

DHG PHARMACEUTICAL JOINT STOCK COMPANY

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED 30 JUNE 2017**

DHG PHARMACEUTICAL JOINT STOCK COMPANY

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED 30 JUNE 2017**

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DHG PHARMACEUTICAL JOINT STOCK COMPANY

CORPORATE INFORMATION

Establishment Decision

No. 2405/QD-CT.UB dated 05 August 2004
Issued by the People's Committee of Cantho City.

Business Registration Certificate No.

5703000111 dated 15 September 2004
Issued by the Department of Planning and Investment of Cantho City

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

Board of Directors	Mr. Hoang Nguyen Hoc	Chairman
	Mr. Le Dinh Buu Tri	Vice chairman
	Mdm. Pham Thi Viet Nga	Member
	Mr. Doan Dinh Duy Khuong	Member
	Mr. Tran Chi Liem	Member
	Mr. Jun Kuroda	Member
	Mr. Shuhei Tabata	Member (has been dismissed from 24 March 2017)

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

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

Legal Representative	Mdm. Pham Thi Viet Nga	General Director
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Head Office 288 Bis Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District
Cantho City, Vietnam

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 01 – DN/HN

CONSOLIDATED INTERIM BALANCE SHEET

Code	ASSETS	NOTES	As at 30.06.2017 VND	As at 31.12.2016 VND
100	CURRENT ASSETS		3,005,638,456,362	2,747,174,092,202
110	Cash and cash equivalents	4	752,770,447,004	603,188,961,343
111	Cash		89,793,066,032	270,265,069,467
112	Cash equivalents		662,977,380,972	332,923,891,876
120	Short-term investments		812,603,000,000	703,731,000,000
123	Held to maturity investments	5	812,603,000,000	703,731,000,000
130	Accounts receivable		660,661,671,266	692,280,925,032
131	Trade receivables	6	546,519,054,693	622,748,103,096
132	Prepayments to suppliers		49,231,724,678	23,277,764,848
135	Receivables from short-term loans		44,188,505,865	34,213,970,916
136	Other receivables	7	39,811,582,708	25,533,168,273
137	Allowances for doubtful debts	8	(19,089,196,678)	(13,492,082,101)
140	Inventories	9	754,388,218,435	732,860,670,514
141	Inventories		756,040,912,154	734,557,083,279
149	Allowances for inventories		(1,652,693,719)	(1,696,412,765)
150	Other current assets		25,215,119,657	15,112,535,313
151	Short - term prepayments	10	7,865,721,969	4,212,568,934
152	Deductible VAT		899,932,488	699,572,826
153	Taxes and other payables to State Budget	11	16,449,465,200	10,200,393,553
200	NON - CURRENT ASSETS		1,198,513,415,513	1,198,569,602,879
210	Long term notes receivable		13,775,715,894	5,099,472,109
215	Long-term loans receivable		13,775,715,894	5,099,472,109
220	Fixed assets		1,070,029,814,126	1,103,242,478,314
221	Tangible fixed assets	12	807,899,418,675	841,277,798,603
222	Cost		1,356,926,790,885	1,356,622,733,187
223	Accumulated depreciation		(549,027,372,210)	(515,344,934,584)
227	Intangible fixed assets	13	262,130,395,451	261,964,679,711
228	Cost		287,442,944,642	284,512,652,922
229	Accumulated depreciation		(25,312,549,191)	(22,547,973,211)
240	Long-term works in progress		26,023,103,375	16,652,207,601
242	Cost of works in progress	14	26,023,103,375	16,652,207,601
250	Long-term financial investments	5	14,357,236,561	15,744,151,251
252	Investments in associates		3,546,162,405	4,335,981,051
253	Investments in equity of other entities		27,908,170,200	27,908,170,200
254	Provision for diminution in value of long - term investments		(17,097,096,044)	(16,500,000,000)
260	Other non - current assets		74,327,545,557	57,831,293,604
261	Long - term prepayments	10	28,544,694,450	22,760,003,178
262	Deferred income tax assets	15	45,782,851,107	35,071,290,426
270	TOTAL ASSETS		4,204,151,871,875	3,945,743,695,081

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 01 – DN/HN

CONSOLIDATED INTERIM BALANCE SHEET (cont.)

Code	RESOURCES	Notes	As at 30.06.2017 VND	As at 31.12.2016 VND
300	LIABILITIES		1,356,304,766,670	1,051,504,592,702
310	Current liabilities		1,293,683,762,962	993,904,178,070
311	Trade payables	16	229,766,768,739	291,703,470,691
312	Advances from customers		12,758,686,602	17,652,215,300
313	Taxes and other payables to the State Budget	11	9,647,115,875	23,399,915,284
314	Payables to employees		114,251,822,317	170,798,955,402
315	Accrued expenses	17	40,569,775,469	29,959,680,555
318	Unrealized revenue	18	29,263,350,396	31,687,812,617
319	Other payables	19	38,032,955,291	6,558,475,458
320	Short-term borrowings	20	691,600,000,000	354,765,428,463
321	Short-term provision payables		-	-
322	Bonus and welfare fund	21	127,793,288,273	67,378,224,300
330	Long - term liabilities		62,621,003,708	57,600,414,632
342	Provision for long - term payables	22	36,258,320,281	33,379,107,808
343	Science and technology development fund	23	26,362,683,427	24,221,306,824
400	OWNER'S EQUITY		2,847,847,105,205	2,894,239,102,379
410	Owner's capital		2,847,847,105,205	2,894,239,102,379
411	Owner's capital	24	1,307,460,710,000	871,643,300,000
411a	- Common shares with voting rights		1,307,460,710,000	871,643,300,000
412	Capital surplus	24	6,778,948,000	6,778,948,000
418	Investment and development fund	24	1,095,180,949,549	1,220,561,708,767
421	Undistributed profit after tax	24	404,511,629,489	761,094,896,749
421a	- Undistributed profit after tax brought forward		45,652,592,032	50,993,468,583
421b	- Undistributed profit after tax for the current year		358,859,037,457	710,101,428,166
429	Minority interest	25	33,914,868,167	34,160,248,863
440	TOTAL RESOURCES		<u>4,204,151,871,875</u>	<u>3,945,743,695,081</u>

