

**DHG PHARMACEUTICAL JOINT STOCK COMPANY**

*(Incorporated in Socialist Republic of Vietnam)*

**REVIEWED INTERIM SEPARATE  
FINANCIAL STATEMENTS**

**For the 6-month period ended 30 June 2019**

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**DHG PHARMACEUTICAL JOINT STOCK COMPANY**

288 Bis Nguyen Van Cu Street, An Hoa Ward  
Ninh Kieu District, Can Tho City, Vietnam

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**STATEMENT OF THE BOARD OF GENERAL DIRECTORS**

The Board of General Directors of DHG Pharmaceutical Joint Stock Company (the "Company") presents this report together with the Company's interim separate financial statements for the 6-month period ended 30 June 2019.

**THE BOARD OF MANAGEMENT, SUPERVISORY BOARD, AUDIT COMMITTEE AND BOARD OF GENERAL DIRECTORS**

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**

Ms. Dang Thi Thu Ha	Chairman (appointed on 11 June 2019)
Mr. Nguyen Chi Thanh	Chairman (resigned on 11 June 2019)
Mr. Jun Kuroda	Member
Mr. Masashi Nakaura	Member (appointed on 11 June 2019)
Mr. Maki Kamijo	Member (appointed on 11 June 2019)
Mr. Doan Dinh Duy Khuong	Member
Mr. Phan Minh Tien	Member
Mr. Do Le Hung	Member (appointed on 11 June 2019)
Ms. Pham Thi Viet Nga	Member (resigned on 11 June 2019)
Mr. Tran Chi Liem	Member (resigned on 11 June 2019)

**Board of General Directors**

Mr. Doan Dinh Duy Khuong	Acting General Director
Mr. Le Chanh Dao	Deputy General Director (resigned on 01 August 2019)
Ms. Nguyen Ngoc Diep	Deputy General Director
Mr. Tomoyuki Kawata	Deputy General Director

**Supervisory Board**

From 11 June 2019, the Company changed the organization, management and control structure from the Supervisory Board model to Audit Committee under Board of Management.

Mr. Tran Quoc Hung	Head of the Board (resigned on 11 June 2019)
Ms. Nguyen Phuong Thao	Member (resigned on 25 October 2018)
Mr. Tran Trung Kien	Member (resigned on 11 June 2019)

**Audit Committee**

Mr. Do Le Hung	Head of the Committee (appointed on 11 June 2019)
Ms. Dang Thi Thu Ha	Member (appointed on 11 June 2019)
Mr. Maki Kamijo	Member (appointed on 11 June 2019)

**Legal representative**

Legal representative of the Company during the period and at the date of these interim separate financial statements is Mr. Doan Dinh Duy Khuong.

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

The Board of General Directors of the Company is responsible for preparing the interim separate financial statements which give a true and fair view of the separate financial position of the Company as at 30 June 2019 and its separate financial performance and separate 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 separate 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 separate financial statements;
- prepare the interim separate financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the interim separate financial statements so as to minimize errors and frauds.



**DHG PHARMACEUTICAL JOINT STOCK COMPANY**

288 Bis Nguyen Van Cu Street, An Hoa Ward  
Ninh Kieu District, Can Tho City, Vietnam

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

The Board of General Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Company and that the interim separate 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 Company and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

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

For and on behalf of the Board of General Directors,



**Doan Dinh Duy Khuong**  
**Acting General Director**  
14 August 2019



No. 0145 /VN1A-HC-BC

## REPORT ON REVIEW OF INTERIM SEPARATE FINANCIAL STATEMENTS

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

We have reviewed the accompanying interim separate financial statements of DHG Pharmaceutical Joint Stock Company (the "Company"), prepared on 14 August 2019 as set out from page 4 to page 31, which comprise the interim separate balance sheet as at 30 June 2019, the interim separate income statement and interim separate cash flow statement for the 6-month period ended 30 June 2019 and a summary of significant accounting policies and other explanatory information.

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

The Board of General Directors is responsible for the preparation and fair presentation of these interim separate 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 separate 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 separate 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 separate 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 separate financial statements do not present fairly, in all material respects, the separate financial position of the Company as at 30 June 2019, and of its separate financial performance and its separate 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.



**Vo Thai Hoa**  
**Audit Partner**  
Audit Practising Registration Certificate  
No. 0138-2018-001-1  
**BRANCH OF DELOITTE VIETNAM  
COMPANY LIMITED**  
14 August 2019  
Ho Chi Minh City, Vietnam







**INTERIM SEPARATE BALANCE SHEET (Continued)**  
As at 30 June 2019

Unit: VND

<b>RESOURCES</b>	<b>Codes</b>	<b>Notes</b>	<b>Closing balance</b>	<b>Opening balance</b>
<b>C. LIABILITIES</b>	<b>300</b>		<b>1,278,839,183,403</b>	<b>1,061,254,177,382</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>1,213,284,959,959</b>	<b>1,001,039,537,807</b>
1. Short-term trade payables	311	18	138,680,079,741	145,540,398,538
2. Short-term advances from customers	312		16,558,819,325	9,728,206,186
3. Taxes and amounts payable to the State budget	313	11	13,661,512,073	13,629,440,563
4. Payables to employees	314		112,050,323,395	179,893,955,715
5. Short-term accrued expenses	315	19	34,358,472,841	39,992,715,726
6. Short-term unearned revenue	318	20	31,652,356,064	9,030,131,533
7. Other current payables	319	21	68,278,190,697	1,963,480,753
8. Short-term loans	320	22	717,843,962,053	557,901,327,419
9. Bonus and welfare funds	322	23	80,201,243,770	43,359,881,374
<b>II. Long-term liabilities</b>	<b>330</b>		<b>65,554,223,444</b>	<b>60,214,639,575</b>
1. Long-term provisions	342	24	47,242,283,562	39,753,692,402
2. Scientific and technological development fund	343	25	18,311,939,882	20,460,947,173
<b>D. EQUITY</b>	<b>400</b>		<b>3,048,360,123,328</b>	<b>3,134,576,964,218</b>
<b>I. Owner's equity</b>	<b>410</b>	<b>26</b>	<b>3,048,360,123,328</b>	<b>3,134,576,964,218</b>
1. Owner's contributed capital	411		1,307,460,710,000	1,307,460,710,000
- Ordinary shares carrying voting rights	411a		1,307,460,710,000	1,307,460,710,000
2. Share premium	412		6,778,948,000	6,778,948,000
3. Investment and development fund	418		1,392,604,475,464	1,270,235,596,228
4. Retained earnings	421		341,515,989,864	550,101,709,990
- Retained earnings accumulated to the prior year end	421a		29,758,750,172	140,019,952,072
- Retained earnings of the current period/current year	421b		311,757,239,692	410,081,757,918
<b>TOTAL RESOURCES (440=300+400)</b>	<b>440</b>		<b>4,327,199,306,731</b>	<b>4,195,831,141,600</b>

