branch in Hau Giang province	11,746,318,768	11,746,318,768
Construction of branch offices	623,948,774	623,948,774
Rebamipide product technology transfer project	214,827,405	-
Counterpain product technology transfer project	202,029,350	202,029,350
Technology transfer and development of Budesonide Nasal Spray product	1,293,522,895	1,143,281,604
Raw materials for testing new machines	298,018,243	144,235,771
Renovating and repairing packaging plant	-	145,077,537
Purchase of new machines	2,962,014,433	-
	<u>17,340,679,868</u>	<u>14,087,991,804</u>

Movements of construction in progress in the period/year

	Fiscal period ended 30.06.2019 VND	Fiscal year ended 31.12.2018 VND
Opening balance	14,087,991,804	36,307,709,778
Purchases	28,587,066,390	30,475,107,864
Transfer to tangible fixed assets (Note 12)	(25,072,735,514)	(37,785,438,197)
Transfer to intangible fixed assets	-	(786,031,200)
Transfer to prepaid expenses	(83,100,000)	(2,283,909,837)
Transfer to expense in the period/year	(178,542,812)	(11,839,446,604)
Closing balance	<u>17,340,679,868</u>	<u>14,087,991,804</u>

16 DEFERRED TAX ASSETS

The deferred tax assets mainly arise from deductible temporary differences relating to provisions and unrealized profits of intra-group transactions when consolidation.

	30.06.2019 VND	31.12.2018 VND
Corporate income tax rate used for determining deferred tax assets	20%	20%
Deductible temporary differences	63,093,874,750	52,114,749,540
Deferred tax assets	<u>12,618,774,950</u>	<u>10,422,949,908</u>

17 SHORT-TERM TRADE PAYABLES

	30.06.2019		31.12.2018	
	Amount VND	Amount able to be paid off VND	Amount VND	Amount able to be paid off VND
Related parties (Note 38)	435,600,000	435,600,000	-	-
Third parties (*)	138,256,136,896	138,256,136,896	145,750,476,107	145,750,476,107
	<u>138,691,736,896</u>	<u>138,691,736,896</u>	<u>145,750,476,107</u>	<u>145,750,476,107</u>

(*) Suppliers accounting for 10% or more of total balance of trade payables were as follows:

	30.06.2019 VND	31.12.2018 VND
Roquette Freres	1,230,663,499	15,258,076,053
DSM Sinochem Pharmaceuticals India Pvt Ltd	11,464,153,500	18,987,080,000
DSM Sinochem Pharmaceuticals Spain S.A	7,332,337,500	20,246,688,000
Covalent Laboratoires Pvt Ltd	14,891,364,000	-

As at 30 June 2019 and 31 December 2018, the Group did not have any short-term trade payables past due.

18 SHORT-TERM ACCRUED EXPENSES

	30.06.2019 VND	31.12.2018 VND
Customer conference expenses	7,014,410,665	-
Settlement discount expenses	5,146,924,931	6,553,611,056
Marketing and customer care expenses	-	94,419,309
Interest expense	913,838,856	471,120,010
Other accruals	23,128,526,632	32,932,965,351
	<u>36,203,701,084</u>	<u>40,052,115,726</u>

19 SHORT-TERM UNEARNED REVENUE

	30.06.2019 VND	31.12.2018 VND
Unearned revenue from customer loyalty programs (Note 3)	31,652,356,064	9,030,131,533

20 OTHER SHORT-TERM PAYABLES

	30.06.2019 VND	31.12.2018 VND
Insurance and union fee	578,343,560	638,977,697
Dividends payable	65,373,035,500	-
Others	2,327,486,637	1,365,216,056
	<u>68,278,865,697</u>	<u>2,004,193,753</u>

21 SHORT-TERM LOANS

	30.06.2019		31.12.2018	
	Amount VND	Amount able to be paid off VND	Amount VND	Amount able to be paid off VND
Loans from banks	717,843,962,053	717,843,962,053	557,901,327,419	557,901,327,419
	<u>717,843,962,053</u>	<u>717,843,962,053</u>	<u>557,901,327,419</u>	<u>557,901,327,419</u>

Movements in short-term loans during the period/year were as follows:

	As at 01.01.2019 VND	Increases VND	Decreases VND	As at 30.06.2019 VND
Loans from banks (*)	557,901,327,419	1,347,170,400,345	(1,187,227,765,711)	717,843,962,053
	<u>557,901,327,419</u>	<u>1,347,170,400,345</u>	<u>(1,187,227,765,711)</u>	<u>717,843,962,053</u>

(*) These loans bear interests at the rates ranging from 0.4% to 0.72% per month (in 2018: from 0.23% to 0.69% per month).

