

DHG PHARMACEUTICAL JOINT STOCK COMPANY

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED 31 MARCH 2019**

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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 17 August 2018 was issued by the Department of Planning and Investment of Can Tho City.	
The Board of Directors	Mr. Nguyen Chi Thanh Mdm. Pham Thi Viet Nga Mr. Doan Dinh Duy Khuong Mr. Tran Chi Liem Mr. Jun Kuroda Mrs. Dang Thi Thu Ha Mr. Phan Minh Tien	Chairman Member Member Member Member Member Member
The Board of Management	Mr. Doan Dinh Duy Khuong Mr. Le Chanh Dao Mrs. Nguyen Ngoc Diep Mr. Tomoyuki Kawata	Acting General Director Deputy General Director Deputy General Director Deputy General Director
The Board of Supervisory	Mr. Tran Quoc Hung Ms. Nguyen Phuong Thao Mr. Tran Trung Kien	Head Member Member
Legal representative	Mr. Doan Dinh Duy Khuong	Acting General Director
Head office	288 Bis Nguyen Van Cu, An Hoa Ward, Ninh Kieu District, Can Tho City, Vietnam	

INTERIM CONSOLIDATED BALANCE SHEET

Codes	ASSETS	Notes	As at 31.03.2019 VND	As at 31.12.2018 VND
100	CURRENT ASSETS		3,155,338,836,821	3,147,636,450,849
110	Cash and cash equivalents	4	48,660,015,997	75,835,597,431
111	Cash		48,660,015,997	75,330,296,062
112	Cash equivalents		-	505,301,369
120	Short-term financial investments		1,581,222,000,000	1,459,722,000,000
123	Held-to-maturity investments	5	1,581,222,000,000	1,459,722,000,000
130	Short-term receivables		539,558,955,327	669,787,225,237
131	Short-term trade receivables	6	494,875,949,975	618,503,855,955
132	Short-term advances to suppliers		21,257,115,764	26,841,394,656
135	Short-term loan receivables		2,567,742,343	3,395,400,976
136	Other short-term receivables	7	57,655,294,951	55,618,287,897
137	Provision for short-term doubtful debts	8	(36,797,147,706)	(34,571,714,247)
140	Inventories	9	939,379,861,693	891,486,976,436
141	Inventories		940,194,187,925	892,301,302,668
149	Provision for devaluation of inventories		(814,326,232)	(814,326,232)
150	Other short-term assets		46,518,003,804	50,804,651,745
151	Short-term prepayments	10	8,182,703,518	3,452,228,975
152	Value added tax deductibles		22,876,517,813	32,191,908,956
153	Taxes and other receivables from the State budget	11	15,458,782,473	15,160,513,814
200	NON-CURRENT ASSETS		1,079,255,018,133	1,058,328,035,945
210	Long-term receivables		940,000,000	1,560,000,000
215	Long-term loans receivable		850,000,000	1,330,000,000
216	Other long-term receivables		90,000,000	230,000,000
220	Fixed assets		959,367,218,927	976,618,370,054
221	Tangible fixed assets	12	725,271,916,326	741,098,658,417
222	Cost		1,354,173,332,184	1,347,704,245,077
223	Accumulated depreciation		(628,901,415,858)	(606,605,586,660)
227	Intangible fixed assets	13	234,095,302,601	235,519,711,637
228	Cost		269,077,826,514	269,077,826,514
229	Accumulated amortization		(34,982,523,913)	(33,558,114,877)
230	Investment properties	14	233,098,003	247,880,293
231	Cost		982,448,156	1,249,521,792
232	Accumulated depreciation		(749,350,153)	(1,001,641,499)
240	Long-term assets in progress		25,787,865,588	14,087,991,804
242	Construction in progress	15	25,787,865,588	14,087,991,804
250	Long-term financial investments	5	55,252,717,251	25,219,928,995
252	Investments in associates		3,075,408,814	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		(5,730,861,763)	(5,730,861,763)
255	Held-to-maturity investments		30,000,000,000	-
260	Other long-term assets		37,674,118,364	40,593,864,799
261	Long-term prepayments	10	27,039,253,953	30,170,914,891
262	Deferred tax assets	16	10,634,864,411	10,422,949,908
270	TOTAL ASSETS		4,234,593,854,954	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 31.03.2019 VND	As at 31.12.2018 VND
300	LIABILITIES		1,216,649,932,159	1,061,702,377,563
310	Current liabilities		1,157,021,110,003	1,001,487,737,988
311	Short-term trade payables	17	178,284,219,090	145,750,476,107
312	Short-term advances from customers		10,297,796,438	9,728,206,186
313	Taxes and amounts payable to the State budget	11	14,706,774,774	13,641,750,175
314	Payables to employees		91,418,986,758	180,019,655,715
315	Short-term accrued expenses	18	26,645,571,000	40,052,115,726
318	Short-term unearned revenue	19	16,197,046,888	9,030,131,533
319	Other current payables	20	265,821,534,779	2,004,193,753
320	Short-term loans and obligations under finance leases	21	529,955,932,457	557,901,327,419
322	Bonus and welfare funds	22	23,693,247,819	43,359,881,374
330	Long-term liabilities		59,628,822,156	60,214,639,575
342	Long-term provisions	23	40,252,938,643	39,753,692,402
343	Science and technology development fund	24	19,375,883,513	20,460,947,173
400	EQUITY		3,017,943,922,795	3,144,262,109,231
410	Owner's equity		3,017,943,922,795	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	1,270,235,596,228	1,270,235,596,228
421	Retained earnings	25	424,575,706,038	550,252,659,422
421a	- Retained earnings accumulated to the prior year end		288,760,517,422	28,072,641,016
421b	- Retained earnings of the current period		135,815,188,616	522,180,018,406
429	Non-controlling interests	26	8,892,962,529	9,534,195,581
440	TOTAL RESOURCES		4,234,593,854,954	4,205,964,486,794