**Tran Ngoc Hien**  
Preparer

**Ho Bui Huan**  
Chief Accountant



**Doan Dinh Duy Khuong**  
Acting General Director  
14 August 2019

**INTERIM SEPARATE INCOME STATEMENT**

For the 6-month period ended 30 June 2019

Unit: VND

ITEMS	Codes	Notes	Current period	Prior period
<b>1. Gross revenue from goods sold and services rendered</b>	<b>01</b>		<b>1,965,311,489,033</b>	<b>2,200,501,385,886</b>
2. Deductions	02		222,916,985,842	224,237,386,413
<b>3. Net revenue from goods sold and services rendered (10=01-02)</b>	<b>10</b>	<b>29</b>	<b>1,742,394,503,191</b>	<b>1,976,263,999,473</b>
4. Cost of sales	11	30	961,942,672,120	1,412,367,856,886
<b>5. Gross profit from goods sold and services rendered (20=10-11)</b>	<b>20</b>		<b>780,451,831,071</b>	<b>563,896,142,587</b>
6. Financial income	21	32	58,222,953,790	55,277,667,862
7. Financial expenses	22	33	53,204,312,933	52,909,511,815
- In which: Interest expense	23		12,483,770,311	14,975,360,579
8. Selling expenses	25	34	292,321,759,912	322,169,494,050
9. General and administration expenses	26	34	148,176,919,490	119,196,200,983
<b>10. Operating profit (30=20+(21-22)-(25+26))</b>	<b>30</b>		<b>344,971,792,526</b>	<b>124,898,603,601</b>
11. Other income	31	35	5,567,413,056	6,600,254,175
12. Other expenses	32	36	3,140,048,530	1,669,376,858
<b>13. Profit from other activities (40=31-32)</b>	<b>40</b>		<b>2,427,364,526</b>	<b>4,930,877,317</b>
<b>14. Accounting profit before tax (50=30+40)</b>	<b>50</b>		<b>347,399,157,052</b>	<b>129,829,480,918</b>
15. Current corporate income tax expense	51	37	38,029,699,723	26,236,240,249
16. Deferred corporate tax income	52	37	(2,387,782,363)	(145,588,750)
<b>17. Net profit after corporate income tax (60=50-51-52)</b>	<b>60</b>		<b>311,757,239,692</b>	<b>103,738,829,419</b>


Tran Ngoc Hien  
Preparer

Ho Bui Huan  
Chief AccountantDoan Dinh Duy Khuong  
Acting General Director  
14 August 2019



**INTERIM SEPARATE CASH FLOW STATEMENT**  
*For the 6-month period ended 30 June 2019*

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>347,399,157,052</b>	<b>129,829,480,918</b>
<b>2. Adjustments for:</b>			
Depreciation and amortization of fixed assets and investment properties	02	43,599,788,887	33,220,752,325
Provisions	03	12,683,636,800	5,691,619,104
Foreign exchange (gain)/loss arising from translating foreign currency items	04	(142,146,882)	567,690,526
Gain from investing activities	05	(57,118,349,288)	(57,899,685,216)
Interest expense	06	12,483,770,311	14,975,360,579
Other adjustments	07	-	140,350,390
<b>3. Operating profit before movements in working capital</b>	<b>08</b>	<b>358,905,856,880</b>	<b>126,525,568,626</b>
Changes in receivables	09	123,517,267,856	372,356,178,448
Changes in inventories	10	7,337,191,753	(92,701,762,807)
Changes in payables	11	(88,489,234,325)	(14,511,645,923)
Changes in prepaid expenses	12	1,423,798,864	992,461,564
Interest paid	14	(12,041,051,465)	(14,983,041,446)
Corporate income tax paid	15	(35,124,786,789)	(16,394,904,402)
Other cash outflows	17	(32,923,570,988)	(39,489,270,063)
<b>Net cash generated by operating activities</b>	<b>20</b>	<b>322,605,471,786</b>	<b>321,793,583,997</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition and construction of fixed assets and other long-term assets	21	(29,606,966,390)	(22,474,039,315)
2. Proceeds from sale, disposal of fixed assets and other long-term assets	22	365,509,091	6,182,727,272
3. Cash outflow for lending and time deposits	23	(1,492,673,917,808)	(1,477,872,583,232)
4. Cash recovered from lending and time deposits	24	1,242,236,282,070	836,365,824,742
5. Equity investments in other entities	25	-	(160,000,000)
6. Interest, dividends and profits received	27	62,283,712,537	39,796,499,442
<b>Net cash used in investing activities</b>	<b>30</b>	<b>(217,395,380,500)</b>	<b>(618,161,571,091)</b>
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Proceeds from borrowings	33	1,347,170,400,345	1,463,145,782,841
2. Repayment of borrowings	34	(1,187,227,765,711)	(1,275,690,370,296)
3. Dividends and profits paid	36	(261,492,142,000)	(261,492,142,000)
<b>Net cash used in financing activities</b>	<b>40</b>	<b>(101,549,507,366)</b>	<b>(74,036,729,455)</b>
<b>Net increase/(decrease) in cash (50=20+30+40)</b>	<b>50</b>	<b>3,660,583,920</b>	<b>(370,404,716,549)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>60</b>	<b>74,532,884,988</b>	<b>419,183,311,635</b>
Effects of changes in foreign exchange rates	61	1,024,475	66,298,400
<b>Cash and cash equivalents at the end of the period (70=50+60+61)</b>	<b>70</b>	<b>78,194,493,383</b>	<b>48,844,893,486</b>

**INTERIM SEPARATE CASH FLOW STATEMENT (Continued)**  
*For the 6-month period ended 30 June 2019*

Significant non-cash transactions for the 6-month period ended 30 June 2019 are presented in Note 40.



