

DHG PHARMACEUTICAL JOINT STOCK COMPANY

(Incorporated in Socialist Republic of Vietnam)

**REVIEWED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

For the 6-month period ended 30 June 2019

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

STATEMENT OF THE BOARD OF GENERAL DIRECTORS

The Board of General Directors of DHG Pharmaceutical Joint Stock Company (the "Parent Company") and its subsidiary (the Parent Company and its subsidiary 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 2019.

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

The members of the Board of Management, Supervisory Board, Audit Committee and Board of General Directors of the Group 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 1 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 the Audit Committee under the 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 consolidated financial statements is Mr. Doan Dinh Duy Khuong.

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 of the Group as at 30 June 2019, 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 consolidated 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.



DHG PHARMACEUTICAL JOINT STOCK COMPANY

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

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 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 consolidated 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.

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,



Doan Đình Duy Khuong
Acting General Director

14 August 2019

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REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**To: The shareholders
The Board of Management, Audit Committee and Board of General Directors of
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 subsidiary (the Parent Company and its subsidiary are referred to as the "Group"), prepared on 14 August 2019 as set out from page 4 to page 32, which comprise the interim consolidated balance sheet as at 30 June 2019, the interim consolidated income statement and interim consolidated 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 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 consolidated 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 2019, 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 consolidated financial reporting.



[Signature]
Võ Thái 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, S.R. Vietnam

INTERIM CONSOLIDATED BALANCE SHEET

As at 30 June 2019

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
A. CURRENT ASSETS	100		3,274,393,242,299	3,147,636,450,849
I. Cash and cash equivalents	110	4	82,131,198,338	75,835,597,431
1. Cash	111		57,131,198,338	75,330,296,062
2. Cash equivalents	112		25,000,000,000	505,301,369
II. Short-term financial investments	120	5	1,681,500,000,000	1,459,722,000,000
1. Held-to-maturity investments	123		1,681,500,000,000	1,459,722,000,000
III. Short-term receivables	130		594,373,085,519	669,787,225,237
1. Short-term trade receivables	131	6	529,237,456,004	618,503,855,955
2. Short-term advances to suppliers	132		41,788,391,292	26,841,394,656
3. Short-term loan receivables	135	12	2,885,036,714	3,395,400,976
4. Other short-term receivables	136	7	55,524,743,100	55,618,287,897
5. Provision for short-term doubtful debts	137	8	(35,062,541,591)	(34,571,714,247)
IV. Inventories	140	9	883,707,069,858	891,486,976,436
1. Inventories	141		884,774,422,519	892,301,302,668
2. Provision for devaluation of inventories	149		(1,067,352,661)	(814,326,232)
V. Other short-term assets	150		32,681,888,584	50,804,651,745
1. Short-term prepayments	151	10	5,403,743,422	3,452,228,975
2. Value added tax deductibles	152		15,874,238,859	32,191,908,956
3. Taxes and other receivables from the State budget	153	11	11,403,906,303	15,160,513,814
B. NON-CURRENT ASSETS	200		1,060,793,423,397	1,058,328,035,945
I. Long-term receivables	210		457,000,000	1,560,000,000
1. Long-term loans receivable	215	12	-	1,330,000,000
2. Other long-term receivables	216		457,000,000	230,000,000
II. Fixed assets	220		936,974,506,118	976,618,370,054
1. Tangible fixed assets	221	13	722,252,932,527	741,098,658,417
- Cost	222		1,372,848,529,135	1,347,704,245,077
- Accumulated depreciation	223		(650,595,596,608)	(606,605,586,660)
2. Intangible assets	227	14	214,721,573,591	235,519,711,637
- Cost	228		249,573,808,364	269,077,826,514
- Accumulated amortization	229		(34,852,234,773)	(33,558,114,877)
III. Investment property	230	15	18,167,635,687	247,880,293
- Cost	231		20,486,466,306	1,249,521,792
- Accumulated depreciation	232		(2,318,830,619)	(1,001,641,499)
IV. Long-term assets in progress	240		17,340,679,868	14,087,991,804
1. Construction in progress	242	16	17,340,679,868	14,087,991,804
V. Long-term financial investments	250		48,491,704,944	25,219,928,995
1. Investments in joint-ventures, associates	252	5	2,989,082,224	3,042,620,558
2. Equity investments in other entities	253	5	27,908,170,200	27,908,170,200
3. Provision for impairment of long-term financial investments	254	5	(7,405,547,480)	(5,730,861,763)
4. Held-to-maturity investments	255	5	25,000,000,000	-
VI. Other long-term assets	260		39,361,896,780	40,593,864,799
1. Long-term prepayments	261	10	26,554,182,388	30,170,914,891
2. Deferred tax assets	262	17	12,807,714,392	10,422,949,908
TOTAL ASSETS (270=100+200)	270		4,335,186,665,696	4,205,964,486,794