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant

Le Chanh Dao
Deputy General Director
18 April 2019

CONSOLIDATED INCOME STATEMENT

Codes	Notes	For the 3-month period ended		
		31.03.2019 VND	31.03.2018 VND	
01	Gross revenue from goods sold and services rendered	28	854,177,808,680	1,031,203,079,396
02	Deductions	28	86,986,691,982	122,774,087,978
10	Net revenue from goods sold and services rendered	28	767,191,116,698	908,428,991,418
11	Cost of sales	29	430,634,933,333	530,061,712,642
20	Gross profit		336,556,183,365	378,367,278,776
21	Financial income	30	25,986,142,341	23,310,547,574
22	Financial expenses	31	21,894,268,850	27,172,276,640
23	<i>In which: Interest expense</i>		<i>5,324,257,564</i>	<i>7,546,685,346</i>
24	Profit sharing from investment in associates		32,788,256	-
25	Selling expenses	32	122,408,065,604	144,007,443,351
26	General and administrative expenses	32	67,743,665,402	60,852,946,038
30	Operating profit		150,529,114,106	169,645,160,321
31	Other income	33	4,247,128,015	1,949,934,114
32	Other expenses	33	1,346,247,296	818,417,261
40	Profit from other activities		2,900,880,719	1,131,516,853
50	Accounting profit before tax		153,429,994,825	170,776,677,174
51	Current corporate income tax expense	35	18,467,953,764	1,728,342,553
52	Deferred corporate tax expense	35	(211,914,503)	(1,931,625,674)
60	Net profit after corporate income tax		135,173,955,564	170,979,960,295
	In which:			
61	Owners of the parent company	25	135,815,188,616	171,475,261,265
62	Non-controlling interests		(641,233,052)	(495,300,970)
70	Earnings per share (VND)	36	923	1,169

 Tran Ngoc Hien
Preparer

 Ho Buu Huan
Chief Accountant

 Le Chanh Dao
Deputy General Director
18 April 2019

DHG PHARMACEUTICAL JOINT STOCK COMPANY

INTERIM CONSOLIDATED CASH FLOW STATEMENT
(Indirect method)

