

DHG PHARMACEUTICAL JOINT STOCK COMPANY

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED 31 MARCH 2018**

DHG PHARMACEUTICAL JOINT STOCK COMPANY

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DHG PHARMACEUTICAL JOINT STOCK COMPANY

CORPORATE INFORMATION

Establishment decision No. 2405/QD-CT.UB dated 5 August 2004
This decision was issued by the People's Committee of Can Tho City.

Business registration certificate No. 5703000111 dated 15 September 2004 issued by the Department of Planning and Investment of Can Tho City.

The Business registration certificate has been amended several times, and its latest amendment no. 1800156801 dated 01 September 2017 was issued by the Department of Planning and Investment of Can Tho City

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

The Board of Management	Mr. Doan Dinh Duy Khuong	Acting General Director
	Mr. Le Chanh Dao	Deputy General Director
	Ms. Nguyen Ngoc Diep	Deputy General Director
	Mr. Tomoyuki Kawata	Deputy General Director

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

Legal representative	Mr. Doan Dinh Duy Khuong	Acting General Director
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Head office 288 Bis Nguyen Van Cu, An Hoa Ward, Ninh Kieu District, Can Tho City, Vietnam

CONSOLIDATED BALANCE SHEET

Code	ASSETS	Note	As at 31.03.2018 VND	As at 31.12.2017 VND
100	CURRENT ASSETS		3,052,835,127,724	2,939,184,938,924
110	Cash and cash equivalents	3	445,602,676,393	549,777,216,585
111	Cash		292,624,815,321	88,442,815,647
112	Cash equivalents		152,977,861,072	461,334,400,938
120	Short-term investments		1,248,621,294,404	930,615,143,091
123	Investments held-to-maturity	4	1,248,621,294,404	930,615,143,091
130	Short-term receivables		642,440,198,928	799,556,214,859
131	Short-term trade accounts receivable	5	576,992,808,863	739,281,053,856
132	Short-term prepayments to suppliers		32,820,551,120	21,016,649,661
135	Short-term lending		11,464,556,441	16,239,970,057
136	Other short-term receivables	6	44,308,176,889	44,731,373,224
137	Provision for doubtful debts – short-term	7	(23,145,894,385)	(21,712,831,939)
140	Inventories	8	686,474,652,118	633,807,876,593
141	Inventories		687,610,530,669	636,264,032,772
149	Provision for decline in value of inventories		(1,135,878,551)	(2,456,156,179)
150	Other current assets		29,696,305,881	25,428,487,796
151	Short-term prepaid expenses	9	15,270,198,971	9,715,813,993
152	Value Added Tax to be reclaimed		10,025,486,655	7,972,889,195
153	Other taxes receivable	10	4,400,620,255	7,739,784,608
200	LONG-TERM ASSETS		1,137,777,173,756	1,148,295,051,933
210	Long-term receivables		3,002,228,818	3,509,997,935
215	Long-term lending		2,942,228,818	3,449,997,935
216	Other long-term receivables		60,000,000	60,000,000
220	Fixed assets		1,020,517,128,747	1,026,999,503,625
221	Tangible fixed assets	11	779,961,797,362	785,209,377,724
222	Historical cost		1,395,808,921,690	1,377,975,628,774
223	Accumulated depreciation		(615,847,124,328)	(592,766,251,050)
227	Intangible fixed assets	12	240,555,331,385	241,790,125,901
228	Historical cost		269,938,265,442	269,846,865,042
229	Accumulated amortization		(29,382,934,057)	(28,056,739,141)
240	Long-term assets in progress		32,771,167,448	36,307,709,778
242	Construction in progress	13	32,771,167,448	36,307,709,778
250	Long-term investments	4	14,537,718,549	14,537,718,549
252	Investments in associates		3,129,548,349	3,129,548,349
253	Investments in other entities		27,908,170,200	27,908,170,200
254	Provisions for long-term investments		(16,500,000,000)	(16,500,000,000)
260	Other long-term assets		66,948,930,194	66,940,122,046
261	Long-term prepaid expenses	9	29,233,608,165	31,156,425,691
262	Deferred income tax assets	14	37,715,322,029	35,783,696,355
270	TOTAL ASSETS		4,190,612,301,480	4,087,479,990,857

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 01 – DN/HN

CONSOLIDATED BALANCE SHEET (cont.)

Code	RESOURCES	Note	As at 31.03.2018 VND	As at 31.12.2017 VND
300	LIABILITIES		1,393,866,141,123	1,328,385,577,037
310	Short-term liabilities		1,330,752,525,621	1,264,936,829,442
311	Short-term trade accounts payable	15	300,562,785,201	262,986,735,355
312	Short-term advances from customers Tax and other payables to the State		8,305,358,995	10,627,043,023
313	Budget	10	14,594,436,555	23,613,683,701
314	Payable to employees		87,519,407,189	170,969,066,081
315	Short-term accrued expenses	16	54,670,076,664	50,418,119,261
318	Short-term unearned revenue	17	14,153,994,076	9,479,895,138
319	Other short-term payables	18	71,826,695,978	204,083,490,483
320	Short-term borrowings	19	681,600,000,000	469,800,000,000
322	Bonus and welfare funds	20	97,519,770,963	62,958,796,400
330	Long-term liabilities		63,113,615,502	63,448,747,595
342	Provision for long-term liabilities Science and technology	21	39,249,508,163	38,386,466,419
343	development funds	22	23,864,107,339	25,062,281,176
400	OWNERS' EQUITY		2,796,746,160,357	2,759,094,413,820
410	Capital and reserves		2,796,746,160,357	2,759,094,413,820
411	Owners' capital	23	1,307,460,710,000	1,307,460,710,000
411a	- Ordinary shares with voting rights		1,307,460,710,000	1,307,460,710,000
412	Capital surplus	23	6,778,948,000	6,778,948,000
418	Investment and development fund	23	1,270,235,596,228	1,112,177,317,110
421	Undistributed earnings	23	201,291,596,019	321,006,296,742
	- Undistributed post-tax profits			
421a	accumulated to the prior year end		29,919,691,665	21,204,089,359
421b	- Post-tax profit of current period		171,371,904,354	299,802,207,383
429	Non-controlling interests	24	10,979,310,110	11,671,141,968
440	TOTAL RESOURCES		4,190,612,301,480	4,087,479,990,857

