

DHG PHARMACEUTICAL JOINT STOCK COMPANY

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR FISCAL PERIOD ENDED MARCH 31, 2017**

DHG PHARMACEUTICAL JOINT STOCK COMPANY

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DHG PHARMACEUTICAL JOINT STOCK COMPANY

CORPORATE INFORMATION

Establishment Decision No. 2405/QD-CT.UB dated August 05, 2004
issued by the People's Committee of Can Tho City.

Business Registration Certificate No. 5703000111 5703000111 dated September 15, 2004 issued by the
Planning and Investment Department of Can Tho City.

The Business Registration Certificate has been amended several times and its latest
amendment No. 1800156801 dated July 29, 2016 was issued by the Planning and
Investment Department of Can Tho City.

Board of Directors	Mr. Hoang Nguyen Hoc	Chairman
	Mr. Le Dinh Buu Tri	Deputy Chairman
	Mrs. Pham Thi Viet Nga	Member
	Mr. Doan Dinh Duy Khuong	Member
	Mr. Tran Chi Liem	Member
	Mr. Jun Kuroda	Member
	Mr. Shuhei Tabata	Member (dismiss on March 24, 2017)

Board of Management	Mrs. Pham Thi Viet Nga	General Director
	Mr. Le Chanh Dao	Deputy General Director
	Mr. Doan Dinh Duy Khuong	Deputy General Director
	Mrs. Nguyen Ngoc Diep	Deputy General Director

Supervisory Board	Mr. Tran Quoc Hung	Head of the Board
	Mrs. Nguyen Phuong Thao	Member
	Mr. Dinh Duc Minh	Member

Legal representative	Mrs. Pham Thi Viet Nga	General Director
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Headquarter 288 Bis Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District, Can Tho City, Vietnam

CONSOLIDATED INTERIM BALANCE SHEET

Code	Note	As at 03.31.2017 VND	As at 12.31.2016 VND
100	ASSETS		
100	CURRENT ASSETS	2,661,155,604,439	2,747,174,092,202
110	Cash and cash equivalents	322,709,672,440	603,188,961,343
111	Cash	93,492,504,004	270,265,069,467
112	Cash equivalents	229,217,168,436	332,923,891,876
120	Short-term investments	907,041,000,000	703,731,000,000
123	Held-to-maturity investments	907,041,000,000	703,731,000,000
130	Short-term receivables	688,847,071,577	692,280,925,032
131	Short-term trade receivables	583,833,213,295	622,748,103,096
132	Short-term advances to suppliers	30,247,825,198	23,277,764,848
135	Short-term loans receivables	50,868,691,143	34,213,970,916
136	Other short-term receivables	38,235,586,579	25,533,168,273
137	Provision for short-term doubtful debts	(14,338,244,638)	(13,492,082,101)
140	Inventories	722,569,838,553	732,860,670,514
141	Inventories	724,266,251,318	734,557,083,279
149	Provision for devaluation of inventories	(1,696,412,765)	(1,696,412,765)
150	Other current assets	19,988,021,869	15,112,535,313
151	Short-term prepayments	7,438,943,978	4,212,568,934
152	Value added tax deductibles	798,222,354	699,572,826
153	Taxes and other payables to State Budget	11,750,855,537	10,200,393,553
200	NON-CURRENT ASSETS	1,193,904,737,064	1,198,569,602,879
210	Long-term receivables	10,323,661,731	5,099,472,109
215	Long-term loans receivables	10,323,661,731	5,099,472,109
220	Fixed assets	1,082,664,338,417	1,103,242,478,314
221	Tangible fixed assets	819,768,428,902	841,277,798,603
222	<i>Original cost</i>	1,347,511,037,945	1,356,622,733,187
223	<i>Accumulated depreciation</i>	(527,742,609,043)	(515,344,934,584)
227	Intangible fixed assets	262,895,909,515	261,964,679,711
228	<i>Original cost</i>	286,776,737,922	284,512,652,922
229	<i>Accumulated amortization</i>	(23,880,828,407)	(22,547,973,211)
240	Long-term assets in progress	24,331,286,974	16,652,207,601
242	Cost of work in progress	24,331,286,974	16,652,207,601
250	Long-term financial investments	15,744,151,251	15,744,151,251
252	Investments in associates	4,335,981,051	4,335,981,051
253	Investments in equity of other entities	27,908,170,200	27,908,170,200
254	Provision for impairment of long-term financial investments	(16,500,000,000)	(16,500,000,000)
260	Other non-current assets	60,841,298,691	57,831,293,604
261	Long-term prepaid expenses	23,990,118,275	22,760,003,178
262	Deferred income tax assets	36,851,180,416	35,071,290,426
270	TOTAL ASSETS	3,855,060,341,503	3,945,743,695,081

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 01 – DN/HN

CONSOLIDATED INTERIM BALANCE SHEET (cont.)

Code		Note	As at 03.31.2017 VND	As at 12.31.2016 VND
	RESOURCES			
300	LIABILITIES		786,946,976,221	1,051,504,592,702
310	Short-term liabilities		724,473,230,470	993,904,178,070
311	Short-term trade payables	16	253,326,553,513	291,703,470,691
312	Short-term advances from customers		11,829,579,754	17,652,215,300
313	Taxes and other payables to the State Budget	11	13,166,865,610	23,399,915,284
314	Payables to employees		72,096,668,634	170,798,955,402
315	Short-term accrued expenses	17	50,636,888,365	29,959,680,555
318	Short-term unearned revenue	18	19,204,877,135	31,687,812,617
319	Other short-term payables	19	8,533,251,868	6,558,475,458
320	Short-term borrowings	20	257,674,499,856	354,765,428,463
322	Bonus and welfare fund	21	38,004,045,735	67,378,224,300
330	Long-term liabilities		62,473,745,751	57,600,414,632
342	Provision for long-term payables	22	34,094,711,795	33,379,107,808
343	Science and technology development fund	23	28,379,033,956	24,221,306,824
400	OWNERS' EQUITY		3,068,113,365,282	2,894,239,102,379
410	Owners' equity		3,068,113,365,282	2,894,239,102,379
411	Owner's contributed capital	24	871,643,300,000	871,643,300,000
411a	- Common shares with voting rights		871,643,300,000	871,643,300,000
412	Capital surplus	24	6,778,948,000	6,778,948,000
418	Investment and development fund	24	1,220,561,708,767	1,220,561,708,767
421	Undistributed profit after tax	24	934,183,596,263	761,094,896,749
421a	- Undistributed profit after tax brought forward		761,094,896,749	50,993,468,583
421b	- Undistributed profit after tax for the current period		173,088,699,514	710,101,428,166
429	Minority interest	25	34,945,812,252	34,160,248,863
440	TOTAL RESOURCES		3,855,060,341,503	3,945,743,695,081