Codes	Notes	Fiscal period ended	
		31.03.2019 VND	31.03.2018 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01		153,429,994,825	170,776,677,174
		Adjustments for:	
02		22,210,247,095	22,345,156,532
03		2,779,482,032	1,507,728,983
04			
		181,964,364	220,048,688
05		(25,515,187,315)	(23,084,608,873)
06	31	5,324,257,564	7,546,685,346
08		158,410,758,565	179,311,687,850
09		146,184,353,080	144,227,276,204
10		(47,892,885,257)	(51,346,497,897)
11		(77,061,054,311)	(236,625,852,193)
12		(1,515,713,605)	(3,631,567,452)
14		(5,134,919,211)	(7,449,223,149)
15		(20,000,000,000)	(15,000,000,000)
17		(18,986,713,786)	(32,459,519,425)
20		134,003,825,475	(22,973,696,062)
CASH FLOWS FROM INVESTING ACTIVITIES			
21		(18,670,813,703)	(14,299,097,431)
22		96,909,091	36,363,636
23		(872,673,917,808)	(1,223,848,734,545)
24		722,481,576,441	909,753,182,733
25		-	(160,000,000)
27		35,536,258,137	35,527,736,184
30		(133,229,987,842)	(292,990,549,423)
CASH FLOWS FROM FINANCING ACTIVITIES			
33		563,955,932,457	776,200,000,000
34		(591,901,327,419)	(564,400,000,000)
40		(27,945,394,962)	211,800,000,000
50		(27,171,557,329)	(104,164,245,485)
60		75,835,597,431	549,777,216,585
61	4	(4,024,105)	(10,294,707)
70	4	48,660,015,997	445,602,676,393

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant

Le Chanh Dao
Deputy General Director
18 April 2019

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED 31 MARCH 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 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 31 March 2019 was 2,985 (as at 31 December 2019: 3,054).

Operating industry and principal activities

The operating industry of the Group are to manufacture and sell pharmaceutical products, provide health care services.

The principal activities of the Group 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 31 March 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 consolidated financial statements for the fiscal period ended 31 March 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 31 March 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 associates are incorporated in these financial statements using the equity method of accounting. Interests in associates 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.

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

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 labour 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.

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

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 Labour 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.

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

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**Customer loyalty programs (cont.)**

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.

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.

4 CASH AND CASH EQUIVALENTS

	31.03.2019	31.12.2018
	VND	VND
Cash	15,814,799,438	27,969,606,758
Demand deposits	32,521,624,581	47,360,689,304
Cash in transit	323,591,978	-
Cash equivalents (*)	-	505,301,369
	<u>48,660,015,997</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.

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

Held-to-maturity investments

	31.03.2019		31.12.2018	
	Cost	Book value	Cost	Book value
	VND	VND	VND	VND
Term deposits	<u>1,581,222,000,000</u>	<u>1,581,222,000,000</u>	<u>1,459,722,000,000</u>	<u>1,459,722,000,000</u>

(b) Long-term financial investments

	31.03.2019		31.12.2018	
	Cost	Provision	Cost	Provision
	VND	VND	VND	VND
Investments in associate (*)	3,075,408,814	-	3,042,620,558	-
Equity investments in other entities (**)	<u>27,908,170,200</u>	<u>(5,730,861,763)</u>	<u>27,908,170,200</u>	<u>(5,730,861,763)</u>
	<u>30,983,579,014</u>	<u>(5,730,861,763)</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:

	31.03.2019	31.12.2018
	VND	VND
Vinh Hao Algae Processing Joint Stock Company	<u>3,075,408,814</u>	<u>3,042,620,558</u>

5 FINANCIAL INVESTMENTS (cont.)

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

	Fiscal period ended 31.03.2019 VND	Fiscal year ended 31.12.2018 VND
Opening balance	3,042,620,558	3,129,548,349
Share of losses	(127,337,771)	(86,927,791)
Adjustment of the prior period's interest	160,126,027	-
Closing balance	<u>3,075,408,814</u>	<u>3,042,620,558</u>