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



INTERIM CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2019

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
C. LIABILITIES	300		1,278,957,929,565	1,061,702,377,563
I. Current liabilities	310		1,213,403,706,121	1,001,487,737,988
1. Short-term trade payables	311	18	138,691,736,896	145,750,476,107
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	13,763,956,404	13,641,750,175
4. Payables to employees	314		112,050,323,395	180,019,655,715
5. Short-term accrued expenses	315	19	34,362,442,517	40,052,115,726
6. Short-term unearned revenue	318	20	31,652,356,064	9,030,131,533
7. Other current payables	319	21	68,278,865,697	2,004,193,753
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
II. Long-term liabilities	330		65,554,223,444	60,214,639,575
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
D. EQUITY	400		3,056,228,736,131	3,144,262,109,231
I. Owner's equity	410	26	3,056,228,736,131	3,144,262,109,231
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		341,840,480,568	550,252,659,422
- Retained earnings accumulated to the prior year end	421a		29,909,699,604	28,072,641,016
- Retained earnings of the current period/year	421b		311,930,780,964	522,180,018,406
5. Non-controlling interests	429	27	7,544,122,099	9,534,195,581
TOTAL RESOURCES (440=300+400)	440		4,335,186,665,696	4,205,964,486,794

Tran Ngoc Hien
Preparer

Ho Bui Huan
Chief Accountant



Doan Dinh Duy Khuong
Acting General Director
14 August 2019

INTERIM CONSOLIDATED INCOME STATEMENT

For the 6-month period ended 30 June 2019

Unit: VND

ITEMS	Codes	Notes	Current period	Prior period
1. Gross revenue from goods sold and services rendered	01		1,965,930,637,146	2,071,531,391,489
2. Deductions	02		222,916,985,842	229,945,894,793
3. Net revenue from goods sold and services rendered (10=01-02)	10	30	1,743,013,651,304	1,841,585,496,696
4. Cost of sales	11	31	963,314,989,951	1,027,346,466,881
5. Gross profit from goods sold and services rendered (20=10-11)	20		779,698,661,353	814,239,029,815
6. Financial income	21	33	58,274,828,770	51,459,524,293
7. Financial expenses	22	34	50,918,003,907	53,852,153,598
- In which: Interest expense	23		12,483,770,311	14,975,360,579
8. Share of net (losses)/profit from joint-ventures, associates	24		(53,538,334)	-
9. Selling expenses	25	35	292,462,917,879	326,831,151,338
10. General and administration expenses	26	35	151,326,716,569	129,691,641,215
11. Operating profit (30=20+(21-22)+24-(25+26))	30		343,212,313,434	355,323,607,957
12. Other income	31	36	5,574,913,067	7,135,541,411
13. Other expenses	32	37	3,201,583,780	1,776,458,386
14. Profit from other activities (40=31-32)	40		2,373,329,287	5,359,083,025
15. Accounting profit before tax (50=30+40)	50		345,585,642,721	360,682,690,982
16. Current corporate income tax expense	51	38	38,029,699,723	27,057,660,701
17. Deferred corporate tax (income)/expense	52	38	(2,384,764,484)	23,943,786,338
18. Net profit after corporate income tax (60=50-51-52)	60		309,940,707,482	309,681,243,943
<i>In which:</i>				
Profit after tax attributable to Parent Company	61		311,930,780,964	311,305,467,330
Losses after tax attributable to non-controlling shareholders	62	27	(1,990,073,482)	(1,624,223,387)
19. Basic earnings per share (*)	70	39	2,291	2,120