Ngo Thi Hong Dao
Preparer

Ho Buu Huan
Chief Accountant

Le Chanh Dao
Deputy General Director
18 April 2018

CONSOLIDATED INCOME STATEMENT

For the 3-month period ended

Code	Note	31.03.2018 VND	31.03.2017 VND	
01	Sales	26	1,031,203,079,396	955,942,491,028
02	Less deductions	26	(122,774,087,978)	(73,575,084,597)
10	Net sales	26	908,428,991,418	882,367,406,431
11	Cost of sales	27	(530,061,712,642)	(486,663,711,449)
20	Gross profit		378,367,278,776	395,703,694,982
21	Financial income	28	23,310,547,574	17,177,722,960
22	Financial expenses	29	(27,172,276,640)	(20,416,822,310)
23	Including: Interest expenses		(7,546,685,346)	(4,659,359,294)
24	Profit/(loss) sharing from investment in associates		-	-
25	Selling expenses	30	(144,007,443,351)	(142,693,874,265)
26	General and administrative expenses	30	(60,852,946,038)	(78,862,582,365)
30	Net operating profit		169,645,160,321	170,908,139,002
31	Other income	31	1,949,934,114	1,795,786,267
32	Other expenses	31	(818,417,261)	(211,274,576)
40	Net other income		1,131,516,853	1,584,511,691
50	Net accounting profit before tax		170,776,677,174	172,492,650,693
51	Current corporate income tax expense	33	(1,728,342,553)	(398,277,780)
52	Deferred corporate income tax expense	33	1,931,625,674	1,779,889,990
60	Net profit after tax		170,979,960,295	173,874,262,903
	Attributable to:		-	-
61	Owners of the parent company	23	171,475,261,265	173,088,699,514
62	Non-controlling interests		(495,300,970)	785,563,389
70	Earnings per share (VND)	34	1,169	1,787

 Ngo Thi Hong Dao
Preparer

 Ho Buu Huan
Chief Accountant

 Le Chanh Dao
Deputy General Director
18 April 2018

CONSOLIDATED CASH FLOW STATEMENT
 (Indirect method)

Code	Note	Fiscal period ended	
		31.03.2018	31.03.2017
		VND	VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01		170,776,677,174	172,492,650,693
		Adjustments for:	
02		22,345,156,532	22,946,096,585
03		1,507,728,983	2,435,141,606
04		220,048,688	-
05		(23,084,608,873)	(16,292,512,155)
06	29	7,546,685,346	4,659,359,294
08		179,311,687,850	186,240,736,023
09		144,227,276,204	44,511,036,921
10		(51,346,497,897)	10,454,247,171
11		(236,625,852,193)	(127,209,106,280)
12		(3,631,567,452)	(4,463,943,894)
14		(7,449,223,149)	(4,691,606,542)
15		(15,000,000,000)	(9,996,139,762)
17		(32,459,519,425)	(30,066,937,518)
20		(22,973,696,062)	64,778,286,119
CASH FLOWS FROM INVESTING ACTIVITIES			
21		(14,299,097,431)	(12,535,345,902)
22		36,363,636	641,318,181
23		(1,223,848,734,545)	(642,182,102,796)
24		909,753,182,733	386,987,469,923
25		(160,000,000)	-
27		35,527,736,184	18,922,014,179
30		(292,990,549,423)	(248,166,646,415)
CASH FLOWS FROM FINANCING ACTIVITIES			
31		-	-
33		776,200,000,000	559,547,565,946
34		(564,400,000,000)	(656,638,494,553)
36		-	-
40		211,800,000,000	(97,090,928,607)
50		(104,164,245,485)	(280,479,288,903)
60		549,777,216,585	603,188,961,343
61		(10,294,707)	-
70		445,602,676,393	322,709,672,440

 Ngo Thi Hong Dao
 Preparer

 Ho Buu Huan
 Chief Accountant

 Le Chanh Dao
 Deputy General Director
 18 April 2018

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED 31 MARCH 2018**

1 GENERAL INFORMATION OF THE COMPANY

Ownership Structure

On 2 September 2004, DHG Pharmaceutical Joint Stock Company was equitized from Hau Giang Pharmaceutical United Factory in accordance with Decision No.2405/QD-CT.UB dated 05 August 2004 issued by the People's Committee of Can Tho City. The Company was officially incorporated as a joint stock company, according to 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 approved to be listed in Ho Chi Minh City Stock Exchange on 01 December 2006 under the Stock Listing License No.93/UBCK-GPNY of the State Securities Commission, with "DHG" ticker.

In 2017, the Company increased the share capital to VND 1,307,460,710,000 by issuing bonus shares to existing shareholders at ratio 2:1. The Company was granted the 23rd amended Business registration certificate dated 28 July 2017 for the increase in share capital.

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

As at 31 March 2018, the Group had 3,178 employees (as at 31 December 2017: 3,205 employees).

The principal activities of the Company and its subsidiaries are to produce, trade in pharmaceutical products, and provide traveling services.

The Group's normal business cycle is within 12 months.

Corporate structure

As at 31 March 2018, the Company's subsidiaries and associates were as follows:

Name	Principal activities	Business Registration Certificate	% of ownership and voting rights	
			31.03.2018	31.12.2017
Subsidiaries:				
B&T Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical supplies and equipment, dietary supplements and cosmeceuticals	No. 1300917335 issued by the Department of Planning and Investment of Ben Tre Province on 05 October 2012	100%	100%
Song Hau Pharmaceutical Joint Stock Company (**)	Trade pharmaceuticals, medical supplies and equipment, dietary supplements and cosmeceuticals	No. 6403000044 issued by the Department of Planning and Investment of Hau Giang province on 20 July 2007	100%	51%
DHG Travel One Member Limited Company (***)	Domestic travel services	No. 5704000134 issued by the Department of Planning and Investment of Can Tho City on 26 December 2007	100%	100%
DHG Pharmaceutical One Member Limited Company	Manufacture and trade pharmaceuticals, medical supplies and equipment, dietary supplements and cosmeceuticals	No. 6300124430 issued by the Department of Planning and Investment of Hau Giang province on 16 August 2010	100%	100%

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Form B 09 – DN/HN

1 GENERAL INFORMATION OF THE COMPANY (cont.)

Name Subsidiaries (cont.)	Principal activities	Business Registration Certificate	% of ownership and voting rights	
			31.03.2018	31.12.2017
DHG Packaging and Printing 1 One Member Limited Company	Produce label, packaging from paper and cover; Manufacture and trade plastic, aluminum, paper; provide printing services	No. 6300215818 issued by the Department of Planning and Investment of Hau Giang province on 28 September 2012	100%	100%
Fuji Medic Limited Liability Company	Activities of polyclinics, specialty and dental clinics	No. 1801472944 issued by the Department of Planning and Investment of Can Tho City on 27 July 2016	51%	51%
Associate: Vinh Hao Algae Processing Joint Stock Company	Manufacture and trade Spirulina algae	No. 4803000150 issued by the Department of Planning and Investment of Binh Thuan province on 4 February 2008	31.36%	31.36%

(*) On 3 October 2016, the Board of Directors of the Company approved the conversion of subsidiaries into branches under the parent company as below:

- Approved the dissolution of subsidiaries.
- Approved the establishment of branches under the parent company to continue the entire operation of the subsidiaries after the dissolution.
- The conversion date is 31 December 2016. From 01 January 2017, these subsidiaries operated as branches under the parent company.

(**) On 19 June 2017, the Board of Directors of the Company approved to change the policy for dissolution to the policy on transfer of the whole charter capital of TOT Pharmaceutical One Member Limited Company through an open bidding. At the same time, the Board of Directors of the Company approved the policy to raise the ownership ratio of Song Hau Pharmaceutical Joint Stock Company from 51% to 100%.

