

**DHG Pharmaceutical Joint Stock
Company and its subsidiaries**

Consolidated financial statements for the
fiscal year ended 31 December 2012

DHG Pharmaceutical Joint Stock Company
Corporate Information

Establishment Decision No.	2405/QD-CT.UB The decision was issued by Can Tho City People's Committee	5 August 2004
Business Registration Certificate	5703000111 issued by the Planning and Investment Department of Can Tho City on 15 September 2004. The Company's Business Registration Certificate has been amended several times, the most recent of which is Business Registration Certificate No.1800156801 dated 25 July 2012.	
Board of Management	Ms. Pham Thi Viet Nga Ms. Le Minh Hong Mr. Le Chanh Dao Mr. Doan Dinh Duy Khuong Ms. Nguyen Thi Hong Loan Mr. Nguyen Nhu Song Mr. Le Dinh Buu Tri	Chairperson Member (From August 16 th , 2012, No. 009/NQ.HDQT) Member Member Member Member Member
Board of Directors	Ms. Le Minh Hong Ms. Pham Thi Viet Nga Mr. Le Chanh Dao Mr. Doan Dinh Duy Khuong Ms. Nguyen Ngoc Diep	General Director (From July 1 st , 2012) General Director (Until June 30 th , 2012) Deputy General Director Deputy General Director (From March 30 th , 2012) Deputy General Director (From May 1 st , 2012)
Supervisory Board	Mr. Tran Quoc Hung Ms. Tran Thi Anh Nhu Ms. Nguyen Phuong Thao Mr. Dam Manh Cuong	Head of Board (From April 26 th , 2012) Member (From April 26 th , 2012) Member (From April 26 th , 2012) Member (Until April 26 th , 2012)
Registered Office	288 Bis, Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District, Can Tho City Viet Nam	

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Consolidated balance sheet at ended 31 December 2011

	Code	Note	31/12/2012 VND	31/12/2011 VND
ASSETS				
Current assets (100 = 110 +130 + 140 +150)	100		1,817,740,220,798	1,490,691,786,181
Cash and cash equivalents	110	4	718,975,317,797	467,084,218,098
Cash	111		179,126,910,532	343,614,925,745
Cash equivalents	112		539,848,407,265	123,469,292,353
Accounts receivable	130	5	570,943,086,416	489,939,062,124
Accounts receivable – trade	131		449,431,053,830	340,585,766,770
Prepayments to suppliers	132		84,252,371,581	79,032,748,156
Other receivables	135		42,988,862,420	73,173,069,305
Allowance for doubtful debts	139		(5,729,201,415)	(2,852,522,107)
Inventories	140	6	515,297,422,076	515,191,425,774
Inventories	141		521,392,541,456	519,861,087,569
Allowance for inventories	149		(6,095,119,380)	(4,669,661,795)
Other current assets	150		12,524,394,509	18,477,080,185
Short-term prepayments	151		819,469,000	1,431,601,904
Deductible value added tax	152		3,876,949,889	4,301,209,672
Taxes receivable from State	154	7	1,882,551,193	4,108,142,811
Other current assets	158		5,945,424,427	8,636,125,798

The accompanying notes form an integral part of these consolidated financial statements

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Consolidated balance sheet at ended 31 December 2012 (cont.)

	Code	Note	31/12/2012 VND	31/12/2011 VND
Long-term assets (200 = 220 + 250 + 260)	200		558,953,623,398	505,014,880,878
Fixed assets	220		515,449,416,695	459,454,490,641
Tangible fixed assets	221	8	275,007,761,117	255,330,772,673
<i>Cost</i>	222		517,885,426,555	443,230,788,716
<i>Accumulated depreciation</i>	223		(242,877,665,438)	(187,900,016,043)
Intangible fixed assets	227	9	167,001,188,865	157,377,310,396
<i>Cost</i>	228		174,923,643,193	163,249,725,488
<i>Accumulated depreciation</i>	229		(7,922,454,328)	(5,872,415,092)
Construction in progress	230	10	73,440,466,713	46,746,407,572
Long-term investments	250	11	16,685,474,564	17,473,451,017
Investments in associates	252		9,368,305,813	10,086,282,266
Other long-term investments	258		11,831,050,200	11,901,050,200
Allowance for diminution in the value of long-term investments	259		(4,513,881,449)	(4,513,881,449)
Other long-term assets	260		26,818,732,139	28,086,939,220
Long-term prepayments	261	12	19,347,501,172	20,446,170,185
Deferred tax assets	262	32	5,840,892,665	5,509,693,831
Other long-term assets	268		1,630,338,302	2,131,075,204
TOTAL ASSETS (270 = 100 + 200)	270		2,376,693,844,196	1,995,706,667,059
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		667,577,084,188	602,248,423,265
Current liabilities	310		646,313,974,463	544,024,124,947
Short-term borrowings	311	13	19,484,808,997	21,115,601,324
Accounts payable – trade	312	14	76,949,242,440	123,618,564,257
Advances from customers	313		1,236,669,394	720,929,252
Taxes payable to State Treasury	314	15	21,880,881,860	28,297,625,312
Payables to employees	315		155,170,608,953	125,958,570,389
Accrued expenses	316	16	245,144,874,461	165,931,042,238
Other payables	319	17	63,787,567,645	33,834,092,563
Bonus and welfare fund	323	18	62,659,320,713	44,547,699,612
Long-term liabilities	330		21,263,109,725	58,224,298,318
Provision for severance allowance	336	19	-	33,818,985,521