Tran Ngoc Hien
Preparer

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

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

Unit: VND

ITEMS	Codes	Current period	Prior period
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	345,585,642,721	360,682,690,982
2. Adjustments for:			
Depreciation and amortisation of fixed assets and investment properties	02	44,323,767,067	44,353,849,822
Provisions	03	10,397,327,774	7,775,783,614
Foreign exchange (gain)/loss arising from translating foreign currency items	04	(142,094,220)	804,767,708
Gain from investing activities	05	(57,114,133,053)	(54,057,686,211)
Interest expense	06	12,483,770,311	14,975,360,579
3. Operating profit before movements in working capital	08	355,534,280,600	374,534,766,494
Changes in receivables	09	123,596,231,096	166,328,720,264
Changes in inventories	10	7,526,880,149	(145,290,341,310)
Changes in payables	11	(88,818,688,344)	(45,738,949,376)
Changes in prepaid expenses	12	1,748,318,056	2,841,011,165
Interest paid	14	(12,041,051,465)	(14,983,041,446)
Corporate income tax paid	15	(35,124,786,789)	(16,424,355,930)
Other cash outflows	17	(32,923,570,988)	(41,568,246,870)
Net cash generated by operating activities	20	319,497,612,315	279,699,562,991
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and other long-term assets	21	(29,606,966,390)	(26,889,663,673)
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)	(1,817,776,863,079)
4. Cash recovered from lending and time deposits	24	1,247,736,282,070	1,112,871,005,359
5. Equity investments in other entities	25	-	(160,000,000)
6. Interest, dividends and profits received	27	62,525,617,182	44,652,474,978
Net cash used in investing activities	30	(211,653,475,855)	(681,120,319,143)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
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)
Net cash used in financing activities	40	(101,549,507,366)	(74,036,729,455)
Net increase/(decrease) in cash (50=20+30+40)	50	6,294,629,094	(475,457,485,607)
Cash and cash equivalents at the beginning of the period	60	75,835,597,431	549,777,216,585
Effects of changes in foreign exchange rates	61	971,813	58,095,411
Cash and cash equivalents at the end of the period (70=50+60+61)	70	82,131,198,338	74,377,826,389

INTERIM CONSOLIDATED 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 42.



Tran Ngoc Hien
Preparer



Ho Bui Huan
Chief Accountant



Đoàn Đình Duy Khuông
Acting General Director
14 August 2019

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 2004 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 with the 23rd amended Business Registration Certificate dated 28 July 2017 for the increase in share capital.

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, Vietnam.

The number of employees of the Group as at 30 June 2019 was 2,945 (as at 31 December 2018: 3,054).

Operating industry and principal activities

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

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.

The Group's structure

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

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

According to the Resolution of the Board of Management No. 003/2019/NQ.HDQT 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 dissolution of this company. As at the date of these interim consolidated financial statements, the Company is liquidating the assets of Fuji Medic.

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 2018 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 2018.

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 consolidated financial reporting.

The interim consolidated financial statements are not intended to present the consolidated financial position, results of consolidated operations and consolidated 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 interim consolidated 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 interim 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.

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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 recognized.

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 associates. 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 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 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 consolidated income statement.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the interim consolidated 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 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 interim consolidated 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 interim 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 interim consolidated 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 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 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 interim consolidated 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 interim consolidated 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 interim consolidated 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 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 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.

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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 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 consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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

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

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

Dividend distribution

The Company's 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.

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

(*) Cash equivalents represent term deposits at banks with the 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 balance sheet date is as follows:

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

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.

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

Investments in associate

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

	Current period	Prior year
	VND	VND
Opening balance	3,042,620,558	3,129,548,349
Share of losses	(213,664,361)	(86,927,791)
Adjustment for gain from prior years	160,126,027	-
Closing balance	2,989,082,224	3,042,620,558

Equity investments in other entities

	Closing balance		Opening balance	
	Cost	Provision	Cost	Provision
	VND	VND	VND	VND
Equity investments in other entities	27,908,170,200	(7,405,547,480)	27,908,170,200	(5,730,861,763)

Details of equity investments in other entities are as follows:

	Closing balance	Opening balance
	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
	27,908,170,200	27,908,170,200

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 these following companies:

	Fair value	
	Closing balance	Opening balance
	VND	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

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.