**Tran Ngoc Hien**  
Preparer



**Ho Bui Huan**  
Chief Accountant



**Doan Dinh Duy Khuong**  
Acting General Director  
14 August 2019

**NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS***These notes are an integral part of and should be read in conjunction with the interim separate financial statements***1. GENERAL INFORMATION****Structure of ownership**

On 2 September 2004, DHG Pharmaceutical Joint Stock Corporation (the "Company") was equitized from Hau Giang Pharmaceutical United Factory in accordance with Decision No.2405/QĐ-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 2004 issued by the Department of Planning and Investment of Can Tho City with the initial charter capital of VND 80,000,000,000.

In 2017, the Company increased its share capital to VND 1,307,460,710,000. The Company was granted with the 23<sup>rd</sup> amended Business Registration Certificate dated 28 July 2017 for the increase in share capital.

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

As at 30 June 2019, the largest shareholders of the Company are Taisho Pharmaceutical Co., Ltd. which owns 51.01% and the State Capital Investment Corporation ("SCIC") which owns 43.31% of share capital of the Company. SCIC is controlled by the Commission for the Management of State Capital at Enterprises.

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

The number of employees of the Company as at 30 June 2019 was 2,942 (as at 31 December 2018: 3,026).

**Operating industry and principal activities**

The Company's operating industry are to manufacture and trade pharmaceutical products.

The principal activities are to manufacture and trade pharmaceuticals, medical tools and supplies, medical equipment, dietary supplements and pharmaceutical cosmetics.

**The Company's structure**

As at 30 June 2019, the Company's subsidiary and associate were as follows:

Name	Principal activities	Business Registration Certificate	Proportion of ownership interest and voting power held	
			Closing balance	Opening balance
<b>Subsidiary</b>				
Fuji Medic Limited Liability Company	Health care services	No. 1801472944 issued by the Planning and Investment Department of Can Tho City on 27 July 2016	51%	51%
<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%

According to the Resolution of the Board of Management No. 003/2019/NQ.HĐQT dated 1 April 2019, the Board of Management of the Company approved the plan to transfer its interest in Fuji Medic Limited Liability Company ("Fuji Medic") or to liquidate its assets for the dissolution of this company. As at the date of these interim separate financial statements, the Company is in process of liquidating the assets of Fuji Medic.



**Normal production and business cycle**

The Company'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 financial statements**

Comparative figures on the interim separate balance sheet are the figures of the audited separate financial statements for the year ended 31 December 2018 and comparative figures on the interim separate income statement and interim separate cash flow statement are the figures of the reviewed separate financial statements for the 6-month period ended 30 June 2018.

DHG Packaging and Printing 1 One Member Limited Company and DHG Pharmaceutical One Member Limited Company were merged into the Company on 28 March 2018. SH Pharmaceutical Joint Stock Company was dissolved on 23 December 2018 and transfer all of its operation to the Company from dissolution time. Therefore, the figures of the interim separate financial statement cannot be compared with the prior period.

**2. ACCOUNTING CONVENTION AND FINANCIAL YEAR**

**Accounting convention**

The interim separate 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 separate financial statements are prepared solely to present the separate financial position of the Company as at 30 June 2019, and its separate results of operations and separate cash flows for the 6-month period ended 30 June 2019. Therefore, the Company did not consolidate its investments in subsidiaries and associates in these interim separate financial statements. The investments of the Company are recorded under the Company's policy and are presented in Note 3 as below.

The interim separate 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 Company's financial year begins on 1 January and ends on 31 December. The interim separate 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 Company in the preparation of these interim separate financial statements, are as follows:

**Estimates**

The preparation of interim separate financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to interim 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 interim separate 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.

**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 investments, 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 Company's Board of General Directors has the positive intent or ability to hold to maturity.

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Held-to-maturity investments include term deposits with maturity term over 3 months 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 interim separate income statement on accrual basis.

***Loan receivables***

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

***Investments in subsidiaries and associate***

***Investment in subsidiaries***

A subsidiary is an entity over which the Company has control. 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.

***Investment 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.

Interests in subsidiaries and associate are initially recognized at cost. The Company's share of the net profit of the investee after acquisition is recognized in the separate income statement. Other distributions received other than such profit share are deducted from the cost of the investments as recoverable amounts.

Investments in subsidiaries and associates are carried in the separate balance sheet at cost less provision for impairment of such investments (if any). Provisions for impairment of investments in subsidiaries and associates are made in accordance with Circular No. 228/2009/TT-BTC dated 7 December 2009 issued by the Ministry of Finance on "Guiding the appropriation and use of provisions for devaluation of inventories, loss of financial investments, bad debts and warranty for products, goods and construction works at enterprises", Circular No. 89/2013/TT-BTC dated 28 June 2013 by the Ministry of Finance amending and supplementing Circular No. 228/2009/TT-BTC and prevailing accounting regulations.

***Equity investments in other entities***

Equity investments in other entities represent the Company's investments in ordinary shares of the entities over which the Company 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 in value 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 settle 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 interim separate 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 interim separate income statement.

**Leases**

The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Company as lessee

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payable under operating leases are charged to the separate 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 amortized using the straight-line method over the terms indicated in the land use right certificate. Indefinite land use rights are carried at cost and not amortized under prevailing regulations.

Computer software are amortized using the straight-line method from 3 to 8 years.

**Investment properties**

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

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

**Construction in progress**

Properties in the course of construction for production, rental or administrative purposes, or for other purposes, are carried at cost. Cost includes costs that are necessary to form the assets in accordance with the Company'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 land rentals paid in advance. The prepaid land rentals are allocated to the interim separate income statement using the straight-line method over the lease term.

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

### **Provisions**

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company 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 interim separate 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 Company 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 interim separate financial statements at the end of each reporting period. The increase or decrease in the accrued amount shall be recorded in the interim separate 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 2015, the Company is required to provide for dismantling and restoration costs of the Company's leased premises or land. The provision for dismantling and restoration costs is determined based on the estimated dismantling and restoration costs to be incurred at the time of returning the premises or land at the end of the lease term and recognized on a straight-line basis over the period from 1 January 2015 to the time of returning the premises or land.