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant

Le Chanh Dao
Deputy General Director
18 July 2017

2017

CONSOLIDATED INTERIM INCOME STATEMENT

Code	Notes	For 3-month period ended		For 6-month period ended		
		30.06.2017 VND	30.06.2016 VND	30.06.2017 VND	30.06.2016 VND	
01	Sales	27	1,031,536,522,362	961,928,079,577	1,987,479,013,390	1,839,917,223,193
02	Sales deductions	27	105,873,520,414	86,205,161,103	179,448,605,011	148,781,538,355
10	Net sales	27	925,663,001,948	875,722,918,474	1,808,030,408,379	1,691,135,684,838
11	Cost of goods sold	28	504,848,732,839	488,004,219,906	991,512,444,288	935,115,750,023
20	Gross profit		420,814,269,109	387,718,698,568	816,517,964,091	756,019,934,815
21	Financial income	29	22,620,827,122	14,975,369,311	39,798,550,082	27,551,548,396
22	Financial expenses	30	24,737,365,290	21,705,118,618	45,154,187,600	39,203,108,678
23	Including: interest expense		5,992,899,462	2,978,740,007	10,652,258,756	5,598,598,698
24	Profit/(loss) from investment in associates	5	(789,818,646)	(456,323,759)	(789,818,646)	(456,323,759)
25	Selling expenses	31	151,131,090,810	159,592,233,040	293,824,965,075	287,888,783,155
26	General & administrative expenses	31	86,664,749,195	56,283,497,658	165,527,331,560	130,684,526,502
30	Operating profit		180,112,072,290	164,656,894,804	351,020,211,292	325,338,741,117
31	Other income	32	1,326,432,609	12,960,395,549	3,122,218,876	25,138,405,028
32	Other expenses	33	1,814,285,770	9,861,087,549	2,025,560,346	11,926,951,150
40	Other profit		(487,853,161)	3,099,308,000	1,096,658,530	13,211,453,878
50	Net accounting profit before tax		179,624,219,129	167,756,202,804	352,116,869,822	338,550,194,995
51	Current tax expenses	35	2,457,521,640	15,847,958,848	2,855,799,420	35,651,618,938
52	Deferred tax expenses	35	(8,931,670,691)	(3,112,904,688)	(10,711,560,681)	(4,264,082,965)
60	Net profit after tax		186,098,368,180	155,021,148,644	359,972,631,083	307,162,659,022

CONSOLIDATED INTERIM INCOME STATEMENT (cont.)

Code	Notes	For 3-month period ended		For 6-month period ended	
		30.06.2017 VND	30.06.2016 VND	30.06.2017 VND	30.06.2016 VND
60	Net profit after tax	186,098,368,180	155,021,148,644	359,972,631,083	307,162,659,022
	Allocated for:				
61	PAT of the parent company	185,770,337,943	154,556,023,844	358,859,037,457	306,053,444,635
62	PAT of non-controlling interest	328,030,237	465,124,800	1,113,593,626	1,109,214,387
70	Basic earnings per share (VND)	1,279	1,066	2,470	2,110

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant

Le Chanh Dao
Deputy General Director
18 July 2017

DHG PHARMACEUTICAL JOINT STOCK COMPANY

NOTE

DHG Pharmaceutical Joint Stock Company explains the fluctuations in profit after tax of Q2/2017 compared to the same period last year as follows:

Figures in: VND million

Target	Quarter II/2017	Quarter II/2016	Increase, decrease	
			Value	%
Net sales	925,663	875,723	49,940	5.70%
Profit before tax	179,624	167,756	11,868	7.07%
Profit after tax	186,098	155,021	31,077	20.05%

Profit after tax in Q2/2017 increased by 20.05% over the same period, mainly because:

DHG Pharma received the preferential corporate income tax at the new Pharmaceutical 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 Q2/2017 is VND 49.17 billion (Q2/2016 is VND 22.69 billion), resulting 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
18 July 2017

CONSOLIDATED INTERIM CASH FLOW STATEMENT
(Indirect method)

Code	Notes	For the fiscal period ended	
		30.06.2017	30.06.2016
		VND	VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01	Profit before tax	352,116,869,822	338,550,194,995
	Adjustments for:		
02	Fixed asset appreciation	46,154,145,700	47,470,211,142
03	Provisions	10,409,523,799	48,545,783
05	(Gain) / Loss from investing activities	(37,641,439,294)	(29,837,508,023)
06	Interest expenses	10,652,258,756	5,598,598,698
08	Operating profit before changes in working capital	381,691,358,783	361,830,042,595
09	Decrease in receivables	56,519,419,333	107,568,623,376
10	Increase in inventories	(21,320,413,664)	(47,740,327,575)
11	(Decrease) / Increase in payables	(85,208,099,252)	38,737,698,921
12	(Increase) / Decrease in prepaid expenses	(9,445,298,060)	424,303,910
14	Interest paid	(10,757,849,397)	(5,395,198,556)
15	Corporate income tax paid	(10,126,979,896)	(26,855,480,493)
17	Other payments on other operating activities	(40,761,041,482)	(29,985,977,135)
20	Net cash inflows from operating activities	260,591,096,365	398,583,685,043
CASH FLOWS FROM INVESTING ACTIVITIES			
21	Acquisition and construction of fixed assets and other long-term assets	(26,902,247,761)	(43,166,443,242)
22	Proceeds from sales, disposal of fixed assets and other long-term assets	952,818,195	7,696,809,375
23	Payments for investments in other entities	(878,389,049,554)	(833,900,163,593)
24	Collection of loans granted to other entities	728,683,014,136	493,828,388,929
27	Interest, dividend and profit received	32,886,437,743	18,420,057,024
30	Net cash outflows from investing activities	(142,769,027,241)	(357,121,351,507)
CASH FLOWS FROM FINANCING ACTIVITIES			
33	Proceeds from borrowings	1,383,813,007,337	633,486,276,089
34	Repayments of borrowings	(1,046,978,435,800)	(517,685,776,712)
36	Dividends paid	(305,075,155,000)	(305,521,825,000)
40	Net cash outflows from financing activities	31,759,416,537	(189,721,325,623)
50	Net cash flow during the period/year	149,581,485,661	(148,258,992,087)
60	Cash and cash equivalents at the beginning of the year	603,188,961,343	420,712,811,918
	Impacts of exchange rate fluctuations		
70	Cash and cash equivalents at the end of the period/year	752,770,447,004	272,453,819,831

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant

Le Chanh Dao
Deputy General Director
18 July 2017

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED 30 JUNE 2017**
1 GENERAL INFORMATION
Ownership Structure

On 02 September 2004, DHG Pharmaceutical Joint Stock Company officially came into operation in accordance with Decision No. 2405/QĐ-CT.UB dated 05 August 2004 of the People's Committee of Cantho 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 15 September 2004 issued by the Planning and Investment Department of Cantho City, the initial charter capital is VND 80,000,000,000.

