

**DHG PHARMACEUTICAL  
JOINT STOCK COMPANY**

*(Incorporated in the Socialist Republic of Vietnam)*

**REVIEWED INTERIM CONSOLIDATED  
FINANCIAL STATEMENTS**

**For the 6-month period ended 30 June 2018**

**DHG PHARMACEUTICAL JOINT STOCK COMPANY**

No. 288 Bis Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District  
Can Tho City, S.R.Vietnam

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**DHG PHARMACEUTICAL JOINT STOCK COMPANY**

No. 288 Bis Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District  
Can Tho City, S.R.Vietnam

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**STATEMENT OF THE BOARD OF GENERAL DIRECTORS**

The Board of General Directors of DHG Pharmaceutical Joint Stock Company (the "Parent Company") and its subsidiaries (the Parent Company and its subsidiaries are referred to as the "Group") presents this report together with the Group's interim consolidated financial statements for the 6-month period ended 30 June 2018.

**BOARD OF MANAGEMENT, BOARD OF GENERAL DIRECTORS AND SUPERVISORY BOARD**

The members of the Board of Management, Supervisory Board and Board of General Directors of the Company who held office during the period and to the date of this report are as follows:

**Board of Management**

|                          |                                     |
|--------------------------|-------------------------------------|
| Mr. Nguyen Chi Thanh     | Chairman                            |
| Ms. Pham Thi Viet Nga    | Member                              |
| Mr. Doan Dinh Duy Khuong | Member                              |
| Mr. Tran Chi Liem        | Member                              |
| Mr. Jun Kuroda           | Member                              |
| Ms. Dang Thi Thu Ha      | Member                              |
| Mr. Phan Minh Tien       | Member (appointed on 28 March 2018) |

**Supervisory Board**

|                        |                                     |
|------------------------|-------------------------------------|
| Mr. Tran Quoc Hung     | Head of the Board                   |
| Ms. Nguyen Phuong Thao | Member                              |
| Mr. Tran Trung Kien    | Member (appointed on 28 March 2018) |

**Board of General Directors**

|                          |                         |
|--------------------------|-------------------------|
| Mr. Doan Dinh Duy Khuong | Acting General Director |
| Mr. Le Chanh Dao         | Deputy General Director |
| Ms. Nguyen Ngoc Diep     | Deputy General Director |
| Mr. Tomoyuki Kawata      | Deputy General Director |

**Legal representative**

Legal representative of the Company during the period and at the date of these interim consolidated financial statements is Mr. Doan Dinh Duy Khuong. Mr. Le Chanh Dao is authorised to sign the interim consolidated financial statements for the 6-month period ended on 30 June 2018.

**BOARD OF GENERAL DIRECTORS' STATEMENT OF RESPONSIBILITY**

The Board of General Directors is responsible for preparing the interim consolidated financial statements which give a true and fair view of the consolidated financial position as at 30 June 2018 of the Group, and its consolidated financial performance and cash flows for the 6-month period then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to interim financial reporting. In preparing these interim consolidated financial statements, the Board of General Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the interim consolidated financial statements;
- prepare the interim consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the interim consolidated financial statements so as to minimize errors and frauds.

The Board of General Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the consolidated financial position of the Group and that the interim consolidated financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to interim financial reporting. The Board of General Directors is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

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**DHG PHARMACEUTICAL JOINT STOCK COMPANY**

No. 288 Bis Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District  
Can Tho City, S.R.Vietnam

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**STATEMENT OF THE BOARD OF GENERAL DIRECTORS (Continued)**

The Board of General Directors confirms that the Group has complied with the above requirements in preparing these interim consolidated financial statements.

For and on behalf of the Board of General Directors,



  
\_\_\_\_\_  
**Le Chanh Dao**  
**Deputy General Director**  
*14 August 2018*

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No. 145 /VN1A-HC-BC

## REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**To: The shareholders**  
**The Board of Management, Supervisory Board and Board of General Directors**  
**DHG Pharmaceutical Joint Stock Company**

We have reviewed the accompanying interim consolidated financial statements of DHG Pharmaceutical Joint Stock Company (the "Parent Company") and its subsidiaries (the Parent Company and its subsidiaries are referred to as the "Group"), prepared on 14 August 2018 as set out from page 4 to page 31, which comprise the interim consolidated balance sheet as at 30 June 2018, the interim consolidated income statement and interim consolidated cash flow statement for the 6-month period ended 30 June 2018 and a summary of significant accounting policies and other explanatory information.

### Board of General Directors' Responsibility for the Interim Consolidated Financial Statements

The Board of General Directors is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to interim financial reporting, and for such internal control as the Board of General Directors determines is necessary to enable the preparation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express a conclusion on the accompanying interim consolidated financial statements based on our review. We conducted our review in accordance with Vietnamese Standard on Review Engagements (VSRE) 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

A review of interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Vietnamese Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2018, and of its consolidated financial performance and its consolidated cash flows for the 6-month period then ended, in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to interim financial reporting.

### Other matter

The consolidated financial statements of the Group for the year ended 31 December 2017 were audited by another audit firm whose independent auditors' report issued on 12 March 2018 expressed an unqualified opinion. In addition, the interim consolidated financial statements of the Group for the 6-month period ended 30 June 2017 were reviewed by another audit firm whose review report issued on 11 August 2017 expressed an unqualified conclusion.



**Vo Thai Hoa**  
**Audit Partner**

Audit Practising Registration Certificate  
No. 0138-2018-001-1

**BRANCH OF DELOITTE VIETNAM COMPANY LIMITED**

14 August 2018

Ho Chi Minh City, S.R. Vietnam

**INTERIM CONSOLIDATED BALANCE SHEET**  
 As at 30 June 2018

Unit: VND

| <b>ASSETS</b>  | <b>Codes</b> | <b>Notes</b> | <b>Closing balance</b>          | <b>Opening balance</b>          |
|--|--------------|--------------|---------------------------------|---------------------------------|
| <b>A. CURRENT ASSETS</b>                                       | <b>100</b>   |              | <b>3,069,655,344,143</b>        | <b>2,939,184,938,924</b>        |
| <b>I. Cash and cash equivalents</b>                            | <b>110</b>   | <b>4</b>     | <b>74,377,826,389</b>           | <b>549,777,216,585</b>          |
| 1. Cash  | 111          |              | 52,393,045,510                  | 88,442,815,647                  |
| 2. Cash equivalents  | 112          |              | 21,984,780,879                  | 461,334,400,938                 |
| <b>II. Short-term financial investments</b>                    | <b>120</b>   | <b>5</b>     | <b>1,564,544,242,321</b>        | <b>930,615,143,091</b>          |
| 1. Held-to-maturity investments                                | 123          |              | 1,564,544,242,321               | 930,615,143,091                 |
| <b>III. Short-term receivables</b>                             | <b>130</b>   |              | <b>608,301,874,135</b>          | <b>799,556,214,859</b>          |
| 1. Short-term trade receivables                                | 131          | 6            | 541,289,827,060                 | 739,281,053,856                 |
| 2. Short-term advances to suppliers                            | 132          |              | 37,791,554,258                  | 21,016,649,661                  |
| 3. Short-term loan receivables                                 | 135          | 12           | 7,036,774,288                   | 16,239,970,057                  |
| 4. Other short-term receivables                                | 136          | 7            | 51,052,703,260                  | 44,731,373,224                  |
| 5. Provision for short-term doubtful debts                     | 137          | 8            | (28,868,984,731)                | (21,712,831,939)                |
| <b>IV. Inventories</b>   | <b>140</b>   | <b>9</b>     | <b>780,467,935,286</b>          | <b>633,807,876,593</b>          |
| 1. Inventories   | 141          |              | 781,554,374,082                 | 636,264,032,772                 |
| 2. Provision for devaluation of inventories                    | 149          |              | (1,086,438,796)                 | (2,456,156,179)                 |
| <b>V. Other short-term assets</b>                              | <b>150</b>   |              | <b>41,963,466,012</b>           | <b>25,428,487,796</b>           |
| 1. Short-term prepayments                                      | 151          | 10           | 10,666,907,007                  | 9,715,813,993                   |
| 2. Value added tax deductibles                                 | 152          |              | 28,168,896,975                  | 7,972,889,195                   |
| 3. Taxes and other receivables from the State budget           | 153          | 11           | 3,127,662,030                   | 7,739,784,608                   |
| <b>B. NON-CURRENT ASSETS</b>                                   | <b>200</b>   |              | <b>1,175,552,869,489</b>        | <b>1,148,295,051,933</b>        |
| <b>I. Long-term receivables</b>                                | <b>210</b>   |              | <b>2,817,368,962</b>            | <b>3,509,997,935</b>            |
| 1. Long-term loan receivables                                  | 215          | 12           | 2,757,368,962                   | 3,449,997,935                   |
| 2. Other long-term receivables                                 | 216          |              | 60,000,000                      | 60,000,000                      |
| <b>II. Fixed assets</b>  | <b>220</b>   |              | <b>1,002,380,578,412</b>        | <b>1,026,999,503,625</b>        |
| 1. Tangible fixed assets                                       | 221          | 13           | 764,392,724,943                 | 785,209,377,724                 |
| - Cost   | 222          |              | 1,401,367,486,725               | 1,377,975,628,774               |
| - Accumulated depreciation                                     | 223          |              | (636,974,761,782)               | (592,766,251,050)               |
| 2. Intangible assets   | 227          | 14           | 237,987,853,469                 | 241,790,125,901                 |
| - Cost   | 228          |              | 268,740,814,242                 | 269,846,865,042                 |
| - Accumulated amortization                                     | 229          |              | (30,752,960,773)                | (28,056,739,141)                |
| <b>III. Long-term assets in progress</b>                       | <b>240</b>   |              | <b>37,112,972,037</b>           | <b>36,307,709,778</b>           |
| 1. Construction in progress                                    | 242          | 15           | 37,112,972,037                  | 36,307,709,778                  |
| <b>IV. Long-term financial investments</b>                     | <b>250</b>   | <b>5</b>     | <b>94,037,718,549</b>           | <b>14,537,718,549</b>           |
| 1. Investments in joint-ventures, associates                   | 252          |              | 3,129,548,349                   | 3,129,548,349                   |
| 2. Equity investments in other entities                        | 253          |              | 27,908,170,200                  | 27,908,170,200                  |
| 3. Provision for impairment of long-term financial investments | 254          |              | (16,500,000,000)                | (16,500,000,000)                |
| 4. Held-to-maturity investments                                | 255          |              | 79,500,000,000                  | -                               |
| <b>V. Other long-term assets</b>                               | <b>260</b>   |              | <b>39,204,231,529</b>           | <b>66,940,122,046</b>           |
| 1. Long-term prepayments                                       | 261          | 10           | 27,364,321,512                  | 31,156,425,691                  |
| 2. Deferred tax assets   | 262          | 16           | 11,839,910,017                  | 35,783,696,355                  |
| <b>TOTAL ASSETS (270=100+200)</b>                              | <b>270</b>   |              | <b><u>4,245,208,213,632</u></b> | <b><u>4,087,479,990,857</u></b> |