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant

Le Chanh Dao
Deputy General Director
April 15, 2017

CONSOLIDATED INTERIM INCOME STATEMENT

Code	Note	For 3-month period	For 3-month period	
		ended 03.31.2017 VND	ended 03.31.2016 VND	
01	Gross revenue from goods and services rendered	27	955,942,491,028	877,989,143,616
02	Deductions	27	73,575,084,597	62,576,377,252
10	Net revenue from goods and services rendered	27	882,367,406,431	815,412,766,364
11	Cost of goods sold	28	486,663,711,449	447,111,530,117
20	Gross profit		395,703,694,982	368,301,236,247
21	Financial income	29	17,177,722,960	12,576,179,085
22	Financial expenses	30	20,416,822,310	17,497,990,060
23	<i>In which: Interest expense</i>		4,659,359,294	2,619,858,691
24	Profit/loss from investment to associates	5	-	-
25	Selling expenses	31	142,693,874,265	128,296,550,115
26	General administration expenses	31	78,862,582,365	74,401,028,844
30	Operating profit		170,908,139,002	160,681,846,313
31	Other income	32	1,795,786,267	12,178,009,479
32	Other expenses	33	211,274,576	2,065,863,601
40	Profit from other activities		1,584,511,691	10,112,145,878
50	Profit before tax (PAT)		172,492,650,693	170,793,992,191
51	Current corporate income tax expenses	35	398,277,780	19,803,660,090
52	Deferred income tax expenses	35	(1,779,889,990)	(1,151,178,277)
60	Profit after corporate income tax		173,874,262,903	152,141,510,378
	Allocated for:			
61	PAT of parent company		173,088,699,514	151,497,420,791
62	PAT of non-controlling interest	25	785,563,389	644,089,587
70	Basic earnings per share (VND)	36	1,787	1,568

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant

Le Chanh Dao
Deputy General Director
April 15, 2017

DHG PHARMACEUTICAL JOINT STOCK COMPANY

NOTE

DHG Pharmaceutical Joint-Stock Company explains the fluctuations in profits after tax of Q1/2017 compared to the same period last year as follows:

Unit: million VND

Target	2017	2016	Increase, Decrease	
	Q1	Q1	Q1	
			Value	%
Net sales	882,367	815,413	66,955	8.21%
Profit after tax	173,874	152,142	21,733	14.28%

Profit after tax in Q1/2017 increased 14.28% over the same period, mainly because:

DHG received the preferential corporate income tax at the new plant (DHG Pharmaceutical One Member Limited Company) and the new packaging plant (DHG Packaging and Printing 1 One Member Limited Company). The total amount of corporate income tax incentives in the Q1/2017 is 35.4 billion VND (Q1/2016 is 16.56 billion VND), resulted in an increase in profit after tax.

DHG Pharmaceutical Joint-Stock Company kindly explains.

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant

Le Chanh Dao
Deputy General Director
April 15, 2017

CONSOLIDATED INTERIM CASH FLOW STATEMENT
(Indirect method)

Code	Note	For fiscal period ended	
		03.31.2017 VND	03.31.2016 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01		172,492,650,693	170,793,992,191
	Profit before tax		
	Adjustments for:		
02	Depreciation of fixed assets	22,946,096,585	23,820,025,270
03	Provisions	2,435,141,606	892,194,229
05	Gain from investing activities	(16,292,512,155)	(13,685,366,671)
06	Interest expenses	4,659,359,294	2,619,858,691
30			
08	Operating profit before movements in working capital	186,240,736,023	184,440,703,710
09	Decrease in receivables	44,511,036,921	41,701,254,565
10	Decrease in inventories	10,454,247,171	9,293,814,314
11	(Decrease)/ Increase in payables	(127,209,106,280)	15,585,336,327
12	(Increase)/ Decrease in prepaid expenses	(4,463,943,894)	6,346,182,093
14	Interest paid	(4,691,606,542)	(2,771,250,640)
15	Corporate income tax paid	(9,996,139,762)	(16,295,483,874)
17	Other cash outflows	(30,066,937,518)	(27,418,202,992)
20	Net cash generated by operating activities	64,778,286,119	210,882,353,503
CASH FLOWS FROM INVESTING ACTIVITIES			
21	Acquisition and construction of fixed assets and other long-term assets	(12,535,345,902)	(20,701,263,656)
22	Proceeds from sales, disposal of fixed assets and other long-term assets	641,318,181	2,907,632,727
23	Payments for investments in other entities	(642,182,102,796)	(483,811,110,000)
24	Collection of loans granted to other entities	386,987,469,923	179,352,023,522
27	Interest, dividends and profits received	18,922,014,179	8,716,242,946
30	Net cash outflows from investing activities	(248,166,646,415)	(313,536,474,461)
CASH FLOWS FROM FINANCING ACTIVITIES			
33	Proceeds from borrowings	559,547,565,946	105,511,819,889
34	Repayments of borrowings	(656,638,494,553)	(191,509,064,194)
40	Net cash outflows from financing activities	(97,090,928,607)	(85,997,244,305)
50	Net cash flow during the period/year	(280,479,288,903)	(188,651,365,263)
60	Cash and cash equivalents at the beginning of period/year	603,188,961,343	420,712,811,918
4			
61	Impacts of exchange rate fluctuations		
70	Cash and cash equivalents at end of period/year	322,709,672,440	232,061,446,655
4			

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant

Le Chanh Dao
Deputy General Director
April 15, 2017

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR FISCAL PERIOD ENDED MARCH 31, 2017**

1. GENERAL INFORMATION

Structure of ownership

On September 02, 2004, DHG Pharmaceutical Joint Stock Company officially came into operation in accordance with Decision No. 2405/QĐ-CT.UB dated August 05, 2004 of the People's Committee of Can Tho City about the transformation of Hau Giang Pharmaceutical United Factory into a joint stock company operating in The Socialist Republic of Vietnam in accordance with Business Registration Certificate No. 5703000111 dated September 15, 2004 issued by the Planning and Investment Department of Can Tho City, the initial charter capital is 80,000,000,000 VND.

Shares of the Company was approved to be listed in Ho Chi Minh City Stock Exchange on December 01, 2006 under the stock listing License No. 93/UBCK-GPNY of the State Securities Commission, with "DHG" ticker.

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

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

As at March 31, 2017, the Group had 3,012 employees (as at December 31, 2016: 2,944 employees).

Business line and principal activities

The main business line of the Company and subsidiaries are production, trading of pharmaceuticals, and providing travel services.

The main principal activities of the Company and subsidiaries are to manufacture and trade pharmaceuticals, medical supplies and equipment, dietary supplements and cosmeceuticals; provide travel services.