Shares of the Company 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.

The largest shareholder of the Company is the State Capital Investment Corporation ("SCIC"), owns 43.31% of the share capital of the Company. SCIC is managed 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, Cantho City, Vietnam.

As at 30 June 2017, the Group had 3,071 employees (as at 31 December, 2016: 2,944 employees)

Business lines and principal activities

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

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

Corporate structure

As at 30 June, 2017, the Company's subsidiaries and associates were as follows:

Name	Principal activities	Business Registration Certificate	% Ownership and voting rights	
			30.06.2017	31.12.2016
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 28 August 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 16 May 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 08 April 2008	100%	100%
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 17 June 2009	100%	100%

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 09 – DN/HN

1 GENERAL INFORMATION (cont.)

Name Subsidiaries (cont.)	Principal activities	Business Registration Certificate	% ownership and voting rights	
			30.06.2017	31.12.2016
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 11 April 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 25 February 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 25 February 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 29 March 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 05 October 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 19 October 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 19 December 2012	100%	100%
SH Pharmaceutical 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 20 July 2007	51%	51%
DHG Travel One Member Limited Company	Domestic Travel Services	No. 5704000134 issued by the Planning and Investment Department of Can Tho City on 26 December 2007	100%	100%
DHG Pharmaceutical One member Limited Company	Manufacture 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 16 August 2010	100%	100%

1 GENERAL INFORMATION (cont.)

Name	Principal activities	Business Registration Certificate	% Ownership and voting rights	
			30.06.2017	31.12.2016
Subsidiaries (cont.)				
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 28 September 2012	100%	100%
Fuji Medic Limited Company	Operation of polyclinics, specialized and dental clinics	No. 1801472944 issued by the Planning and Investment Department of Can Tho City on 27 July 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 04 February 2008	31,36%	31,36%

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

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

Normal production and business cycle

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

2 BASIS OF PREPARATION OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS AND THE 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 01 January and ends on 31 December.

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:

Accounting estimates

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**Basis of preparation of consolidated interim financial statements**

The consolidated interim financial statements incorporate 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.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Company.

Intragroup transactions and balances are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified as a target separately from the equity portion of the shareholders of the parent company. Non-controlling interests consist of the amount of those non-controlling interests at the date of the original business combination (for details see below) and the non-controlling interests' share of changes in equity since the date of the combination. Losses in subsidiaries are respectively attributed to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Business combinations

Assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to profit and loss in the year of acquisition.

The non-controlling interests are initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Investments in associate

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in the joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

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

Where a group entity transacts with an associate of the Company, unrealized profits and losses are eliminated to the extent of the Company's interest in the relevant associate.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash in transit, demand deposits, and short-term investments with a 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 are made in accordance with prevailing accounting regulations.

Equity investments in other entities

Equity investments in other entities represent the Company's investments in ordinary shares of the entities over which the Company has no control, joint control, or significant influence.

Equity investments in other entities are carried at cost less provision for impairment. The provision for impairment of these investments is made when the entities made losses, except for the 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 in dissolution, in bankruptcy, or is experiencing similar difficulties.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories comprises the cost of purchases and other directly attributable expenses. In the case of manufactured products, cost comprises direct materials, and where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. The cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realizable values as at the balance sheet date.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The costs of purchasing 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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	15 - 20
Motor vehicles	3 - 20
Office equipment	3 - 10

Gain or loss resulting from sales and disposals of tangible fixed assets is the difference between the proceeds from sales or disposals of assets and their residual values and is recognized in the income statement.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the 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.

Intangible assets and amortization

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

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

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

Construction in progress

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

Prepayments

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

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

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

Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Board of Management's best estimate of the expenditure required to settle the obligation as at the consolidated balance sheet date.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**Severance allowance payable**

The severance allowance for employees is accrued at the end of each reporting year for all employees having worked at the Company for a 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 Labor 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 income statement.

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 at a discount in the customer loyalty programs. Unearned revenue is recognized for the portion of the obligation that the Group has not yet fulfilled to customers.

Sales recognition

Sales of the goods are recognized when all five (5) following conditions are satisfied:

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

Sales of transactions involving the rendering of services are recognized when the outcome of such transactions can be measured reliably. Where transactions involving the rendering of services are attributable to several periods, sales are recognized in each period by reference to the percentage of completion of the transactions on 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 sales can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction will flow to the Company;
- (c) the percentage of completion of the transactions on the consolidated balance sheet date can be measured reliably; and
- (d) the costs incurred for the transactions and the costs to complete the transactions can be measured reliably.

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

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

Sales deductions

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

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

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

When customers meet all the required conditions and obligations of providing the free or discounted goods and services to customers are carried out by a third party. If the Company does not act as an agent of the third party, the unearned revenue is realized into the Company's income statement at the time that a third party provides the free or discounted goods and services to customers. If the Company acts as an agent of the third party, the Company recognizes revenue for the difference between the unearned revenue amount and the amount payable to the third party for providing such free or discounted goods and services to customers. 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 the exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the Exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognized in the 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. The 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 book value and the basis for calculating income tax on assets or liabilities in the financial statements and it is accounted for using the 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 is 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 corporate income taxes levied by the same tax authority and the Company intends to settle its current tax liabilities on a net basis.

The determination of the corporate income tax currently payable is based on the current 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 undistributed profit based on the approval of shareholders at the Company's Annual General Meeting.

Appropriation of the Company's net profit after tax of 2016 was approved by shareholders at the Company's Annual General Meeting as follows:

- Dividends declared in 2016: 35% of par value
- Appropriation to the bonus and welfare fund for employees: 12% of consolidated profit after tax of parent company's shareholders
- Remuneration for the Board of Directors, Board of Supervisory, and collaborators: VND 5 billion.
- Bonus for Board of Directors, Board of Supervisory, collaborators, Executive Board and key staffs: 5% growth in consolidated profit after tax of parent company's shareholders
- Net profit after tax and deductions was appropriated to the investment and development fund.