(***) On 14 July 2017, the Board of Directors of the Company approved the dissolution of DHG Travel One Member Limited Company. The dissolution date is 31 December 2017.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements, expressed in Vietnamese Dong (VND), are prepared under the historical cost convention, in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and legal regulations on preparation and presentation of financial statements.

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

Fiscal year

The Company's fiscal year begins on 01 January and ends on 31 December.

Basis of consolidation

The Group prepared its consolidated financial statements in accordance with Circular 202/2014/TT-BTC - Guidance on the preparation and presentation of financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES (cont.)***Subsidiaries***

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement.

Inter-company transactions, balances and unrealized gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling transactions and interests

The Group applies a policy for transactions with non-controlling interests as transactions with external parties to the Group.

Non-controlling interests ("NCI") are measured at their proportionate share of the acquiree's identifiable net assets at date of acquisition.

The divestment of the Group's interest in a subsidiary that does not result in a loss of control is accounted for as transactions with owners. The difference between the change in the Group's share of net assets of the subsidiary and any consideration paid or received of the divestment of the Group's interest in a subsidiary is recorded directly in the undistributed earnings under equity.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in joint ventures and associates are accounted for using the equity method of accounting and are initially recognized at cost. The Group's investment in joint ventures and associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognized in the consolidated income statement, and its share of post-acquisition movements in reserves is recognized in consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates in accordance with applicable accounting regulations. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SIGNIFICANT ACCOUNTING POLICIES (cont.)**Accounting estimates**

The preparation of the financial statements in conformity with Vietnamese Accounting Standards requires the Board of Management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of financial statements and the amounts of revenues and expenses during the year. Although these estimates are based on the Board of Management's best knowledge of current events and actions, actual results may differ from those estimates.

Currency

The consolidated financial statements are measured and presented in Vietnamese Dong ("VND").

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognized as income or expenses in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are respectively translated at the buying and selling exchange rates at the balance sheet date of the commercial bank where the Group regularly trades. Foreign currencies deposited in bank at the balance sheet date are translated at the buying exchange rate of the commercial bank where the Group opens the foreign currency accounts. Foreign exchange differences arising from these translations are recognized as income or expenses in the income statement.

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, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

Trade receivables

Trade receivables are carried at the original invoice amount less an estimate made for doubtful receivables based on a review by the Board of Management of all outstanding amounts at the year end. Bad debts are written off when identified.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined by the weighted average method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on normal levels of operating activity. Net realizable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses. Provision is made, where necessary, for obsolete, slow-moving and defective inventory items.

Investments***Investments held-to-maturity***

Investments held-to-maturity are investments which the Company's Board of Management has positive intention and ability to hold until maturity.

Investments held-to-maturity include term deposits for interest earning. Those investments are accounted for at cost less provision.

2 SIGNIFICANT ACCOUNTING POLICIES (cont.)***Investments held-to-maturity (cont.)***

Provision for diminution in value of investments held-to-maturity is made when there is evidence that part or the whole of the investment is uncollectible.

Investments in associates

Investments in associates are accounted using the equity method when preparing the consolidated financial statements.

Investments in equity of other entities

Investments in equity of other entities are investments in equity instruments of other entities without controlling rights or co-controlling rights, or without significant influence over the investee. These investments are initially recorded at cost. Provision for diminution in value of these investments is made when the entities make losses, except when the loss was anticipated by the Company's Board of Management before the date of investment.

Fixed assets***Tangible and intangible fixed assets***

Fixed assets are stated at historical cost less accumulated depreciation/ amortization. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets.

Depreciation and amortization

Fixed assets are depreciated and amortized using the straight-line method so as to write off the cost of the assets over their estimated useful lives or over the term of the project if shorter. The estimated useful lives of the assets are as follows:

Building and structures	3 – 50 years
Machinery and equipment	3 – 20 years
Motor vehicles	3 – 10 years
Office equipment	3 – 10 years
Software	3 – 8 years

Land use rights with definite terms are amortized using the straight-line method over the terms indicated in the land use right certificates. Land use rights with indefinite useful life are recorded at historical cost and are not amortized.

Disposals

Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are recognized as income or expense in the income statement.

Construction in progress

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost. Cost includes professional fees and, for qualifying assets, borrowing costs dealt with in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other fixed assets, commences when the assets are ready for their intended use.

Leases

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

2 SIGNIFICANT ACCOUNTING POLICIES (cont.)**Prepaid expenses**

Prepaid expenses include short-term and long-term prepayments on the balance sheet. Prepaid expenses are recorded at historical cost and allocated using the straight-line method over estimated useful lives.

Payables

Classifications of payables are based on their nature as follows:

- Trade accounts payable are trade payables arising from purchase of goods and services.
- Other payables including non-trade payables and not relating to purchase of goods and services.

Payables are classified into short-term and long-term payables on the balance sheet based on remaining period from the balance sheet date to the maturity date.

Accrued expenses

Accrued expenses include liabilities for goods and services received in the period but not yet paid for due to pending invoice or insufficient records and documents. Accrued expenses are recorded as expenses in the reporting period.

Borrowing costs

Borrowing costs that are directly attributable to the construction or production of any qualifying assets are capitalized during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognized in the income statement when incurred.

Provisions

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provision is not recognized for future operating losses.

Provisions are measured at the expenditures expected to be required to settle the obligation. If the time value of money is material, provision will be measured at the present value using a pretax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as an interest expense.

Provision for severance allowances

In accordance with Vietnamese labour laws, employees of the Group who have worked regularly for full 12 months or longer, are entitled to a severance allowance. The working period used for the calculation of severance allowance is the period during which the employee actually works for the Group less the period during which the employee participates in the unemployment insurance scheme in accordance with the law and the working period for which the employee has received severance allowance from the Group.

The severance allowance is accrued at the end of the reporting period on the basis that each employee is entitled half of an average monthly salary for each working year. The average monthly salary used for calculating the severance allowance is the employee's average salary for the six-month period prior to the balance sheet date.

This allowance will be paid as a lump sum when the employees terminate their labour contracts in accordance with current regulations.

2 SIGNIFICANT ACCOUNTING POLICIES (cont.)**Provision for dismantling and restoration costs**

In accordance with Circular No.200/2014/TT-BTC issued by the Ministry of Finance, since 01 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 01 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. The Group records unearned revenue for the future obligations that the Group has to conduct.

Current and deferred income tax

Income taxes include all income taxes which are based on taxable profits including profits generated from production and trading activities in other countries with which the Socialist Republic of Vietnam has not signed any double taxation agreement. Income tax expense comprises current tax expense and deferred tax expense.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profits at the current year tax rates. Current and deferred tax should be recognized as an income or an expense and included in the profit or loss of the period, except to the extent that the tax arises from a transaction or event which is recognized, in the same or a different period, directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of occurrence affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the financial year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Owners' capital

Contributed capital of the shareholders is recorded according to actual amount contributed and is recorded according to par value of the share.

Capital surplus is the difference between the par value and the issue price of shares and the difference between the repurchase price and re-issuing price of treasury shares.