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

	31.03.2019 VND	31.12.2019 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 31 March 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

	31.03.2019		31.12.2018	
	Cost VND	Book value VND	Cost VND	Book value VND
Term deposits	30,000,000,000	30,000,000,000	-	-

6 SHORT-TERM TRADE RECEIVABLES

	31.03.2019 VND	31.12.2018 VND
Third parties	<u>494,875,949,975</u>	<u>618,503,855,955</u>

As at 31 March 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

	31.03.2019 Value VND	31.12.2018 Value VND
Interest income receivable	36,116,119,582	46,266,887,751
Receivable from employees	11,958,169,180	5,715,446,761
Other receivables	9,581,006,189	3,635,953,385
	<u>57,655,294,951</u>	<u>55,618,287,897</u>

8 BAD DEBTS

	31.03.2019		
	Cost VND	Recoverable amount VND	Provision VND
Total amount of receivables and loans past due or not past due but impaired	230,424,352,886	193,627,205,180	(36,797,147,706)
	31.12.2018		
	Cost VND	Recoverable amount VND	Provision 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 31 March 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 ended 31.03.2019 VND	Fiscal year ended 31.12.2018 VND
Opening balance	34,571,714,247	21,712,831,939
Increase during the period/year	2,225,433,459	12,865,960,026
Reversal during the period/year	-	(7,077,718)
Closing balance	36,797,147,706	34,571,714,247

9 INVENTORIES

	31.03.2019		31.12.2018	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	88,920,707,080	-	66,470,323,130	-
Raw materials	347,283,716,462	-	376,766,969,549	-
Work in progress	40,127,057,062	-	54,189,946,414	-
Finished goods	437,512,383,174	(814,326,232)	346,534,828,838	(814,326,232)
Merchandise	26,350,324,147	-	48,339,234,737	-
	940,194,187,925	(814,326,232)	892,301,302,668	(814,326,232)

9 INVENTORIES (cont.)

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

	Fiscal period ended 31.03.2019 VND	Fiscal year ended 31.12.2018 VND
Opening balance	814,326,232	2,456,156,179
Utilization of provision	-	(1,320,277,628)
Reversal of provision	-	(321,552,319)
Closing balance	<u>814,326,232</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.

10 PREPAYMENTS**Short-term prepayments**

	31.03.2019 VND	31.12.2018 VND
Operating leases	5,060,047,235	101,800,010
Others	3,122,656,283	3,350,428,965
	<u>8,182,703,518</u>	<u>3,452,228,975</u>

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

Long-term prepayments

	31.03.2019 VND	31.12.2018 VND
Prepaid land rental	10,281,506,985	10,367,868,894
Tools and supplies	10,008,356,469	11,828,145,326
Leasehold improvements	14,683,782	77,295,492
Others	6,734,706,717	7,897,605,179
	<u>27,039,253,953</u>	<u>30,170,914,891</u>

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

	Fiscal period ended 31.03.2019 VND	Fiscal year ended 31.12.2018 VND
Opening balance	30,170,914,891	31,156,425,691
Increase	958,193,190	13,147,094,166
Allocation during the period/year	(4,089,854,128)	(14,147,024,752)
Reclassifications of opening balance	-	14,419,786
Closing balance	<u>27,039,253,953</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	(9,873,559,258)	9,581,860,477	3,421,892,756
Import and export duties	926,396,477	(926,396,477)	-	-
Corporate income tax	10,504,843,481	(18,467,953,764)	20,000,000,000	12,036,889,717
Land use tax	15,682,319	(15,682,319)	-	-
Total	15,160,513,814	(29,283,591,818)	29,581,860,477	15,458,782,473

Payables

VAT on domestic sales	13,499,506,643	10,429,593,900	(18,313,523,889)	5,615,576,654
Import and export duties	-	2,563,945,865	(2,146,802,569)	417,143,296
Personal income tax	142,243,532	15,142,035,934	(12,278,806,177)	3,005,473,289
Land rental fee, land use tax	-	5,626,980,286	(3,978,551)	5,623,001,735
Other taxes	-	410,311,419	(364,731,619)	45,579,800
Total	13,641,750,175	34,172,867,404	(33,107,842,805)	14,706,774,774