As at 30 June 2019 and 31 December 2018, there was no short-term loan that was past due.

22 BONUS AND WELFARE FUNDS

The funds are established through appropriation from retained earnings upon approval of shareholders at the Company's Annual General Meetings ("AGM"). Bonus and welfare funds of the subsidiaries are established from retained earnings upon decision from the Board of Directors of the Company. The funds are used to pay bonus and welfare to the Group's employees in accordance with the Group's bonus and welfare policies and to pay bonus to the Board of Directors in accordance with the Company's AGM Resolution.

Movements of bonus and welfare funds during the period/year were as follows:

	Bonus and welfare fund VND	Welfare fund in form of assets VND	Bonus fund for Board of Directors VND	Total VND
Opening balance	17,760,519,100	17,615,709,836	7,983,652,438	43,359,881,374
Appropriation to the funds	65,108,903,082	-	6,000,000,000	71,108,903,082
Depreciation of assets formed from funds	-	(1,343,969,698)	-	(1,343,969,698)
Utilization of funds	(28,455,079,159)	-	(4,468,491,829)	(32,923,570,988)
Closing balance	<u>54,414,343,023</u>	<u>16,271,740,138</u>	<u>9,515,160,609</u>	<u>80,201,243,770</u>

23 LONG-TERM PROVISIONS

	Provision for dismantling and restoration costs VND	Severance allowance VND	Total VND
Opening balance	15,535,236,761	24,218,455,641	39,753,692,402
Additional provision for the period/year	1,985,439,366	5,993,348,918	7,978,788,284
Utilisation of provisions	-	(490,197,124)	(490,197,124)
Closing balance	<u>17,520,676,127</u>	<u>29,721,607,435</u>	<u>47,242,283,562</u>

24 SCIENCE AND TECHNOLOGY DEVELOPMENT FUND

In accordance with Circular No. 12/2016/TTLT-BKHCHN-BTC dated 28 June 2016, enterprises are allowed to establish the science and technology development fund for research and development activities. Provision made during the year is charged to expenses. Funds are utilized when disbursement are paid for research and development activities.

Movements of science and technology development fund during the period/year were as follows:

	Science and technology development fund in form of assets VND
Opening balance	20,460,947,173
Depreciation of assets formed from fund	<u>(2,149,007,291)</u>
Closing balance	<u><u>18,311,939,882</u></u>

25 OWNER'S EQUITY

Movements in owner's equity

	Owner's contributed capital VND	Share premium VND	Investment and development fund VND	Retained earnings VND	Total VND
As at 01 January 2018	1,307,460,710,000	6,778,948,000	1,112,177,317,110	321,006,296,742	2,747,423,271,852
Net profit for the year	-	-	-	653,029,446,317	653,029,446,317
Changes in interest after increasing investment in Song Hau Pharmaceutical One Member Limited Company	-	-	139,887,799	(103,356,911)	36,530,888
3 rd dividends declared for 2017 at 5%	-	-	-	(65,373,035,500)	(65,373,035,500)
1 st dividends advance for 2018 at 10%	-	-	-	(130,746,071,000)	(130,746,071,000)
Fund distribution	-	-	157,918,391,319	(157,918,391,319)	-
Appropriation to bonus and welfare funds	-	-	-	(63,169,294,111)	(63,169,294,111)
Appropriation to bonus fund for the Board of Directors	-	-	-	(6,472,934,796)	(6,472,934,796)
As at 31 December 2018	1,307,460,710,000	6,778,948,000	1,270,235,596,228	550,252,659,422	3,134,727,913,650
Net profit for the period/year	-	-	-	310,082,876,276	310,082,876,276
Dividends	-	-	-	(326,865,177,500)	(326,865,177,500)
Fund distribution	-	-	122,368,879,236	(122,368,879,236)	-
Appropriation to bonus and welfare funds	-	-	-	(65,108,903,082)	(65,108,903,082)
Appropriation to bonus fund for the Board of Directors	-	-	-	(6,000,000,000)	(6,000,000,000)
As at 30 June 2019	1,307,460,710,000	6,778,948,000	1,392,604,475,464	339,992,575,880	3,046,836,709,344