6. SHORT-TERM TRADE RECEIVABLES

As at 30 June 2019 and 31 December 2018, 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.

7. OTHER SHORT-TERM RECEIVABLES

	Closing balance	Opening balance
	VND	VND
Accruals of interest income	40,543,432,865	46,266,887,751
Receivable from employees	10,234,574,624	5,715,446,761
Other receivables	4,746,735,611	3,635,953,385
	55,524,743,100	55,618,287,897

8. BAD DEBTS

	Closing balance		
	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>
	Opening balance		
	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>

As at 30 June 2019 and 31 December 2018, 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 VND	Prior year VND
Opening balance	34,571,714,247	21,712,831,939
Additional provision	490,827,344	12,865,960,026
Reversal of provision	-	(7,077,718)
Closing balance	35,062,541,591	34,571,714,247

9. INVENTORIES

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

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

	Current period VND	Prior year VND
Opening balance	814,326,232	2,456,156,179
Additional provision	253,026,429	-
Utilization of provisions	-	(1,320,277,628)
Reversal in the period/year	-	(321,552,319)
Closing balance	1,067,352,661	814,326,232

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

10. PREPAYMENTS

	Closing balance VND	Opening balance VND
a. Current		
- Prepayment related to operating lease	3,643,875,359	101,800,010
- Others	1,759,868,063	3,350,428,965
	5,403,743,422	3,452,228,975
b. Non-current		
- Prepaid land rental	10,195,145,076	10,367,868,894
- Tools and supplies	9,118,547,648	11,828,145,326
- Leasehold improvement	-	77,295,492
- Others	7,240,489,664	7,897,605,179
	26,554,182,388	30,170,914,891

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

	Opening balance	Payables during the period	Refund during the period	Paid during the period	Closing balance
	VND	VND	VND	VND	VND
a. Receivables					
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)			-
	<u>15,160,513,814</u>	<u>(68,333,498,194)</u>	<u>2,608,347,170</u>	<u>61,968,543,513</u>	<u>11,403,906,303</u>
b. Payables					
Value added tax for domestic goods	13,499,506,643	24,209,646,166	-	(31,379,176,657)	6,329,976,152
Personal income tax	142,243,532	26,186,587,378	-	(21,625,585,960)	4,703,244,950
Other taxes	-	6,074,377,783	-	(3,343,642,481)	2,730,735,302
	<u>13,641,750,175</u>	<u>56,470,611,327</u>	<u>-</u>	<u>(56,348,405,098)</u>	<u>13,763,956,404</u>

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 has been presented in Note 8.



13. TANGIBLE FIXED ASSETS

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
COST					
Opening balance	523,308,829,235	591,454,224,302	162,771,502,625	70,169,688,915	1,347,704,245,077
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 property	267,073,636	-	-	-	267,073,636
Disposals	-	-	(1,215,425,092)	-	(1,215,425,092)
Closing balance	<u>527,209,704,855</u>	<u>613,090,051,013</u>	<u>162,150,622,988</u>	<u>70,398,150,279</u>	<u>1,372,848,529,135</u>
ACCUMULATED DEPRECIATION					
Opening balance	182,276,573,936	263,974,535,576	100,903,919,325	59,450,557,823	606,605,586,660
Charge for the period	14,559,933,079	23,060,905,473	5,539,643,615	1,777,879,237	44,938,361,404
Transfer from investment property	267,073,636	-	-	-	267,073,636
Disposals	-	-	(1,215,425,092)	-	(1,215,425,092)
Closing balance	<u>197,103,580,651</u>	<u>287,035,441,049</u>	<u>105,228,137,848</u>	<u>61,228,437,060</u>	<u>650,595,596,608</u>
NET BOOK VALUE					
Opening balance	<u>341,032,255,299</u>	<u>327,479,688,726</u>	<u>61,867,583,300</u>	<u>10,719,131,092</u>	<u>741,098,658,417</u>
Closing balance	<u>330,106,124,204</u>	<u>326,054,609,964</u>	<u>56,922,485,140</u>	<u>9,169,713,219</u>	<u>722,252,932,527</u>

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.