### **Unearned revenue**

Unearned revenue represents the fair value of goods and services provided to customers for free or at discount in the customer loyalty programs. Unearned revenue is recognized for the portion of obligation that the Company 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 Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the Company 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 Company; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue of a transaction involving the rendering of services is recognized when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several periods, revenue is recognized in each period by reference to the percentage of completion of the transaction at the 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 Company;





(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 Company'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 interim separate balance sheet date but before the issuance of the interim separate financial statements are recorded as deduction of revenue of the period.

#### **Customer loyalty program**

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 Company is the one providing the free or discounted goods and services to customers, the unearned revenue is realized into the Company'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 Company does not act as an agent of the third party, the unearned revenue is realized into the Company's interim separate income statement at the time that third party provides the free or discounted goods and services to customers. If the Company acts as an agent of the third party, the Company 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 separate income statement.

#### **Borrowing costs**

Borrowing costs are recognized in the separate income statement in the period when incurred unless they are capitalized 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 separate 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 separate financial statements and the corresponding tax bases used in the computation of taxable income and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to the interim separate 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 Company intends to settle its current tax assets and liabilities on a net basis.

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

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

**Dividend distribution**

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

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 2018 was approved by shareholders at the Company's Annual General Meeting as follows:

- Dividends declared for 2018: 35% of par value.
- Appropriation to the bonus and welfare fund: 10% of net profit after tax.
- Remuneration payment to the Board of 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 Company's interim separate financial statements in order to help users of interim separate financial statements to understand and evaluate the operations of the Company in a comprehensive way.

**4. CASH AND CASH EQUIVALENTS**

	Closing balance	Opening balance
	VND	VND
Cash on hand	18,402,041,000	27,957,108,000
Demand deposits	34,611,201,481	46,575,776,988
Cash in transit	181,250,902	-
Cash equivalents (*)	25,000,000,000	-
	<b>78,194,493,383</b>	<b>74,532,884,988</b>

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





As at 30 June 2019, the Company mortgaged the cash deposit contract at Vietnam Prosperity Joint Stock Commercial Bank ("VPBank") with the amount of VND 20,000,000,000 to provide guarantee to customers who have borrowings at VPBank. Loan balance of customers guaranteed by the Company at the interim separate balance sheet date is as follows:

	Closing balance	Opening balance
	VND	VND
Unsecured guarantee	4,905,567,300	-
Secured guarantee	787,827,088	-
	<b>5,693,394,388</b>	<b>-</b>

**5. FINANCIAL INVESTMENTS**

**Held-to-maturity investments**

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

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

As at 30 June 2019, term deposits with maturity term over 3 months of VND 378,500,000,000 were pledged as collaterals for the short-term loans from the banks (Note 22), and for tender guarantees and contract performance (as at 31 December 2018: VND 296,200,000,000).

**Investments in subsidiary, associate and other entities**

	Closing balance		Opening balance	
	Cost VND	Provision VND	Cost VND	Provision VND
Investments in subsidiary	13,742,460,000	(5,890,891,441)	13,742,460,000	(3,819,635,054)
Investment in associate	3,787,450,000	(1,307,445,487)	3,787,450,000	(1,092,392,848)
Equity investments in other entities	27,908,170,200	(7,405,547,480)	27,908,170,200	(5,730,861,763)
	<b>45,438,080,200</b>	<b>(14,603,884,408)</b>	<b>45,438,080,200</b>	<b>(10,642,889,665)</b>

As at 30 June 2019 and 31 December 2018, 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 for the following companies:

	Fair value	
	Closing balance VND	Opening balance VND
Becamex Pharmaceutical Joint Stock Company	2,191,200,000	1,332,980,000
Tra Vinh Pharmaceutical Joint Stock Company	3,496,310,400	2,207,568,000
Cuu Long Pharmaceutical Joint Stock Company	130,183,200	65,973,600

**Investments in subsidiary**

	Closing balance VND	Opening balance VND
Fuji Medic Limited Liability Company	13,742,460,000	13,742,460,000

**Investment in associate**

	Closing balance VND	Opening balance VND
Vinh Hao Algae Processing Joint Stock Company	3,787,450,000	3,787,450,000

Equity investments in other entities

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

The balance of provision as at 30 June 2019 and 31 December 2018 represents the provision for impairment of the investment in ATP Packaging Joint Stock Company, Fuji Medic Limited Liability Company and Vinh Hao Algae Processing Joint Stock Company.

6. SHORT-TERM TRADE RECEIVABLES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Receivables from third parties (*)	527,508,238,034	618,500,755,955
Receivables from related parties (Note 39)	1,729,217,970	-
	<b><u>529,237,456,004</u></b>	<b><u>618,500,755,955</u></b>

(\*) As at 30 June 2019 and 31 December 2018, there was no trade receivables from third parties accounting for 10% or more of total trade receivables.

7. OTHER SHORT-TERM RECEIVABLES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Accruals of interest income	40,543,432,865	46,074,305,205
Receivable from employees	10,234,574,624	5,712,580,521
Other receivables	4,746,735,611	3,632,053,385
	<b><u>55,524,743,100</u></b>	<b><u>55,418,939,111</u></b>

8. BAD DEBTS

	<u>Closing balance</u>		
	Cost VND	Provision VND	Recoverable amount VND
Total amount of receivables and loan receivables past due or not past due but impaired	<u>213,701,007,321</u>	<u>(35,062,541,591)</u>	<u>178,638,465,730</u>
	<u>Opening balance</u>		
	Cost VND	Provision VND	Recoverable amount VND
Total amount of receivables and loan receivables past due or not past due but impaired	<u>205,852,717,492</u>	<u>(34,571,714,247)</u>	<u>171,281,003,245</u>

On 30 June 2019 and 31 December 2018, there are no overdue receivables that account for 10% or more of total overdue receivables.