25 OWNER'S EQUITY (cont.)

Charter capital

	30.06.2019		31.12.2018	
	Number of shares	VND	Number of shares	VND
Authorized and issued share capital	130,746,071	1,307,460,710,000	130,746,071	1,307,460,710,000
Ordinary shares currently in circulation	130,746,071	1,307,460,710,000	130,746,071	1,307,460,710,000

All ordinary shares have a par value of VND 10,000. Each share is entitled to one vote at shareholders' meetings. Shareholders are eligible to receive dividends declared by the Company. Ordinary shares are ranked equally with regard to the Company's residual assets.

Dividends

According to the Resolution of the General Meeting of Shareholders No. 001/2019/NQ.ĐHĐCĐ dated 11 June 2019, the General Meeting of Shareholders of the Company approved the plan of dividends from profit after tax of 2018 of 35% in cash, equivalent to VND 457,611,248,500.

The Company paid 2 times in cash at 10% and 20% of par value with the total amount is VND 326,865,177,500. On 17 July 2019, the Company will pay the remaining 5% dividend with the amount of VND 65,373,035,500.

26 NON-CONTROLLING INTERESTS

	Fiscal period ended 30.06.2019 VND	Fiscal year ended 31.12.2018 VND
Opening balance	9,534,195,581	11,671,141,968
Net profit attributable to non-controlling interests during the period/year	(1,990,073,482)	(1,940,415,499)
Changes in interests due to transferring investments	-	(196,530,888)
Closing balance	7,544,122,099	9,534,195,581

27 OFF BALANCE SHEET ITEMS**Foreign currencies**

Cash and cash equivalents include the following foreign currencies:

	30.06.2019	31.12.2018
	VND	VND
United states Dollar (USD)	19,306	239,703
Euro (EUR)	517	34,833
	<u> </u>	<u> </u>

28 GROSS REVENUE FROM GOODS SOLD AND SERVICES RENDERED

	For the 3-month period ended		For the 6-month period ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	VND	VND	VND	VND
Sales of merchandise and services				
Sales of finished goods	992,231,512,676	930,211,263,614	1,728,954,175,500	1,691,671,005,320
Sales of merchandise	118,234,268,510	107,616,913,423	234,890,455,856	363,596,521,167
Others	1,287,047,280	2,500,135,056	2,086,005,790	16,263,865,002
	<u>1,111,752,828,466</u>	<u>1,040,328,312,093</u>	<u>1,965,930,637,146</u>	<u>2,071,531,391,489</u>
Deductions				
Sales discounts	133,645,448,120	105,426,023,166	219,475,505,622	226,445,051,009
Sales returns	2,284,845,740	1,745,783,649	3,441,480,220	3,500,843,784
	<u>135,930,293,860</u>	<u>107,171,806,815</u>	<u>222,916,985,842</u>	<u>229,945,894,793</u>
Net sales	<u>975,822,534,606</u>	<u>933,156,505,278</u>	<u>1,743,013,651,304</u>	<u>1,841,585,496,696</u>
In which:				
Sales of finished goods	857,478,454,959	825,995,728,532	1,508,236,920,432	1,472,312,750,711
Sales of merchandise	117,057,032,367	104,660,641,690	232,690,725,082	353,008,880,983
Others	1,287,047,280	2,500,135,056	2,086,005,790	16,263,865,002