Corporate structure

As at March 31, 2017, the Company's subsidiaries and associates were as following:

Name	Principal activities	Business Registration Certificate	Ownership and voting rights	
			03.31.2017	12.31.2016
Subsidiaries:				
DT Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical supplies and equipment, dietary supplements and cosmeceuticals	No. 5104000057 issued by the Planning and Investment Department of Dong Thap province on August 28, 2008	100%	100%
HT Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical supplies and equipment, dietary supplements and cosmeceuticals	No. 5604000048 issued by the Planning and Investment Department of Kien Giang province on May 16, 2008	100%	100%
CM Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical supplies and equipment, dietary supplements and cosmeceuticals	No. 6104000035 issued by the Planning and Investment Department of Ca Mau province on April 08, 2008	100%	100%

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 09 – DN/HN

1 GENERAL INFORMATION (cont.)

Name of subsidiaries (cont.)	Principal activities	Business Registration Certificate	Ownership and voting rights	
			03.31.2017	12.31.2016
A&G Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical supplies and equipment, dietary supplements and cosmeceuticals	No. 1601171629 issued by the Planning and Investment Department of An Giang province on June 17, 2009	100%	100%
ST Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical supplies and equipment, dietary supplements and cosmeceuticals	No. 5904000064 issued by the Planning and Investment Department of Soc Trang province on April 11, 2008	100%	100%
TOT Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical supplies and equipment, dietary supplements and cosmeceuticals	No. 1801113085 issued by the Planning and Investment Department of Can Tho City on February 25, 2009	100%	100%
TG Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical supplies and equipment, dietary supplements and cosmeceuticals	No. 1200975943 issued by the Planning and Investment Department of Tien Giang province on February 25, 2009	100%	100%
Bali Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical supplies and equipment, dietary supplements and cosmeceuticals	No. 1900455594 issued by the Planning and Investment Department of Bac Lieu Province on March 29, 2011	100%	100%
B&T Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical supplies and equipment, dietary supplements and cosmeceuticals	No. 1300917335 issued by the Planning and Investment Department of Ben Tre Province on October 05, 2012	100%	100%
TVP Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical supplies and equipment, dietary supplements and cosmeceuticals	No. 2100510569 issued by the Planning and Investment Department of Tra Vinh Province on October 19, 2012	100%	100%
VL Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical supplies and equipment, dietary supplements and cosmeceuticals	No. 1500971019 issued by the Planning and Investment Department of Vinh Long Province on December 19, 2012	100%	100%
Song Hau Pharmceutical Joint-Stock Company	Trade pharmaceuticals, medical supplies and equipment, dietary supplements and cosmeceuticals	No. 6403000044 issued by the Planning and Investment Department of Hau Giang province on July 20, 2007	51%	51%

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Name of subsidiaries (cont.)	Principal activities	Business Registration Certificate	Ownership and voting rights	
			03.31.2017	12.31.2016
DHG Travel One Member Limited Company	Travel services	No. 5704000134 issued by the Planning and Investment Department of Can Tho City on December 26, 2007	100%	100%
DHG Pharmaceutical One member Limited Company	Production and trading in pharmaceuticals, medical supplies and equipment, dietary supplements and cosmeceuticals	No. 6300124430 issued by the Planning and Investment Department of Hau Giang province on August 16, 2010	100%	100%
DHG Packaging and Printing 1 One Member Limited Company	Produce label, packaging from paper and cover; Manufacture and trade plastic, aluminium, paper; provide printing services	No. 6300215818 issued by the Planning and Investment Department of Hau Giang province on September 28, 2012	100%	100%
Fuji Medic Company Ltd.	Operation of polyclinics, specialized and dental clinics	No. 1801472944 issued by the Planning and Investment Department of Can Tho City on July 27, 2016	51%	51%
Associate: Vinh Hao Algae Processing Joint Stock Company	Manufacture and trade spirulina algae	No. 4803000150 issued by the Planning and Investment Department of Binh Thuan Province on February 04, 2008	31.36%	31.36%

(*) On October 03, 2016, the Board of Directors approved the change in operating model of 11 subsidiaries into branches under the parent company, included:

- Approved the dissolution of 11 subsidiaries.
 - Approved the establishment of 11 branches under the parent company to receive the transfer of all subsidiary activities after the dissolution.
 - Time to close the book was December 31, 2016. Since January 01, 2017, those companies will operate as a branch of the parent company.
- At the release date of this statements, the Company is still proceeding with procedures for the dissolution of 11 subsidiaries.

Normal production and business cycle

The Group's normal production and business cycle is carried out for for a time period of 12 months or less.

2 BASIS OF PREPARATION OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND FISCAL YEAR

Basis of preparation of consolidated interim financial statements

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

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

Fiscal year

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Estimated accounting

The preparation of consolidated interim financial statements in conformity with accounting standards, accounting system of Vietnamese enterprises and legal regulations relating to financial reporting requires the Board of Management to make estimates and assumptions that affect the reported amounts of liabilities, assets and disclosures of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the financial year. Although these accounting estimates are based on the Board of Management' best knowledge, actual results may differ from those estimates.

Basis of preparation of consolidated interim financial statements

Consolidated interim financial statements include the financial statements of the Company and the financial statements of companies controlled by the Company (its subsidiaries). This control is achieved where the Company has the ability to control the financial and operating policies of the investee companies to obtain benefits from the activities of these companies.

Business operating results of subsidiaries acquired or disposed of during the period are presented in the consolidated income statement from the date of acquisition or up to the date of sale of the investment in that subsidiary.

The financial statements of subsidiaries are adjusted so that the accounting policies applied by the Parent Company and its subsidiaries are the same.

All transactions and balances between companies within the Group are eliminated on consolidation of financial statements.

The interests of non-controlling shareholders in the net assets of consolidated subsidiaries are identified as a target separately from the equity portion of the shareholders of the parent company. Benefits of non-controlling shareholders include the value of the non-controlling shareholders' interests at the date of the original business combination (for details see the content shown below) and the benefits of non-controlling shareholders in the movement of total equity from the date of a business combination. The losses incurred in subsidiaries must be allocated in proportion to the ownership of non-controlling shareholders, even in the case of a larger amount of losses compared to the share of non-controlling shareholders in the net assets of the subsidiary.

Business combination

Assets, liabilities and contingent liabilities of the subsidiaries are measured at the fair value at the date of acquisition. Any additional amounts of the cost of acquisition above the fair value of the total assets acquired is recorded as goodwill. Any deficiency of the cost of acquisition and the fair value of the total assets acquired is recognized in the results of operations in the accounting period in which the acquisition activity incurred.

The interests of non-controlling shareholders at the date of business combination is initially determined based on the ratio of non-controlling shareholders in the total recognized fair value of the assets, liabilities and contingent liabilities.

Investment in associates

An associate is an entity in which the Company has significant influence but is not a subsidiary or joint venture of the Company. Significant influence is the power to participate in the the financial and operating policies of the investee but not control or joint control of these policies.

The operating results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Interests in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized.