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

	<u>Current period</u>	<u>Prior year</u>
	VND	VND
Opening balance	34,571,714,247	19,797,719,098
Additional provision	490,827,344	12,198,225,485
Transfer from subsidiaries	-	2,575,769,664
<b>Closing balance</b>	<b><u>35,062,541,591</u></b>	<b><u>34,571,714,247</u></b>

**9. INVENTORIES**

	<u>Closing balance</u>		<u>Opening balance</u>	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	53,292,896,340	-	66,470,323,130	-
Raw materials	372,535,766,590	-	376,538,041,655	-
Work in progress	61,778,683,056	-	54,189,946,414	-
Finished goods	366,623,838,658	(1,067,352,661)	346,534,828,838	(814,326,232)
Merchandise	30,503,998,377	-	48,339,234,737	-
	<b><u>884,735,183,021</u></b>	<b><u>(1,067,352,661)</u></b>	<b><u>892,072,374,774</u></b>	<b><u>(814,326,232)</u></b>

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

	<u>Current period</u>	<u>Prior year</u>
	VND	VND
Opening balance	814,326,232	3,328,368,066
Additional provision	253,026,429	-
Utilization of provisions	-	(1,294,938,769)
Reversal in the year	-	(1,219,103,065)
Closing balance	<b><u>1,067,352,661</u></b>	<b><u>814,326,232</u></b>

**10. PREPAYMENTS**

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
<b>a. Current</b>		
- Prepayment related to operating lease	3,643,875,359	101,800,010
- Others	1,759,868,063	3,161,910,664
	<b><u>5,403,743,422</u></b>	<b><u>3,263,710,674</u></b>
<b>b. Non-current</b>		
- Prepaid land rental	10,195,145,076	10,367,868,894
- Tools and supplies	9,118,547,648	11,828,145,326
- Leasehold improvement	-	47,927,928
- Others	7,240,489,664	7,790,971,852
	<b><u>26,554,182,388</u></b>	<b><u>30,034,914,000</u></b>





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

	Opening balance VND	Payables during the period VND	Refund during the period VND	Paid during the period VND	Closing balance VND
<b>a. Receivables</b>					
Value added tax for import goods	3,713,591,537	(23,083,796,487)	-	23,094,924,216	3,724,719,266
Import and export duties	926,396,477	(7,204,319,665)	2,608,347,170	3,748,832,508	79,256,490
Corporate income tax	10,504,843,481	(38,029,699,723)	-	35,124,786,789	7,599,930,547
Land rental fee	15,682,319	(15,682,319)	-	-	-
	<b><u>15,160,513,814</u></b>	<b><u>(68,333,498,194)</u></b>	<b><u>2,608,347,170</u></b>	<b><u>61,968,543,513</u></b>	<b><u>11,403,906,303</u></b>
<b>b. Payables</b>					
Value added tax for domestic goods	13,499,506,643	24,190,714,904	-	(31,378,985,086)	6,311,236,461
Personal income tax	129,933,920	26,100,308,366	-	(21,592,660,336)	4,637,581,950
Other taxes	-	5,959,196,143	-	(3,246,502,481)	2,712,693,662
	<b><u>13,629,440,563</u></b>	<b><u>56,250,219,413</u></b>	<b><u>-</u></b>	<b><u>(56,218,147,903)</u></b>	<b><u>13,661,512,073</u></b>

**12. LOAN RECEIVABLES**

	Closing balance VND	Opening balance VND
<b>a. Short-term</b>		
- Loan receivables from customers (*)	2,885,036,714	3,395,400,976
	<b><u>2,885,036,714</u></b>	<b><u>3,395,400,976</u></b>
<b>b. Long-term</b>		
- Loan receivables from customers (*)	-	1,330,000,000
	<b><u>-</u></b>	<b><u>1,330,000,000</u></b>

(\*) These represent free-interest loans granted to the Company's customers based on its refundable capital support policy. Provisions for loan receivables are presented in Note 8.

**13. TANGIBLE FIXED ASSETS**

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
<b>COST</b>					
Opening balance	523,308,829,235	579,265,383,302	160,671,502,625	69,955,688,915	1,333,201,404,077
Additions	-	985,000,000	-	34,900,000	1,019,900,000
Transfer from construction in progress	3,633,801,984	20,650,826,711	594,545,455	193,561,364	25,072,735,514
Transfer from investment properties	267,073,636	-	-	-	267,073,636
Disposals	-	-	(1,215,425,092)	-	(1,215,425,092)
Closing balance	<b><u>527,209,704,855</u></b>	<b><u>600,901,210,013</u></b>	<b><u>160,050,622,988</u></b>	<b><u>70,184,150,279</u></b>	<b><u>1,358,345,688,135</u></b>
<b>ACCUMULATED DEPRECIATION</b>					
Opening balance	182,276,573,936	261,752,989,050	100,416,305,688	59,439,857,825	603,885,726,499
Charge for the period	14,559,933,079	22,461,780,084	5,439,416,342	1,767,179,239	44,228,308,744
Transfer from investment properties	267,073,636	-	-	-	267,073,636
Disposals	-	-	(1,215,425,092)	-	(1,215,425,092)
Closing balance	<b><u>197,103,580,651</u></b>	<b><u>284,214,769,134</u></b>	<b><u>104,640,296,938</u></b>	<b><u>61,207,037,064</u></b>	<b><u>647,165,683,787</u></b>
<b>NET BOOK VALUE</b>					
Opening balance	<b><u>341,032,255,299</u></b>	<b><u>317,512,394,252</u></b>	<b><u>60,255,196,937</u></b>	<b><u>10,515,831,090</u></b>	<b><u>729,315,677,578</u></b>
Closing balance	<b><u>330,106,124,204</u></b>	<b><u>316,686,440,879</u></b>	<b><u>55,410,326,050</u></b>	<b><u>8,977,113,215</u></b>	<b><u>711,180,004,348</u></b>

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





16. CONSTRUCTION IN PROGRESS

	Closing balance VND	Opening balance VND
Construction of office of Branch of DHG Pharmaceutical Factory at Hau Giang province	11,746,318,768	11,746,318,768
BUD product project	1,293,522,895	1,143,281,604
Construction of Gia Lai branch office	623,948,774	623,948,774
CTP product project	202,029,350	202,029,350
Repairing package production warehouses	-	145,077,537
Raw materials for testing new machines	298,018,243	144,235,771
Construction of effervescent tablets plant - stage 2	-	83,100,000
REB product project	214,827,405	-
Other machineries	2,962,014,433	-
	<b><u>17,340,679,868</u></b>	<b><u>14,087,991,804</u></b>