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)	-	5,657,397,107	-	32,000,000	5,689,397,107
Transferred from investment properties (Note 14)	267,073,636	-	-	-	267,073,636
Disposals	-	-	(507,283,636)	-	(507,283,636)
As at 31 March 2019	<u>523,575,902,871</u>	<u>598,096,621,409</u>	<u>162,264,218,989</u>	<u>70,236,588,915</u>	<u>1,354,173,332,184</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	7,293,693,643	11,545,301,291	2,803,756,230	893,288,034	22,536,039,198
Transferred from investment properties (Note 14)	267,073,636	-	-	-	267,073,636
Disposals	-	-	(507,283,636)	-	(507,283,636)
As at 31 March 2019	<u>189,837,341,215</u>	<u>275,519,836,867</u>	<u>103,200,391,919</u>	<u>60,343,845,857</u>	<u>628,901,415,858</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 31 March 2019	<u>333,738,561,656</u>	<u>322,576,784,542</u>	<u>59,063,827,070</u>	<u>9,892,743,058</u>	<u>725,271,916,326</u>

The cost of fully depreciated tangible fixed assets but still in use as at 31 March 2019 was VND 215,772,062,641 (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 31 March 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	-	832,762,557	591,646,479	1,424,409,036
As at 31 March 2019	-	<u>22,859,470,749</u>	<u>12,123,053,164</u>	<u>34,982,523,913</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 31 March 2019	<u>95,158,560,046</u>	<u>134,611,764,514</u>	<u>4,324,978,041</u>	<u>234,095,302,601</u>

As at 31 March 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 31 March 2019	<u>982,448,156</u>
Accumulated depreciation	
As at 01 January 2019	1,001,641,499
Charge for the period/year	14,782,290
Transfer to tangible fixed assets (Note 13)	<u>(267,073,636)</u>
As at 31 March 2019	<u>749,350,153</u>
Net book value	
As at 01 January 2019	247,880,293
As at 31 March 2019	<u>233,098,003</u>

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

15 CONSTRUCTION IN PROGRESS

	31.03.2019	31.12.2018
	VND	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
Repair of parking lot	1,268,293,577	-
Rebamipide product technology transfer project	1,925,000	-
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	3,083,430,913	145,077,537
Purchase of new machines	7,270,378,068	-
	<u>25,787,865,588</u>	<u>14,087,991,804</u>

Movements of construction in progress in the period/year

	Fiscal period ended	Fiscal year ended
	31.03.2019	31.12.2018
	VND	VND
Opening balance	14,087,991,804	36,307,709,778
Purchases	17,650,913,703	30,475,107,864
Transfer to tangible fixed assets (Note 12)	(5,689,397,107)	(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>25,787,865,588</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.

	31.03.2019	31.12.2018
	VND	VND
Corporate income tax rate used for determining deferred tax assets	20%	20%
Deductible temporary differences	53,174,322,055	52,114,749,540
Deferred tax assets	<u>10,634,864,411</u>	<u>10,422,949,908</u>

17 SHORT-TERM TRADE PAYABLES

	31.03.2019		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)	203,020,800	203,020,800	-	-
Third parties (*)	178,081,198,290	178,081,198,290	145,750,476,107	145,750,476,107
	<u>178,284,219,090</u>	<u>178,284,219,090</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:

	31.03.2019 VND	31.12.2018 VND
ROQUETTE FRERES	1,244,316,215	15,258,076,053
DSM SINOCEM PHARMACEUTICALS INDIA PVT LTD	4,799,832,000	18,987,080,000
DSM SINOCEM PHARMACEUTICALS SPAIN S.A	15,348,300,000	20,246,688,000