Undistributed earnings record the Group's results (profit, loss) after corporate income tax at the reporting date.

Funds

The Group's funds are as below:

Investment and development fund

Investment and development fund is appropriated from net profit of the Group and approved by shareholders at the General Meeting of Shareholders.

2 SIGNIFICANT ACCOUNTING POLICIES (cont.)***Bonus and welfare fund***

Bonus and welfare fund is appropriated from the net profit of the Group and approved by shareholders at the General Meeting of Shareholders.

Dividend distribution

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

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

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

- Dividends declared for year 2017: 30% of par value.
- Appropriation to the bonus and welfare fund: 10% of consolidated profit after tax of parent company's shareholders.
- Remuneration payment for the Board of Directors, Board of Supervisory, members of Subcommittees under the Board of Directors and the Board of Directors' secretary: VND 6 billion.
- After appropriations were made, remaining consolidated profit after tax was appropriated to the investment and development fund.

Revenue recognition***Sales of goods***

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

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

No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods.

Revenue is recognized based on principle of substance over form and allocated to each sales obligation. In case that the Group gives promotional goods to customers associated with customers' purchase, the Group allocates total consideration received for goods sold and promotional goods. Cost of promotional goods is recognized as cost of sales.

Rendering of services

Revenue from rendering of services is recognized in the income statement when the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenue from the sale of services is only recognized when all four following conditions are satisfied:

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

2 SIGNIFICANT ACCOUNTING POLICIES (cont.)***Interest income***

Interest income is recognized on an earned basis.

Dividend income

Income from dividend is recognized when the Group has established the receiving right from investees.

Sales deductions

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

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

Customer loyalty programs

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

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

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

Cost of sales

Cost of goods sold or cost of services are cost of finished goods, merchandises, materials sold or services provided during the period and recorded on the basis of matching with revenue and on prudent concept.

Financial expenses

Financial expenses are expenses incurred in the period for financial activities including expenses or losses relating to financial investment activity, expenses of lending and borrowing, provision for diminution in value of investments in other entities, losses incurred when selling foreign currencies, losses from foreign exchange differences and payment discounts.

Selling expenses

Selling expenses represent expenses that are incurred in the process of selling products, goods, and providing services, which mainly include salary expenses for salesman, publicity expenses, goods display and introduction expenses, advertising expenses, sales commission, maintenance charges, costs of packing and transportation.

2 SIGNIFICANT ACCOUNTING POLICIES (cont.)**General and administrative expenses**

General and administration expenses represent expenses for administrative purposes which mainly include salary expenses for administrative staff (salaries, wages, allowances, etc.); social insurance, medical insurance, labour union fees, unemployment insurance of administrative staff; expenses of office materials, tools and supplies, depreciation of fixed assets used for administration; land rental, licence tax; provision for bad debts; outside services and other expenses.

3 CASH AND CASH EQUIVALENTS

	31.03.2018	31.12.2017
	VND	VND
Cash on hand	18,268,550,873	20,721,551,877
Cash at bank	272,566,207,239	67,721,263,770
Cash in transit	1,790,057,209	-
Cash equivalents (*)	152,977,861,072	461,334,400,938
	<u>445,602,676,393</u>	<u>549,777,216,585</u>

(*) Cash equivalents included term deposits with an original maturity of 3 months or less.

4 INVESTMENTS**(a) Short-term investments****Investments held-to-maturity**

	31.03.2018		31.12.2017	
	Cost	Book value	Cost	Book value
	VND	VND	VND	VND
Term deposits	1,248,621,294,404	1,248,621,294,404	930,615,143,091	930,615,143,091

(b) Long-term investments

	31.03.2018		31.12.2017	
	Cost	Provision	Cost	Provision
	VND	VND	VND	VND
Investments in associates (*)	3,129,548,349	-	3,129,548,349	-
Investments in other entities (**)	27,908,170,200	(16,500,000,000)	27,908,170,200	(16,500,000,000)
	<u>31,037,718,549</u>	<u>(16,500,000,000)</u>	<u>31,037,718,549</u>	<u>(16,500,000,000)</u>

(*) Percentages of ownership and voting rights of the Group in associates are presented in Note 1. Details of investments in associates are as follow:

	31.03.2018	31.12.2017
	VND	VND
Vinh Hao Algae Processing Joint Stock Company	3,129,548,349	3,129,548,349

4 INVESTMENTS (cont.)

Movements in investments in associates in the period/year were as follows:

	Fiscal period ended 31.03.2018 VND	Fiscal year ended 31.12.2017 VND
Beginning of year	3,129,548,349	4,335,981,051
Loss sharing	-	(1,206,432,702)
End of period/year	<u>3,129,548,349</u>	<u>3,129,548,349</u>

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

	31.03.2018 VND	31.12.2017 VND
ATP Packaging Joint Stock Company	20,000,000,000	20,000,000,000
Binh Duong Pharmaceutical & Medical Equipment JSC	4,286,800,000	4,286,800,000
Tra Vinh Pharmaceutical JSC	2,575,315,200	2,575,315,200
Ninh Thuan Pharmaceutical & Medical Equipments JSC	796,675,000	796,675,000
Tay Ninh Pharmaceutical JSC	221,960,000	221,960,000
Cuu Long Pharmaceutical JSC	27,420,000	27,420,000
	<u>27,908,170,200</u>	<u>27,908,170,200</u>

Provision balance as at 31 March 2018 and 31 December 2017 represented the provision for long-term investments in ATP Packaging Joint Stock Company.

5 SHORT-TERM TRADE ACCOUNTS RECEIVABLE

	31.03.2018 VND	31.12.2017 VND
Third parties	<u>576,992,808,863</u>	<u>739,281,053,856</u>

As at 31 March 2018 and 31 December 2017, there was no balance of trade accounts receivable accounting for 10% or more of total short-term trade accounts receivable balance.

6 OTHER SHORT-TERM RECEIVABLES

	31.03.2018 Value VND	31.12.2017 Value VND
Prepaid trade discounts	238,061,970	243,590,918
Interest income receivable	15,022,933,346	27,502,424,293
Receivables from employees	12,550,196,002	7,443,741,219
Other receivables	16,496,985,571	9,541,616,794
	<u>44,308,176,889</u>	<u>44,731,373,224</u>

7 DOUBTFUL DEBTS

	31.03.2018		
	Historical cost VND	Recoverable amount VND	Provision VND
The total amount of receivables and loans past due or not past due but impaired	221,112,712,308	197,966,817,923	(23,145,894,385)
	31.12.2017		
	Historical cost VND	Recoverable amount VND	Provision VND
The total amount of receivables and loans past due or not past due but impaired	195,352,900,453	173,640,068,514	(21,712,831,939)

As at 31 March 2018 and 31 December 2017, there was no balance of receivables accounting for 10% or more of total past due receivable amount.