The accompanying notes are an integral part of these interim consolidated financial statements

**INTERIM CONSOLIDATED BALANCE SHEET (Continued)**  
As at 30 June 2018

Unit: VND

|   |            |    |                          |                          |
|---|------------|----|--------------------------|--------------------------|
| <b>C. LIABILITIES</b>                                 | <b>300</b> |    | <b>1,311,607,820,276</b> | <b>1,328,385,577,037</b> |
| <b>I. Short-term liabilities</b>                      | <b>310</b> |    | <b>1,249,448,322,585</b> | <b>1,264,936,829,442</b> |
| 1. Short-term trade payables                          | 311        | 17 | 239,668,157,990          | 262,986,735,355          |
| 2. Short-term advances from customers                 | 312        |    | 12,192,745,021           | 10,627,043,023           |
| 3. Taxes and amounts payable to the State budget      | 313        | 11 | 52,335,488,626           | 23,613,683,701           |
| 4. Payables to employees                              | 314        |    | 127,753,077,284          | 170,969,066,081          |
| 5. Short-term accrued expenses                        | 315        | 18 | 41,321,682,176           | 50,418,119,261           |
| 6. Short-term unearned revenue                        | 318        | 19 | 26,349,881,929           | 9,479,895,138            |
| 7. Other short-term payables                          | 319        | 20 | 3,097,560,601            | 204,083,490,483          |
| 8. Short-term loans                                   | 320        | 21 | 657,255,412,545          | 469,800,000,000          |
| 9. Bonus and welfare funds                            | 322        | 22 | 89,474,316,413           | 62,958,796,400           |
| <b>II. Long-term liabilities</b>                      | <b>330</b> |    | <b>62,159,497,691</b>    | <b>63,448,747,595</b>    |
| 1. Long-term provisions                               | 342        | 23 | 39,467,641,953           | 38,386,466,419           |
| 2. Scientific and technological development funds     | 343        | 24 | 22,691,855,738           | 25,062,281,176           |
| <b>D. EQUITY</b>                                      | <b>400</b> |    | <b>2,933,600,393,356</b> | <b>2,759,094,413,820</b> |
| <b>I. Owner's equity</b>                              | <b>410</b> |    | <b>2,933,600,393,356</b> | <b>2,759,094,413,820</b> |
| 1. Owner's contributed capital                        | 411        | 25 | 1,307,460,710,000        | 1,307,460,710,000        |
| 2. Share premium                                      | 412        | 25 | 6,778,948,000            | 6,778,948,000            |
| 3. Investment and development fund                    | 418        | 25 | 1,270,235,596,228        | 1,112,177,317,110        |
| 4. Retained earnings                                  | 421        | 25 | 339,274,751,435          | 321,006,296,742          |
| - Retained earnings accumulated to the prior year end | 421a       |    | 28,072,641,016           | 21,204,089,359           |
| - Retained earnings of the current period             | 421b       |    | 311,202,110,419          | 299,802,207,383          |
| 5. Non-controlling interests                          | 429        | 26 | 9,850,387,693            | 11,671,141,968           |
| <b>TOTAL RESOURCES (440=300+400)</b>                  | <b>440</b> |    | <b>4,245,208,213,632</b> | <b>4,087,479,990,857</b> |




**Ngo Thi Hong Dao**  
Preparer



**Ho Bui Huan**  
Chief Accountant



  
**Le Chanh Dao**  
Deputy General Director  
14 August 2018

**INTERIM CONSOLIDATED INCOME STATEMENT**  
 For the 6-month period ended 30 June 2018

Unit: VND

| ITEMS   | Codes     | Notes     | Current period         | Prior period           |
|---|-----------|-----------|------------------------|------------------------|
| 1. Gross revenue of goods sold and services rendered                | 01        | 29        | 2,071,531,391,489      | 1,987,513,385,555      |
| 2. Deductions   | 02        | 29        | 229,945,894,793        | 179,448,605,011        |
| 3. Net revenue of goods sold and services rendered<br>(10=01-02)    | 10        | 29        | 1,841,585,496,696      | 1,808,064,780,544      |
| 4. Cost of goods sold and services rendered                         | 11        | 30        | 1,027,346,466,881      | 991,667,607,331        |
| 5. Gross profit from goods sold and services rendered<br>(20=10-11) | 20        |           | 814,239,029,815        | 816,397,173,213        |
| 6. Financial income   | 21        | 32        | 51,459,524,293         | 39,798,550,082         |
| 7. Financial expenses   | 22        | 33        | 53,852,153,598         | 45,154,187,600         |
| - In which: Interest expense  | 23        |           | 14,975,360,579         | 10,652,258,756         |
| 8. Share of net losses from associate                               | 24        | 5         | -                      | (789,818,646)          |
| 9. Selling expenses   | 25        | 34        | 326,831,151,338        | 293,824,965,075        |
| 10. General and administration expenses                             | 26        | 34        | 129,691,641,215        | 165,582,184,073        |
| <b>11. Operating profit</b><br>(30=(20+(21-22)+24-(25+26))          | <b>30</b> |           | <b>355,323,607,957</b> | <b>350,844,567,901</b> |
| 12. Other income  | 31        | 35        | 7,135,541,411          | 3,122,218,876          |
| 13. Other expenses  | 32        | 36        | 1,776,458,386          | 2,029,999,536          |
| 14. Profit from other activities (40=31-32)                         | 40        |           | 5,359,083,025          | 1,092,219,340          |
| <b>15. Accounting profit before tax</b><br>(50=30+40)               | <b>50</b> |           | <b>360,682,690,982</b> | <b>351,936,787,241</b> |
| 16. Current corporate income tax expense                            | 51        | 37        | 27,057,660,701         | 2,970,020,194          |
| 17. Deferred corporate tax expenses/(income)                        | 52        | 37        | 23,943,786,338         | (10,711,560,681)       |
| <b>18. Net profit after corporate income tax</b><br>(60=50-51-52)   | <b>60</b> |           | <b>309,681,243,943</b> | <b>359,678,327,728</b> |
| Attributable to:  |           |           |                        |                        |
| The Parent Company's shareholders                                   | 61        |           | 311,305,467,330        | 358,932,815,464        |
| Non-controlling interests   | 62        | 26        | (1,624,223,387)        | 745,512,264            |
| <b>19. Basic earnings per share (VND/share)</b>                     | <b>70</b> | <b>38</b> | <b>2,120</b>           | <b>2,452</b>           |