29 COST OF GOODS SOLD AND SERVICES RENDERED

	For the 3-month period ended		For the 6-month period ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	VND	VND	VND	VND
Cost of finished goods sold	417,931,382,678	391,145,391,164	735,970,410,501	694,620,263,916
Cost of merchandise sold	112,392,907,216	104,834,745,860	223,756,588,602	330,296,135,725
Others	175,794,420	2,251,607,716	1,408,018,544	3,377,057,741
Addition/ (reversal) of provision for devaluation of inventories	253,026,429	(946,990,501)	253,026,429	(946,990,501)
	<u>530,753,110,743</u>	<u>497,284,754,239</u>	<u>961,388,044,076</u>	<u>1,027,346,466,881</u>

30 FINANCIAL INCOME

	For the 3-month period ended		For the 6-month period ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	VND	VND	VND	VND
Interest income	31,272,292,093	27,423,866,365	56,207,669,352	50,444,126,402
Dividend income	144,380,235	25,186,680	594,492,944	53,171,880
Foreign exchange gains	872,094,647	699,923,674	1,472,747,020	962,226,011
	<u>32,288,766,975</u>	<u>28,148,976,719</u>	<u>58,274,909,316</u>	<u>51,459,524,293</u>

31 FINANCIAL EXPENSES

	For the 3-month period ended		For the 6-month period ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	VND	VND	VND	VND
Interest expense	7,159,512,747	7,428,675,233	12,483,770,311	14,975,360,579
Foreign exchange loss	2,289,065,990	1,925,926,190	3,221,987,722	3,095,993,949
Settlement discount	17,885,544,728	17,305,266,975	33,474,552,267	35,687,707,437
Provision for impairment of long-term financial investments	1,674,685,717	-	1,674,685,717	-
Other financial expenses	15,006,421	20,008,560	63,088,436	93,091,633
	<u>29,023,815,603</u>	<u>26,679,876,958</u>	<u>50,918,084,453</u>	<u>53,852,153,598</u>

32 SELLING AND GENERAL AND ADMINISTRATIVE EXPENSES**Selling expenses**

	For the 3-month period ended		For the 6-month period ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	VND	VND	VND	VND
Staff cost	93,065,449,509	97,522,812,410	162,588,763,327	174,564,141,653
Advertising expenses	29,186,844,956	36,391,451,556	39,022,684,971	62,239,500,310
Others	48,048,794,165	48,909,444,021	91,097,705,936	90,027,509,375
	<u>170,301,088,630</u>	<u>182,823,707,987</u>	<u>292,709,154,234</u>	<u>326,831,151,338</u>

General and administrative expenses

	For the 3-month period ended		For the 6-month period ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	VND	VND	VND	VND
Staff cost	68,286,650,556	46,556,700,281	114,909,119,920	89,920,979,813
Others	18,818,368,698	22,281,994,896	39,939,564,736	39,770,661,402
	<u>87,105,019,254</u>	<u>68,838,695,177</u>	<u>154,848,684,656</u>	<u>129,691,641,215</u>

33 OTHER INCOME AND EXPENSES**Other income**

	For the 3-month period ended		For the 6-month period ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	VND	VND	VND	VND
Gains from disposals of fixed assets and other long-term assets (*)	261,554,545	3,524,024,293	354,463,636	3,560,387,929
Others	1,066,230,507	1,661,583,004	5,220,449,431	3,575,153,482
	<u>1,327,785,052</u>	<u>5,185,607,297</u>	<u>5,574,913,067</u>	<u>7,135,541,411</u>

(*) This is the net income from disposals of fixed assets, in which:

- For 6-month period ended 30.06.2019: Gains from disposals of fixed assets were VND 365,509,091, expenses from disposals of fixed assets were VND 11,045,455.

- For 6-month period ended 30.06.2018: Gains from disposals of fixed assets were VND 6,182,727,272, expenses from disposals of fixed assets were VND 2,622,339,343.