17. DEFERRED TAX ASSETS

	Closing balance VND	Opening balance VND
Corporate income tax rates used for determination of value of deferred tax assets	20%	20%
Deferred tax assets related to deductible temporary differences	63,807,996,705	51,869,084,890
<b>Deferred tax assets</b>	<b><u>12,761,599,341</u></b>	<b><u>10,373,816,978</u></b>

Movements in the deferred tax assets during the current period and prior period were as follows:

	Current period VND	Prior year VND
Opening balance	10,373,816,978	9,776,044,031
Additional/(reversal) provision	2,289,917,181	(1,171,501,437)
Change of eliminated entry of fixed assets	97,865,182	294,500,565
Transfer from subsidiaries	-	1,474,773,819
<b>Closing balance</b>	<b><u>12,761,599,341</u></b>	<b><u>10,373,816,978</u></b>

18. SHORT-TERM TRADE PAYABLES

	Closing balance		Opening balance	
	Amount VND	Amount able to be paid off VND	Amount VND	Amount able to be paid off VND
<b>a. Trade payables to third parties</b>	<b>138,244,479,741</b>	<b>138,244,479,741</b>	<b>145,540,398,538</b>	<b>145,540,398,538</b>
Dsm Sinochem Pharmaceuticals Spain S.A	7,332,337,500	7,332,337,500	20,246,688,000	20,246,688,000
Dsm Sinochem Pharmaceuticals India PVT LTD	11,464,153,500	11,464,153,500	18,987,080,000	18,987,080,000
Roquette Freres	1,230,663,499	1,230,663,499	15,258,076,053	15,258,076,053
Develing Trade BV	9,374,950,284	9,374,950,284	4,450,801,628	4,450,801,628
Covalent Laboratories Pvt Ltd	14,891,364,000	14,891,364,000	-	-
Others	93,951,010,958	93,951,010,958	86,597,752,857	86,597,752,857
<b>b. Trade payables to subsidiaries and associate (Note 39)</b>	<b>435,600,000</b>	<b>435,600,000</b>	-	-
	<b><u>138,680,079,741</u></b>	<b><u>138,680,079,741</u></b>	<b><u>145,540,398,538</u></b>	<b><u>145,540,398,538</u></b>

As at 30 June 2019 and 31 December 2018, the Company did not have any overdue trade payables.

**19. SHORT-TERM ACCRUED EXPENSES**

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Payment discount	5,146,924,931	6,553,611,056
Market and customer care expenses	-	94,419,309
Interest expenses	913,838,856	471,120,010
Other accruals	28,297,709,054	32,873,565,351
	<b><u>34,358,472,841</u></b>	<b><u>39,992,715,726</u></b>

**20. SHORT-TERM UNEARNED REVENUE**

Short-term unearned revenue represents unearned revenue from customer loyalty programs as presented in Note 3.

**21. OTHER SHORT-TERM PAYABLES**

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Union fee	577,668,560	605,764,697
Dividends payable	65,373,035,500	-
Others	2,327,486,637	1,357,716,056
	<b><u>68,278,190,697</u></b>	<b><u>1,963,480,753</u></b>

**22. SHORT-TERM LOANS**

	<u>Opening balance</u>	<u>Increases in period</u>	<u>Decreases in period</u>	<u>Closing balance</u>
	VND	VND	VND	VND
Loans from banks	557,901,327,419	1,347,170,400,345	1,187,227,765,711	717,843,962,053
	<b><u>557,901,327,419</u></b>	<b><u>1,347,170,400,345</u></b>	<b><u>1,187,227,765,711</u></b>	<b><u>717,843,962,053</u></b>

Loans from banks represent credit facilities from:

- 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 withdrawal deadline will due on 10 May 2019. The duration for each withdrawal is from 3 to 4 months. These loans are secured by term deposits, 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 16 May 2020. The duration for each withdrawal is from 3 to 4 months. These loans are secured by term deposits, 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 2020. This is an unsecured loan.

These loans bear interests at the rates ranging from 0.4% per month to 0.72% per month (as at 31 December 2018: from 0.23% per month to 0.69% per month).

**23. 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"). The funds are used to pay bonus and welfare to the Company's employees in accordance with the Company's bonus and welfare policies and to pay bonus to 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 VND	Bonus fund for Board of Management VND	Welfare fund in form of assets VND	Total VND
Opening balance	17,760,519,100	7,983,652,438	17,615,709,836	43,359,881,374
Appropriation to the funds (Note 26)	65,108,903,082	6,000,000,000	-	71,108,903,082
Depreciation of assets formed from the funds	-	-	(1,343,969,698)	(1,343,969,698)
Utilization	(28,455,079,159)	(4,468,491,829)	-	(32,923,570,988)
<b>Closing balance</b>	<b><u>54,414,343,023</u></b>	<b><u>9,515,160,609</u></b>	<b><u>16,271,740,138</u></b>	<b><u>80,201,243,770</u></b>

**24. LONG-TERM PROVISIONS**

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

**25. 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 VND
Opening balance	20,460,947,173
Depreciation of assets formed from the fund	(2,149,007,291)
<b>Closing balance</b>	<b><u>18,311,939,882</u></b>