**Ngo Thi Hong Dao**  
Preparer



**Ho Bui Huan**  
Chief Accountant





**Le Chanh Dao**  
Deputy General Director  
14 August 2018



**INTERIM CONSOLIDATED CASH FLOW STATEMENT**  
For the 6-month period ended 30 June 2018


Unit: VND

| ITEMS  | Codes     | Current period           | Prior period             |
|--|-----------|--------------------------|--------------------------|
| <b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>                               |           |                          |                          |
| <b>1. Profit before tax</b>  | <b>01</b> | <b>360,682,690,982</b>   | <b>351,936,787,241</b>   |
| <b>2. Adjustments for:</b>   |           |                          |                          |
| Depreciation and amortization of fixed assets                                | 02        | 44,353,849,822           | 46,150,474,756           |
| Provisions   | 03        | 7,775,783,614            | 10,409,523,799           |
| Foreign exchange loss/(gain) arising from translating foreign currency items | 04        | 804,767,708              | (195,171,278)            |
| Gain from investing activities   | 05        | (54,057,686,211)         | (37,641,439,294)         |
| Interest expense   | 06        | 14,975,360,579           | 10,652,258,756           |
| Appropriation to science and technology development funds                    | 07        | -                        | 7,000,000,000            |
| <b>3. Operating profit before movements in working capital</b>               | <b>08</b> | <b>374,534,766,494</b>   | <b>388,312,433,980</b>   |
| Changes in receivables   | 09        | 166,328,720,264          | 37,948,289,883           |
| Changes in inventories   | 10        | (145,290,341,310)        | (20,464,586,382)         |
| Changes in payables  | 11        | (45,738,949,376)         | (122,287,735,746)        |
| Changes in prepaid expenses  | 12        | 2,841,011,165            | (9,399,353,106)          |
| Interest paid  | 14        | (14,983,041,446)         | (10,757,849,398)         |
| Corporate income tax paid  | 15        | (16,424,355,930)         | (10,126,979,896)         |
| Other cash outflows  | 17        | (41,568,246,870)         | (43,740,861,233)         |
| <b>Net cash generated by operating activities</b>                            | <b>20</b> | <b>279,699,562,991</b>   | <b>209,483,358,102</b>   |
| <b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>                              |           |                          |                          |
| 1. Acquisition and construction of fixed assets and other long-term assets   | 21        | (26,889,663,673)         | (26,829,129,686)         |
| 2. Proceeds from sale, disposal of fixed assets and other long-term assets   | 22        | 6,182,727,272            | 952,818,195              |
| 3. Cash outflow for lending, placement of term deposits                      | 23        | (1,817,776,863,079)      | (856,884,637,715)        |
| 4. Cash collection from loans granted and term deposits                      | 24        | 1,112,871,005,359        | 729,165,858,981          |
| 5. Equity investments in other entities                                      | 25        | (160,000,000)            | -                        |
| 6. Interest earned, dividends and profits received                           | 27        | 44,652,474,978           | 32,557,405,485           |
| <b>Net cash used in investing activities</b>                                 | <b>30</b> | <b>(681,120,319,143)</b> | <b>(121,037,684,740)</b> |
| <b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>                             |           |                          |                          |
| 1. Proceeds from borrowings  | 33        | 1,463,145,782,841        | 1,383,813,007,336        |
| 2. Repayment of borrowings   | 34        | (1,275,690,370,296)      | (1,017,643,696,928)      |
| 3. Dividends paid to the shareholders  | 36        | (261,492,142,000)        | (305,075,155,000)        |
| <b>Net cash (used in)/generated by financing activities</b>                  | <b>40</b> | <b>(74,036,729,455)</b>  | <b>61,094,155,408</b>    |
| <b>Net (decrease)/increase in cash (50=20+30+40)</b>                         | <b>50</b> | <b>(475,457,485,607)</b> | <b>149,539,828,770</b>   |
| <b>Cash and cash equivalents at the beginning of the period</b>              | <b>60</b> | <b>549,777,216,585</b>   | <b>603,188,961,343</b>   |
| Effect of changes in foreign exchange rates                                  | 61        | 58,095,411               | 41,656,891               |
| <b>Cash and cash equivalents at the end of the period (70=50+60+61)</b>      | <b>70</b> | <b>74,377,826,389</b>    | <b>752,770,447,004</b>   |

Significant non-cash transactions for the 6-month period ended 30 June 2018 are presented in Note 41.

  
\_\_\_\_\_  
Ngo Thi Hong Dao  
Preparer

  
\_\_\_\_\_  
Ho Bui Huan  
Chief Accountant

  
\_\_\_\_\_  
Le Chanh Dao  
Deputy General Director  
14 August 2018

**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

*These notes are an integral part of and should be read in conjunction with the interim consolidated financial statements*

**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 in 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.

In 2014, the Company increased its share capital to VND 871,643,300,000. In 2017, the Company increased its share capital to VND 1,307,460,710,000 by issuing bonus shares to existing shareholders at ratio 2:1. The Company was granted the 23<sup>rd</sup> amended Business Registration Certificate dated 28 July 2017 for the increase in share capital.

The largest shareholder of the Company is The State Capital Investment Corporation ("SCIC") which owns 43.31% of share capital of the Company. SCIC is controlled by the Government of the Socialist Republic of Vietnam.

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

The number of employees of the Group as at 30 June 2018 was 3,152 (as at 31 December 2017: 3,205).

**Operating industry and principal activities**

The operating industry of the Company and its subsidiaries are to manufacture and sell pharmaceutical products, provide travelling services.

The principal activities of the Company and its subsidiaries are to manufacture and trade pharmaceuticals, medical tools and supplies, medical equipment, dietary supplements and pharmaceutical cosmetics; provide travelling services.

**The Group's structure**

As at 30 June 2018 and 31 December 2017, the Company's subsidiaries and associate were as follows:

| Name   | Principal activities   | Business Registration Certificate   | Proportion of ownership interest and voting power held |                 |
|--|--|---|--|-----------------|
|  |  |   | Closing balance  | Opening balance |
| <b>Subsidiaries</b>  |  |   |  |                 |
| B&T Pharmaceutical One Member Limited Company (*)  | Trading pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics | No.1300917335 issued by the Planning and Investment Department of Ben Tre Province on 05 October 2012 | -  | 100%            |
| DHG Travel One Member Limited Company (**)   | Domestic travel services   | No. 5704000134 issued by the Planning and Investment Department of Can Tho City on 26 December 2007   | 100%   | 100%            |
| Song Hau One Member Limited Company (formerly Song Hau Pharmaceutical Joint Stock Company) (***) | Trading pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics | No. 6403000044 issued by the Planning and Investment Department of Hau Giang province on 20 July 2007 | 100%   | 99.6%           |

**DHG PHARMACEUTICAL JOINT STOCK COMPANY**  
**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09a-DN/HH**

|  |  |   |        |        |
|--|--|---|--------|--------|
| DHG Pharmaceutical One Member Limited Company (****)           | Manufacturing and Trading pharmaceuticals, medical tools and supplies, medical equipment, dietary supplements and pharmaceutical cosmetics | No. 642041000005 issued by the Management Board of Hau Giang Industrial Zone on 16 August 2010            | 100%   | 100%   |
| DHG Packaging and Printing 1 One Member Limited Company (****) | Manufacturing and Trading packaging, plastic, aluminum, paper for pharmaceutical industry; provide printing services                       | No. 642041000007 issued by the Management Board of Hau Giang Industrial Zone on 28 September 2012         | 100%   | 100%   |
| Fuji Medic Limited Company                                     | Operation of polyclinics, specialized and dental clinics.  | No. 1801472944 issued by the Planning and Investment Department of Can Tho City on 26 July 2016           | 51%    | 51%    |
| <b>Associate</b>   |  |   |        |        |
| 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% |

(\*) On 3 October 2016, the Board of Management of the Company approved the change of subsidiaries' operation form into branches under the parent company including:

- Approval of dissolution of subsidiaries
- Approval of the establishment of branches under the parent company to receive the transfer of all activities of the subsidiaries after the dissolution
- The converting date is 31 December 2016. From 1 January 2017, the subsidiaries will operate as branches under the parent company.

As at the date of the interim consolidated financial statements, the procedures for dissolution of B&T Pharmaceutical One Member Limited Company have been completed.

(\*\*) On 14 July 2017, the Board of Management approved the dissolution of DHG Travel One Member Limited Company. As at the date of issuance of the consolidated financial statements, the procedures for dissolution of DHG Travel One Member Limited Company are still in progress.

(\*\*\*) On 19 June 2017, the Board of Management of the Company approved the plan to increase the proportion of ownership interest in SH Pharmaceutical Joint Stock Company to 100%. On 10 May 2018, the Board of Management approved the change of SH Pharmaceutical Joint Stock Company into Song Hau Pharmaceutical One Member Limited Company, and at the same time approved the dissolution of Song Hau Pharmaceutical One Member Limited Company. As at the date of this interim consolidated financial statements, the procedures for dissolution of Song Hau Pharmaceutical One Member Limited Company are still in progress.

(\*\*\*\*) On 28 March 2018, the General Meeting of Shareholders approved the merger plan of DHG Packaging and Printing 1 One Member Limited Company and DHG Pharmaceutical One Member Limited Company into Hau Giang Pharmaceutical Joint Stock Company. Under the 25<sup>th</sup> amended Business Registration Certificate dated 12 June 2018, DHG Packaging and Printing 1 One Member Limited Company and DHG Pharmaceutical One Member Limited Company were merged into Hau Giang Pharmaceutical Joint Stock Company. As at the date of the interim consolidated financial statements, the procedures for dissolution for these subsidiaries are still in progress.

**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 interim consolidated financial statements**

Comparative figures on the interim consolidated balance sheet are the figures of the audited consolidated financial statements for the year ended 31 December 2017 and comparative figures on the interim consolidated income statement and interim consolidated cash flow statement are the figures of the reviewed consolidated financial statements for the 6-month period ended 30 June 2017.