In case a group entity transacts with an associate of the Company, unrealized profits / losses attributable to the equity of the Company in an associate are eliminated from the consolidated financial statements.

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.

Financial Investments***Held-to-maturity investments***

Held-to-maturity investments comprise investments that the Board of Management has the positive intent or ability to hold to maturity.

Held-to-maturity investments include term deposits with a remaining maturity term not exceeding 12 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 provisions. Provisions relating to loan receivables of the Group 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 in value of these investments is made when the entities made losses, except for loss that was anticipated in their business plan before the date of investment.

Receivables

Receivables represent the amounts recoverable from customers or other debtors. They 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 unable to repay the debt due to dissolution, in bankruptcy or any similar difficulties.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories comprises purchasing cost and other directly attributable expenses. In the case of manufactured products, cost comprises direct material costs, 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.

Provision for devaluation of inventories of the Company is made in accordance with the current accounting regulations. Accordingly, the Company is entitled to make provision for obsolete, damaged, 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 - 25
Machinery and equipment	1.5 - 20
Motor vehicles	3 - 10
Office equipment	3 - 10

Loss or gain resulting from sales and disposals of tangible fixed assets is the difference between proceeds from sales or disposals of assets and their remainder price and is recognized in the income statement.

Lease

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

Intangible assets and amortization

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

Definite land use rights are amortised using the straight-line method over the terms indicated in the land use right certificate. Indefinite land use rights are carried at cost and not amortized under prevailing regulations.

Computer software is amortized using the straight-line method over its useful life from 3 to 8 years.

Construction in progress

Properties under construction for production, rental or administrative purposes or for other purposes, are carried at cost. This cost includes costs that are necessary to form the assets in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready to use.

Prepayments

Prepayments are expenses which have already been paid but relate to results of operations of multiple accounting periods. Prepayments comprise leasehold improvement expenses, land rentals, costs of small tools, supplies and spare parts issued for consumption and other prepayment expenses.

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

Other are capitalized as prepayments and are amortized to the consolidated income statement using the straight-line method in accordance with the current accounting regulations.

Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the 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 consolidated balance sheet date.

Severance allowance payable

The severance allowance for employees is accrued at the end of each reporting year for all employees having worked at the Group for full 12 months and above. Working time serving as the basis for calculating severance allowance shall be the total actual working time subtracting the time when the employees have made unemployment insurance contributions as prescribed by law, and the working time when severance allowance has been paid to the employees. The allowance made for each year of service equals to a half of an average monthly salary under the Vietnamese Labour Code, Social Insurance Code and relevant guiding documents. The average monthly salary used for calculation of severance allowance shall be adjusted to be the average of the 6 consecutive months nearest to the date of the financial statements. The increase or decrease in the accrued amount shall be recorded in the consolidated income statement.

Provision for dismantling and restoration costs

In accordance with Circular 200/2014/TT-BTC issued by Ministry of Finance, since January 01, 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 January 01, 2015 to the time of returning the premises or land.

Unearned revenue

Unearned revenue represents the fair value of goods and services provided to customers for free or at discount in the customer loyalty programs. Unearned revenue is recognized for the portion of obligation that the Group has not yet fulfilled to customers.

Revenue recognition

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

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

Revenue of a transaction involving the rendering of services is recognized when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several periods, revenue is recognized in each period by reference to the percentage of completion of the transaction at the consolidated balance sheet date. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

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

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate.

Dividend income from investments is recognized when the Group's right to receive payment has been established.

Sales deductions

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

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

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 gross revenue from goods and services rendered.

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 that corresponds to the fair value of the goods or services provided for free or discounted to the customers, is realized into gross revenue from goods and services 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 revenue from goods and services at the time that third party provides the free or discounted goods and services to customers. If the Group acts as an agent of the third party, the Group recognizes revenue for the difference between the unearned revenue amount and the amount payable to the third party for providing such free or discounted goods and services to customers. The amount paid to the third party is treated as the payment of the liability.

Foreign currencies

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognised in the income statement.

Borrowing costs

Borrowing costs are recognized in the income statement in the year 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 profit for the year. Taxable profit differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognized on significant differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit 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 profit 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 year when the asset realized or the liability is settled. Deferred tax is charged or credited to the 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 after approval by shareholders at the Company's Annual General Meeting

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

4 CASH AND CASH EQUIVALENTS

	03.31.2017 VND	12.31.2016 VND
Cash	12,035,534,490	17,132,249,688
Cash in banks	81,456,969,514	253,132,819,779
Cash equivalents (*)	229,217,168,436	332,923,891,876
	322,709,672,440	603,188,961,343

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

5 SHORT-TERM FINANCIAL INVESTMENTS

Held-to-maturity investments

Investments held to maturity include bank deposits with an original maturity period of 3 months to 12 months.

Investments in associate

	03.31.2017 VND	12.31.2016 VND
Vinh Hao Algae Processing Joint Stock Company	4,335,981,051	4,335,981,051

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

	Fiscal period ended 03.31.2017 VND	Fiscal year ended 12.31.2016 VND
Opening balance	4,335,981,051	4,523,885,342
Share of losses	-	(187,904,291)
Closing balance	<u>4,335,981,051</u>	<u>4,335,981,051</u>

Equity investments in other entities

	03.31.2017 VND	12.31.2016 VND
ATP Packaging Joint Stock Company	20,000,000,000	20,000,000,000
Binh Duong Pharmaceutical & Medical Equipment Joint Stock Company	4,286,800,000	4,286,800,000
Tra Vinh Pharmaceutical Joint Stock Company	2,575,315,200	2,575,315,200
Ninh Thuan Pharmaceutical & Medical Equipment Joint Stock Company	796,675,000	796,675,000
Tay Ninh Pharmaceutical Joint Stock Company	221,960,000	221,960,000
Cuu Long Pharmaceutical Joint Stock Company	27,420,000	27,420,000
	<u>27,908,170,200</u>	<u>27,908,170,200</u>

Provision balance as at March 31, 2017 and December 31, 2016 represents the provision for impairment in value of the investment in ATP Packaging Joint Stock Company.

6 SHORT-TERM TRADE RECEIVABLES

As at March 31, 2017 and December 31, 2016, short-term trade receivables only included receivables from the third parties; and there were no single short-term trade receivables accounting for 10% or more of total trade receivables.