26. OWNERS' EQUITY

Movement in owners' equity

	Owner's contributed capital VND	Share premium VND	Investment and development fund VND	Retained earnings VND	Total VND
<b>Prior year's opening balance</b>	<b>1,307,460,710,000</b>	<b>6,778,948,000</b>	<b>1,077,345,255,193</b>	<b>437,893,650,006</b>	<b>2,829,478,563,199</b>
Profit for the year	-	-	-	441,989,287,693	441,989,287,693
Third interim dividends for the 2017	-	-	-	(65,373,035,500)	(65,373,035,500)
First interim dividends for the 2018	-	-	-	(130,746,071,000)	(130,746,071,000)
Fund distribution	-	-	157,918,391,319	(157,918,391,319)	-
Appropriation to bonus and welfare fund	-	-	-	(61,795,178,258)	(61,795,178,258)
Appropriation to bonus fund for the Boards of Management	-	-	-	(6,000,000,000)	(6,000,000,000)
Profit transferred from subsidiaries	-	-	-	185,573,040,197	185,573,040,197
Change of profit due to impact of merger of subsidiaries (*)	-	-	-	(71,067,756,802)	(71,067,756,802)
Change due to impact of withdrawal of investment capital in subsidiaries	-	-	34,971,949,716	(17,150,000,000)	17,821,949,716
Change due to impact of adjustment entries of consolidated assets	-	-	-	(5,303,835,027)	(5,303,835,027)
<b>Current period's opening balance</b>	<b><u>1,307,460,710,000</u></b>	<b><u>6,778,948,000</u></b>	<b><u>1,270,235,596,228</u></b>	<b><u>550,101,709,990</u></b>	<b><u>3,134,576,964,218</u></b>
Profit for the period	-	-	-	311,757,239,692	311,757,239,692
Second and third interim dividends for the 2018	-	-	-	(326,865,177,500)	(326,865,177,500)
Fund distribution	-	-	122,368,879,236	(122,368,879,236)	-
Appropriation to bonus and welfare fund	-	-	-	(65,108,903,082)	(65,108,903,082)
Appropriation to bonus fund for the Boards of Management	-	-	-	(6,000,000,000)	(6,000,000,000)
<b>Current period's closing balance</b>	<b><u>1,307,460,710,000</u></b>	<b><u>6,778,948,000</u></b>	<b><u>1,392,604,475,464</u></b>	<b><u>341,515,989,864</u></b>	<b><u>3,048,360,123,328</u></b>

(\*) This amount is the unrealized profit in the balance of inventories of the Company obtained from the subsidiaries at the effective date of merging.





**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
<b>Ordinary shares currently in circulation</b>	<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 dividends declared by the Company. Ordinary shares are ranked equally with regard to the Company's residual assets.

**Dividends**

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

The Company paid cash dividends of 2018 for the first and second payment at the rate of 10% and 20% of par value, equivalent to VND 392,238,213,000. On 17 July 2019, the Company paid remaining 5% of dividends with an amount of VND 65,373,035,500.

**27. OFF BALANCE SHEET ITEMS**

**Foreign currencies**

	Closing balance	Opening balance
United states Dollar ("USD")	18,878	215,886
Euros ("EUR")	517	34,833

**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.



	<u>Current period</u> VND	<u>Prior period</u> VND
<b>Net sales</b>		
Pharmaceutical products	1,332,078,408,873	1,349,261,180,340
Functional foods	194,605,079,943	203,768,963,772
Others	215,711,014,375	423,233,855,361
	<b><u>1,742,394,503,191</u></b>	<b><u>1,976,263,999,473</u></b>
<b>Cost of sales</b>		
Pharmaceutical products	(652,342,301,515)	(871,454,987,397)
Functional foods	(120,672,169,085)	(130,991,117,574)
Others	(188,928,201,520)	(409,921,751,915)
	<b><u>(961,942,672,120)</u></b>	<b><u>(1,412,367,856,886)</u></b>
<b>Gross profit</b>		
Pharmaceutical products	679,736,107,358	477,806,192,943
Functional foods	73,932,910,858	72,777,846,198
Others	26,782,812,855	13,312,103,446
	<b><u>780,451,831,071</u></b>	<b><u>563,896,142,587</u></b>

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

	<u>Current period</u> VND	<u>Prior period</u> VND
<b>Sales of goods and services</b>		
Sales of finished goods	1,728,954,175,500	1,049,400,115,369
Sales of merchandise	234,890,455,856	1,134,402,344,627
Others	1,466,857,677	16,698,925,890
	<b><u>1,965,311,489,033</u></b>	<b><u>2,200,501,385,886</u></b>
<b>Deductions</b>		
Sales discount	219,475,505,622	219,729,145,907
Sales return	3,441,480,220	4,508,240,506
	<b><u>222,916,985,842</u></b>	<b><u>224,237,386,413</u></b>
<b>Net revenue</b>		
<i>In which:</i>		
Sales of finished goods	1,508,236,920,432	938,407,440,423
Sales of merchandise	232,690,725,082	1,021,157,633,160
Others	1,466,857,677	16,698,925,890
	<b><u>1,742,394,503,191</u></b>	<b><u>1,976,263,999,473</u></b>

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

	<u>Current period</u> VND	<u>Prior period</u> VND
Cost of finished goods sold	737,897,356,412	535,934,152,447
Cost of merchandise sold	223,756,588,602	876,800,802,201
Cost of services rendered	35,700,677	579,892,739
Provision for devaluation of inventories	253,026,429	(946,990,501)
	<b><u>961,942,672,120</u></b>	<b><u>1,412,367,856,886</u></b>

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**31. OPERATION COSTS BY NATURE**

	<u>Current period</u> VND	<u>Prior period</u> VND
Raw materials and consumables	892,137,948,160	1,355,037,407,759
Staff cost	404,595,066,984	342,423,117,061
Depreciation and amortization	43,262,007,718	32,919,477,635
Out-sourced services	84,669,762,741	77,259,213,421
Other expenses	84,657,603,098	113,420,834,710
	<b><u>1,509,322,388,701</u></b>	<b><u>1,921,060,050,586</u></b>

**32. FINANCIAL INCOME**

	<u>Current period</u> VND	<u>Prior period</u> VND
Dividends and profits earned	594,492,944	7,366,893,585
Interest income	56,158,347,253	46,360,767,962
Loan interest income from subsidiaries	-	611,635,740
Foreign exchange gain	1,470,113,593	938,268,826
Profit transferred from liquidated subsidiaries	-	101,749
	<b><u>58,222,953,790</u></b>	<b><u>55,277,667,862</u></b>

**33. FINANCIAL EXPENSES**

	<u>Current period</u> VND	<u>Prior period</u> VND
Settlement discount	33,474,552,267	34,595,464,067
Interest expense	12,483,770,311	14,975,360,579
Foreign exchange losses	3,221,907,176	3,089,218,497
Provision for impairment of investments	3,960,994,743	15,924,900
Loss from liquidated subsidiaries	-	140,452,139
Other financial expenses	63,088,436	93,091,633
	<b><u>53,204,312,933</u></b>	<b><u>52,909,511,815</u></b>