**2. ACCOUNTING CONVENTION AND FINANCIAL YEAR**

**Accounting convention**

The interim 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 interim financial reporting.

The interim 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.

**Financial year**

The Group's financial year begins on 1 January and ends on 31 December. The interim consolidated financial statements are prepared for the 6-month period ended 30 June each year.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Estimates**

The preparation of interim consolidated financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting requires the Board of General Directors 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 period. Although these accounting estimates are based on the Board of General Directors' best knowledge, actual results may differ from those estimates.

**Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) up to 30 June each year. Control is achieved where the Company 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 period 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 in the net assets of consolidated subsidiaries are identified separately from the parent's ownership interests in them. 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.

**Business combination**

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 recognised 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 period 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 recognised.

#### **Investments in associates**

An associate is an entity over which the Company 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 and 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 General Directors has the positive intent or ability to hold to maturity.

Held-to-maturity investments include term deposits with a remaining maturity term exceeding 3 months from balance sheet date to earn periodic interest. 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.

#### **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 lessing company 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 assets and amortization**

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

Definite land use rights are amortised 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.

#### **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 prepaid expenses.

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

Others have been capitalized as prepayments, and are allocated to the interim 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 General Directors' best estimate of the expenditure required to settle the obligation as at the balance sheet date.



#### **Severance allowance payable**

The severance allowance for employees is accrued at the end of each reporting period 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 period 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 at the end of each reporting period. The increase or decrease in the accrued amount shall be recorded in the interim consolidated income statement.

#### **Provision for dismantling and restoration costs**

In accordance with Circular No. 200/2014/TT-BTC issued by Ministry of Finance, since 1 January 2016, 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 2016 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.

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 recognised in each period by reference to the percentage of completion of the transaction at the balance sheet date of that period. 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 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 sales of products, goods and services are recorded as deduction of revenue of the period.

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

### **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 interim consolidated income statement.

### **Borrowing costs**

Borrowing costs are recognized in the income statement in the period 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 interim 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 interim 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 recognised 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 interim 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.

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**Dividend distribution**

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

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

Appropriation of the Company's net profit after tax of 2017 was approved by shareholders at the Company's Annual General Meeting as follows:

- Dividends declared for 2017: 30% of par value.
- Appropriation to the bonus and welfare fund: 10% of net profit after tax.
- Remuneration payment to the Board of Management, Supervisory Board, sub-committees under the Board of Management and the Board of Management's secretary: VND 6,000,000,000.
- Remaining net profit after tax was appropriated to the investment and development fund.

**Segmental reporting**

A segment is a distinct business segment of the Company that provides a single product or service or a group of related products and services (product segment), or provides products and services within a particular economic environment (geographical segment). Each segment is subject to risks and returns that are different from those of others. The basic reportable segment of the Company is product segment.

Segment reporting is prepared and presented in accordance with accounting policies applied to the preparation and presentation of the Group's interim consolidated financial statements in order to help users of interim consolidated financial statements to understand and evaluate the operations of the Company in a comprehensive way.

**4. CASH AND CASH EQUIVALENTS**

|                      | Closing balance<br>VND | Opening balance<br>VND |
|----------------------|------------------------|------------------------|
| Cash on hand         | 12,432,575,571         | 20,721,551,877         |
| Bank demand deposits | 39,654,100,939         | 67,721,263,770         |
| Cash in transit      | 306,369,000            | -                      |
| Cash equivalents (*) | 21,984,780,879         | 461,334,400,938        |
|                      | <u>74,377,826,389</u>  | <u>549,777,216,585</u> |

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

**5. FINANCIAL INVESTMENTS**

**Held-to-maturity investments**

Short-term held-to maturity investments represent term deposits with the original maturity terms from more than 3 months to 12 months.

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

At as 30 June 2018, term deposits with maturity term over 3 months of VND 350,800,000,000 was pledged as collaterals for the short-term loans from the banks (Note 21), and for tender guarantees and performance of contracts (as at 31 December 2017: VND 246,000,000,000).

**Investments in associate**

|   | Closing balance<br>VND | Opening balance<br>VND |
|---|------------------------|------------------------|
| Vinh Hao Algae Processing Joint Stock Company | <u>3,129,548,349</u>   | <u>3,129,548,349</u>   |



Movements in the investment in associate during the current period and prior year were as follows:

|                        | Current period<br>VND       | Prior year<br>VND           |
|------------------------|-----------------------------|-----------------------------|
| Opening balance        | 3,129,548,349               | 4,335,981,051               |
| Share of losses        | -                           | (1,206,432,702)             |
| <b>Closing balance</b> | <b><u>3,129,548,349</u></b> | <b><u>3,129,548,349</u></b> |

**Equity investments in other entities**

|   | Closing balance<br>VND       | Opening balance<br>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 Equipments<br>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                   |
|   | <b><u>27,908,170,200</u></b> | <b><u>27,908,170,200</u></b> |

As at 30 June 2018 and 31 December 2017, fair values of long-term investments in other entities were not determined by the Company as there is no reference price in the market, except Cuu Long Pharmaceutical Joint Stock Company whose shares are listed in Ho Chi Minh Stock Exchange since 2008. Fair value of the Company's investment in Cuu Long Pharmaceutical Joint Stock Company as at 30 June 2018 and 31 December 2017 was VND 104,428,800 and VND 162,288,000, respectively.

Provision balance as at 30 June 2018 and 31 December 2017 represents the provision for impairment of the investment in ATP Packaging Joint Stock Company.

**6. SHORT-TERM TRADE RECEIVABLES**

As at 30 June 2018 and 31 December 2017, short-term trade receivables only included receivables from the third parties; and there was no single short-term trade receivables accounting for 10% or more of total trade accounts receivable balance.

**7. OTHER SHORT-TERM RECEIVABLES**

|                             | Closing balance<br>VND       | Opening balance<br>VND       |
|-----------------------------|------------------------------|------------------------------|
| Prepaid trade discounts     | 237,299,823                  | 243,590,918                  |
| Accruals of interest income | 33,347,247,597               | 27,502,424,293               |
| Receivable from employees   | 8,958,763,735                | 7,443,741,219                |
| Other receivables           | 8,509,392,105                | 9,541,616,794                |
|                             | <b><u>51,052,703,260</u></b> | <b><u>44,731,373,224</u></b> |

**8. BAD DEBTS**

|   | Closing balance        |                         | Recoverable<br>amount<br>VND |
|---|------------------------|-------------------------|------------------------------|
|   | Cost<br>VND            | Provision<br>VND        |                              |
| Total amount of receivables and<br>loans past due or not past due but<br>impaired | <u>220,259,698,294</u> | <u>(28,868,984,731)</u> | <u>191,390,713,563</u>       |

|   | Opening balance |                  |                              |
|---|-----------------|------------------|------------------------------|
|   | Cost<br>VND     | Provision<br>VND | Recoverable<br>amount<br>VND |
| Total amount of receivables and loans past due or not past due but impaired | 195,352,900,453 | (21,712,831,939) | 173,640,068,514              |

As at 30 June 2018 and 31 December 2017, there was no single receivable accounting for 10% or more of total amount of receivables past due or not past due but impaired.

Movements in the provision for doubtful debts during current period and prior year were as follows:

|                      | Current period<br>VND | Prior year<br>VND     |
|----------------------|-----------------------|-----------------------|
| Opening balance      | 21,712,831,939        | 13,492,082,101        |
| Additional provision | 7,163,230,510         | 8,220,749,838         |
| Reversal             | (7,077,718)           | -                     |
| Closing balance      | <b>28,868,984,731</b> | <b>21,712,831,939</b> |

## 9. INVENTORIES

|                  | Closing balance        |                      | Opening balance        |                      |
|------------------|------------------------|----------------------|------------------------|----------------------|
|                  | Cost<br>VND            | Provision<br>VND     | Cost<br>VND            | Provision<br>VND     |
| Goods in transit | 81,878,447,037         | -                    | 41,560,218,649         | -                    |
| Raw materials    | 298,444,354,851        | -                    | 285,333,766,326        | 1,320,277,628        |
| Work in progress | 70,080,954,931         | -                    | 54,916,072,790         | -                    |
| Finished goods   | 294,069,354,712        | 1,086,438,796        | 209,547,370,635        | 1,135,878,551        |
| Merchandises     | 37,081,262,551         | -                    | 44,906,604,372         | -                    |
|                  | <b>781,554,374,082</b> | <b>1,086,438,796</b> | <b>636,264,032,772</b> | <b>2,456,156,179</b> |

Movements in the provision for devaluation of inventories during the current period and prior year were as follows:

|                       | Current period<br>VND | Prior year<br>VND    |
|-----------------------|-----------------------|----------------------|
| Opening balance       | 2,456,156,179         | 1,696,412,765        |
| Additional provision  | -                     | 759,743,414          |
| Provision utilization | (1,320,277,628)       | -                    |
| Reversal of provision | (49,439,755)          | -                    |
| Closing balance       | <b>1,086,438,796</b>  | <b>2,456,156,179</b> |