4 CASH AND CASH EQUIVALENTS

	30.06.2017 VND	31.12.2016 VND
Cash on hand	16,939,965,940	17,132,249,688
Cash in banks	72,853,100,092	253,132,819,779
Cash equivalents (*)	662,977,380,972	332,923,891,876
	<u>752,770,447,004</u>	<u>603,188,961,343</u>

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

5 SHORT-TERM FINANCIAL INVESTMENTS

Held-to-maturity investments

Held-to-maturity investments represent term deposits at banks with the original maturity terms from more than 3 months to 12 months.

Investments in associate

	30.06.2017 VND	31.12.2016 VND
Vinh Hao Algae Processing Joint Stock Company	3,546,162,405	4,335,981,051
	<u>3,546,162,405</u>	<u>4,335,981,051</u>

5 SHORT-TERM FINANCIAL INVESTMENTS (cont.)

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

	Fiscal period ended 30.06.2017 VND	Fiscal year ended 31.12.2016 VND
Opening balance	4,335,981,051	4,523,885,342
Share of losses	(789,818,646)	(187,904,291)
Closing balance	<u>3,546,162,405</u>	<u>4,335,981,051</u>

Equity investments in other entities

	30.06.2017 VND	31.12.2016 VND
ATP Packaging Joint Stock Company	20,000,000,000	20,000,000,000
Binh Duong Pharmaceutical & Medical Supplies 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>

The balance of allowance as at 30 June 2017 represents the allowance for long-term financial investments in ATP Packaging Joint Stock Company and Vinh Hao Algae Processing Joint Stock Company (as at 31 December 2016, it represents the long-term financial investments in ATP Packaging Joint Stock Company).

6 SHORT-TERM TRADE RECEIVABLES

As at June 30, 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 the total trade receivables.

7 OTHER SHORT-TERM RECEIVABLES

	30.06.2017 Cost VND	31.12.2016 Cost VND
Prepaid trade discounts	253,366,514	197,969,103
Interest income receivable	20,406,141,670	15,588,566,422
Receivable from employees	3,532,887,493	1,837,560,698
Other receivables	15,619,187,031	7,909,072,050
	<u>39,811,582,708</u>	<u>25,533,168,273</u>

8 BAD DEBTS

	30.06.2017		
	Cost	Recoverable amount	Allowance
	VND	VND	VND
The total amount of receivables and loans past due or not past due but impaired	210,487,879,037	191,398,682,359	(19,089,196,678)

	31.12.2016		
	Cost	Recoverable amount	Allowance
	VND	VND	VND
The total amount of receivables and loans past due or not past due but impaired	157,309,867,394	143,817,785,293	(13,492,082,101)

As at 30 June 2017 and 31 December 2016, there was no single receivable accounting for 10% or more of total debts past due.

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

	Fiscal period ended 30.06.2017 VND	Fiscal year ended 31.12.2016 VND
Opening balance	13,492,082,101	10,987,369,519
Increase in allowance during the period/year	5,597,114,577	2,695,803,165
Reversal of allowance during the period/year	-	(191,090,583)
Closing balance	19,089,196,678	13,492,082,101

9 INVENTORIES

	30.06.2017		31.12.2016	
	Cost VND	Allowance VND	Cost VND	Allowance VND
Goods in transit	87,077,559,043		60,597,811,325	
Raw materials	268,446,992,747		235,989,641,851	
Work in progress	48,471,023,318		32,650,192,227	
Finished goods	280,008,675,926	1,652,693,719	259,215,081,061	1,348,938,937
Merchandises	72,036,661,120	-	146,104,356,815	347,473,828
	<u>756,040,912,154</u>	<u>1,652,693,719</u>	<u>734,557,083,279</u>	<u>1,696,412,765</u>

9 INVENTORIES (cont.)

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

	Fiscal period ended 30.06.2017 VND	Fiscal year ended 31.12.2016 VND
Opening balance	1,696,412,765	3,011,372,184
Increase in allowance/year	-	-
Reversal of allowance/year	(43,719,046)	(1,314,959,419)
	<hr/>	<hr/>
Closing balance/year	<u>1,652,693,719</u>	<u>1,696,412,765</u>

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

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

	30.06.2017 VND	31.12.2016 VND
Operating lease expenses	2,962,504,951	30,818,180
Others	4,903,217,018	4,181,750,754
	<hr/>	<hr/>
	<u>7,865,721,969</u>	<u>4,212,568,934</u>

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

Long-term prepaid expenses

	30.06.2017 VND	31.12.2016 VND
Prepaid land rental	10,886,040,348	11,059,114,850
Tools and supplies	11,317,421,998	6,810,300,852
Leasehold improvements	95,406,168	111,109,236
Others	6,245,825,936	4,779,478,240
	<hr/>	<hr/>
	<u>28,544,694,450</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>Refund 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	17,713,643,792			22,829,816,692	8,075,882,477
Import VAT	9,120,020	21,867,958,501			22,031,884,267	173,045,786
Import export tax	696,183,652	6,243,114,525			7,163,660,762	1,616,729,889
Corporate income tax	5,831,969,421	2,293,047,949			205,766,821	3,744,688,293
Personal income tax	703,410,883	29,317,446,013			31,453,153,885	2,839,118,755
Total	<u>10,200,393,553</u>	<u>77,435,210,780</u>	<u>-</u>	<u>-</u>	<u>83,684,282,427</u>	<u>16,449,465,200</u>