7 OTHER SHORT-TERM RECEIVABLES

	03.31.2017 Value VND	12.31.2016 Value VND
Prepaid trade discounts	280,656,981	197,969,103
Interest income receivable	12,529,236,114	15,588,566,422
Receivables from employees	3,847,676,490	1,837,560,698
Other receivables	21,578,016,994	7,909,072,050
	<u>38,235,586,579</u>	<u>25,533,168,273</u>

8 BAD DEBTS

	03.31.2017		
	Cost VND	Recoverable value VND	Provision VND
The total value of receivables and loans that are overdue or not overdue but it is unlikely to recover	226,559,426,393	212,221,181,755	(14,338,244,638)

DHG PHARMACEUTICAL JOINT STOCK COMPANY

	12.31.2016		
	Cost VND	Recoverable value VND	Provision VND
The total value of receivables and loans that are overdue or not overdue but it is unlikely to recover	157,309,867,394	143,817,785,293	(13,492,082,101)

As at March 31, 2017 and December 31, 2016, there was no single receivable accounting for 10% or more of total receivables past due.

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

	Fiscal period ended 03.31.2017 VND	Fiscal year ended 12.31.2016 VND
Opening balance	13,492,082,101	10,987,369,519
Increase in the period/year	846,162,537	2,695,803,165
Reverse in the period/year	-	(191,090,583)
Closing balance	<u>14,338,244,638</u>	<u>13,492,082,101</u>

9 INVENTORIES

	03.31.2017		12.31.2016	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	48,810,855,800		60,597,811,325	
Raw materials	263,887,295,568		235,989,641,851	
Work in progress	60,959,347,698		32,650,192,227	
Finished goods	253,138,641,922	1,348,938,937	259,215,081,061	1,348,938,937
Merchandises	97,470,110,330	347,473,828	146,104,356,815	347,473,828
	<u>724,266,251,318</u>	<u>1,696,412,765</u>	<u>734,557,083,279</u>	<u>1,696,412,765</u>

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

	Fiscal period ended 03.31.2017 VND	Fiscal year ended 12.31.2016 VND
Opening balance	1,696,412,765	3,011,372,184
Increase	-	-
Reverse	-	(1,314,959,419)
Closing balance	<u>1,696,412,765</u>	<u>1,696,412,765</u>

Provision for devaluation of inventories is established by original cost of inventories higher than net realizable value of inventories.

10 Prepayments**Short-term prepayments**

	03.31.2017	12.31.2016
	VND	VND
Operating lease expenses	4,308,327,559	30,818,180
Others	3,130,616,419	4,181,750,754
	<u>7,438,943,978</u>	<u>4,212,568,934</u>

Prepayments with term not exceeding 12 months from the time of prepayment.

Long-term prepayments

	03.31.2017	12.31.2016
	VND	VND
Prepaid land rental	10,972,489,928	11,059,114,850
Tools and supplies	7,193,519,977	6,810,300,852
Leasehold improvements	444,918,185	111,109,236
Other expenses	5,379,190,185	4,779,478,240
	<u>23,990,118,275</u>	<u>22,760,003,178</u>

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

Receivables

	<u>Opening balance</u>	<u>Payable during the period/year</u>	<u>Other decreases in the period/year</u>	<u>Paid during the period/year</u>	<u>Closing balance</u>
VAT on domestic sales	2,959,709,577	10,624,866,303	-	10,905,457,296	3,240,300,570
VAT on imports	9,120,020	10,384,920,326	-	11,031,321,114	655,520,808
Import export tax	696,183,652	3,062,790,243	-	3,387,497,930	1,020,891,339
Corporate income tax	5,831,969,421	(164,263,372)	-	205,440,579	6,201,673,372
Personal income tax	703,410,883	193,486,427	-	122,544,992	632,469,448
Total	<u>10,200,393,553</u>	<u>24,101,799,927</u>	<u>-</u>	<u>25,652,261,911</u>	<u>11,750,855,537</u>

Payables

VAT on domestic sales	10,177,734,622	2,324,268,804	-	9,323,417,619	3,178,585,807
Corporate income tax	9,890,547,894	562,541,152	-	9,790,699,183	662,389,863
Personal income tax	3,331,632,768	26,842,082,613	44,919,000	26,170,950,089	3,957,846,292
Land lease, land tax	-	5,590,404,882	-	222,361,234	5,368,043,648
Other taxes	-	82,101,000	-	82,101,000	-
Total	<u>23,399,915,284</u>	<u>35,401,398,451</u>	<u>44,919,000</u>	<u>45,589,529,125</u>	<u>13,166,865,610</u>

DHG PHARMACEUTICAL JOINT STOCK COMPANY

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12 TANGIBLE FIXED ASSETS

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
Cost					
As at January 01, 2017	520,491,998,475	584,082,620,408	176,090,376,226	75,957,738,078	1,356,622,733,187
Purchase in the period/year	-	713,628,289	-	-	713,628,289
Transfers from construction in progress (note 14)	121,946,546	1,326,917,145	63,283,560	366,405,989	1,878,553,240
Disposals	-	(6,362,125,492)	(580,939,374)	(1,925,085,672)	(8,868,150,538)
Reclassified to tools and supplies	-	(548,900,000)	-	(1,904,914,233)	(2,453,814,233)
Written-off	-	-	(381,912,000)	-	(381,912,000)
As at March 31, 2017	<u>520,613,945,021</u>	<u>579,212,140,350</u>	<u>175,190,808,412</u>	<u>72,494,144,162</u>	<u>1,347,511,037,945</u>
Accumulated depreciation					
As at January 01, 2017	126,281,350,476	234,752,559,219	98,531,254,030	55,779,770,859	515,344,934,584
Depreciation for the period/year	7,492,163,833	11,117,744,691	3,479,841,994	1,636,895,605	23,726,646,123
Disposals	-	(6,362,125,492)	(369,449,477)	(1,925,085,672)	(8,656,660,641)
Reclassified to tools and supplies	-	(441,288,936)	-	(1,849,110,087)	(2,290,399,023)
Written-off	-	-	(381,912,000)	-	(381,912,000)
As at March 31, 2017	<u>133,773,514,309</u>	<u>239,066,889,482</u>	<u>101,259,734,547</u>	<u>53,642,470,705</u>	<u>527,742,609,043</u>
Net book value					
As at January 01, 2017	<u>394,210,647,999</u>	<u>349,330,061,189</u>	<u>77,559,122,196</u>	<u>20,177,967,219</u>	<u>841,277,798,603</u>
As at March 31, 2017	<u>386,840,430,712</u>	<u>340,861,746,261</u>	<u>73,931,073,865</u>	<u>18,135,178,064</u>	<u>819,768,428,902</u>

The cost of tangible fixed assets of the Group have been fully depreciated and still in use as at March 31, 2017 is 150,398 million VND (As at December 31, 2016: 152,963 million VND).