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

10. PREPAYMENTS

|   | Closing balance<br>VND       | Opening balance<br>VND       |
|---|------------------------------|------------------------------|
| <b>a. Short-term</b>                      |                              |                              |
| Prepaid operating leases                  | 3,071,736,894                | 39,409,097                   |
| Others                                    | 7,595,170,113                | 9,676,404,896                |
|   | <b><u>10,666,907,007</u></b> | <b><u>9,715,813,993</u></b>  |
| <b>b. Long-term</b>                       |                              |                              |
| Prepaid land rental                       | 10,540,592,712               | 10,713,316,530               |
| Tools and supplies issued for consumption | 10,114,412,327               | 12,535,021,407               |
| Leasehold improvements                    | 247,416,000                  | 167,682,780                  |
| Others                                    | 6,461,900,473                | 7,740,404,974                |
|   | <b><u>27,364,321,512</u></b> | <b><u>31,156,425,691</u></b> |



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

|                           | Opening balance<br>VND | Payable<br>during the period<br>VND | Refund<br>during the period<br>VND | Decrease<br>during the period<br>VND | Paid<br>during the period<br>VND | Closing balance<br>VND |
|---------------------------|------------------------|-------------------------------------|------------------------------------|--------------------------------------|----------------------------------|------------------------|
| <b>a. Receivables</b>     |                        |                                     |                                    |                                      |                                  |                        |
| Output value added tax    | 26,076,408             | -                                   | 26,076,408                         | -                                    | -                                | -                      |
| Import value added tax    | -                      | -                                   | -                                  | -                                    | 485,237,897                      | 485,237,897            |
| Import duty               | 1,536,214,509          | 8,432,692,821                       | -                                  | -                                    | 7,919,621,678                    | 1,023,143,366          |
| Corporate income tax      | 156,686,546            | 88,214,504                          | 68,472,042                         | -                                    | -                                | -                      |
| Land rental fee           | 15,682,319             | 15,682,319                          | -                                  | -                                    | -                                | -                      |
| Personal income tax       | 6,005,124,826          | 3,997,072,885                       | 427,955,364                        | 31,196,906                           | -                                | 1,611,293,483          |
| Other taxes               | -                      | -                                   | -                                  | -                                    | 7,987,284                        | 7,987,284              |
|                           | <b>7,739,784,608</b>   | <b>12,533,662,529</b>               | <b>522,503,814</b>                 | <b>31,196,906</b>                    | <b>8,412,846,859</b>             | <b>3,127,662,030</b>   |
| <b>b. Payables</b>        |                        |                                     |                                    |                                      |                                  |                        |
| Output value added tax    | 12,034,687,525         | 61,431,905,019                      | -                                  | -                                    | 45,313,492,815                   | 28,153,099,729         |
| Import value added tax    | 3,461,540              | 21,588,097,256                      | -                                  | -                                    | 21,591,558,796                   | -                      |
| Corporate income tax      | 10,993,648,506         | 26,969,446,197                      | -                                  | -                                    | 16,492,827,972                   | 21,470,266,731         |
| Personal income tax       | 581,886,130            | 17,632,616,571                      | -                                  | -                                    | 18,196,682,541                   | 17,820,160             |
| Land rental fee, land tax | -                      | 5,670,657,445                       | -                                  | -                                    | 2,976,355,439                    | 2,694,302,006          |
| Other taxes               | -                      | 327,796,586                         | -                                  | -                                    | 327,796,586                      | -                      |
|                           | <b>23,613,683,701</b>  | <b>133,620,519,074</b>              | -                                  | -                                    | <b>104,898,714,149</b>           | <b>52,335,488,626</b>  |

**12. LOAN RECEIVABLES**

Loan receivables represents interest-free loans granted to customers in accordance with the refundable capital support policy of the Group. Provisions for loan receivables presented in Note 8.



13. TANGIBLE FIXED ASSETS

|   | Buildings<br>and structures<br>VND | Machinery<br>and equipment<br>VND | Motor<br>vehicles<br>VND     | Office<br>equipment<br>VND   | Total<br>VND                  |
|---|------------------------------------|-----------------------------------|------------------------------|------------------------------|-------------------------------|
| <b>COST</b>                               |                                    |                                   |                              |                              |                               |
| Opening balance                           | 521,977,060,519                    | 607,883,977,430                   | 175,520,721,573              | 72,593,869,252               | 1,377,975,628,774             |
| Additions                                 | 356,000,000                        | 3,764,734,000                     | -                            | -                            | 4,120,734,000                 |
| Transferred from construction in progress | 4,292,890,853                      | 13,919,927,907                    | 3,460,970,363                | 37,679,091                   | 21,711,468,214                |
| Disposals                                 | (2,499,207,818)                    | -                                 | (138,219,172)                | (30,190,000)                 | (2,667,616,990)               |
| Reclassification                          | -                                  | 2,417,331,818                     | -                            | (2,417,331,818)              | -                             |
| Written-off                               | -                                  | -                                 | 227,272,727                  | -                            | 227,272,727                   |
| Closing balance                           | <u>524,126,743,554</u>             | <u>627,985,971,155</u>            | <u>179,070,745,491</u>       | <u>70,184,026,525</u>        | <u>1,401,367,486,725</u>      |
| <b>ACCUMULATED DEPRECIATION</b>           |                                    |                                   |                              |                              |                               |
| Opening balance                           | 156,131,798,226                    | 270,643,388,060                   | 108,205,741,276              | 57,785,323,488               | 592,766,251,050               |
| Charge for the period                     | 14,866,052,034                     | 22,666,719,296                    | 5,811,426,157                | 2,242,318,165                | 45,586,515,652                |
| Disposals                                 | (1,436,868,475)                    | -                                 | (138,219,172)                | (30,190,000)                 | (1,605,277,647)               |
| Reclassification                          | -                                  | (13,271,212)                      | -                            | 13,271,212                   | -                             |
| Written-off                               | -                                  | -                                 | 227,272,727                  | -                            | 227,272,727                   |
| Closing balance                           | <u>169,560,981,785</u>             | <u>293,296,836,144</u>            | <u>114,106,220,988</u>       | <u>60,010,722,865</u>        | <u>636,974,761,782</u>        |
| <b>NET BOOK VALUE</b>                     |                                    |                                   |                              |                              |                               |
| <b>Opening balance</b>                    | <u><b>365,845,262,293</b></u>      | <u><b>337,240,589,370</b></u>     | <u><b>67,314,980,297</b></u> | <u><b>14,808,545,764</b></u> | <u><b>785,209,377,724</b></u> |
| <b>Closing balance</b>                    | <u><b>354,565,761,769</b></u>      | <u><b>334,689,135,011</b></u>     | <u><b>64,964,524,503</b></u> | <u><b>10,173,303,660</b></u> | <u><b>764,392,724,943</b></u> |

As at 30 June 2018, the cost of the tangible fixed assets included VND 200,712 million (as at 31 December 2017: VND 180,764 million) of assets which were fully depreciated but are still in use.

**14. INTANGIBLE ASSETS**

|  | Land use rights<br>with indefinite term<br>VND | Land use rights<br>with definite term<br>VND | Computer<br>software<br>VND | Total<br>VND           |
|--|--|--|-----------------------------|------------------------|
| <b>COST</b>                                  |  |  |                             |                        |
| Opening balance                              | 95,158,560,046                                 | 159,056,771,791                              | 15,631,533,205              | 269,846,865,042        |
| Purchases                                    | -  | -  | 30,466,800                  | 30,466,800             |
| Transferred from<br>construction in progress | -  | -  | 423,482,400                 | 423,482,400            |
| Disposals                                    | -  | (1,560,000,000)                              | -                           | (1,560,000,000)        |
| Closing balance                              | <u>95,158,560,046</u>                          | <u>157,496,771,791</u>                       | <u>16,085,482,405</u>       | <u>268,740,814,242</u> |
| <b>ACCUMULATED AMORTIZATION</b>              |  |  |                             |                        |
| Opening balance                              | -  | 18,721,194,492                               | 9,335,544,649               | 28,056,739,141         |
| Charge for the period                        | -  | 1,665,525,114                                | 1,030,696,518               | 2,696,221,632          |
| Closing balance                              | -  | <u>20,386,719,606</u>                        | <u>10,366,241,167</u>       | <u>30,752,960,773</u>  |
| <b>NET BOOK VALUE</b>                        |  |  |                             |                        |
| Opening balance                              | <u>95,158,560,046</u>                          | <u>140,335,577,299</u>                       | <u>6,295,988,556</u>        | <u>241,790,125,901</u> |
| Closing balance                              | <u>95,158,560,046</u>                          | <u>137,110,052,185</u>                       | <u>5,719,241,238</u>        | <u>237,987,853,469</u> |

As at 30 June 2018, the cost of intangible assets included VND 6,007 million (as at 31 December 2017: VND 5,861 million) of assets which were fully amortized but are still in use.