14. INTANGIBLE ASSETS

	Land use rights with indefinite term VND	Land use rights with definite term VND	Computer software VND	Total VND
COST				
Opening balance	95,158,560,046	157,471,235,263	16,448,031,205	269,077,826,514
Transfer to investment property	(2,431,128,400)	(17,072,889,750)		(19,504,018,150)
Closing balance	<u>92,727,431,646</u>	<u>140,398,345,513</u>	<u>16,448,031,205</u>	<u>249,573,808,364</u>
ACCUMULATED DEPRECIATION				
Opening balance	-	22,026,708,192	11,531,406,685	33,558,114,877
Charge for the period	-	1,665,525,114	1,183,292,958	2,848,818,072
Transfer to investment property	-	(1,554,698,176)	-	(1,554,698,176)
Closing balance	<u>-</u>	<u>22,137,535,130</u>	<u>12,714,699,643</u>	<u>34,852,234,773</u>
NET BOOK VALUE				
Opening balance	<u>95,158,560,046</u>	<u>135,444,527,071</u>	<u>4,916,624,520</u>	<u>235,519,711,637</u>
Closing balance	<u>92,727,431,646</u>	<u>118,260,810,383</u>	<u>3,733,331,562</u>	<u>214,721,573,591</u>

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

15. INVESTMENT PROPERTIES

	Buildings VND
COST	
Opening balance	1,249,521,792
Transferred from intangible assets	19,504,018,150
Transferred to tangible fixed assets	(267,073,636)
Closing balance	<u>20,486,466,306</u>
ACCUMULATED DEPRECIATION	
Opening balance	1,001,641,499
Charge for the period	29,564,580
Transferred from intangible assets	1,554,698,176
Transferred to tangible fixed assets	(267,073,636)
Closing balance	<u>2,318,830,619</u>
NET BOOK VALUE	
Opening balance	<u>247,880,293</u>
Closing balance	<u>18,167,635,687</u>

As at 30 June 2019, the cost of investment properties included VND 100,067,069 (as at 31 December 2018: VND 367,140,705) of assets which were fully depreciated but are still for lease.

Fair value of the Company's investment properties as at 30 June 2019 was VND 39,285,197,100, which was determined by Century Valuation Joint Stock Company, an independent valuation company, not a related party of the Company. Century Valuation Joint Stock Company has a valid practicing certificate and has experience in real estate valuation. The real estate valuation in accordance with International Valuation Standards is made in reference to market prices of similar properties.

16. CONSTRUCTION IN PROGRESS

	Closing balance	Opening balance
	VND	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	-
	17,340,679,868	14,087,991,804

17. DEFERRED TAX ASSETS

The deferred tax assets mainly arise from deductible temporary differences relating to provisions and unrealized profits arising from intra-group transactions between the Company and its subsidiary in the Group when consolidating the interim financial statements. The corporate income tax rate used for determining deferred tax assets is 20%.

18. SHORT-TERM TRADE PAYABLES

As at 30 June 2019 and 31 December 2018, 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 or more were as follows:

	Closing balance		Opening balance	
	Amount	Amount able to be paid off	Amount	Amount able to be paid off
	VND	VND	VND	VND
a. Trade payables to third parties	138,256,136,896	138,256,136,896	145,750,476,107	145,750,476,107
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 Laboratoires Pvt Ltd	14,891,364,000	14,891,364,000	-	-
Others	93,962,668,113	93,962,668,113	86,807,830,426	86,807,830,426
b. Trade payables to related parties (Note 41)	435,600,000	435,600,000	-	-
	138,691,736,896	138,691,736,896	145,750,476,107	145,750,476,107

19. SHORT-TERM ACCRUED EXPENSES

	Closing balance	Opening balance
	VND	VND
Payment discount	5,146,924,931	6,553,611,056
Market and customer care expenses	-	94,419,309
Interest payable	913,838,856	471,120,010
Other accruals	28,301,678,730	32,932,965,351
	34,362,442,517	40,052,115,726