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

	Fiscal period ended 31.03.2018 VND	Fiscal year ended 31.12.2017 VND
Beginning of year	21,712,831,939	13,492,082,101
Increase during the period/year	1,440,140,164	8,220,749,838
Reversal during the period/year	(7,077,718)	-
End of period/year	23,145,894,385	21,712,831,939

8 INVENTORIES

	31.03.2018		31.12.2017	
	Historical cost VND	Provision VND	Historical cost VND	Provision VND
Goods in transit	67,174,305,994		41,560,218,649	
Raw materials	266,862,104,730		285,333,766,326	(1,320,277,628)
Work in progress	56,101,803,548		54,916,072,790	
Finished goods	259,655,080,762	(1,135,878,551)	209,547,370,635	(1,135,878,551)
Merchandises	37,817,235,635	-	44,906,604,372	-
	687,610,530,669	(1,135,878,551)	636,264,032,772	(2,456,156,179)

8 INVENTORIES (cont.)

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

	Fiscal period ended 31.03.2018 VND	Fiscal year ended 31.12.2017 VND
Beginning of year	2,456,156,179	1,696,412,765
Increase of provision	-	759,743,414
Utilization of provision	(1,320,277,628)	-
Reversal of provision	-	-
	<hr/>	<hr/>
End of period/year	<u>1,135,878,551</u>	<u>2,456,156,179</u>

Provision for decline in value of inventories was made for inventories of which costs were higher than net realizable value.

9 PREPAID EXPENSES**Short-term prepaid expenses**

	31.03.2018 VND	31.12.2017 VND
Operating leases	4,418,617,461	39,409,097
Others	10,851,581,510	9,676,404,896
	<hr/>	<hr/>
	<u>15,270,198,971</u>	<u>9,715,813,993</u>

Prepaid expenses are allocated within 12 months since the time of prepayment.

Long-term prepaid expenses

	31.03.2018 VND	31.12.2017 VND
Prepaid land rental fees	10,626,954,621	10,713,316,530
Tools and supplies	11,115,938,149	12,535,021,407
Leasehold improvements	145,085,958	167,682,780
Others	7,345,629,437	7,740,404,974
	<hr/>	<hr/>
	<u>29,233,608,165</u>	<u>31,156,425,691</u>

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

	Fiscal period ended 31.03.2018 VND	Fiscal year ended 31.12.2017 VND
Beginning of period/year	31,156,425,691	22,760,003,178
Increase	1,451,355,718	18,636,482,446
Allocation during the period/year	(3,374,173,244)	(10,240,059,933)
Disposal	-	-
	<hr/>	<hr/>
End of period/year	<u>29,233,608,165</u>	<u>31,156,425,691</u>

10 TAX AND OTHER RECEIVABLES FROM/PAYABLES TO THE STATE BUDGET

Receivables

	<u>Beginning of year</u>	<u>Payable during the period/year</u>	<u>Payment during the period/year</u>	<u>End of period/year</u>
VAT on domestic sales	26,076,408	-	-	26,076,408
VAT on import sales	-	-	11,124,639	11,124,639
Import - export duties	1,536,214,509	(3,399,747,260)	2,632,582,461	769,049,710
Corporate income tax	156,686,546	(88,214,504)	3,129,138,998	3,197,611,040
Personal income tax	6,005,124,826	(5,608,366,368)	-	396,758,458
Land tax	15,682,319	(15,682,319)	-	-
Total	<u><u>7,739,784,608</u></u>	<u><u>(9,112,010,451)</u></u>	<u><u>5,772,846,098</u></u>	<u><u>4,400,620,255</u></u>

Payables

VAT on domestic sales	12,034,687,525	26,320,557,932	(30,475,219,302)	7,880,026,155
VAT on import sales	3,461,540	8,714,647,040	(8,718,108,580)	-
Import - export duties	-	-	-	-
Corporate income tax	10,993,648,506	1,640,128,049	(11,870,861,002)	762,915,553
Personal income tax	581,886,130	12,310,745,319	(12,392,103,829)	500,527,620
Land rental fee, land tax	-	5,469,588,287	(18,621,060)	5,450,967,227
Others	-	77,996,586	(77,996,586)	-
Total	<u><u>23,613,683,701</u></u>	<u><u>54,533,663,213</u></u>	<u><u>(63,552,910,359)</u></u>	<u><u>14,594,436,555</u></u>

DHG PHARMACEUTICAL JOINT STOCK COMPANY

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11 TANGIBLE FIXED ASSETS

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
Historical cost					
As at 01 January 2018	521,977,060,519	607,883,977,430	175,520,721,573	72,593,869,252	1,377,975,628,774
Purchase during the period/year	356,000,000	2,924,720,000	-	-	3,280,720,000
Transfers from construction in progress (Note 13)	23,886,000	13,558,109,725	881,523,636	-	14,463,519,361
Disposals	-	-	(138,219,172)	-	(138,219,172)
Reclassification	-	2,417,331,818	-	(2,417,331,818)	-
Write-off	-	-	227,272,727	-	227,272,727
As at 31 March 2018	<u>522,356,946,519</u>	<u>626,784,138,973</u>	<u>176,491,298,764</u>	<u>70,176,537,434</u>	<u>1,395,808,921,690</u>
Accumulated depreciation					
As at 01 January 2018	156,131,798,226	270,643,388,060	108,205,741,276	57,785,323,488	592,766,251,050
Charge for the period/year	7,449,685,090	11,420,604,060	2,949,633,625	1,171,896,948	22,991,819,723
Disposals	-	-	(138,219,172)	-	(138,219,172)
Reclassification	-	(13,271,212)	-	13,271,212	-
Write-off	-	-	227,272,727	-	227,272,727
As at 31 March 2018	<u>163,581,483,316</u>	<u>282,050,720,908</u>	<u>111,244,428,456</u>	<u>58,970,491,648</u>	<u>615,847,124,328</u>
Net book value					
As at 01 January 2018	<u>365,845,262,293</u>	<u>337,240,589,370</u>	<u>67,314,980,297</u>	<u>14,808,545,764</u>	<u>785,209,377,724</u>
As at 31 March 2018	<u>358,775,463,203</u>	<u>344,733,418,065</u>	<u>65,246,870,308</u>	<u>11,206,045,786</u>	<u>779,961,797,362</u>

Historical cost of fully depreciated tangible fixed assets but still in use as at 31 March 2018 was VND 188,786 million (as at 31 December 2017: VND 180,764 million).

12 INTANGIBLE FIXED ASSETS

	Land use rights with indefinite term VND	Land use rights with definite term VND	Software VND	Total VND
Historical cost				
As at 01 January 2018	95,158,560,046	159,056,771,791	15,631,533,205	269,846,865,042
Purchase during the period/year	-	-	30,466,800	30,466,800
Transferred from construction in progress (Note 13)	-	-	60,933,600	60,933,600
Disposals	-	-	-	-
As at 31 March 2018	95,158,560,046	159,056,771,791	15,722,933,605	269,938,265,442
Accumulated amortization				
As at 01 January 2018	-	18,721,194,492	9,335,544,649	28,056,739,141
Charge for the period/year	-	832,762,557	493,432,359	1,326,194,916
As at 31 March 2018	-	19,553,957,049	9,828,977,008	29,382,934,057
Net book value				
As at 01 January 2018	95,158,560,046	140,335,577,299	6,295,988,556	241,790,125,901
As at 31 March 2018	95,158,560,046	139,502,814,742	5,893,956,597	240,555,331,385

Historical cost of fully amortized intangible fixed assets but still in use as at 31 March 2018 was VND 5,861 million (as at 31 December 2017: VND 5,861 million).