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

	<u>Current period</u> VND	<u>Prior period</u> VND
<b>a. Selling expenses</b>		
- Advertising expenses	39,004,684,971	62,239,500,310
- Staff cost	163,783,746,954	170,567,374,971
- Others	89,533,327,987	89,362,618,769
	<b><u>292,321,759,912</u></b>	<b><u>322,169,494,050</u></b>
<b>b. General and administration expenses</b>		
- Staff cost	111,973,004,087	84,424,120,541
- Others	36,203,915,403	34,772,080,442
	<b><u>148,176,919,490</u></b>	<b><u>119,196,200,983</u></b>

**35. OTHER INCOME**

	<u>Current period</u> VND	<u>Prior period</u> VND
Gain from disposals of fixed assets	354,463,636	3,560,387,929
Others	5,212,949,420	3,039,866,246
	<b><u>5,567,413,056</u></b>	<b><u>6,600,254,175</u></b>







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

	Closing balance	Opening balance
	VND	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	107,508,312,485	110,234,387,865
	<b>131,907,440,186</b>	<b>137,344,529,755</b>

**b. Capital commitment**

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

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

**39. RELATED PARTY TRANSACTIONS AND BALANCES**

**List of related parties:**

<u>Related parties</u>	<u>Relationship</u>
DHG Travel One Member Limited Company (*)	Subsidiary
Song Hau Pharmaceutical One Member Limited Company (*)	Subsidiary
B&T Pharmaceutical One Member Limited Company (*)	Subsidiary
DHG Pharmaceutical One Member Limited Company (**)	Subsidiary
DHG Packaging and Printing 1 One Member Limited Company (**)	Subsidiary
Fuji Medic Limited Liability Company	Subsidiary
Vinh Hao Algae Processing Joint Stock Company	Associate
The State Capital Investment Corporation ("SCIC")	Major shareholder
Taisho Pharmaceutical Co., Ltd. ("Taisho")	Major shareholder
Hoe Pharmaceuticals Sdn Bhd	Taisho's related party

(\*) Subsidiaries that were liquidated in 2018

(\*\*) Subsidiaries that were merged in 2018

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

	Current period	Prior period
	VND	VND
<b>Sales of goods and provision of services</b>		
Song Hau Pharmaceutical One Member Limited Company	-	31,565,295,771
DHG Pharmaceutical One Member Limited Company	-	155,719,582,755
DHG Packaging and Printing 1 One Member Limited Company	-	183,541,022
Fuji Medic Limited Liability Company	-	21,790,909
Hoe Pharmaceuticals Sdn Bhd	1,728,473,580	-
	<b>1,728,473,580</b>	<b>187,490,210,457</b>
<b>Received support fee</b>		
Taisho Pharmaceutical Co., Ltd.	1,026,346,453	-

	Current period VND	Prior period VND
<b>Purchases of goods and services</b>		
DHG Pharmaceutical One Member Limited Company	-	437,669,886,011
DHG Packaging and Printing 1 One Member Limited Company	-	10,932,029,742
Vinh Hao Algae Processing Joint Stock Company	1,589,972,400	421,846,000
	<b><u>1,589,972,400</u></b>	<b><u>449,023,761,753</u></b>
<b>Purchases of fixed assets</b>		
Song Hau Pharmaceutical One Member Limited Company	-	6,810,351,793
<b>Dividend income</b>		
Song Hau Pharmaceutical One Member Limited Company	-	7,313,721,705
<b>Loan interest income</b>		
DHG Pharmaceutical One Member Limited Company	-	256,389,352
DHG Packaging and Printing 1 One Member Limited Company	-	355,246,388
	<b><u>-</u></b>	<b><u>611,635,740</u></b>
<b>Loss transferred from subsidiaries</b>		
B&T Pharmaceutical One Member Limited Company	-	140,350,390
<b>Withdrawal of investment capital</b>		
B&T Pharmaceutical One Member Limited Company	-	5,000,000,000
<b>Dividends paid</b>		
SCIC	113,252,474,000	113,252,474,000
Taisho Pharmaceutical Co., Ltd.	91,522,172,000	63,912,192,000

Remuneration paid to the Company's the Board of Management and the Board of General Directors during the period was as follows:

	Current period VND	Prior period VND
Salaries and other benefits	<u>11,723,890,740</u>	<u>11,037,963,806</u>

Related party balances at the interim separate balance sheet date were as follows:

	Closing balance VND	Opening balance VND
<b>Trade receivables</b>		
Hoe Pharmaceuticals Sdn Bhd	<u>1,729,217,970</u>	-
<b>Short-term trade payables</b>		
Vinh Hao Algae Processing Joint Stock Company	<u>435,600,000</u>	-



40. SUPPLEMENTAL DISCLOSURES OF INTERIM SEPARATE CASH FLOW INFORMATION

a. Non-cash transactions affecting the interim separate cash flow statement

	Current period	Prior period
	VND	VND
Appropriation to reserves	193,477,782,318	225,713,569,577
Transfers from construction in progress to tangible fixed assets	25,072,735,514	13,029,145,855
Transfers from construction in progress to intangible assets	-	2,334,160,827
Transfers from construction in progress to prepayments	83,100,000	-
Transfers from investment property to tangible assets	-	94,808,705
Offset payables when receiving dividends and interest income	-	2,125,459,194
Offset payables when collecting long-term loan receivables	-	49,909,543,097
Offset payables when received investment in subsidiaries	-	173,970,000,000
Offset payables when collecting investment in subsidiaries	-	5,000,000,000
Accrued interest income	40,543,432,865	33,252,116,707
Dividends not yet paid	65,373,035,500	-

b. Proceeds from borrowings

	Current period	Prior period
	VND	VND
Proceeds from borrowings under normal contracts	1,347,170,400,345	1,463,145,782,841

c. Repayment of borrowings

	Current period	Prior period
	VND	VND
Repayment of borrowings under normal contracts	1,187,227,765,711	1,275,690,370,296



Tran Ngoc Hien  
Preparer



Ho Bui Huan  
Chief Accountant



Doan Dinh Duy Khuong  
Acting General Director  
14 August 2019