20. SHORT-TERM UNEARNED REVENUE

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

21. OTHER SHORT-TERM PAYABLES

	Closing balance	Opening balance
	VND	VND
Union fee	578,343,560	638,977,697
Dividends payable	65,373,035,500	-
Others	2,327,486,637	1,365,216,056
	68,278,865,697	2,004,193,753

22. SHORT-TERM LOANS

	Opening balance	Increases in period	Decreases in period	Closing balance
	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
	557,901,327,419	1,347,170,400,345	1,187,227,765,711	717,843,962,053

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 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"). 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	Bonus fund for Board of Management	Welfare fund in form of assets	Total
	VND	VND	VND	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)
Closing balance	54,414,343,023	9,515,160,609	16,271,740,138	80,201,243,770



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)
Closing balance	<u>17,520,676,127</u>	<u>29,721,607,435</u>	<u>47,242,283,562</u>

25. SCIENCE AND TECHNOLOGY DEVELOPMENT FUNDS

In accordance with Circular No.12/2016/ TTLT-BKHCN-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)
Closing balance	<u>18,311,939,882</u>



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
Prior 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 year	-	-	-	653,029,446,317	653,029,446,317
Third interim dividends distribution for 2017	-	-	-	(65,373,035,500)	(65,373,035,500)
First interim dividends for 2018	-	-	-	(130,746,071,000)	(130,746,071,000)
Fund distribution	-	-	157,918,391,319	(157,918,391,319)	-
Appropriation to bonus fund for the Boards of Management	-	-	-	(6,472,934,796)	(6,472,934,796)
Appropriation to bonus and welfare fund	-	-	-	(63,169,294,111)	(63,169,294,111)
Changes in interest after increasing investment in SH Pharmaceutical One Member Limited Company	-	-	139,887,799	(103,356,911)	36,530,888
Current period's opening balance	1,307,460,710,000	6,778,948,000	1,270,235,596,228	550,252,659,422	3,134,727,913,650
Profit for the period	-	-	-	311,930,780,964	311,930,780,964
Second and third interim dividends for 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 Board of Management	-	-	-	(6,000,000,000)	(6,000,000,000)
Current period's closing balance	1,307,460,710,000	6,778,948,000	1,392,604,475,464	341,840,480,568	3,048,684,614,032



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	130,746,071	1,307,460,710,000	130,746,071	1,307,460,710,000

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

Dividends

According to 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 payments 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. NON-CONTROLLING INTERESTS

	Current period VND	Prior period VND
Opening balance	9,534,195,581	11,671,141,968
Net loss attributable to non-controlling interests	(1,990,073,482)	(1,940,415,499)
Changes in interests due to transferring investments	-	(196,530,888)
Closing balance	7,544,122,099	9,534,195,581

28. OFF BALANCE SHEET ITEMS

Foreign currencies

	Closing balance	Opening balance
United states Dollar ("USD")	19,306	239,703
Euros ("EUR")	517	34,833

29. SEGMENT 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 VND	Prior period VND
Net sales		
Pharmaceutical products	1,332,078,408,873	1,399,451,834,895
Functional foods	194,605,079,943	161,446,006,686
Others	216,330,162,488	280,687,655,115
	<u>1,743,013,651,304</u>	<u>1,841,585,496,696</u>
Cost of sales		
Pharmaceutical products	(652,342,301,479)	(688,855,902,329)
Functional foods	(120,672,169,085)	(80,807,842,666)
Others	(190,300,519,387)	(257,682,721,886)
	<u>(963,314,989,951)</u>	<u>(1,027,346,466,881)</u>
Gross profit		
Pharmaceutical products	679,736,107,394	710,595,932,566
Functional foods	73,932,910,858	80,638,164,020
Others	26,029,643,101	23,004,933,229
	<u>779,698,661,353</u>	<u>814,239,029,815</u>