Other expenses

	For the 3-month period ended		For the 6-month period ended	
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	VND	VND	VND	VND
Depreciation expenses	184,229,279	194,068,712	337,781,169	301,274,690
Others	1,671,107,205	763,972,413	2,863,802,611	1,475,183,696
	<u>1,855,336,484</u>	<u>958,041,125</u>	<u>3,201,583,780</u>	<u>1,776,458,386</u>

34 PRODUCTION AND OPERATING COSTS BY NATURE

	For the 6-month period ended	
	30.06.2019	30.06.2018
	VND	VND
Raw materials and consumables	892,362,146,690	914,985,509,500
Labor	406,220,998,217	393,294,012,622
Depreciation and amortization	43,985,985,898	43,961,535,029
Out-sourced services	83,884,377,183	86,490,361,901
Other expenses	89,218,536,124	117,823,755,474
	<u>1,515,672,044,112</u>	<u>1,556,555,174,526</u>

35 CORPORATE INCOME TAX EXPENSE

	For the 6-month period ended	
	30.06.2019	30.06.2018
	VND	VND
Accounting profit before tax	343,744,384,154	360,682,690,982
Tax calculated at a normal rate of 20%	68,748,876,831	72,136,538,196
Adjustments for:		
Impact of negative taxable income	812,274,891	724,805,324
Non-assessable income	(118,898,589)	(10,675,076)
Impact of non-deductible expenses	1,353,037,085	1,638,877,493
Over/(under) provision of tax in prior years	-	1,745,455
Tax incentives	(34,697,154,712)	(36,850,285,072)
Adjustments arising from consolidation	(446,554,146)	13,360,440,719
Corporate income tax expense	<u>35,651,581,360</u>	<u>51,001,447,039</u>

Charge/(credit) to the income statement

	For the 6-month period ended	
	30.06.2019	30.06.2018
	VND	VND
Charge/(credit) to the income statement		
Corporate income tax - current	37,847,406,402	27,057,660,701
Corporate income tax - deferred	(2,195,825,042)	23,943,786,338
Corporate income tax expenses	<u>35,651,581,360</u>	<u>51,001,447,039</u>

Applicable tax rates

According to Circular No. 78/2014/TT-BTC, the standard corporate income tax is 22% since 1 January 2014 and is decreased to 20% since 1 January 2016.

The Company

According to Decision No. 3044/QĐ-UBND of the People's Committee of Can Tho City, the Company is required to pay the corporate income tax ("CIT") at a rate of 20% from 2005 to 2014, and 22% for the following years. According to Circular No. 78/2014/TT-BTC, the standard CIT is 20% since 01 January 2016. Accordingly, the applicable tax rate of the Company is 20% in 2018.

Since 01 April 2018, DHG Pharmaceutical One Member Limited Company (DHG Pharma Ltd.) and DHG Packaging and Printing 1 One Member Limited Company (DHG PP1) have been merged into the Company and still have the following preferential tax rates:

Pursuant to the investment certificate, DHG PP1 is obliged to pay CIT at the rate of 10% of taxable income from 2014 to 2028. Under terms in investment certificate granted to DHG PP1, DHG PP1 is entitled to CIT exemption from 2014 to 2017 and 50% reduction of CIT from 2018 to 2026.

Pursuant to investment certificate No. 642041000005 issued by the Management Board of Hau Giang Industrial Zone, DHG Pharma Ltd. is obliged to pay CIT at the rate of 10% of taxable income for 15 years from the date of starting its operation. DHG Pharma Ltd. is entitled to the CIT exemption for 4 years and 50% reduction for the following 9 years commencing from the first year of having taxable income. DHG Pharma Ltd. has registered to apply the above tax incentives effective from the financial year 2015.

The subsidiary

Subsidiary in the Group has obligations to pay the CIT to the State at the standard rate of taxable profits.

36 BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit attributable to shareholders after deducting the bonus and welfare funds by the weighted average number of ordinary shares outstanding during the period, excluding ordinary shares repurchased by the Group and held as treasury shares.

	For the 6-month period ended	
	30.06.2019	30.06.2018
	VND	VND
Net profit attributable to shareholders (VND)	310,082,876,276	311,305,467,330
The estimated amount appropriated to bonus and welfare funds (*)	(12,302,486,288)	(34,130,546,733)
	<u>297,780,389,988</u>	<u>277,174,920,597</u>
Weighted average number of ordinary shares currently in circulation (shares)	130,746,071	130,746,071
Basic earnings per share (VND)	2,278	2,120

(*) According to the Resolution of the General Meeting of Shareholders No. 001/2019/NQ.ĐHĐCĐ dated 11 June 2019, the appropriation for bonus and welfare funds for 2019 based on planned appropriation rate for bonus and welfare funds is 3%.