Payables

VAT on domestic sales	10,177,734,622	19,465,024,181	-	-	24,144,514,528	5,498,244,275
Import VAT	-	-	-	-	-	-
Import export tax	-	-	-	-	-	-
Corporate income tax	9,890,547,894	562,751,471	538,338,330	-	9,921,213,075	1,070,424,620
Personal income tax	3,331,632,768	4,445,173,381	172,344,809	44,919,000	7,466,472,988	437,758,970
Land rental fee, land tax	-	5,578,214,735	-	-	2,937,526,725	2,640,688,010
Others	-	156,894,560	-	-	156,894,560	-
Total	<u>23,399,915,284</u>	<u>30,208,058,328</u>	<u>710,683,139</u>	<u>44,919,000</u>	<u>44,626,621,876</u>	<u>9,647,115,875</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 01 January 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	-	2,885,327,744	-	-	2,885,327,744
Transferred from construction in progress (note 14)	207,504,907	9,975,450,522	1,121,411,105	411,365,989	11,715,732,523
Disposals	-	(8,748,903,427)	(580,939,374)	(1,955,549,672)	(11,285,392,473)
Reclassification	-	(548,900,000)	(1)	(1,904,914,233)	(2,453,814,234)
Written-off	-	(175,883,862)	(381,912,000)	-	(557,795,862)
As at 30 June 2017	520,699,503,382	587,469,711,385	176,248,935,956	72,508,640,162	1,356,926,790,885
Accumulated depreciation					
As at 01 January 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	14,976,266,249	22,377,081,680	7,094,824,245	3,142,279,564	47,590,451,738
Disposals	-	(8,734,820,078)	(369,449,477)	(1,955,549,672)	(11,059,819,227)
Reclassification	-	(441,288,936)	-	(1,849,110,087)	(2,290,399,023)
Written-off	-	(175,883,862)	(381,912,000)	-	(557,795,862)
As at 30 June 2017	141,257,616,725	247,777,648,023	104,874,716,798	55,117,390,664	549,027,372,210
Net book value					
As at 01 January 2017	394,210,647,999	349,330,061,189	77,559,122,196	20,177,967,219	841,277,798,603
As at 30 June 2017	379,441,886,657	339,692,063,362	71,374,219,158	17,391,249,498	807,899,418,675

The cost of tangible fixed assets of the Group has been fully depreciated and still in use as at 30 June 2017 is VND 157,433 million (As at 31 December 2016: VND 152,963 million).

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 01 January 2017	113,033,150,046	158,390,565,071	13,088,937,805	284,512,652,922
Transfers from construction in progress (note 14)	-	666,206,720	2,264,085,000	2,930,291,720
As at 30 June 2017	113,033,150,046	159,056,771,791	15,353,022,805	287,442,944,642
Accumulated amortization				
As at 01 January 2017	-	15,399,463,694	7,148,509,517	22,547,973,211
Charge for the period/year	-	1,656,205,684	1,108,370,296	2,764,575,980
As at 30 June 2017	-	17,055,669,378	8,256,879,813	25,312,549,191
Net book value				
As at 01 January 2017	113,033,150,046	142,991,101,377	5,940,428,288	261,964,679,711
As at 30 June 2017	113,033,150,046	142,001,102,413	7,096,142,992	262,130,395,451

The cost of intangible fixed assets of the Group has been fully amortized and still in use as at 30 June 2017 is VND 2,917 million (at 31 December 2016: VND 2,917 million)

14 CONSTRUCTION IN PROGRESS

	30.06.2017 VND	31.12.2016 VND
Effervescent tablets plant	12,761,869,885	6,267,835,000
Office construction and ancillary structure of DHG Pharmaceutical One Member Limited Company	12,111,247,433	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
Rehabilitation of departments, divisions	526,037,283	-
Machinery and equipment for clinic office	-	7,606,761,906
	26,023,103,375	16,652,207,601

Movements in construction in progress in the period/year

	Fiscal period ended 30.06.2017 VND	Fiscal year ended 31.12.2016 VND
Opening balance	16,652,207,601	15,722,551,016
Purchase	24,491,920,017	117,586,401,529
Transfer to tangible fixed assets (Note 12)	(11,715,732,523)	(109,839,029,974)
Transfer to intangible fixed assets (Note 13)	(2,930,291,720)	(6,205,435,000)
Transfer to long-term prepaid expenses	-	(23,886,000)
Transfer to tools & equipment	-	(496,913,970)
Written-off	(475,000,000)	(91,480,000)
Closing balance	26,023,103,375	16,652,207,601

15 DEFERRED TAX ASSETS

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

16 SHORT-TERM TRADE PAYABLES

As at 30 June 2017 and 31 December 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 VND	30.06.2017 Amount able to be paid off VND	Value VND	31.12.2016 Amount able to be paid off VND
Truong Tin Pharmaceutical Co., Ltd.	9,633,198,762	9,633,198,762	56,484,958,549	56,484,958,549
Mega Lifescience Limited Company (VN)	21,623,267,484	21,623,267,484	26,633,640,634	26,633,640,634
Nomura Trading Co., Ltd.	33,745,140,000	33,745,140,000	46,661,401,500	46,661,401,500
Others	164,765,162,493	164,765,162,493	161,923,470,008	161,923,470,008
	<u>229,766,768,739</u>	<u>229,766,768,739</u>	<u>291,703,470,691</u>	<u>291,703,470,691</u>

17 SHORT-TERM ACCRUED EXPENSES

	30.06.2017 VND	31.12.2016 VND
Marketing and customer care expenses	13,867,038,712	2,984,753,722
Interest expense	483,544,107	589,134,749
Seminar expenses	3,280,000,000	12,058,228
Others	22,939,192,650	26,373,733,856
	<u>40,569,775,469</u>	<u>29,959,680,555</u>

18 SHORT-TERM UNEARNED REVENUE

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

19 OTHER SHORT-TERM PAYABLES

	30.06.2017 VND	31.12.2016 VND
Insurance and union fee	901,674,400	988,977,577
Dividends paid	735,000,000,00	-
Others	36,396,280,891	5,569,497,881
	<u>38,032,955,291</u>	<u>6,558,475,458</u>

20 SHORT-TERM LOANS

	Value VND	30.06.2017 Amount able to be paid off VND	Value VND	31.12.2016 Amount able to be paid off VND
Loans from banks	691,600,000,000	691,600,000,000	323,700,000,000	323,700,000,000
Loans from others	-	-	31,065,428,463	31,065,428,463
	<u>691,600,000,000</u>	<u>691,600,000,000</u>	<u>354,765,428,463</u>	<u>354,765,428,463</u>

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

	As at 01.01.2017 VND	Increase VND	Decrease VND	As at 30.06.2017 VND
Loans from banks (*)	323,700,000,000	1,379,900,000,000	(1,012,000,000,000)	691,600,000,000
Loans from others (**)	31,065,428,463	3,913,007,336	(34,978,435,799)	-
	<u>354,765,428,463</u>	<u>1,383,813,007,336</u>	<u>(1,046,978,435,799)</u>	<u>691,600,000,000</u>

(*) These loans bear interest at the rate ranging from 0.32% per month to 0.42% per month (in 2016: from 0.32% to 0.38% per month).

(**) These loans bear interest at the rate ranging from 0.375% per month 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 a decision from the Board of Directors of the Company. This fund is used to pay a bonus and welfare to the Group's employees in accordance with the Bonus and Welfare policies and to pay a bonus to the Board of Directors in accordance with the AGM's Resolution.