The accompanying notes form an integral part of these consolidated financial statements

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Consolidated balance sheet at ended 31 December 2012 (cont.)

	Code	Note	31/12/2012 VND	31/12/2011 VND
Science and technology development fund	339	20	21,263,109,725	24,405,312,797
EQUITY (400 = 410)	400		1,693,110,241,887	1,381,546,863,475
Equity	410	21	1,693,110,241,887	1,381,546,863,475
Share capital	411	22	653,764,290,000	651,764,290,000
Treasury shares	414	22	(455,850,000)	(455,850,000)
Investment and development fund	417		491,137,167,263	286,384,048,884
Financial reserves	418		66,762,044,635	66,541,621,663
Retained profits	420		481,902,589,989	377,312,752,928
MINORITY INTEREST	439	23	16,006,518,121	11,911,380,319
TOTAL RESOURCES (440 = 300 + 400 + 439)	440		2,376,693,844,196	1,995,706,667,059

The accompanying notes form an integral part of these consolidated financial statements

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Consolidated balance sheet at ended 31 December 2012 (cont.)

OFF-BALANCE SHEET ITEMS

	Note	31/12/2012	31/12/2011
Foreign currencies:			
USD		109,684	271,766
EUR		131,696	182,918
MOP		20	20
CNY		3,515	3,515
CAD		100	100
JPY		-	22,000
BTH		-	31,592

Prepared by:

Approved by:

Dang Pham Huyen Nhung
Chief Accountant

Le Chanh Dao
Deputy General Director

18 January 2013

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Consolidated statement of income for the fiscal year ended 31 December 2012

	Code	Note	Three-month period ended 31/12/2012 VND	31/12/2011 VND	Fiscal year ended 31/12/2012 VND	31/12/2011 VND
Total revenue	01	24	910,232,769,568	769,713,225,008	2,949,286,471,547	2,510,825,145,928
Less sales deductions	02	24	(4,170,941,334)	(6,283,175,806)	(18,209,979,100)	(19,945,210,196)
Net sales	10	24	906,061,828,234	763,430,049,202	2,931,076,492,447	2,490,879,935,732
Cost of sales	11	25	(453,170,879,291)	(376,100,587,567)	(1,487,344,366,864)	(1,282,117,010,705)
Gross profit	20		452,890,948,943	387,329,461,635	1,443,732,125,583	1,208,762,925,027
Financial income	21	26	9,675,663,938	8,442,212,901	42,177,420,081	48,895,136,206
Financial expenses	22	27	(622,832,455)	(2,750,788,459)	(4,453,033,603)	(7,182,687,737)
Interest expense			(507,167,514)	(733,485,672)	(2,611,607,290)	(2,038,850,925)
Selling expenses	24	28	(266,147,056,594)	(188,377,535,780)	(712,732,122,571)	(558,862,870,510)
General and administration expenses	25	29	(64,522,646,188)	(63,833,358,951)	(217,783,187,016)	(185,188,217,125)
Net operating profit	30		131,274,077,644	140,809,991,346	550,941,202,474	506,424,285,861
Results of other activities	40					
Other income	31	30	31,049,283,448	3,726,774,044	39,438,828,016	9,934,185,563
Other expenses	32	31	(1,431,706,643)	(3,569,987,416)	(8,194,134,781)	(15,391,090,405)
Share of losses in associates	30	11	76,597,136	(9,744,146,115)	(153,526,453)	(10,025,671,093)
Profit before tax	50		160,968,251,585	131,222,631,859	582,032,369,256	490,941,709,926

The accompanying notes form an integral part of these consolidated financial statements

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Consolidated statement of income for the fiscal year ended 31 December 2012 (cont)