13 INTANGIBLE FIXED ASSETS

	Land use rights with indefinite term VND	Land use rights with definite term VND	Computer Software VND	Total VND
Cost				
As at January 01, 2017	113,033,150,046	158,390,565,071	13,088,937,805	284,512,652,922
Transfers from construction in progress (note 14)	-	-	2,264,085,000	2,264,085,000
Disposals	-	-	-	-
As at March 31, 2017	<u>113,033,150,046</u>	<u>158,390,565,071</u>	<u>15,353,022,805</u>	<u>286,776,737,922</u>
Accumulated amortization				
As at January 01, 2017	-	15,399,463,694	7,148,509,517	22,547,973,211
Amortization in the period/year	-	825,838,485	507,016,711	1,332,855,196
Disposals	-	-	-	-
As at March 31, 2017	<u>-</u>	<u>16,225,302,179</u>	<u>7,655,526,228</u>	<u>23,880,828,407</u>
Net book value				
As at January 01, 2017	<u>113,033,150,046</u>	<u>142,991,101,377</u>	<u>5,940,428,288</u>	<u>261,964,679,711</u>
As at March 31, 2017	<u>113,033,150,046</u>	<u>142,165,262,892</u>	<u>7,697,496,577</u>	<u>262,895,909,515</u>

The historical cost of intangible fixed assets of the Group have been fully depreciated and still in use as at March 31, 2017 is 2,917 million VND (at December 31, 2016: 2,917 million VND)

14 CONSTRUCTION IN PROGRESS

	03.31.2017 VND	12.31.2016 VND
Construction of effervescent tablets plant	8,023,712,118	6,267,835,000
Office construction and ancillary structure of DHG Pharmaceutical One member Limited Company	9,077,729,978	2,141,843,739
Construction of Gia Lai branch office	623,948,774	623,948,774
Construction of Thai Nguyen branch office	-	11,818,182
Medical equipment for clinics	6,605,896,104	7,606,761,906
	<u>24,331,286,974</u>	<u>16,652,207,601</u>

Movement in costs of construction in progress in the period/year

	Fiscal period ended 03.31.2017 VND	Fiscal year ended 12.31.2016 VND
Opening balance	16,652,207,601	15,722,551,016
Purchase	11,821,717,613	117,586,401,529
Transfer to tangible fixed assets (Note 12)	(1,878,553,240)	(109,839,029,974)
Transfer to intangible fixed assets (Note 13)	(2,264,085,000)	(6,205,435,000)
Transfer to long-term prepaid expenses	-	(23,886,000)
Transfer to tools & equipment	-	(496,913,970)
Written-off	-	(91,480,000)
Closing balance	<u>24,331,286,974</u>	<u>16,652,207,601</u>

15 DEFERRED TAX ASSETS

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

16 SHORT-TERM TRADE PAYABLES

As at March 31, 2017 and December 31, 2016, the Group did not have any short-term trade payables past due.

Details for each subject account for 10% or more of total payables:

	Value	03.31.2017 Amount able to be paid off	Value	12.31.2016 Amount able to be paid off
	VND	VND	VND	VND
Truong Tin Pharmaceutical Limited Company	37,536,615,315	37,536,615,315	56,484,958,549	56,484,958,549
Mega Lifescience Limited Company (VN)	25,768,717,696	25,768,717,696	26,633,640,634	26,633,640,634
Nomura Trading Co.,Ltd	41,230,107,500	41,230,107,500	46,661,401,500	46,661,401,500
Others	148,791,113,002	148,791,113,002	161,923,470,008	161,923,470,008
	<u>253,326,553,513</u>	<u>253,326,553,513</u>	<u>291,703,470,691</u>	<u>291,703,470,691</u>

17 SHORT-TERM ACCRUED EXPENSES

	03.31.2017 VND	12.31.2016 VND
Marketing and customer care expenses	23,403,415,564	2,984,753,722
Interest payable	556,887,501	589,134,749
Seminar expenses	1,815,709,380	12,058,228
Others	24,860,875,920	26,373,733,856
	<u>50,636,888,365</u>	<u>29,959,680,555</u>

18 SHORT-TERM UNEARNED REVENUE

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

19 OTHER SHORT TERM PAYABLES

	03.31.2017 VND	12.31.2016 VND
Insurance and union fee	1,602,807,433	988,977,577
Others	6,930,444,435	5,569,497,881
	<u>8,533,251,868</u>	<u>6,558,475,458</u>

20 SHORT-TERM LOANS

	Value VND	03.31.2017 Amount able to be paid off VND	Value VND	12.31.2016 Amount able to be paid off VND
Bank loans	226,500,000,000	226,500,000,000	323,700,000,000	323,700,000,000
Others	31,174,499,856	31,174,499,856	31,065,428,463	31,065,428,463
	<u>257,674,499,856</u>	<u>257,674,499,856</u>	<u>354,765,428,463</u>	<u>354,765,428,463</u>

Movements in short-term loans in the period/year as follows:

	As at 01.01.2017 VND	Increase VND	Decrease VND	As at 03.31.2017 VND
Bank loans (*)	323,700,000,000	557,800,000,000	(655,000,000,000)	226,500,000,000
Others (**)	31,065,428,463	1,747,565,946	(1,638,494,553)	31,174,499,856
	<u>354,765,428,463</u>	<u>559,547,565,946</u>	<u>(656,638,494,553)</u>	<u>257,674,499,856</u>

(*) These loans have interest at 0.32% to 0.42% per month (in 2016: from 0.32% to 0.38% per month).

(**) These loans have interest at 0.375% to 0.57% per month (in 2016: from 0.375% to 0.57% per month).

21 BONUS AND WELFARE FUND

The Bonus and Welfare fund of the Company is established through appropriation from retained earnings upon approval of shareholders at the Annual General Meetings ("AGM"). Bonus and Welfare fund of the subsidiaries is established from retained earnings upon decision from the Board of Directors of the Company. This fund is used to pay bonus and welfare to the Group's employees in accordance with the Bonus and Welfare policies and to pay bonus to the Board of Directors in accordance with the AGM Resolution.

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

	Bonus and welfare fund for staff VND	Welfare fund in form of fixed assets VND	Bonus fund for Board of Directors VND	Total VND
Opening balance	29,226,348,693	31,082,436,238	7,069,439,369	67,378,224,300
Depreciation of assets formed from fund	-	(823,380,066)	-	(823,380,066)
Utilization of fund	<u>(26,749,616,990)</u>	<u>-</u>	<u>(1,801,181,509)</u>	<u>(28,550,798,499)</u>
Closing balance	<u>2,476,731,703</u>	<u>30,259,056,172</u>	<u>5,268,257,860</u>	<u>38,004,045,735</u>

22 LONG-TERM PROVISIONS

	Provision for dismantling and restoration costs VND	Severance allowance VND	Total VND
As at January 01, 2017	7,593,479,308	25,785,628,500	33,379,107,808
Appropriation in the period/year	518,172,561	1,070,806,508	1,588,979,069
Utilization of provisions	-	(873,375,082)	(873,375,082)
As at March 31, 2017	<u>8,111,651,869</u>	<u>25,983,059,926</u>	<u>34,094,711,795</u>

23 SCIENCE AND TECHNOLOGY DEVELOPMENT FUND

In accordance with Circular No. 12/2016/TTLT-BKHCN-BTC dated June 28, 2016, enterprises are allowed to establish the science and technology development fund for research and development activities. Provision made during the year is charged to expenses. Funds are utilized when disbursement are paid for research and development activities.