30. NET REVENUE OF GOODS SOLD AND SERVICES RENDERED

	Current period VND	Prior period VND
Sales of goods and services		
Sales of finished goods	1,728,954,175,500	1,691,671,005,320
Sales of merchandise	234,890,455,856	363,596,521,167
Others	2,086,005,790	16,263,865,002
	<u>1,965,930,637,146</u>	<u>2,071,531,391,489</u>
Deductions		
Sales discount	219,475,505,622	226,445,051,009
Sales return	3,441,480,220	3,500,843,784
	<u>222,916,985,842</u>	<u>229,945,894,793</u>
Net revenue sales of goods and services		
<i>In which:</i>		
Sales of finished goods	1,508,236,920,432	1,472,312,750,711
Sales of merchandise	232,690,725,082	353,008,880,983
Others	2,086,005,790	16,263,865,002
	<u>1,743,013,651,304</u>	<u>1,841,585,496,696</u>

31. COST OF GOODS SOLD AND SERVICES RENDERED

	Current period VND	Prior period VND
Cost of finished goods sold	737,897,356,376	694,620,263,916
Cost of merchandise sold	223,756,588,602	330,296,135,725
Cost of services rendered	1,408,018,544	3,377,057,741
Provision for devaluation of inventories	253,026,429	(946,990,501)
	<u>963,314,989,951</u>	<u>1,027,346,466,881</u>

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32. OPERATING COSTS BY NATURE

	Current period VND	Prior period VND
Raw materials and consumables	892,362,146,726	914,985,509,500
Staff cost	406,220,998,217	393,294,012,622
Depreciation and amortization	43,985,985,898	43,961,535,029
Out-sourced services	86,526,009,281	86,490,361,901
Other expenses	84,735,645,459	117,823,755,474
	<u>1,513,830,785,581</u>	<u>1,556,555,174,526</u>

33. FINANCIAL INCOME

	Current period VND	Prior period VND
Dividends and profits earned	594,492,944	53,171,880
Interest income	56,207,669,352	50,444,126,402
Foreign exchange gain	1,472,666,474	962,226,011
	<u>58,274,828,770</u>	<u>51,459,524,293</u>

34. FINANCIAL EXPENSES

	Current period VND	Prior period VND
Settlement discount	33,474,552,267	35,687,707,437
Interest expense	12,483,770,311	14,975,360,579
Foreign exchange losses	3,221,907,176	3,095,993,949
Provision for impairment of investments	1,674,685,717	-
Other financial expenses	63,088,436	93,091,633
	<u>50,918,003,907</u>	<u>53,852,153,598</u>

35. SELLING, GENERAL AND ADMINISTRATION EXPENSES

	Current period VND	Prior period VND
a. Selling expenses		
- Advertising expenses	39,004,684,971	62,239,500,310
- Staff cost	163,901,955,521	174,564,141,653
- Others	89,556,277,387	90,027,509,375
	<u>292,462,917,879</u>	<u>326,831,151,338</u>
b. General and administration expenses		
- Staff cost	113,101,062,753	89,920,979,813
- Others	38,225,653,816	39,770,661,402
	<u>151,326,716,569</u>	<u>129,691,641,215</u>

36. OTHER INCOME

	Current period VND	Prior period VND
Gain from disposals of fixed assets	354,463,636	3,560,387,929
Others	5,220,449,431	3,575,153,482
	<u>5,574,913,067</u>	<u>7,135,541,411</u>

37. OTHER EXPENSES

	Current period	Prior period
	VND	VND
Depreciation	337,781,169	301,274,690
Others	2,863,802,611	1,475,183,696
	<u>3,201,583,780</u>	<u>1,776,458,386</u>

38. CURRENT CORPORATE INCOME TAX EXPENSE

	Current period	Prior period
	VND	VND
Profit before tax	345,585,642,721	360,682,690,982
Tax calculated at a normal rate of 20%	69,117,128,544	72,136,538,196
Adjustments for:		
Impact of negative taxable income at subsidiary	812,274,891	724,805,324
Non-assessable income	(118,898,589)	(10,675,076)
Non-deductible expenses	3,551,880,006	1,897,910,383
Under provision of tax in prior year	-	1,745,455
Tax incentive	(34,883,113,104)	(36,850,285,072)
Adjustments for consolidation	(449,572,025)	(10,842,378,509)
Corporate income tax expense	<u>38,029,699,723</u>	<u>27,057,660,701</u>