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

18 SHORT-TERM ACCRUED EXPENSES

	31.03.2019 VND	31.12.2018 VND
Seminar expenses	3,960,000,000	-
Settlement discount expenses	4,153,814,482	6,553,611,056
Marketing and customer care expenses	-	94,419,309
Interest expense	660,458,363	471,120,010
Other accruals	17,871,298,155	32,932,965,351
	<u>26,645,571,000</u>	<u>40,052,115,726</u>

19 SHORT-TERM UNEARNED REVENUE

	31.03.2019 VND	31.12.2018 VND
Unearned revenue from customer loyalty programs (Note 3)	16,197,046,888	9,030,131,533

20 OTHER SHORT-TERM PAYABLES

	31.03.2019 VND	31.12.2018 VND
Insurance and union fee	598,069,308	638,977,697
Dividends payable	261,492,142,000	-
Others	3,731,323,471	1,365,216,056
	<u>265,821,534,779</u>	<u>2,004,193,753</u>

21 SHORT-TERM LOANS

	31.03.2019		31.12.2018	
	Amount	Amount able to be paid off	Amount	Amount able to be paid off
	VND	VND	VND	VND
Loans from banks	529,955,932,457	529,955,932,457	557,901,327,419	557,901,327,419
	<u>529,955,932,457</u>	<u>529,955,932,457</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 31.03.2019 VND
Loans from banks (*)	557,901,327,419	563,955,932,457	(591,901,327,419)	529,955,932,457
	<u>557,901,327,419</u>	<u>563,955,932,457</u>	<u>(591,901,327,419)</u>	<u>529,955,932,457</u>

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

As at 31 March 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
Depreciation of assets formed from funds	-	(679,919,769)	-	(679,919,769)
Utilization of funds	(17,760,519,100)	-	(1,226,194,686)	(18,986,713,786)
Closing balance	<u>-</u>	<u>16,935,790,067</u>	<u>6,757,457,752</u>	<u>23,693,247,819</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/ (reversal) for the period/year	992,719,683	(438,671,110)	554,048,573
Utilisation of provisions	-	(54,802,332)	(54,802,332)
Closing balance	<u>16,527,956,444</u>	<u>23,724,982,199</u>	<u>40,252,938,643</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	(1,085,063,660)
Closing balance	<u>19,375,883,513</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	-	-	-	135,815,188,616	135,815,188,616
2 nd dividends advance for 2018 at 20%	-	-	-	(261,492,142,000)	(261,492,142,000)
As at 31 March 2019	1,307,460,710,000	6,778,948,000	1,270,235,596,228	424,575,706,038	3,009,050,960,266

25 OWNER'S EQUITY (cont.)

Charter capital

	31.03.2019		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 Decision of the Board of Directors No. 001/2019/QĐ.HĐQT dated 27 February 2019, the advance was made for the second time in 2018 at 20% par value equivalent to VND 261,492,142,000 and it is expected to be paid on 16 June 2019.

26 NON-CONTROLLING INTERESTS

	Fiscal period ended 31.03.2019 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	(641,233,052)	(1,940,415,499)
Changes in interests due to transferring investments	-	(196,530,888)
Closing balance	8,892,962,529	9,534,195,581

27 OFF BALANCE SHEET ITEMS**Foreign currencies**

Cash and cash equivalents include the following foreign currencies:

	31.03.2019	31.12.2018
	VND	VND
United states Dollar (USD)	196,227	239,703
Euro (EUR)	14,495	34,833
	<u> </u>	<u> </u>

28 GROSS REVENUE FROM GOODS SOLD AND SERVICES RENDERED

	For the 3-month period ended	
	31.03.2019	31.03.2018
	VND	VND
Sales of merchandise and services		
Sales of finished goods	736,722,662,824	761,459,741,706
Sales of merchandise	116,656,187,346	255,979,607,744
Others	798,958,510	13,763,729,946
	<u>854,177,808,680</u>	<u>1,031,203,079,396</u>
Deductions		
Sales discounts	85,830,057,502	121,019,027,843
Sales returns	1,156,634,480	1,755,060,135
	<u>86,986,691,982</u>	<u>122,774,087,978</u>
Net sales	<u>767,191,116,698</u>	<u>908,428,991,418</u>
In which:		
Sales of finished goods	650,758,465,473	646,317,022,179
Sales of merchandises	115,633,692,715	248,348,239,293
Others	798,958,510	13,763,729,946