**15. CONSTRUCTION IN PROGRESS**

|  | Closing balance<br>VND | Opening balance<br>VND |
|--|------------------------|------------------------|
| Construction of effervescent tablets plant                               | 21,072,036,020         | 16,658,486,842         |
| Office and auxiliary works at DHG<br>Pharmaceutical Factory at Hau Giang | 11,746,318,769         | 11,596,485,312         |
| Construction of Gia Lai branch offices                                   | 623,948,774            | 623,948,774            |
| Vehicle for branches   | 1,458,181,819          | -                      |
| Construction of Ho Chi Minh branch office                                | 787,936,198            | -                      |
| Construction of Commercial channel office                                | 637,894,809            | -                      |
| Repairing warehouses   | 433,305,661            | -                      |
| Certificate Registration of Foreign Manufacturers<br>(PMDA)              | 353,349,987            | -                      |
| Construction of Bac Lieu branch office                                   | -                      | 71,643,034             |
| Construction of department office  | -                      | 4,000,000              |
| Machinery and equipments   | -                      | 7,353,145,816          |
|  | <u>37,112,972,037</u>  | <u>36,307,709,778</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.

**17. SHORT-TERM TRADE PAYABLES**

As at 30 June 2018 and 31 December 2017, the Group did not have any short-term trade payables past due.

Details of trade payables accounting for 10% of total balance of trade payables are more was as follows:

|   | Closing balance<br>VND | Opening balance<br>VND |
|---|------------------------|------------------------|
| Truong Tin Pharmaceutical Limited Company | <u>37,649,425,080</u>  | <u>35,135,876,027</u>  |

**18. SHORT-TERM ACCRUED EXPENSES**

|                                      | Closing balance<br>VND       | Opening balance<br>VND       |
|--------------------------------------|------------------------------|------------------------------|
| Market research expenses             | -                            | 10,429,270,479               |
| Settlement discount expenses         | 5,935,651,633                | 8,261,692,934                |
| Marketing and customer care expenses | 12,669,693,367               | 6,660,719,815                |
| Seminar expenses                     | 7,251,119,982                | -                            |
| Interest expense                     | 445,168,994                  | 452,849,861                  |
| Other accruals                       | 15,020,048,200               | 24,613,586,172               |
|                                      | <b><u>41,321,682,176</u></b> | <b><u>50,418,119,261</u></b> |

**19. SHORT-TERM UNEARNED REVENUE**

Short-term unearned revenue represents the unearned revenue for customer loyalty programs (as presented in Note 3).

**20. OTHER SHORT-TERM PAYABLES**

|                         | Closing balance<br>VND      | Opening balance<br>VND        |
|-------------------------|-----------------------------|-------------------------------|
| Insurance and union fee | 1,144,379,975               | 800,645,116                   |
| Dividends payable       | -                           | 196,119,106,500               |
| Others                  | 1,953,180,626               | 7,163,738,867                 |
|                         | <b><u>3,097,560,601</u></b> | <b><u>204,083,490,483</u></b> |

**21. SHORT-TERM LOANS**

|                  | Opening balance        |                                      | During the period        |                          | Closing balance        |                                      |
|------------------|------------------------|--------------------------------------|--------------------------|--------------------------|------------------------|--------------------------------------|
|                  | Amount<br>VND          | Amount able<br>to be paid off<br>VND | Increase<br>VND          | Decrease<br>VND          | Amount<br>VND          | Amount able<br>to be paid off<br>VND |
| Loans from banks | <u>469,800,000,000</u> | <u>469,800,000,000</u>               | <u>1,463,145,782,841</u> | <u>1,275,690,370,296</u> | <u>657,255,412,545</u> | <u>657,255,412,545</u>               |

Loans from banks represent the credit facilities obtained from following banks:

- Loan from Vietnam Joint Stock Commercial Bank For Industry And Trade - Can Tho Branch with a maximum credit limit of VND 700,000,000,000. This facility can be drawn in Vietnam Dong and will expire on 10 May 2019. The duration for each withdrawal is from 3 to 4 months. These loans are secured by term deposits at bank, as presented in Note 5.

- Loan from Joint Stock Commercial Bank for Foreign Trade of Vietnam - Can Tho Branch with a maximum credit limit of VND 700,000,000,000. This facility can be drawn in Vietnam Dong and will expire on 28 February 2019. The duration for each withdrawal is from 3 to 4 months. These loans are secured by term deposits at bank, as presented in Note 5.

- Loan from HSBC Bank (Vietnam) Ltd. with a maximum credit limit of USD 8,000,000. This facility can be drawn in both Vietnam Dong or USD, and will expire on 31 January 2019. This is unsecured loan.

These loans bear interests at the rates ranging from 0.23% per month to 0.42% per month (as at 31 December 2017: from 0.32% per month to 0.42% per month).

**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 Management of the Company. The funds are used to pay bonus and welfare to the Group's employees in accordance with the Company's bonus and welfare policies and to pay bonus to the Board of Management in accordance with the Company's AGM Resolution.



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

|  | Bonus and welfare fund<br>VND | Bonus fund for Board of Management<br>VND | Welfare fund in form of assets<br>VND | Total<br>VND          |
|--|-------------------------------|---|---------------------------------------|-----------------------|
| Opening balance                          | 34,770,345,726                | 7,902,745,368                             | 20,285,705,306                        | 62,958,796,400        |
| Appropriation to the funds               | 63,169,294,111                | 6,472,934,796                             | -                                     | 69,642,228,907        |
| Assets formed from funds                 | (338,721,111)                 | -   | 338,721,111                           | -                     |
| Depreciation of assets formed from funds | -                             | -   | (1,558,462,024)                       | (1,558,462,024)       |
| Utilization of funds                     | (38,481,477,067)              | (3,086,769,803)                           | -                                     | (41,568,246,870)      |
| <b>Closing balance</b>                   | <b>59,119,441,659</b>         | <b>11,288,910,361</b>                     | <b>19,065,964,393</b>                 | <b>89,474,316,413</b> |

### 23. LONG-TERM PROVISIONS

|                          | Provision for dismantling and restoration costs<br>VND | Severance allowance<br>VND | Total<br>VND          |
|--------------------------|--|----------------------------|-----------------------|
| Opening balance          | 11,564,358,036   | 26,822,108,383             | 38,386,466,419        |
| Additional provision     | 1,418,218,664  | 571,129,541                | 1,989,348,205         |
| Utilization of provision | -  | (908,172,671)              | (908,172,671)         |
| <b>Closing balance</b>   | <b>12,982,576,700</b>                                  | <b>26,485,065,253</b>      | <b>39,467,641,953</b> |

### 24. SCIENCE AND TECHNOLOGY DEVELOPMENT FUNDS

In accordance with Circular No.12/2016/ TTLT-BKHCHN-BTC dated 28 June 2016, enterprises are allowed to establish the science and technology development funds for research and development activities. Funds are utilized when disbursement are paid for research and development activities.

Movements of science and technology funds during the period were as follows:

|  | Scientific and technological development fund in form of assets<br>VND |
|--|--|
| Opening balance                          | 25,062,281,176   |
| Depreciation of assets formed from funds | (2,370,425,438)  |
| <b>Closing balance</b>                   | <b>22,691,855,738</b>  |

25. OWNERS' EQUITY

Movement in owners' equity

|   | Owner's<br>contributed capital<br>VND | Share<br>premium<br>VND | Investment and<br>development fund<br>VND | Retained<br>earnings<br>VND | Total<br>VND             |
|---|---------------------------------------|-------------------------|---|-----------------------------|--------------------------|
| Prior year's opening balance  | 871,643,300,000                       | 6,778,948,000           | 1,220,561,708,767                         | 736,638,702,184             | 2,835,622,658,951        |
| Profit for the year   | -                                     | -                       | -   | 642,407,977,142             | 642,407,977,142          |
| Bonus share issued  | 435,817,410,000                       | -                       | (435,817,410,000)                         | -                           | -                        |
| Dividends declared for 2016   | -                                     | -                       | -   | (305,075,155,000)           | (305,075,155,000)        |
| 1st interim dividends declared for 2017 at rate of 10%  | -                                     | -                       | -   | (130,746,071,000)           | (130,746,071,000)        |
| 2nd interim dividends declared for 2017 at rate of 15%  | -                                     | -                       | -   | (196,119,106,500)           | (196,119,106,500)        |
| Appropriation to bonus fund for the Board of Management   | -                                     | -                       | -   | (14,660,275,620)            | (14,660,275,620)         |
| Appropriation to investment and development fund  | -                                     | -                       | 310,436,650,781                           | (310,436,650,781)           | -                        |
| Appropriation to bonus and welfare funds  | -                                     | -                       | -   | (85,678,223,316)            | (85,678,223,316)         |
| Changes in interest after increasing investment in SH Pharmaceutical One Member Limited Company | -                                     | -                       | 16,996,367,562                            | (15,324,900,367)            | 1,671,467,195            |
| Current year's opening balance  | 1,307,460,710,000                     | 6,778,948,000           | 1,112,177,317,110                         | 321,006,296,742             | 2,747,423,271,852        |
| Profit for the period   | -                                     | -                       | -   | 311,305,467,330             | 311,305,467,330          |
| Dividends declared for 2017   | -                                     | -                       | -   | (65,373,035,500)            | (65,373,035,500)         |
| Appropriation to bonus fund for the Board of Management   | -                                     | -                       | -   | (6,472,934,796)             | (6,472,934,796)          |
| Appropriation to bonus and welfare funds  | -                                     | -                       | -   | (63,169,294,111)            | (63,169,294,111)         |
| Appropriation to investment and development fund  | -                                     | -                       | 157,918,391,319                           | (157,918,391,319)           | -                        |
| Changes in interest after increasing investment in SH Pharmaceutical One Member Limited Company | -                                     | -                       | 139,887,799                               | (103,356,911)               | 36,530,888               |
| <b>Current year's closing balance</b>   | <b>1,307,460,710,000</b>              | <b>6,778,948,000</b>    | <b>1,270,235,596,228</b>                  | <b>339,274,751,435</b>      | <b>2,923,750,005,663</b> |

**Charter capital**

According to the amended Business Registration Certificate, the Company's charter capital is VND 1,307,460,710,000. The value and number of shares of the Company are as follows:

|  | Closing balance    |                          | Opening balance    |                          |
|--|--------------------|--------------------------|--------------------|--------------------------|
|  | 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 | <b>130,746,071</b> | <b>1,307,460,710,000</b> | <b>130,746,071</b> | <b>1,307,460,710,000</b> |

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. In respect of shares bought back by the Company, all rights are suspended until those shares are reissued.