Changes in deferred tax expense in the current and prior period are as follows:

	Current period	Prior period
	VND	VND
Deferred corporate tax income	(2,289,917,181)	(259,032,890)
Change of eliminated entries of fixed assets	(94,847,303)	25,391,637
Change of eliminated entries of inventories, merger of DHG Pharmaceutical and DHG Packaging and Printing 1	-	24,177,427,591
	<u>(2,384,764,484)</u>	<u>23,943,786,338</u>

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

From 1 April 2018, DHG Pharmaceutical One Member Limited Company and DHG Packaging and Printing 1 One Member Limited Company were merged into the Company and still entitled to tax incentives as follows:

- Pursuant to the Investment Certificate, DHG Packaging and Printing 1 is obliged 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.

- Pursuant to Investment Certificate No. 642041000005 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 normal rate of 20%.

The remaining subsidiary in the Group is obliged to pay corporate income tax at the normal rate of 20% of taxable income.

39. 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 VND	Prior period VND
Accounting profit after corporate income tax (VND)	311,930,780,964	311,305,467,330
Appropriation to fund (*)	(12,357,923,429)	(34,130,546,733)
Profit attributable to ordinary shareholders (VND)	299,572,857,535	277,174,920,597
Weighted average ordinary shares in circulation for the period (share)	130,746,071	130,746,071
Basic earnings per share (VND/share)	2,291	2,120

(*) Estimated amounts appropriated to bonus and welfare funds for the 6-month period ended 30 June 2019 are determined based on the planned appropriation percentage of profit distribution to bonus and welfare funds at the rate of 3% in accordance with Resolution of the Company's Annual General Meeting No. 001/2019/NQ.ĐHĐCĐ dated 11 June 2019.

b. Diluted earnings per share

The Group does not have potentially diluted ordinary shares.

40. COMMITMENTS

a. Operating lease commitment

	Current period VND	Prior period VND
Minimum lease payment under operating leases recognized in the consolidated interim income statement for the year	2,715,014,194	2,733,324,777

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

	Closing balance VND	Opening balance 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
	131,907,440,186	137,344,529,755

b. Capital commitment

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

	Closing balance VND	Opening balance 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
	3,930,426,784	11,175,609,161

41. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties:

<u>Related party</u>	<u>Relationship</u>
Vinh Hao Algae Processing Joint Stock Company	Associate
Taisho Pharmaceutical Co., Ltd. ("Taisho")	Major shareholder
The State Capital Investment Corporation ("SCIC")	Major shareholder
Hoe Pharmaceuticals Sdn Bhd	Taisho's related party

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

	Current period	Prior period
	VND	VND
Sales of goods and provision of services		
Hoe Pharmaceuticals Sdn Bhd	1,728,473,580	-
Purchases of goods and services		
Vinh Hao Algae Processing Joint Stock Company	1,589,972,400	421,846,000
Support for products development received		
Taisho Pharmaceutical Co., Ltd.	1,026,346,453	-
Dividends paid		
SCIC	113,252,474,000	113,252,474,000
Taisho Pharmaceutical Co., Ltd.	91,522,172,000	63,912,192,000
The Board of General Directors' Remuneration		
Salaries and other benefits	11,723,890,740	11,037,963,806

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

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

42. SUPPLEMENTAL DISCLOSURES OF INTERIM CONSOLIDATED CASH FLOW INFORMATION

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

	Current period	Prior period
	VND	VND
Appropriation to reserves	193,477,782,318	227,560,620,226
Transfers from construction in progress to tangible fixed assets	25,072,735,514	21,711,468,214
Transfers from construction in progress to intangible assets	-	423,482,400
Transfers from construction in progress to prepayments	83,100,000	-
Interest earned and dividends which have not been received	40,543,432,865	33,275,712,597
Dividends not yet paid	65,373,035,500	-
Addition in fixed assets and construction in progress during the period that has not yet been paid	-	201,750,000



b. Proceeds from borrowings

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

c. Repayment of borrowings

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



Tran Ngoc Hien
Preparer



Ho Bui Huan
Chief Accountant



Doan Dinh Duy Khuong
Acting General Director
14 August 2019