29 COST OF GOODS SOLD AND SERVICES RENDERED

	For the 3-month period ended	
	31.03.2019	31.03.2018
	VND	VND
Cost of finished goods sold	318,039,027,823	303,474,872,752
Cost of merchandise sold	111,363,681,386	225,461,389,865
Others	1,232,224,124	1,125,450,025
	<u>430,634,933,333</u>	<u>530,061,712,642</u>

30 FINANCIAL INCOME

	For the 3-month period ended	
	31.03.2019	31.03.2018
	VND	VND
Interest income	24,935,377,259	23,020,260,037
Dividend income	450,112,709	27,985,200
Foreign exchange gains	600,652,373	262,302,337
	<u>25,986,142,341</u>	<u>23,310,547,574</u>

31 FINANCIAL EXPENSES

	For the 3-month period ended	
	31.03.2019	31.03.2018
	VND	VND
Interest expense	5,324,257,564	7,546,685,346
Foreign exchange loss	932,921,732	1,170,067,759
Settlement discount	15,589,007,539	18,382,440,462
Other financial expenses	48,082,015	73,083,073
	<u>21,894,268,850</u>	<u>27,172,276,640</u>

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

	For the 3-month period ended	
	31.03.2019	31.03.2018
	VND	VND
Staff cost	69,523,313,818	77,041,329,243
Advertising expenses	9,835,840,015	25,848,048,754
Others	43,048,911,771	41,118,065,354
	<u>122,408,065,604</u>	<u>144,007,443,351</u>

General and administrative expenses

	For the 3-month period ended	
	31.03.2019	31.03.2018
	VND	VND
Staff cost	46,622,469,364	43,364,279,532
Others	21,121,196,038	17,488,666,506
	<u>67,743,665,402</u>	<u>60,852,946,038</u>

33 OTHER INCOME AND EXPENSES**Other income**

	For the 3-month period ended	
	31.03.2019	31.03.2018
	VND	VND
Gains from disposals of fixed assets and other non-current assets	92,909,091	36,363,636
Others	4,154,218,924	1,913,570,478
	<u>4,247,128,015</u>	<u>1,949,934,114</u>

Other expenses

	For the 3-month period ended	
	31.03.2019	31.03.2018
	VND	VND
Depreciation expenses	153,551,890	107,205,978
Others	1,192,695,406	711,211,283
	<u>1,346,247,296</u>	<u>818,417,261</u>

34 PRODUCTION AND OPERATING COSTS BY NATURE

	For the 3-month period ended	
	31.03.2019	31.03.2018
	VND	VND
Raw materials and consumables	456,873,413,387	459,891,519,468
Labour	181,726,308,246	182,456,177,053
Depreciation and amortization	22,056,695,205	22,120,966,005
Out-sourced services	39,129,397,645	40,428,348,392
Other expenses	37,368,942,100	50,007,732,373
	<u>737,154,756,583</u>	<u>754,904,743,291</u>

35 CORPORATE INCOME TAX EXPENSE

	For the 3-month period ended	
	31.03.2019	31.03.2018
	VND	VND
Accounting profit before tax	153,429,994,825	170,776,677,174
Tax calculated at a normal rate of 20%	30,685,998,965	34,155,335,435
Adjustments for:		
Impact of negative taxable income	261,727,776	227,074,916
Non-assessable income	(90,022,542)	(5,636,482)
Impact of non-deductible expenses	2,720,247,140	938,173,721
Tax incentives	(15,156,243,098)	(36,840,626,452)
Adjustments arising from consolidation	(165,668,980)	213,984,183
Corporate income tax before applying the market profit margin on related party transactions	18,256,039,261	(1,311,694,679)
Increase in corporate income tax by applying the market profit margin on related party transactions	-	1,108,411,558
Corporate income tax expense after adjustment	18,256,039,261	(203,283,121)

Charge/(credit) to the income statement

	For the 3-month period ended	
	31.03.2019	31.03.2018
	VND	VND
Charge/(credit) to the income statement		
Corporate income tax - current	18,467,953,764	1,728,342,553
Corporate income tax - deferred	(211,914,503)	(1,931,625,674)
Corporate income tax expenses	18,256,039,261	(203,283,121)

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 subsidiaries

Subsidiaries in the Group have 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 year, excluding ordinary shares repurchased by the Group and held as treasury shares.