	Code	Note	Three-month period ended		Fiscal year ended	
			31/12/2012 VND	31/12/2011 VND	31/12/2012 VND	31/12/2011 VND
Profit before tax	50		160,968,251,585	131,222,631,859	582,032,369,256	490,941,709,926
Income tax expense – current	51	32	(26,254,898,546)	(23,963,588,039)	(85,423,386,577)	(72,903,779,886)
Income tax benefit – deferred	52	32	(207,302,078)	1,106,148,592	331,198,822	1,724,228,543
Net profit	60		134,506,050,961	108,365,192,412	496,940,181,501	419,762,158,583
Attributable to:						
Minority shareholders	61	23	1,280,559,582	1,870,466,702	5,627,404,205	4,235,578,682
Equity holders of the Company	62		133,225,491,379	106,494,725,710	491,312,777,296	415,526,579,901
Net profit	60		134,506,050,961	108,365,192,412	496,940,181,501	419,762,158,583
Basic earnings per share	70	33	2,038	1,634	7,522	6,382

Prepared by:

Approved by:

Dang Pham Huyen Nhung
Chief Accountant

Le Chanh Dao
Deputy General Director

18 January 2013

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Consolidated statement of income for the fiscal year ended 31 December 2012

EXPLANATION

DHG Pharmaceutical Joint Stock Company presents the movements of the revenue and profit of the year 2012, compared with the previous year, as follows

Unit: In million VND

Targets	Year 2012		Year 2011		Movements			
	Q4	12 months	Q4	12 months	Q4		12 months	
					Value	Ratio	Value	Ratio
Net revenue	906,062	2,931,076	763,430	2,490,880	142,632	18.68%	440,196	17.67%
Profit after tax	134,506	496,940	108,365	419,762	26,141	24.12%	77,178	18.39%

Reasons:

1. The Company had implemented the Circular 180/2012/TT-BTC dated 24 October 2012 of MOF providing guidelines for treatment of the severance allowance paid to employees. Thus, the Company has written back the provision for severance allowance nearly VND 30 billion leading to highly increase the profit of Q4/2012
2. Pushed up advertising activities, seminars to introduce new products to customers, leading to an increase in revenue 18.68% in Q4/2012

Due to the above elements, profit of Q4/2012 increased 24.12% compared to the same period; profit of the year 2012 increased 18.39%

DHG Pharma kindly reports

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Approved by:

Dang Pham Huyen Nhung
Chief Accountant

Le Chanh Dao
Deputy General Director

18 January 2013

The accompanying notes form an integral part of these consolidated financial statements

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Consolidated statement of cash flows for the fiscal year ended 31 December 2012
(Indirect method)

	Code	Note	2012 VND	2011 VND
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	01		582,032,369,256	490,941,709,926
Adjustments for				
Depreciation and amortisation	02		70,150,300,327	53,597,351,298
Allowances and provisions	03		4,302,136,893	(1,012,042,080)
Gain on disposals of fixed assets	04		(102,950,370)	(1,759,732,840)
Dividends and interest income	05		(39,524,168,310)	(42,396,733,860)
Interest expense	06		2,611,607,290	2,038,850,925
Interest from liquidation of investments	07		(20,000,000)	(1,546,692,690)
Share of (interest) /loss in associate	08		153,526,453	10,025,671,093
Operating profit before changes in working capital	08		619,602,821,539	509,888,381,772
Change in receivables and other current assets	09		(79,601,363,430)	(4,747,452,261)
Change in inventories	10		(1,531,453,887)	(169,735,622,065)
Change in payables and other liabilities	11		53,420,568,431	71,282,343,851
Change in prepayments	12		473,280,838	(148,437,007)
			592,363,853,491	406,539,214,290
Interest paid	13		(2,024,682,017)	(1,967,602,123)
Corporate income tax paid	14		(83,447,405,099)	(86,291,647,569)
Other payments for operating activities	16		(37,044,649,258)	(54,835,562,835)
Net cash generated from operating activities	20		469,847,117,117	263,444,401,763

The accompanying notes form an integral part of these consolidated financial statements

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Consolidated statement of cash flows for the fiscal year ended 31 December 2012
(Indirect method - cont)