**Dividends**

According to Resolution of the Company's Annual General Meeting No. 001/2018/NQ-ĐHĐCĐ dated 28 March 2018, the shareholders of the Company has approved declaration of dividends from profit after tax of 2017 at 30% in cash, equivalent to VND 392,238,213,000. In 2017, the Company declared two interim dividends for 2017 in cash at the rate of 10% and 15% of par value, equivalent to VND 326,865,177,500. On 9 May 2018, the Company paid remaining 5% of dividends with an amount of VND 65,373,035,500.

**26. NON-CONTROLLING INTERESTS**

|   | Current period<br>VND | Prior year<br>VND     |
|---|-----------------------|-----------------------|
| Opening balance   | 11,671,141,968        | 34,160,248,863        |
| Net loss attributable to non-controlling interests          | (1,624,223,387)       | (18,665,378)          |
| Dividends paid  | -                     | (735,000,000)         |
| Appropriation to the bonus fund for the Board of Management | -                     | (176,198,933)         |
| Appropriation to bonus and welfare funds                    | -                     | (447,775,389)         |
| Changes in interests due to transferring investments        | (196,530,888)         | (21,111,467,195)      |
| <b>Closing balance</b>                                      | <b>9,850,387,693</b>  | <b>11,671,141,968</b> |

**27. OFF BALANCE SHEET ITEMS**

**Foreign currencies**

|                              | Closing balance | Opening balance |
|------------------------------|-----------------|-----------------|
| United States Dollar ("USD") | 591,587         | 651,982         |
| Euro ("EUR")                 | 5,632           | 5,649           |

**28. SEGMENTAL REPORTING**

The primary format, product segments, is based on the Company's management and internal reporting structure.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise assets and liabilities, financial income and expenses, selling expenses, general and administration expenses, other income or other expenses, and corporate income tax.

Product segments

In presenting information on the basis of product segments, segment revenue is disclosed for pharmaceutical products, functional foods and others.

|   | Current period<br>VND             | Prior period<br>VND             |
|---|-----------------------------------|---------------------------------|
| <b>Net sales</b>                                |                                   |                                 |
| Pharmaceutical products                         | 1,399,451,834,895                 | 1,344,827,721,313               |
| Functional foods                                | 161,446,006,686                   | 199,491,125,649                 |
| Others  | 280,687,655,115                   | 263,745,933,582                 |
|   | <b><u>1,841,585,496,696</u></b>   | <b><u>1,808,064,780,544</u></b> |
| <b>Cost of goods sold and services rendered</b> |                                   |                                 |
| Pharmaceutical products                         | (688,855,902,329)                 | (659,907,955,669)               |
| Functional foods                                | (80,807,842,666)                  | (99,128,266,064)                |
| Others  | (257,682,721,886)                 | (232,631,385,598)               |
|   | <b><u>(1,027,346,466,881)</u></b> | <b><u>(991,667,607,331)</u></b> |
| <b>Gross profit</b>                             |                                   |                                 |
| Pharmaceutical products                         | 710,595,932,566                   | 684,919,765,644                 |
| Functional foods                                | 80,638,164,020                    | 100,362,859,585                 |
| Others  | 23,004,933,229                    | 31,114,547,984                  |
|   | <b><u>814,239,029,815</u></b>     | <b><u>816,397,173,213</u></b>   |

**29. NET REVENUE OF GOODS SOLD AND SERVICES RENDERED**

|                                    | Current period<br>VND           | Prior period<br>VND             |
|------------------------------------|---------------------------------|---------------------------------|
| <b>Sales of goods and services</b> |                                 |                                 |
| Sales of finished goods            | 1,691,671,005,320               | 1,569,070,451,527               |
| Sales of merchandises              | 363,596,521,167                 | 391,358,326,898                 |
| Other sales                        | 16,263,865,002                  | 27,084,607,130                  |
|                                    | <b><u>2,071,531,391,489</u></b> | <b><u>1,987,513,385,555</u></b> |
| <b>Sales deductions</b>            |                                 |                                 |
| Sales discounts                    | 226,445,051,009                 | 174,487,534,844                 |
| Sales returns                      | 3,500,843,784                   | 4,961,070,167                   |
|                                    | <b><u>229,945,894,793</u></b>   | <b><u>179,448,605,011</u></b>   |
| <b>Net sales</b>                   |                                 |                                 |
| <i>In which:</i>                   |                                 |                                 |
| Sales of finished goods            | 1,472,312,750,711               | 1,398,931,271,823               |
| Sales of merchandises              | 353,008,880,983                 | 382,048,901,591                 |
| Other sales                        | 16,263,865,002                  | 27,084,607,130                  |
|                                    | <b><u>1,841,585,496,696</u></b> | <b><u>1,808,064,780,544</u></b> |

**30. COST OF GOODS SOLD AND SERVICES RENDERED**

|  | Current period<br>VND           | Prior period<br>VND           |
|--|---------------------------------|-------------------------------|
| Cost of merchandises sold                            | 330,296,135,725                 | 365,213,235,590               |
| Cost of finished goods sold                          | 694,620,263,916                 | 618,673,106,941               |
| Cost of services rendered                            | 3,377,057,741                   | 7,824,983,846                 |
| Reversal of provision for devaluation of inventories | (946,990,501)                   | (43,719,046)                  |
|  | <b><u>1,027,346,466,881</u></b> | <b><u>991,667,607,331</u></b> |

**31. PRODUCTION AND OPERATING COSTS BY NATURE**

|                               | Current period<br>VND           | Prior period<br>VND             |
|-------------------------------|---------------------------------|---------------------------------|
| Raw materials and consumables | 914,985,509,500                 | 797,036,803,838                 |
| Staff cost                    | 393,294,012,622                 | 406,350,124,980                 |
| Depreciation and amortization | 43,961,535,029                  | 45,895,932,910                  |
| Out-sourced services          | 86,490,361,901                  | 83,329,999,422                  |
| Other expenses                | 117,823,755,474                 | 100,000,160,035                 |
|                               | <b><u>1,556,555,174,526</u></b> | <b><u>1,432,613,021,185</u></b> |

**32. FINANCIAL INCOME**

|                              | Current period<br>VND        | Prior period<br>VND          |
|------------------------------|------------------------------|------------------------------|
| Interest income              | 50,444,126,402               | 37,650,747,827               |
| Foreign exchange gains       | 962,226,011                  | 2,094,537,091                |
| Dividends and profits earned | 53,171,880                   | 53,265,164                   |
|                              | <b><u>51,459,524,293</u></b> | <b><u>39,798,550,082</u></b> |

**33. FINANCIAL EXPENSES**

|                          | Current period<br>VND        | Prior period<br>VND          |
|--------------------------|------------------------------|------------------------------|
| Interest expense         | 14,975,360,579               | 10,652,258,756               |
| Settlement discount      | 35,687,707,437               | 31,341,369,547               |
| Foreign exchange losses  | 3,095,993,949                | 2,484,729,794                |
| Other financial expenses | 93,091,633                   | 675,829,503                  |
|                          | <b><u>53,852,153,598</u></b> | <b><u>45,154,187,600</u></b> |

**34. SELLING AND GENERAL AND ADMINISTRATION EXPENSES**

|   | Current period<br>VND         | Prior period<br>VND           |
|---|-------------------------------|-------------------------------|
| <b>a. Selling expenses</b>                    |                               |                               |
| Advertising expenses                          | 62,239,500,310                | 51,565,889,649                |
| Staff cost                                    | 174,564,141,653               | 152,974,813,795               |
| Others  | 90,027,509,375                | 89,284,261,631                |
|   | <b><u>326,831,151,338</u></b> | <b><u>293,824,965,075</u></b> |
| <b>b. General and administration expenses</b> |                               |                               |
| Staff cost                                    | 89,920,979,813                | 128,463,140,548               |
| Others  | 39,770,661,402                | 37,119,043,525                |
|   | <b><u>129,691,641,215</u></b> | <b><u>165,582,184,073</u></b> |