13 CONSTRUCTION IN PROGRESS

	31.03.2018 VND	31.12.2017 VND
Effervescent tablet production factory	18,105,907,577	16,658,486,842
Office and auxiliary works at DHG Pharmaceutical One Member Limited Company	11,928,136,950	11,596,485,312
Branches' offices	2,318,224,134	699,591,808
Machinery and equipment	-	7,353,145,816
Microsoft software license	362,548,800	-
Registration of Foreign Manufacturer Accreditation (PMDA)	56,349,987	-
	32,771,167,448	36,307,709,778

Movements in the construction in progress during the period/year

	Fiscal period ended 31.03.2018 VND	Fiscal year ended 31.12.2017 VND
Beginning of year	36,307,709,778	17,160,871,337
Purchase	10,987,910,631	56,940,741,775
Transfers to tangible fixed assets (Note 11)	(14,463,519,361)	(32,717,262,432)
Transfers to intangible fixed assets (Note 12)	(60,933,600)	(2,930,291,720)
Transfers to long-term prepaid expenses	-	(2,146,349,182)
Transfers to tools and supplies	-	-
Write-off	-	-
End of period/year	32,771,167,448	36,307,709,778

14 DEFERRED INCOME TAX ASSETS

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

	31.03.2018	31.12.2017
	VND	VND
Corporate income tax rate used for determining deferred income tax assets	20%	20%
Deductible temporary differences	188,576,610,145	178,918,481,775
Deferred income tax assets	<u>37,715,322,029</u>	<u>35,783,696,355</u>

15 SHORT-TERM TRADE ACCOUNTS PAYABLE

As at 31 March 2018 and 31 December 2017, there was no balance of trade accounts payable that was past due.

	31.03.2018		31.12.2017	
	Value VND	Able-to-pay amount VND	Value VND	Able-to-pay amount VND
Related parties (Note 36)	173,035,600	173,035,600	4,500,000	4,500,000
Third parties (*)	300,389,749,601	300,389,749,601	262,982,235,355	262,982,235,355
	<u>300,562,785,201</u>	<u>300,562,785,201</u>	<u>262,986,735,355</u>	<u>262,986,735,355</u>

(*) Suppliers accounting for 10% or more of total trade accounts payable balance are as follows:

	31.03.2018	31.12.2017
	VND	VND
Truong Tin Pharmaceutical Limited Company	49,260,101,266	35,135,876,027
Mega Lifesciences Limited Company (VN)	32,904,657,423	33,450,431,047
Nomura Trading Co.,Ltd	33,580,771,000	25,762,165,250

As at 31 March 2018 and 31 December 2017, there was no balance of short-term trade accounts payable that was past due.

16 SHORT-TERM ACCRUED EXPENSES

	31.03.2018	31.12.2017
	VND	VND
Seminar expenses	3,625,559,994	-
Market research	10,160,108,132	10,429,270,479
Payment discounts	6,624,234,905	8,261,692,934
Marketing and customer care expenses	15,801,183,022	6,660,719,815
Interest expenses	550,312,058	452,849,861
Others	17,908,678,553	24,613,586,172
	<u>54,670,076,664</u>	<u>50,418,119,261</u>

17 SHORT-TERM UNEARNED REVENUE

	31.03.2018	31.12.2017
	VND	VND
Unearned revenue from customer loyalty programs (Note 2)	14,153,994,076	9,479,895,138

18 OTHER SHORT-TERM PAYABLES

	31.03.2018	31.12.2017
	VND	VND
Insurance and union fees	795,011,858	800,645,116
Dividends payable	65,373,035,500	196,119,106,500
Other payables	5,658,648,620	7,163,738,867
	<u>71,826,695,978</u>	<u>204,083,490,483</u>

19 SHORT-TERM BORROWINGS

	31.03.2018		31.12.2017	
	Value	Able-to-pay amount	Value	Able-to-pay amount
	VND	VND	VND	VND
Loans from banks	<u>681,600,000,000</u>	<u>681,600,000,000</u>	<u>469,800,000,000</u>	<u>469,800,000,000</u>
	<u>681,600,000,000</u>	<u>681,600,000,000</u>	<u>469,800,000,000</u>	<u>469,800,000,000</u>

Movements of short-term borrowings during the period/year were as follows:

	As at		Decrease	As at
	01.01.2018	Increase	VND	31.03.2018
	VND	VND		VND
Loans from banks (*)	<u>469,800,000,000</u>	<u>776,200,000,000</u>	<u>(564,400,000,000)</u>	<u>681,600,000,000</u>
	<u>469,800,000,000</u>	<u>776,200,000,000</u>	<u>(564,400,000,000)</u>	<u>681,600,000,000</u>

(*) These loans bear interest at 0.23% to 0.42% per month (in 2017: from 0.32% to 0.42% per month).

As at 31 March 2018 and 31 December 2017, there was no short-term borrowing that was past due.

20 BONUS AND WELFARE FUNDS

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

20 BONUS AND WELFARE FUNDS (cont.)

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

	Bonus and welfare fund for employees VND	Welfare fund in form of assets VND	Bonus fund for the Board of Directors VND	Total VND
Beginning of year	34,770,345,726	20,285,705,306	7,902,745,368	62,958,796,400
Appropriation to the funds	61,795,178,258	6,000,000,000	-	67,795,178,258
Depreciation of assets formed from funds	-	-	(774,684,270)	(774,684,270)
Utilisation	(30,704,682,975)	(1,644,500,000)	(110,336,450)	(32,459,519,425)
End of period/year	<u>65,860,841,009</u>	<u>24,641,205,306</u>	<u>7,017,724,648</u>	<u>97,519,770,963</u>

21 PROVISIONS FOR LONG-TERM LIABILITIES

	Provision for dismantling and restoration costs of the Group's leased premises or lands VND	Provision for severance allowances VND	Total VND
Beginning of year	11,564,358,036	26,822,108,383	38,386,466,419
Provision	992,719,682	402,224,483	1,394,944,165
Utilisation	-	(531,902,421)	(531,902,421)
End of period/year	<u>12,557,077,718</u>	<u>26,692,430,445</u>	<u>39,249,508,163</u>

22 SCIENCE AND TECHNOLOGY DEVELOPMENT FUNDS

In accordance with Circular 12/2016/TTLT-BKHCHN-BTC dated 28 June 2016, entities are allowed to establish the science and technology development funds for research and development activities. Provision made during the year is charged to expenses. Funds are utilized when disbursements are paid for research and development activities.