Movements of bonus and welfare fund 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
Opening balance	29,226,348,693	31,082,436,238	7,069,439,369	67,378,224,300
Appropriation in the period/year	86,125,998,704	-	14,428,474,553	100,554,473,257
Transfer from the welfare fund used for fixed asset acquisition into welfare fund	7,519,442,000	(7,519,442,000)	-	-
Depreciation of assets formed from fund	-	(1,646,760,132)	-	(1,646,760,132)
Utilization of fund	(31,801,441,200)	-	(6,691,207,952)	(38,492,649,152)
Closing balance	<u>91,070,348,197</u>	<u>21,916,234,106</u>	<u>14,806,705,970</u>	<u>127,793,288,273</u>

22 LONG-TERM PROVISIONS

	Provision for dismantling and restoration costs VND	Severance allowance VND	Total VND
Opening balance	7,593,479,308	25,785,628,500	33,379,107,808
Appropriation in the period/year	1,036,345,122	3,222,687,102	4,259,032,224
Utilization of provision	-	(1,379,819,751)	(1,379,819,751)
Closing balance	<u>8,629,824,430</u>	<u>27,628,495,851</u>	<u>36,258,320,281</u>

23 SCIENCE AND TECHNOLOGY DEVELOPMENT FUND

In accordance with Circular No.12/2016/TTLT-BKHCHN-BTC dated 28 June 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. The fund is utilized when disbursement is 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
Fixed assets formed from the fund	(2,243,810,364)	2,243,810,364	-
Depreciation of assets formed from fund	-	(2,554,121,886)	(2,554,121,886)
Utilization of fund	<u>(2,304,501,511)</u>	-	<u>(2,304,501,511)</u>
Closing balance	<u>(2,995,175,892)</u>	<u>29,357,859,319</u>	<u>26,362,683,427</u>

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 09 – DN/HN

24 OWNER'S EQUITY

Movements in owner's equity

	Contributed capital VND	Capital surplus VND	Treasury shares VND	Investment and development fund VND	Undistributed profit after tax VND	Total VND
As at 01 January 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
Net profit for the year	-	-	-	-	710,101,428,166	710,101,428,166
Dividends	-	-	-	-	(304,296,825,000)	(304,296,825,000)
Profit distribution	-	-	-	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 31 December 2016	871,643,300,000	6,778,948,000	-	1,220,561,708,767	761,094,896,749	2,860,078,853,516
Bonus shares	435,817,410,000	-	-	(435,817,410,000)	-	-
Net profit for the year	-	-	-	-	358,859,037,457	358,859,037,457
Dividends	-	-	-	-	(305,075,155,000)	(305,075,155,000)
Profit distribution	-	-	-	310,436,650,782	(310,436,650,782)	-
Appropriation to bonus and welfare fund	-	-	-	-	(85,678,223,315)	(85,678,223,315)
Appropriation to bonus fund for the Board of Directors	-	-	-	-	(14,252,275,620)	(14,252,275,620)
As at 30 June 2017	1,307,460,710,000	6,778,948,000	-	1,095,180,949,549	404,511,629,489	2,813,932,237,038

24 OWNER'S EQUITY (cont.)

Charter capital

	30.06.2017		31.12.2016	
	Number of shares	VND	Number of shares	VND
Authorized and issued share capital	130,746,071	1,307,460,710,000	87,164,330	871,643,300,000
Treasury shares	-	-	-	-
Ordinary shares currently in circulation	130,746,071	1,307,460,710,000	87,164,330	871,643,300,000

All ordinary shares have a par value of VND 10,000. Each share is entitled to one vote at shareholders' meetings. Shareholders are eligible to receive dividends declared by the Company. 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 in share capital during the period/year were as follows:

	Fiscal period ended 30.06.2017		Fiscal year ended 31.12.2016	
	Number of shares	VND	Number of shares	VND
Opening balance	87,164,330	871,643,300,000	86,941,950	855,522,270,000
Bonus shares issued during the period/ year	43,581,741	435,817,410,000		
Treasury shares reissued during the period/year	-	-	222,380	16,121,030,000
Closing balance	130,746,071	1,307,460,710,000	87,164,330	871,643,300,000

Dividends

According to Resolution of the AGM No.001/2017/NQ-DHĐCĐ dated 18 April 2017, the AGM has approved the declaration of dividends from profit after tax of 2016 at 35% in cash, equal to VND 305,075,155,000.

25 NON-CONTROLLING INTERESTS

	Fiscal period ended 30.06.2017 VND	Fiscal year ended 31.12.2016 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	1,113,593,626	2,996,068,421
Appropriation to bonus and welfare fund	(447,775,389)	(597,631,764)
Appropriation to bonus fund for the Board of Directors	(176,198,933)	(540,533,785)
Dividends	(735,000,000)	(1,225,000,000)
Closing balance	33,914,868,167	34,160,248,863

26 OFF BALANCE SHEET ITEMS**Foreign currencies**

Cash and cash equivalents include the following foreign currencies

	30.06.2017	31.12.2016
	VND	VND
US Dollar (USD)	951,396	651,214
Euro (EUR)	7,389	46,884
Pataca Macau (MOP)	-	20
	<u> </u>	<u> </u>

27 SALES

	For the 3-month period ended		For the 6-month period ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	VND	VND	VND	VND
Sales of goods and services				
Sales of finished goods	835,765,366,902	799,340,794,050	1,576,307,570,396	1,522,582,244,245
Sales of merchandises	180,348,072,163	156,294,243,094	386,841,961,777	308,665,269,018
Sales of services rendered	15,423,083,297	6,293,042,433	24,329,481,217	8,669,709,930
	<u>1,031,536,522,362</u>	<u>961,928,079,577</u>	<u>1,987,479,013,390</u>	<u>1,839,917,223,193</u>
Sales deductions				
Sales discounts	103,071,908,761	81,404,238,222	174,487,534,844	139,924,955,925
Sales returns	2,801,611,653	4,800,922,881	4,961,070,167	8,856,582,430
	<u>105,873,520,414</u>	<u>86,205,161,103</u>	<u>179,448,605,011</u>	<u>148,781,538,355</u>
Net sales	<u>925,663,001,948</u>	<u>875,722,918,474</u>	<u>1,808,030,408,379</u>	<u>1,691,135,684,838</u>
In which:				
Sales of finished goods	734,506,694,656	715,447,245,770	1,406,168,390,692	1,381,986,672,693
Sales of merchandises	175,733,223,995	153,982,630,271	377,532,536,470	300,479,302,215
Sales of services rendered	15,423,083,297	6,293,042,433	24,329,481,217	8,669,709,930