	For the 3-month period ended	
	31.03.2019	31.03.2018
	VND	VND
Net profit attributable to shareholders (VND)	135,815,188,616	171,475,261,265
The estimated amount appropriated to bonus and welfare funds	<u>(15,081,518,862)</u>	<u>(18,647,526,127)</u>
	<u>120,733,669,754</u>	<u>152,827,735,138</u>
Weighted average number of ordinary shares currently in circulation (shares)	130,746,071	130,746,071
Basic earnings per share (VND)	923	1,169

The Group does not have potentially diluted ordinary shares.

37 COMMITMENTS**a) Operating lease commitment**

	For the 3-month period ended	
	31.03.2019	31.03.2018
	VND	VND
Minimum lease payment under operating leases recognized in the income statement for the period	1,356,507,100	1,366,662,390

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

	Land lease	
	31.03.2019	31.12.2018
	VND	VND
Within one year	1,355,507,096	5,422,028,378
In the first to fifth year inclusive	21,688,113,512	21,688,113,512
After five years	108,878,880,771	110,234,387,865
	<u>131,922,501,379</u>	<u>137,344,529,755</u>

b) Capital commitment

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

	31.03.2019	31.12.2018
	VND	VND
Approved but not contracted	352,035,931	6,412,563,066
Approved and contracted but not implemented	6,218,368,841	4,763,046,095
	<u>6,570,404,772</u>	<u>11,175,609,161</u>

38 TRANSACTIONS WITH RELATED PARTIES

The largest shareholder of the Group is the State Capital Investment Corporation (“SCIC”) which owns 43.31% of the Company’s share capital. SCIC is controlled by the Government of S.R Vietnam.

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

	For the 3-month period ended	
	31.03.2019	31.03.2018
	VND	VND
<i>Purchases of goods and services</i>		
Associate		
Vinh Hao Algae Processing Joint Stock Company	412,951,600	395,546,000
	<u>412,951,600</u>	<u>395,546,000</u>
<i>Benefits paid to key management personnel</i>		
Salary and other benefits	6,989,061,316	7,255,972,268
	<u>6,989,061,316</u>	<u>7,255,972,268</u>
Period/year end balances with related parties		
	31.03.2019	31.12.2018
	VND	VND
Trade payables		
Vinh Hao Algae Processing Joint Stock Company - an associate	203,020,800	-

39 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**a. Non-cash transaction affecting the cash flow statement**

	<u>For the 3-month period ended</u>	
	<u>31.03.2019</u> VND	<u>31.03.2018</u> VND
Appropriation to reserves from profit	-	225,713,569,577
Transfer from construction in progress to tangible fixed assets	5,689,397,107	14,463,519,361
Transfer from construction in progress to intangible fixed assets	-	60,933,600
Transfer from construction in progress to prepaid expenses	83,100,000	-
Interest earned and dividends which have not been received	36,116,119,582	15,022,933,346

b. Proceed from borrowings

	<u>For the 3-month period ended</u>	
	<u>31.03.2019</u> VND	<u>31.03.2018</u> VND
Proceed from borrowings under normal contracts	<u>563,955,932,457</u>	<u>776,200,000,000</u>

c. Repayment of borrowings

	<u>For the 3-month period ended</u>	
	<u>31.03.2019</u> VND	<u>31.03.2018</u> VND
Repayment of borrowings under normal contract	<u>591,901,327,419</u>	<u>564,400,000,000</u>

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant

Le Chanh Dao
Deputy General Director
18 April 2019