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

	Science and technology development fund VND	Science and technology development fund in form of assets VND	Total VND
Beginning of year	-	25,062,281,176	25,062,281,176
Appropriation to the funds	-	-	-
Depreciation of assets formed from science and technology development fund	-	(1,198,173,837)	(1,198,173,837)
Utilisation	-	-	-
End of period/year	<u>-</u>	<u>23,864,107,339</u>	<u>23,864,107,339</u>

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 09 – DN/HN

23 OWNERS' EQUITY

Movements in owners' equity

	Owners' capital VND	Capital surplus VND	Treasury shares VND	Investment and development fund VND	Undistributed earnings VND	Total VND
As at 01 January 2017	871,643,300,000	6,778,948,000	-	1,220,561,708,767	736,638,702,184	2,835,622,658,951
Bonus shares issued at ratio 2:1	435,817,410,000	-	-	(435,817,410,000)	-	-
Net profit for the year	-	-	-	-	642,407,977,142	642,407,977,142
Changes in benefits due to uncontrolled shareholders' transactions	-	-	-	16,996,367,562	(15,324,900,367)	1,671,467,195
Dividends	-	-	-	-	(305,075,155,000)	(305,075,155,000)
1st interim dividends declared for the year 2017 at the rate of 10%	-	-	-	-	(130,746,071,000)	(130,746,071,000)
2nd interim dividends declared for the year 2017 at the rate of 15%	-	-	-	-	(196,119,106,500)	(196,119,106,500)
Appropriation to reserves	-	-	-	310,436,650,781	(310,436,650,781)	-
Appropriation to bonus and welfare fund	-	-	-	-	(85,678,223,316)	(85,678,223,316)
Appropriation to bonus fund for the Board of Directors	-	-	-	-	(14,660,275,620)	(14,660,275,620)
As at 31 December 2017	1,307,460,710,000	6,778,948,000	-	1,112,177,317,110	321,006,296,742	2,747,423,271,852
Net profit for the period/year	-	-	-	-	171,475,261,265	171,475,261,265
Changes in benefits due to uncontrolled shareholders' transactions	-	-	-	139,887,799	(103,356,911)	36,530,888
Dividends	-	-	-	-	(65,373,035,500)	(65,373,035,500)
Appropriation to reserves	-	-	-	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 Board of Directors	-	-	-	-	(6,000,000,000)	(6,000,000,000)
As at 31 March 2018	1,307,460,710,000	6,778,948,000	-	1,270,235,596,228	201,291,596,019	2,785,766,850,247

23 OWNERS' EQUITY (cont.)

Charter capital

	31.03.2018		31.12.2017	
	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

Ordinary share has a par value of VND 10,000. Each ordinary share is entitled to one vote at shareholders' meetings of the Company. Shareholders are eligible to receive dividends declared by the Company from time to time. All ordinary shares are ranked equally with regard to the Company's residual assets. In respect of shares bought back by the Company, all rights are suspended until those shares are reissued.

Movements of share capital during the period/year:

	Fiscal period ended 31.03.2018		Fiscal year ended 31.12.2017	
	Number of shares	VND	Number of shares	VND
Beginning of year	130,746,071	1,307,460,710,000	87,164,330	871,643,300,000
Bonus shares issued in the period/year	-	-	43,581,741	435,817,410,000
Treasury shares reissued in the period/year	-	-	-	-
End of period/year	130,746,071	1,307,460,710,000	130,746,071	1,307,460,710,000

Dividends

According to Resolution No. 001/2018/NQ-ĐHĐCĐ of the General Meeting of Shareholders approved on 28 March 2018, the General Meeting of Shareholders approved dividend payment of 30% in cash from profit after tax of 2017, equivalents to VND 392,238,213,000. In 2017, the Company paid interim dividends in cash for 2 phases at the rate of 10% and 15% of par value, equivalents to VND 326,865,177,500.

24 NON-CONTROLLING INTERESTS

	Fiscal period ended 31.03.2018 VND	Fiscal year ended 31.12.2017 VND
Beginning of year	11,671,141,968	34,160,248,863
Minority capital	-	-
Net profit for the period/year	(495,300,970)	(18,665,378)
Appropriation to bonus and welfare fund	-	(447,775,389)
Appropriation to bonus fund for the Board of Directors	-	(176,198,933)
Dividends	-	(735,000,000)
Changes in benefits due to transfer of investment	(196,530,888)	(21,111,467,195)
End of period/year	10,979,310,110	11,671,141,968

25 OFF BALANCE SHEET ITEMS**Foreign currencies**

Included in cash and cash equivalents were balances held in foreign currencies as follows:

	31.03.2018	31.12.2017
	VND	VND
US dollar (USD)	752,018	651,982
Euro (EUR)	5,638	5,649
	<u> </u>	<u> </u>

26 REVENUE OF GOODS SOLD AND SERVICES RENDERED

	For the three-month period ended	
	31.03.2018	31.03.2017
	VND	VND
Sales		
Sales of finished goods	761,459,741,706	740,542,203,494
Sales of merchandises	255,979,607,744	206,493,889,614
Others	13,763,729,946	8,906,397,920
	<u>1,031,203,079,396</u>	<u>955,942,491,028</u>
Sales deductions		
Trade discounts	121,019,027,843	71,415,626,083
Sales returns	1,755,060,135	2,159,458,514
	<u>122,774,087,978</u>	<u>73,575,084,597</u>
Net sales	<u>908,428,991,418</u>	<u>882,367,406,431</u>
In which:		
Sales of finished goods	646,317,022,179	671,661,696,036
Sales of merchandises	248,348,239,293	201,799,312,475
Others	13,763,729,946	8,906,397,920

27 COST OF GOODS SOLD AND SERVICES RENDERED

	For the three-month period ended	
	31.03.2018	31.03.2017
	VND	VND
Cost of finished goods sold	303,474,872,752	294,595,856,532
Cost of merchandises sold	225,461,389,865	190,273,474,982
Others	1,125,450,025	1,794,379,935
	<u>530,061,712,642</u>	<u>486,663,711,449</u>

28 FINANCIAL INCOME

	For the three-month period ended	
	31.03.2018	31.03.2017
	VND	VND
Interest income	23,020,260,037	15,834,698,671
Dividend income	27,985,200	27,985,200
Foreign exchange gains	262,302,337	1,315,039,089
	<u>23,310,547,574</u>	<u>17,177,722,960</u>

29 FINANCIAL EXPENSES

	For the three-month period ended	
	31.03.2018	31.03.2017
	VND	VND
Interest expenses	7,546,685,346	4,659,359,294
Foreign exchange losses	1,170,067,759	1,484,775,399
Payment discounts	18,382,440,462	14,228,962,718
Others	73,083,073	43,724,899
	<u>27,172,276,640</u>	<u>20,416,822,310</u>

30 SELLING EXPENSES AND GENERAL & ADMINISTRATIVE EXPENSES**Selling expenses**

	For the three-month period ended	
	31.03.2018	31.03.2017
	VND	VND
Staff costs	77,041,329,243	66,373,246,192
Advertising expenses	25,848,048,754	31,655,790,183

General & administrative expenses

	For the three-month period ended	
	31.03.2018	31.03.2017
	VND	VND
Staff costs	43,364,279,532	58,647,044,909