28 COST OF GOODS SOLD

	For the 3-month period ended		For the 6-month period ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	VND	VND	VND	VND
Cost of finished goods sold	330,935,135,835	338,666,253,593	625,530,992,367	643,398,119,181
Cost of merchandises sold	169,309,954,947	145,681,705,014	359,583,429,929	286,216,795,010
Cost of services rendered	4,647,361,103	4,843,236,212	6,441,741,038	6,699,178,120
Allowances for inventories	(43,719,046)	(1,186,974,913)	(43,719,046)	(1,198,342,288)
	<u>504,848,732,839</u>	<u>488,004,219,906</u>	<u>991,512,444,288</u>	<u>935,115,750,023</u>

29 FINANCIAL INCOME

	For the 3-month period ended		For the 6-month period ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	VND	VND	VND	VND
Interest income	21,816,049,156	13,975,695,460	37,650,747,827	25,497,237,100
Dividends earned	25,279,964	19,123,220	53,265,164	155,588,420
Foreign exchange gains	779,498,002	728,518,315	2,094,537,091	1,646,690,560
Other financial income	-	252,032,316	-	252,032,316
	<u>22,620,827,122</u>	<u>14,975,369,311</u>	<u>39,798,550,082</u>	<u>27,551,548,396</u>

30 FINANCIAL EXPENSES

	For the 3-month period ended		For the 6-month period ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	VND	VND	VND	VND
Interest expenses	5,992,899,462	2,978,740,007	10,652,258,756	5,598,598,698
Foreign exchange losses	999,954,395	1,287,631,720	2,484,729,794	2,215,617,801
Settlement discount	17,112,406,829	17,423,474,904	31,341,369,547	31,329,628,511
Financial reserve expenses	597,096,044	-	597,096,044	-
Other financial expenses	35,008,560	15,271,987	78,733,459	59,263,668
	<u>24,737,365,290</u>	<u>21,705,118,618</u>	<u>45,154,187,600</u>	<u>39,203,108,678</u>

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

	For the 3-month period ended		For the 6-month period ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	VND	VND	VND	VND
Staff cost	86,601,567,603	58,575,642,647	152,974,813,795	112,767,474,804
Material expenses	6,089,301,077	3,015,316,351	11,250,959,571	5,611,392,857
Tools and supplies expenses	1,727,379,187	2,420,226,158	3,210,178,122	3,419,309,125
Depreciation and amortization expenses	4,975,642,404	4,403,969,368	9,886,448,424	7,997,308,045
Advertising expenses	15,624,976,648	57,301,227,610	47,280,766,831	106,696,775,590
Seminar expenses	4,808,033,235	3,645,774,257	8,634,031,600	4,877,002,689
Transportation expenses	5,298,393,325	3,880,704,753	8,452,061,871	8,061,582,160
Others	26,005,797,331	26,349,371,896	52,135,704,861	38,457,937,885
	<u>151,131,090,810</u>	<u>159,592,233,040</u>	<u>293,824,965,075</u>	<u>287,888,783,155</u>

31 SELLING EXPENSES AND GENERAL & ADMINISTRATIVE EXPENSES (cont.)**General & administrative expenses**

	For the 3-month period ended		For the 6-month period ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	VND	VND	VND	VND
Staff cost	69,808,114,189	45,934,619,399	128,455,159,098	102,315,632,476
Material expenses	658,005,183	116,756,307	1,373,527,576	264,378,439
Tools and supplies expenses	384,328,311	791,131,249	1,028,403,314	1,667,426,759
Depreciation and amortization expenses	2,452,945,690	2,203,689,684	4,823,436,878	5,398,342,268
Taxes, fees and duties	140,020,207	300,491,230	346,235,130	462,272,283
Allowances for doubtful debts	4,750,952,040	355,796,466	5,597,114,577	1,268,677,738
Provision for dismantling and restoration	518,172,561	338,774,425	1,036,345,122	764,273,407
Outsourced services expenses	4,085,339,503	4,534,697,636	7,101,397,522	8,200,279,902
Science and technology development expenses	-	-	7,000,000,000	-
Others	3,866,871,511	1,707,541,262	8,765,712,343	10,343,243,230
	<u>86,664,749,195</u>	<u>56,283,497,658</u>	<u>165,527,331,560</u>	<u>130,684,526,502</u>

32 OTHER INCOME

	For the 3-month period ended		For the 6-month period ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	VND	VND	VND	VND
Gain from disposal of fixed assets and other non-current assets	297,416,665	2,613,646,431	727,244,949	4,641,006,262
Commission income	-	7,960,163,275	-	14,984,252,929
Others	1,029,015,944	2,386,585,843	2,394,973,927	5,513,145,837
	<u>1,326,432,609</u>	<u>12,960,395,549</u>	<u>3,122,218,876</u>	<u>25,138,405,028</u>

33 OTHER EXPENSES

	For the 3-month period ended		For the 6-month period ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	VND	VND	VND	VND
Missing inventories written-off	-	8,295,694,967	-	8,295,694,967
Depreciation expenses	312,410,709	1,420,789,214	469,856,477	2,752,592,678
Others	1,501,875,061	144,603,368	1,555,703,869	878,663,505
	<u>1,814,285,770</u>	<u>9,861,087,549</u>	<u>2,025,560,346</u>	<u>11,926,951,150</u>

34 COST OF OPERATION BY FACTORS

	For the fiscal period ended	
	30.06.2017	30.06.2016
	VND	VND
Material cost	792,961,542,606	778,381,654,986
Labor cost	406,342,143,530	343,200,819,774
Depreciation expenses	45,911,617,378	44,461,162,526
Outside service expenses	83,804,355,057	162,129,456,646
Other expenses	100,067,774,468	44,414,575,443
	<u>1,429,087,433,039</u>	<u>1,372,587,669,375</u>