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

	Science and technology development fund VND	Science and technology development fund in form of fixed assets VND	Total VND
Opening balance	(5,446,864,017)	29,668,170,841	24,221,306,824
Appropriation in the period/year	7,000,000,000	-	7,000,000,000
Depreciation of assets formed from fund	-	(1,290,024,668)	(1,290,024,668)
Utilization of fund	(1,552,248,200)	-	(1,552,248,200)
Closing balance	<u>887,783</u>	<u>28,378,146,173</u>	<u>28,379,033,956</u>

24 OWNER'S EQUITY

Movements in owner's equity

	Owner's contributed capital VND	Capital surplus VND	Treasury shares VND	Investment and development fund VND	Retained earnings VND	Total VND
As at January 1, 2016	871,643,300,000	-	(16,121,030,000)	1,039,479,185,578	605,911,345,691	2,500,912,801,269
Reissuance of treasury shares	-	6,778,948,000	16,121,030,000	-	-	22,899,978,000
Profit for the year	-	-	-	-	710,101,428,166	710,101,428,166
Dividends	-	-	-	-	(304,296,825,000)	(304,296,825,000)
Appropriation to reserves	-	-	-	181,082,523,189	(181,082,523,189)	-
Appropriation to bonus and welfare fund	-	-	-	-	(61,607,669,990)	(61,607,669,990)
Appropriation to bonus fund for the Board of Directors	-	-	-	-	(7,930,858,929)	(7,930,858,929)
As at December 31, 2016	<u>871,643,300,000</u>	<u>6,778,948,000</u>	<u>-</u>	<u>1,220,561,708,767</u>	<u>761,094,896,749</u>	<u>2,860,078,853,516</u>
Profit for the period/year	-	-	-	-	173,088,699,514	173,088,699,514
Dividends	-	-	-	-	-	-
Appropriation to reserves	-	-	-	-	-	-
Appropriation to bonus and welfare fund	-	-	-	-	-	-
Appropriation to bonus fund for the Board of Directors	-	-	-	-	-	-
As at March 31, 2017	<u>871,643,300,000</u>	<u>6,778,948,000</u>	<u>-</u>	<u>1,220,561,708,767</u>	<u>934,183,596,263</u>	<u>3,033,167,553,030</u>

24 OWNER'S EQUITY (cont.)

Charter capital

	03.31.2017		12.31.2016	
	Number of shares	VND	Number of shares	VND
Authorized and issued share capital	87,164,330	871,643,300,000	87,164,330	871,643,300,000
Treasury shares	-	-	-	-
Ordinary shares currently in circulation	87,164,330	871,643,300,000	87,164,330	871,643,300,000

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

Movements in share capital during the period/year:

	Fiscal period ended 03.31.2017		Fiscal year ended 12.31.2016	
	Number of shares	VND	Number of shares	VND
Opening balance	87,164,330	871,643,300,000	86,941,950	855,522,270,000
Treasury shares reissued during the period/year	-	-	222,380	16,121,030,000
Closing balance	87,164,330	871,643,300,000	87,164,330	871,643,300,000

25 MINORITY INTEREST

	Fiscal period ended 03.31.2017 VND	Fiscal year ended 12.31.2016 VND
Opening balance	34,160,248,863	20,323,225,971
Minority capital	-	13,204,120,020
Net profit attributable to non-controlling interests in the period/year	785,563,389	2,996,068,421
Appropriation to bonus and welfare fund	-	(597,631,764)
Appropriation to the bonus fund for the Board of Directors	-	(540,533,785)
Dividends paid	-	(1,225,000,000)
Closing balance	34,945,812,252	34,160,248,863

26 OFF BALANCE SHEET ITEMS**Foreign currencies**

Cash and cash equivalents include gold and foreign currencies as follows

	03.31.2017	12.31.2016
	VND	VND
US dollar (USD)	522,958	651,214
Euro (EUR)	7,387	46,884
Pataca Macau (MOP)	20	20
	<u> </u>	<u> </u>

27 GROSS REVENUE FROM GOODS AND SERVICES RENDERED

	For the 3-month period ended 03.31.2017 VND	For the 3-month period ended 03.31.2016 VND
Sales of goods and services		
Sales of finished goods	740,542,203,494	723,241,450,195
Sales of merchandise goods	206,493,889,614	152,371,025,924
Sales of services rendered	8,906,397,920	2,376,667,497
	<u>955,942,491,028</u>	<u>877,989,143,616</u>
Sales deductions		
Sales discounts	71,415,626,083	58,520,717,703
Sales returns	2,159,458,514	4,055,659,549
	<u>73,575,084,597</u>	<u>62,576,377,252</u>
Net sales	<u>882,367,406,431</u>	<u>815,412,766,364</u>
In which:		
Sales of finished goods	671,661,696,036	666,539,426,923
Sales of merchandise goods	201,799,312,475	146,496,671,944
Sales of services rendered	8,906,397,920	2,376,667,497

28 COST OF GOODS SOLD AND SERVICES RENDERED

	For the 3-month period ended 03.31.2017 VND	For the 3-month period ended 03.31.2016 VND
Cost of finished goods sold	294,595,856,532	304,731,865,588
Cost of merchandises sold	190,273,474,982	140,535,089,996
Cost of services rendered	1,794,379,935	1,855,941,908
Provision for devaluation of inventories	-	(11,367,375)
	<u>486,663,711,449</u>	<u>447,111,530,117</u>

29 FINANCIAL INCOME

	For the 3-month period ended 03.31.2017 VND	For the 3-month period ended 03.31.2016 VND
Interest income	15,834,698,671	11,521,541,640
Dividend income	27,985,200	136,465,200
Foreign exchange gains	1,315,039,089	918,172,245
	<u>17,177,722,960</u>	<u>12,576,179,085</u>

30 FINANCIAL EXPENSES

	For the 3-month period ended 03.31.2017 VND	For the 3-month period ended 03.31.2016 VND
Interest expense	4,659,359,294	2,619,858,691
Foreign exchange losses	1,484,775,399	927,986,081
Settlement discount	14,228,962,718	13,906,153,607
Other financial expenses	43,724,899	43,991,681
	<u>20,416,822,310</u>	<u>17,497,990,060</u>

31 SELLING AND GENERAL AND ADMINISTRATION EXPENSES**Selling expenses**

	For the 3-month period ended 03.31.2017 VND	For the 3-month period ended 03.31.2016 VND
Staff cost	66,373,246,192	54,191,832,157
Material costs	5,161,658,494	2,596,076,506
Tools and supplies expenses	1,482,798,935	999,082,967
Depreciation and amortization expenses	4,910,806,020	3,593,338,677
Advertising expenses	31,655,790,183	49,395,547,980
Seminar expenses	3,825,998,365	1,231,228,432
Transportation expenses	3,153,668,546	4,180,877,407
Others	26,129,907,530	12,108,565,989
	<u>142,693,874,265</u>	<u>128,296,550,115</u>