31 OTHER INCOME AND EXPENSES**Other income**

	For the three-month period ended	
	31.03.2018	31.03.2017
	VND	VND
Gains from disposals of fixed assets and other long-term assets	36,363,636	429,828,284
Sundry income	1,913,570,478	1,365,957,983
	<u>1,949,934,114</u>	<u>1,795,786,267</u>

Other expenses

	For the three-month period ended	
	31.03.2018	31.03.2017
	VND	VND
Depreciation and amortisation	107,205,978	157,445,768
Sundry expenses	711,211,283	53,828,808
	<u>818,417,261</u>	<u>211,274,576</u>

32 COST OF OPERATION BY FACTOR

	For the three-month period ended	
	31.03.2018	31.03.2017
	VND	VND
Raw materials	459,891,519,468	396,653,073,887
Staff costs	182,456,177,053	184,651,257,872
Depreciation and amortisation expenses	22,120,966,005	22,862,477,132
Outside service expenses	40,428,348,392	36,397,598,770
Others	50,007,732,373	59,909,695,374
	<u>754,904,743,291</u>	<u>700,474,103,035</u>

33 CORPORATE INCOME TAX EXPENSES

	For the three-month period ended	
	31.03.2018	31.03.2017
	VND	VND
Net accounting profit before tax	170,776,677,174	172,492,650,693
Tax calculated at the normal tax rate of 20%	34,155,335,435	34,498,530,139
Effect of:		
Impact of negative taxable income	1,335,486,474	-
Impact of non-deductible items (Over-provision)/under-provision in the previous years	1,110,782,069	291,107,363
Income not subject to tax	(5,636,482)	(5,597,040)
Tax incentives	(36,840,626,452)	(35,402,549,239)
Temporary differences of provisions	(172,608,348)	(124,586,082)
Adjustments arising from consolidation	213,984,183	(638,517,351)
Corporate income tax expenses	<u>(203,283,121)</u>	<u>(1,381,612,210)</u>

	For the three-month period ended	
	31.03.2018	31.03.2017
	VND	VND
Charged/(credited) to the income statement		
Corporate income tax - current	1,728,342,553	398,277,780
Corporate income tax - deferred	<u>(1,931,625,674)</u>	<u>(1,779,889,990)</u>
Corporate income tax expenses	<u>(203,283,121)</u>	<u>(1,381,612,210)</u>

Applicable tax rates

According to Circular No. 78/2014/TT-BTC, the standard corporate income tax decreased to 22% since 01 January 2014 and 20% since 01 January 2016.

The Company

According to the Decision No. 3044/QĐ-UBND of the People's Committee of Can Tho City, the Company is required to pay the corporate income tax ("CIT") at a rate of 20% from 2005 to 2014. The Company was exempted from income tax from 2005 to 2006 and received a 50% reduction in income tax from 2007 to 2011 according to Decision No. 3044/QĐ-UBND.

The subsidiaries

Except for DHG Packaging and Printing 1 One Member Limited Company, DHG Pharmaceutical One Member Limited Company, other subsidiaries in the Group have obligations to pay the CIT to the State at the standard rate of taxable profits.

DHG Packaging and Printing 1 One Member Limited Company ("DHG PP1")

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

DHG Pharmaceutical One Member Limited Company ("DHG Pharma Ltd.")

Pursuant to investment certificate No.642041000005 issued by the Management Board of Hau Giang Industrial Zone, DHG Pharma Ltd. has an obligation to pay the CIT at the rate of 10% of taxable profits for 15 years since its operation. The Company was entitled to the CIT exemption for 4 years and 50% CIT reduction for the following 9 years commencing from the first year of making profits. The Company has registered to apply the above tax incentive effective since the financial year 2015.

34 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.

	For the three-month period ended	
	31.03.2018	31.03.2017
	VND	VND
Net profit attributable to shareholders (VND)	171,475,261,265	173,088,699,514
The estimated amount appropriated to bonus and welfare funds (*)	(18,647,526,127)	(17,308,869,951)
	<u>152,827,735,138</u>	<u>155,779,829,563</u>
Weighted average number of ordinary shares currently in circulation (shares)	130,746,071	87,164,330
Basic earnings per share (VND)	1,169	1,787

34 BASIC EARNINGS PER SHARE (cont.)

(*) The estimated amount appropriated to Bonus and welfare funds for the year 2018 is 10%, based on the distribution rate as the plan in the Resolution No. 001/2018/NQ-DHĐCĐ of the General Meeting of Shareholders approved on 28 March 2018.

The Group does not have potentially dilutive ordinary shares.

35 COMMITMENTS**a) Operating lease commitment**

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

	Land lease	
	31.03.2018	31.12.2017
	VND	VND
Within 1 year	1,355,507,096	5,422,028,378
Between 1 to 5 years	21,688,113,512	21,688,113,512
Over 5 years	114,376,215,098	115,731,722,192
	137,419,835,706	142,841,864,082

b) Capital commitment

Capital expenditure approved for at the balance sheet date is as follows:

	31.03.2018	31.12.2017
	VND	VND
Approved but not contracted	18,019,700,004	18,727,173,322
Approved and contracted but not implemented	7,420,319,829	10,326,337,676
	25,440,019,833	29,053,510,998

36 TRANSACTIONS WITH RELATED PARTIES

The largest shareholder of the Company is the State Capital Investment Corporation “SCIC”, which owns 43.31% of the Company's share capital. The SCIC is controlled by the Government of SR Vietnam.

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

	Fiscal period ended	
	31.03.2018	31.03.2017
	VND	VND
<i>Purchases of goods and services</i>		
Associate		
Vinh Hao Algae Processing JSC	395,546,000	401,750,000
<i>Remuneration of key management</i>		
Salary and other benefits	7,255,972,268	5,686,229,417

36 TRANSACTIONS WITH RELATED PARTIES (cont.)

Period/year end balances with related parties

	31.03.2018 VND	31.12.2017 VND
Trade accounts payable		
Vinh Hao Algae Processing JSC – an associate	173,035,600	4,500,000

37 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

a. Non-cash transactions affecting the cash flow statement

	Fiscal period ended	
	31.03.2018 VND	31.03.2017 VND
Appropriation to reserves	225,713,569,577	-
Transferred from construction in progress to tangible fixed assets	14,463,519,361	1,878,553,240
Transferred from construction in progress to intangible fixed assets	60,933,600	2,264,085,000
Transferred from construction in progress to long-term prepaid expenses	-	-
Transferred from construction in progress to tools and supplies	-	-
Transferred from long-term prepaid expenses to intangible fixed assets	-	-
Interest earned and dividends have not been received	15,022,933,346	-

b. Proceeds from borrowings during the period/year

	Fiscal period ended	
	31.03.2018 VND	31.03.2017 VND
Proceeds from borrowings under normal contracts	776,200,000,000	559,547,565,946

c. Repayments of borrowings during the period/year

	Fiscal period ended	
	31.03.2018 VND	31.03.2017 VND
Repayments of borrowings under normal contracts	564,400,000,000	656,638,494,553

Ngo Thi Hong Dao
Preparer

Ho Buu Huan
Chief Accountant

Le Chanh Dao
Deputy General Director
18 April 2018