35 CORPORATE INCOME TAX EXPENSE

	For the 3-month period ended		For the 6-month period ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	VND	VND	VND	VND
Accounting profit before tax	179,624,219,129	167,756,202,804	352,116,869,822	338,550,194,995
Tax calculated at a normal rate of 20%	35,924,843,825	33,551,240,561	70,423,373,964	67,710,038,999
Adjustments for:				
Impact of negative income tax	6,048,664,079	-	6,048,664,079	-
Expenses not deductible for tax purpose	2,094,797,529	1,969,199,139	2,385,904,892	2,101,579,151
Additional tax from prior years	11,933,818	3,235,225	11,933,818	3,235,225
Income not subject to tax	(5,055,993)	(3,824,663)	(10,653,033)	(31,120,711)
Tax incentives	(49,186,652,399)	(22,692,033,994)	(84,589,201,638)	(39,255,500,881)
Temporary differences of provisions	(533,606,190)	-	(658,192,272)	-
Differences from consolidation	(829,073,720)	(92,762,108)	(1,467,591,071)	859,304,190
Corporate income tax expense	<u>(6,474,149,051)</u>	<u>12,735,054,160</u>	<u>(7,855,761,261)</u>	<u>31,387,535,973</u>

Charge/(credit) to the income statement	For the 3-month period ended		For the 6-month period ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	VND	VND	VND	VND
Corporate income tax – current	2,457,521,640	15,847,958,848	2,855,799,420	35,651,618,938
Corporate income tax – deferred	(8,931,670,691)	(3,112,904,688)	(10,711,560,681)	(4,264,082,965)
Corporate income tax expense	<u>(6,474,149,051)</u>	<u>12,735,054,160</u>	<u>(7,855,761,261)</u>	<u>31,387,535,973</u>

Applicable tax rates

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

The Company

According to the Decision no. 3044/QĐ-UBND of the People’s Committee of Cantho City, the Company is required to pay the corporate income tax 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.

Subsidiaries

Apart from DHG Packaging and Printing 1 One Member Limited Company, DHG Pharmaceutical One Member Limited Company and other subsidiaries in the Group are obliged to pay to the State the corporate income tax from its taxable income.

DHG Printing and Packaging 1 (“DHG PP1”)

Pursuant to the investment certificate, DHG PP1 is obliged to pay corporate income tax at the rate of 10% of taxable income from 2014 to 2028. Under terms of investment certificate granted to DHG PP1, DHG PP1 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 Pharma Ltd.”)

Pursuant to investment certificate No. 642041000005 issued by the Management Board of Hau Giang Industrial Zone, DHG Pharma Ltd. is obliged to pay its corporate income tax at the rate of 10% of taxable income for 15 years from the date of starting its operation. DHG Pharma Ltd. is entitled to the corporate income tax exemption for 4 years and 50% reduction for the following 9 years commencing from the first year of having taxable income, DHG Pharma Ltd. has registered with the tax department of Hau Giang province 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 shareholders after deducting the bonus and welfare funds by the 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		For the 6-month period ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	VND	VND	VND	VND
Net profit attributable to shareholders (VND)	185,770,337,943	154,556,023,844	358,859,037,457	306,053,444,635
Appropriation to the Bonus and Welfare Fund (*)	(18,577,033,794)	(15,455,602,384)	(35,885,903,746)	(30,605,344,464)
	<u>167,193,304,149</u>	<u>139,100,421,460</u>	<u>322,973,133,711</u>	<u>275,448,100,171</u>
Weighted average number of ordinary shares in circulation	130,746,071	130,523,691	130,746,071	130,523,691
Basic earnings per share based on weighted average number of popular votes in circulation (VND)	1,279	1,066	2,470	2,110

36 BASIC EARNINGS PER SHARE (cont.)

(*)The expected appropriation of the bonus and welfare fund for 2017 that is based on the allocated proportion in accordance with Resolution of the AGM No.001/2017/NQ-ĐHĐCĐ dated 18 April 2017 is 10%.

The group does not have potentially dilutive ordinary shares.

37 COMMITMENTS**a) Operating lease commitment**

Irrevocable operating leases, the Group has to pay future minimums as follows:

	Land lease	
	30.06.2017	31.12.2016
	VND	VND
Within one year	2,711,014,189	5,481,993,358
From 1 to 5 years	21,688,113,512	21,927,973,432
Over 5 years	118,502,981,141	122,558,946,522
	<u>142,902,108,842</u>	<u>149,968,913,312</u>

b) Capital commitment

Capital expenditure contracted for at the balance sheet date but not recognized in the consolidated financial statements is as follows:

	30.06.2017	31.12.2016
	VND	VND
Approved but not contracted	14,984,592,186	25,292,389,735
Approved and contracted but not implemented	23,689,395,654	31,867,348,447
	<u>38,673,987,840</u>	<u>57,159,738,182</u>

38 RELATED PARTY TRANSACTIONS AND BALANCES

The largest shareholder of the Group is the State Capital Investment Corporation ("SCIC"), which owns 43.31% of the Company's share capital. SCIC is controlled by the Government of S.R of Vietnam.

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

	For the fiscal period ended	
	30.06.2017	30.06.2016
	VND	VND
Sales of goods and services		
Associate companies		
Vinh Hao Algae Processing Joint Stock Company	1,132,250,000	717,050,000
The dividend declared		
SCIC	132,127,887,500	132,127,887,500
Benefits paid to key management personnel		
Salary and benefits	9,911,906,264	6,084,280,428

39 SUPPLEMENTAL DISCLOSURES OF CASH FLOW STATEMENTS (“CFS”)**a. Non-cash transactions affecting the CFS**

	For the fiscal period ended	
	30.06.2017	30.06.2016
	VND	VND
Appropriation to reserves	410,367,149,717	250,621,052,107
Transferred from construction in progress to tangible fixed assets	11,715,732,523	21,895,832,561
Transferred from construction in progress to intangible assets	2,930,291,720	6,205,435,000
Transferred from construction in progress to tools and supplies	-	1,395,000
Transferred from long – term prepayments to intangible assets	-	6,773,444,684
Interests earned and dividends has not been received	20,406,141,670	13,924,333,776
	20,406,141,670	13,924,333,776

b. Proceeds from borrowings

	For the fiscal period ended	
	30.06.2017	30.06.2016
	VND	VND
Proceeds from borrowings under normal contracts	1,383,813,007,337	633,486,276,089
	1,383,813,007,337	633,486,276,089

c. Repayment of borrowings

	For the fiscal period ended	
	30.06.2017	30.06.2016
	VND	VND
Repayments of borrowings under normal contracts	1,046,978,435,800	517,685,776,712
	1,046,978,435,800	517,685,776,712

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant

Le Chanh Dao
Deputy General Director
18 July 2017