The Group does not have potentially diluted ordinary shares.

37 COMMITMENTS**a) Operating lease commitment**

	For the 6-month period ended	
	30.06.2019 VND	30.06.2018 VND
Minimum lease payment under operating leases recognized in the income statement for the period	2,715,014,194	2,733,324,777

Minimum lease payments in the future under non-cancellable operating leases are as follows:

	Land lease	
	30.06.2019 VND	31.12.2018 VND
Within one year	2,711,014,189	5,422,028,378
In the first to fifth year inclusive	21,688,113,512	21,688,113,512
After five years	107,508,312,485	110,234,387,865
	<u>131,907,440,186</u>	<u>137,344,529,755</u>

b) Capital commitment

Capital expenditure contracted for at the balance sheet date was as follows:

	30.06.2019 VND	31.12.2018 VND
Approved but not contracted	120,479,348	6,412,563,066
Approved and contracted but not implemented	3,809,947,436	4,763,046,095
	<u>3,930,426,784</u>	<u>11,175,609,161</u>

38 TRANSACTIONS WITH RELATED PARTIES

The largest shareholder of the Group is Taisho Pharmaceutical Co., Ltd which owned 51.01% and the State Capital Investment Corporation ("SCIC") which owned 43.31% of the Company's share capital.

During the period/year, the following transactions were carried out with related parties:

	For the 6-month period ended	
	30.06.2019 VND	30.06.2018 VND
Purchases of goods and services		
Associate		
Vinh Hao Algae Processing Joint Stock Company	1,589,972,400	421,846,000
	<u>1,589,972,400</u>	<u>421,846,000</u>
Sales of goods and services		
Subsidiary of Taisho Group		
Hoe Pharmaceuticals Sdn.Bhd	1,728,473,580	-
	<u>1,728,473,580</u>	<u>-</u>
Supporting product development costs		
Taisho Pharmaceutical Co., Ltd	1,026,346,453	-
	<u>1,026,346,453</u>	<u>-</u>
Dividend declared		
SCIC	113,252,474,000	113,252,474,000
Taisho Pharmaceutical Co., Ltd	91,522,172,000	63,912,192,000
	<u>204,774,646,000</u>	<u>177,164,666,000</u>
Benefits paid to key management personnel		
Salary and other benefits	11,723,890,740	11,037,963,806
	<u>11,723,890,740</u>	<u>11,037,963,806</u>

38 TRANSACTIONS WITH RELATED PARTIES (cont.)

Period/year end balances with related parties

	30.06.2019 VND	31.12.2018 VND
Trade receivables		
Hoe Pharmaceuticals Sdn.Bhd- Taisho's subsidiary	1,729,217,970	-
Trade payables		
Vinh Hao Algae Processing Joint Stock Company – an associate	435,600,000	-

39 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

a. Non-cash transaction affecting the cash flow statement

	For the 6-month period ended	
	30.06.2019 VND	30.06.2018 VND
Appropriation to reserves from profit	193,477,782,318	227,560,620,226
Transfer from construction in progress to tangible fixed assets	25,072,735,514	21,711,468,214
Transfer from construction in progress to intangible fixed assets	-	423,482,400
Transfer from construction in progress to prepaid expenses	83,100,000	-
Interest earned and dividends which have not been received	40,543,432,865	33,275,712,597
Addition in fixed assets and construction in progress during the period that has not yet been paid	-	201,750,000

b. Proceed from borrowings

	For the 6-month period ended	
	30.06.2019 VND	30.06.2018 VND
Proceed from borrowings under normal contracts	1,347,170,400,345	1,463,145,782,841

c. Repayment of borrowings

	For the 6-month period ended	
	30.06.2019 VND	30.06.2018 VND
Repayment of borrowings under normal contract	1,187,227,765,711	1,275,690,370,296

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant

Doan Dinh Duy Khuong
Interim General Director
19 July 2019