31 SELLING AND GENERAL AND ADMINISTRATION EXPENSES (cont.)**General and administration expenses**

	For the 3-month period ended 03.31.2017 VND	For the 3-month period ended 03.31.2016 VND
Staff cost	58,647,044,909	56,381,013,077
Material costs	715,522,393	147,622,132
Tools and supplies expenses	644,075,003	876,295,510
Depreciation and amortization expenses	2,370,491,188	3,194,652,584
Taxes, fees and duties	206,214,923	161,781,053
Provision for doubtful debts	846,162,537	912,881,272
Provision for dismantling and restoration costs	518,172,561	425,498,982
Out-sourced services expenses	3,016,058,019	3,665,582,266
Expenses for science and technology development fund	7,000,000,000	-
Other expenses	4,898,840,832	8,635,701,968
	78,862,582,365	74,401,028,844

32 OTHER INCOME

	For the 3-month period ended 03.31.2017 VND	For the 3-month period ended 03.31.2016 VND
Proceeds from disposals of fixed assets and other long-term assets	429,828,284	2,027,359,831
Commission income	-	7,024,089,654
Other income	1,365,957,983	3,126,559,994
	1,795,786,267	12,178,009,479

33 OTHER EXPENSES

	For the 3-month period ended 03.31.2017 VND	For the 3-month period ended 03.31.2016 VND
Depreciation of unoperated machinery	157,445,768	1,331,803,464
Other expenses	53,828,808	734,060,137
	211,274,576	2,065,863,601

34 COST OF OPERATIONS BY FACTORS

	For the 3-month period ended 03.31.2017 VND	For the 3-month period ended 03.31.2016 VND
Material costs	396,653,073,887	383,691,781,359
Labour costs	184,651,257,872	175,646,257,825
Depreciation and amortization expenses	22,862,477,132	21,774,531,982
Out-sourced services expenses	36,397,598,770	84,095,365,809
Others	59,909,695,374	19,653,492,820
	700,474,103,035	684,861,429,795

35 CORPORATE INCOME TAX EXPENSES

	For the 3-month period ended 03.31.2017 VND	For the 3-month period ended 03.31.2016 VND
Accounting profit before tax	172,492,650,693	170,793,992,191
Tax calculated at the standard tax rate of 20%	34,498,530,139	34,158,798,438
Adjustments for:		
Expenses not deductible for tax purpose	291,107,363	132,380,012
Income not subject to tax	(5,597,040)	(27,296,048)
Tax incentives	(35,402,549,239)	(16,563,466,887)
Temporary differences of provisions	(124,586,082)	-
Differences from consolidation	(638,517,351)	952,066,298
Corporate income tax expense	<u>(1,381,612,210)</u>	<u>18,652,481,813</u>
	For the 3-month period ended 03.31.2017 VND	For the 3-month period ended 03.31.2016 VND
Charge/(credit) to the income statement:		
Corporate income tax – current	398,277,780	19,803,660,090
Corporate income tax – deferred	(1,779,889,990)	(1,151,178,277)
Corporate income tax expense	(1,381,612,210)	18,652,481,813

Applicable tax rates

According to Circular No. 78/2014/TT-BTC, the standard corporate income tax is 22% since January 01, 2014 and is decreased to 20% since January 01, 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 at 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 and DHG Pharmaceutical One Member Limited Company, other subsidiaries in the Group have an obligation to pay the corporate income tax from its taxable income.

DHG Packaging and Printing 1 One Member Limited Company (“DHG Packaging and Printing 1”)

Pursuant to the investment certificate, DHG Packaging and Printing 1 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, the company is entitled to corporate income tax exemption from 2014 to 2017 and 50% reduction of corporate income tax from 2018 to 2026.

DHG Pharmaceutical One Member Limited Company (“DHG One Member Pharma”)

Pursuant to investment certificate No. 642041000005 issued by the Management Board of Hau Giang Industrial Zone, the company is obliged to pay corporate income tax at the rate of 10% of taxable income for 15 years from the date of starting its operation. The company 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. And the company has registered to apply the above tax incentives effective from the financial year 2015.

All above tax incentives are not applicable to other income, which are entitled to the normal rate.

36 BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit attributable to shareholder after deducting the bonus and welfare fund by a weighted average number of ordinary shares outstanding during the year, excluding ordinary shares repurchased by the Group and held as treasury shares.

	For the 3-month period ended 03.31.2017 VND	For the 3-month period ended 03.31.2016 VND
Profit attributable to shareholders (VND)	173,088,699,514	151,497,420,791
Appropriation to bonus and welfare fund expected (*)	(17,308,869,951)	(15,149,742,079)
	<u>155,779,829,563</u>	<u>136,347,678,712</u>
The weighted average number of outstanding shares	87,164,330	86,941,950
Basic earnings per share based on the weighted average number of outstanding shares (VND)	1,787	1,568

(*) Appropriation to bonus and welfare fund expected for 2017 is based on the percentage of allocation of profit after tax in 2016 for bonus and welfare fund of 10%.

The Group does not have potentially dilutive ordinary shares.

37 COMMITMENTS

a) Operating lease commitment

Non-cancellable lease contracts signed, the Company must pay the minimum amount in the future as follows:

	Land leases	
	03.31.2017 VND	12.31.2016 VND
Within 1 year	5,422,028,378	5,481,993,358
From 1 to 5 years	21,688,113,512	21,927,973,432
After 5 years	119,873,549,425	122,558,946,522
	<u>146,983,691,315</u>	<u>149,968,913,312</u>

39 SUPPLEMENTAL DISCLOSURES OF CASH FLOW STATEMENT (cont.)**b. Proceeds from borrowings in the period/year**

	Fiscal period ended 03.31.2017 VND	03.31.2016 VND
Proceeds from borrowings under normal contracts	<u>559,547,565,946</u>	<u>105,511,819,889</u>

c. Repayment of borrowings in the period/year

	Fiscal period ended 03.31.2017 VND	03.31.2016 VND
Repayment of borrowings under normal contracts	<u>656,638,494,553</u>	<u>191,509,064,194</u>

40 COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's figures to enhance their comparability with this period's presentation. Details are as follows:

	Previously reported amount VND	Amount after reclassification VND	Net change VND
Other income	13,058,282,375	12,178,009,479	(880,272,896)
Other expenses	2,946,136,497	2,065,863,601	(880,272,896)

The reclassification does not affect net income and tax expense for the financial period ended March 31, 2017.

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant

Le Chanh Dao
Deputy General Director
April 15, 2017