**35. OTHER INCOME**

|                                    | Current period<br>VND       | Prior period<br>VND         |
|------------------------------------|-----------------------------|-----------------------------|
| Gain from disposal of fixed assets | 3,560,387,929               | 727,244,949                 |
| Others                             | 3,575,153,482               | 2,394,973,927               |
|                                    | <b><u>7,135,541,411</u></b> | <b><u>3,122,218,876</u></b> |

**36. OTHER EXPENSES**

|                       | Current period<br>VND       | Prior period<br>VND         |
|-----------------------|-----------------------------|-----------------------------|
| Depreciation expenses | 301,274,690                 | 353,623,411                 |
| Others                | 1,475,183,696               | 1,676,376,125               |
|                       | <b><u>1,776,458,386</u></b> | <b><u>2,029,999,536</u></b> |

**37. CURRENT CORPORATE INCOME TAX EXPENSE**

|  | Current period<br>VND | Prior period<br>VND    |
|--|-----------------------|------------------------|
| Accounting profit before tax                                     | 360,682,690,982       | 351,936,787,241        |
| Tax calculated at a normal rate of 20%                           | 72,136,538,196        | 70,387,357,448         |
| <b>Adjustments for:</b>  |                       |                        |
| Tax losses for which no deferred income tax asset was recognized | 724,805,324           | 6,045,369,890          |
| Income not subject to tax  | (10,675,076)          | (10,653,033)           |
| Expenses not deductible for tax purpose                          | 1,897,910,383         | 2,483,832,224          |
| Under/(over) provision of tax in prior years                     | 1,745,455             | (526,404,512)          |
| Tax incentives   | (36,850,285,072)      | (84,533,597,491)       |
| Temporary differences of provisions                              | (259,032,890)         | (658,192,272)          |
| Eliminated entries for consolidation                             | 13,360,440,719        | (929,252,741)          |
| <b>Current corporate income tax expenses after adjustments</b>   | <b>51,001,447,039</b> | <b>(7,741,540,487)</b> |

**Charge/(credit) to the interim consolidated income statement:**

|  | Current period<br>VND | Prior period<br>VND    |
|--|-----------------------|------------------------|
| Current corporate income tax expenses    | 27,057,660,701        | 2,970,020,194          |
| Deferred corporate tax expenses/(income) | 23,943,786,338        | (10,711,560,681)       |
|  | <b>51,001,447,039</b> | <b>(7,741,540,487)</b> |

The corporate income tax expense for the period is estimated based on taxable income and is subject to adjustments upon review of the tax authorities.

**Applicable tax rates**

Except for DHG Packaging and Printing 1 One Member Limited Company and DHG Pharmaceutical One Member Limited Company which are entitled to tax incentives, the Company and other subsidiaries in the Group is obliged to pay corporate income tax at the rate of 20% of its taxable income.

*DHG Packaging and Printing 1 One Member Limited Company ("DHG Packaging and Printing 1")*

Pursuant to the Investment Certificate, DHG Packaging and Printing 1 has an obligation to pay corporate income tax at the rate of 10% of taxable income from 2014 to 2028. Under terms in Investment Certificate granted to DHG Packaging and Printing 1, DHG Packaging and Printing 1 is entitled to corporate income tax exemption from 2014 to 2017 and 50% reduction of corporate income tax from 2018 to 2026.

*DHG Pharmaceutical One Member Limited Company ("DHG One Member Pharma")*

Pursuant to Investment Certificate No. 64204100005 issued by the Management Board of Hau Giang Industrial Zone, DHG One Member Pharma is entitled to corporate income tax at the rate of 10% of taxable income for 15 years from the date of starting its operation. DHG One Member Pharma is entitled to the corporate income tax exemption for 4 years and 50% reduction for the following 9 years commencing from the first year of having taxable income. DHG One Member Pharma has registered to the tax department of Hau Giang province to apply the above tax incentives effective from 2015.

All above tax incentives are not applicable to other income which is entitled to the standard rate of 20%.

**38. BASIC EARNINGS PER SHARE**

**a. Basic earnings per share**

Basic earnings per share is 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.

|  | Current period<br>VND | Prior period<br>VND |
|--|-----------------------|---------------------|
| Profit for the period attributable to equity holders of the Company (VND)                                  | 311,305,467,330       | 358,932,815,464     |
| Appropriation to funds (*)   | (34,130,546,733)      | (38,393,281,546)    |
| Earnings for the purpose of calculating basic earnings per share (VND)                                     | 277,174,920,597       | 320,539,533,918     |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (share) | 130,746,071           | 130,746,071         |
| <b>Basic earnings per share (VND/share)</b>  | <b><u>2,120</u></b>   | <b><u>2,452</u></b> |

(\*) Estimated amounts appropriated to bonus and welfare funds for the 6-month period ended 30 June 2018 are determined based on the planned appropriation percentage of profit distribution to bonus and welfare funds at the rate of 10%, according to Resolution of the Company's Annual General Meeting No. 001/2018/NQ-ĐHĐCĐ dated 28 March 2018.

**b. Diluted earnings per share**

The Group does not have potentially diluted ordinary shares.

**39. COMMITMENTS**

**a. Operating lease commitment**

|   | Current period<br>VND | Prior period<br>VND |
|---|-----------------------|---------------------|
| Minimum lease payments under operating leases recognized in the income statement for the period | 2,733,324,777         | 2,711,014,189       |

At the interim consolidated balance sheet date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

|                                       | Closing balance<br>VND        | Opening balance<br>VND        |
|---------------------------------------|-------------------------------|-------------------------------|
| Within one year                       | 2,711,014,189                 | 5,422,028,378                 |
| In the second to fifth year inclusive | 21,688,113,512                | 21,688,113,512                |
| After five years                      | <u>113,005,646,812</u>        | <u>115,731,722,192</u>        |
|                                       | <b><u>137,404,774,513</u></b> | <b><u>142,841,864,082</u></b> |

**b. Capital commitment**

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

|   | Closing balance<br>VND       | Opening balance<br>VND       |
|---|------------------------------|------------------------------|
| Approved but not contracted                 | 13,247,194,643               | 18,727,173,322               |
| Approved and contracted but not implemented | <u>11,249,857,551</u>        | <u>10,326,337,676</u>        |
|   | <b><u>24,497,052,194</u></b> | <b><u>29,053,510,998</u></b> |

**40. RELATED PARTY TRANSACTIONS AND BALANCES**

The two largest shareholders of the Group are The State Capital Investment Corporation ("SCIC") and Taisho Pharmaceutical Co., Ltd which own 43.31% and 24.94% of the Company's share capital, respectively. SCIC is controlled by the Government of S.R Vietnam.

During the period, the Group entered into the following transactions with related parties:

|  | Current period<br>VND | Prior period<br>VND |
|--|-----------------------|---------------------|
| <b>Purchasing</b>                                |                       |                     |
| Vinh Hao Algae Processing Joint Stock Company    | 421,846,000           | 1,132,250,000       |
| <b>Dividend declared</b>                         |                       |                     |
| SCIC   | 113,252,474,000       | 132,127,887,500     |
| Taisho Pharmaceutical Co., Ltd                   | 63,912,192,000        | 74,564,224,000      |
| <b>Benefits paid to key management personnel</b> |                       |                     |
| Salary and benefits                              | 11,037,963,806        | 9,911,906,264       |

The balances with related parties at the interim consolidated balance sheet date were as follows:

|   | Closing balance<br>VND | Opening balance<br>VND |
|---|------------------------|------------------------|
| <b>Short-term trade payables</b>              |                        |                        |
| Vinh Hao Algae Processing Joint Stock Company | -                      | 4,500,000              |

**41. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION**

**a. Non-cash transactions affecting the interim consolidated cash flow statement:**

|  | Current period<br>VND | Prior period<br>VND |
|--|-----------------------|---------------------|
| Appropriation to reserves  | 227,560,620,226       | 410,367,149,717     |
| Transfer from construction in progress to tangible fixed assets                                    | 21,711,468,214        | 12,190,732,523      |
| Transfer from construction in progress to intangible assets  | 423,482,400           | 2,930,291,720       |
| Interest earned and dividends which have not been received   | 33,347,247,597        | 21,171,141,670      |
| Addition in fixed assets and construction in progress during the period that has not yet been paid | 201,750,000           | -                   |
| Issue bonus shares from investment and development fund  | -                     | 435,817,410,000     |

**b. Proceeds from borrowings**

|   | Current period<br>VND | Prior period<br>VND |
|---|-----------------------|---------------------|
| Proceeds from borrowings under normal contracts | 1,463,145,782,841     | 1,383,813,007,337   |



c. Repayment of borrowings

|  | Current period<br>VND | Prior period<br>VND |
|--|-----------------------|---------------------|
| Repayment of borrowings under normal contracts | 1,275,690,370,296     | 1,017,643,696,928   |

*Hong Dao*

**Ngo Thi Hong Dao**  
Preparer

*Huan*

**Ho Buu Huan**  
Chief Accountant



*Le Chanh Dao*

**Le Chanh Dao**  
Deputy General Director  
14 August 2018