	Code	Note	2012 VND	2011 VND
CASH FLOWS FROM INVESTING ACTIVITIES				
Payments for additions to fixed assets and other long-term assets	21		(132,834,972,596)	(256,260,211,277)
Proceeds from disposals of fixed assets and other long-term assets	23		5,452,743,302	5,487,880,667
Loans given to other entities	24		(204,000,000)	(1,035,537,465)
Loans collected from other entities	25		2,116,867,671	5,999,720,820
Collections on investments in other entities	27		90,000,000	13,500,000,000
Receipts of interests and dividends	28		38,319,590,532	44,015,852,247
Net cash used in investing activities	30		(87,059,771,091)	(188,292,295,008)
Proceeds from equity issued	31		2,000,000,000	2,500,000,000
Proceeds from short-term borrowings	33		17,840,323,555	48,180,001,906
Payments to settle debts	34		(19,471,115,882)	(39,866,813,555)
Payments of dividends	36		(131,265,454,000)	(261,400,196,000)
Net cash (used in)/ generated from financing activities	40		(130,896,246,327)	(250,587,007,649)
Net cash flows during the period (50 = 20 + 30 + 40)	50		251,891,099,699	(175,434,900,894)
Cash and cash equivalent at the beginning of the period	60		467,084,218,098	642,519,118,992
Cash and cash equivalent at the end of the period (70 = 50 + 60)	70	4	718,975,317,797	467,084,218,098

Prepared by:

Approved by:

Dang Pham Huyen Nhung
Chief Accountant

Le Chanh Dao
Deputy General Director

18 January 2013

The accompanying notes form an integral part of these consolidated financial statements

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012

These notes form an integral part of and should be read in conjunction with the accompanying consolidated interim financial statements.

1. Reporting Entity

DHG Pharmaceutical Joint Stock Company (“the Company”) was incorporated as a joint stock company under Business Registration Certificate No. 5703000111 issued by the Planning and Investment Department of Can Tho City on 15 September 2004. The principal activities of the Company are to produce and trade in pharmaceutical products.

The Company’s shares are listed on the Ho Chi Minh Stock Exchange.

The consolidated interim financial statements comprise the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interest in an associate.

The details of the subsidiaries, which are incorporated in Vietnam, are as follows:

Name	Principal activity	Business Registration Certificate	% of ownership	
			31/12/2012	31/12/2011
Subsidiaries				
DT Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	5104000057 issued by the Planning and Investment Department of Dong Thap Province on 28 August 2008	100%	100%
DHG Travel One Member Limited Company	Domestic travel services	5704000134 issued by the Planning and Investment Department of Can Tho City on 26 December 2007	100%	100%
HT Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	5604000048 issued by the Planning and Investment Department of Kien Giang Province on 16 May 2008	100%	100%
DHG Nature One Member Limited Company	Grow, process, manufacture, and trade herbal materials; Manufacture and trade pharmaceutical chemistry and dietary supplements	1800723433 issued by the Planning and Investment Department of Can Tho City on 25 August 2008	100%	100%
CM Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	6104000035 issued by the Planning and Investment Department of Ca Mau Province on 8 April 2008	100%	100%

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

Name	Principal activity	Business Registration Certificate	% of ownership	
			31/12/2012	31/12/2011
DHG Packaging and Printing One Member Limited Company	Manufacture and trade packaging, plastic, aluminium, paper for pharmaceutical industry; Provide printing services.	5704000183 issued by the Planning and Investment Department of Can Tho City on 29 April 2008	100%	100%
Song Hau Pharmaceutical Joint Stock Company	Trade pharmaceuticals, medical equipment and dietary supplements and pharmaceutical cosmetics.	6403000044 issued by the Planning and Investment Department of Hau Giang Province on 20 July 2007	51%	51%
A&G Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics.	1601171629 issued by the Planning and Investment Department of An Giang Province on 17 June 2009	100%	100%
ST Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics.	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 equipment and dietary supplements and pharmaceutical cosmetics.	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 equipment and dietary supplements and pharmaceutical cosmetics.	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 equipment and dietary supplements and pharmaceutical cosmetics.	1900455594 issued by the Planning and Investment Department of Bac Lieu Province on 29 March 2011		
DHG Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipments, food supplements and pharmaceutical cosmetics	No. 642041000005 issued by Board of Management of Hau Giang Industrial Zone on 16 August 2010	100%	100%

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

As at ended 31 December 2012, the Group had 2,764 employees (31 December 2011: 2,629 employees).

2. Basis of financial report

(a) Statement of compliance

Consolidated financial report is prepared in compliance with Vietnam Accounting Standards, Vietnam Accounting System and relative legal regulations applied to consolidated financial report. These consolidated financial reports should be viewed together with The company's consolidated financial report for the year ended 31 December 2011.

(b) Basis of financial statement preparation

The consolidated financial statements, except for the statement of cash flow, are prepared on the accrual basis using the historical cost concept. The statement of cash flows is prepared using the indirect method

(c) Annual accounting period

The annual accounting period of the Company is from 1 January to 31 December.

(d) Accounting currency

Financial report is prepared and presented in Vietnam dong (VND).

3. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Group in the preparation of these consolidated interim financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

(iii) Transactions eliminated on consolidation

Intra-group balances and any unrealised gains or losses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries and associates at the date of acquisition. Goodwill is amortised over 5 years.

If the fair value of the Group's share of the net assets of the acquired subsidiaries and associates exceeds the cost of its acquisition, the excess is recognised in the statement of income immediately.

(b) Foreign currency transactions

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at rates of exchange ruling at the balance sheet date. Transactions in currencies other than VND during the period have been translated into VND at rates approximating those ruling at the transaction dates.

All foreign exchange differences are recorded in the statement of income in accordance with Vietnamese Accounting Standard No. 10 ("CMKT 10") – *The Effects of Changes in Foreign Exchange Rates*.

(c) Cash and cash equivalents

Cash comprises cash balances and call deposits. Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

(d) Investments

Investments in term deposits and debt instruments; investments in equity instruments of entities over which the Company has no control or significant influence; and investments in subsidiaries and associates are stated at cost. Allowance is made for reductions in investment values if the market value of the investment falls below cost or if the investee has suffered a loss. The allowance is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the allowance was recognised. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined if no allowance had been recognised.

(e) Accounts receivable

Trade and other receivables are stated at cost less allowance for doubtful debts.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average basis and includes all costs incurred in bringing the inventories to their present location and condition. Cost in the case of finished goods and work in progress includes raw materials, direct labour and attributable manufacturing overheads. Net realisable value is the estimated selling price of inventory items, less the estimated costs of completion and selling expenses.

The Group applies the perpetual method of accounting for inventory.

(g) Tangible fixed assets

(i) Cost

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises its purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition for its intended use. Expenditure incurred after tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul cost, is charged to the statement of income in the period in which the cost is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure is capitalised as an additional cost of tangible fixed assets.

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of tangible fixed assets. The estimated useful lives are as follows:

▪ buildings	3 – 18 years
▪ machinery and equipment	3 – 13 years
▪ motor vehicles	3 – 13 years
▪ office equipment	2 – 10 years

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

(h) Intangible fixed assets

(i) Indefinite land use rights

Indefinite land use rights are stated at cost and are not amortised. The initial cost of land use rights comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use rights.

(ii) Definite land use rights

Definite land use rights are stated at cost less accumulated amortisation. The initial cost of land use right comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use right. Amortisation is computed on a straight-line basis over 50 years.

(iii) Software

Cost of acquisition of new software, which is not an integral part of the related hardware, is capitalised and treated as an intangible asset. Software is amortised on a straight-line basis ranging from 3 to 7 years.

(i) Construction in progress

Construction in progress represents the costs of construction and machinery which have not been fully completed or installed. No depreciation is provided for construction in progress during the period of construction and installation.

(j) Long-term prepayments

(i) Leasehold and improvements

Leasehold improvements are recorded at cost and amortised on a straight-line basis over 2 to 5 years.

(ii) Prepaid land costs

Prepaid land costs comprise prepaid land lease rentals and other costs incurred in conjunction with securing the use of leased land. These costs are recognised in the statement of income on a straight-line basis over the term of the lease ranging from 39 to 41 years.

(iii) Tools and equipments

Tools and equipments does not have enough conditions to recorded to tangible fixed assets according to Vietnamese Law incase of their costs are less than 10 million Vietnam dong, typed as long-term prepaid cost and distributed by the straight line method in 2 years.

(k) Trade and other payables

Trade and other payables are stated at their cost.

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

(l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Severance allowance

Under the Vietnamese Labour Code, when employees who have worked for 12 months or more (“eligible employee”) voluntarily terminates his/her labour contract, the employer is required to pay the eligible employee severance allowance calculated based on years of service and employees’ compensation at termination. Provision for severance allowance has been provided based on employees’ years of service and their current salary level.

Pursuant to Law on Social Insurance, effective from 1 January 2009 the Company and its employees are required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. The contribution to be paid by each party is calculated at 1% of the lower of the employees’ basic salary and 20 times the general minimum salary level as specified by the Government from time to time. With the implementation of unemployment insurance scheme, the Company is no longer required to provide severance allowance for the service period after 1 January 2009. However, severance allowance to be paid to the existing eligible employees as of 30 June 2012 will be determined based on the eligible employees’ year of service as of 31 December 2008 and their average salary for the six-month period prior to the termination date.

(m) Classification of financial tools

With the unique aim of providing information explaining the importance of financial tools for financial situation and results of business operation of the Group and the characteristics and extent of risk arising from financial tools, the Group classifies the financial tools as follows:

(i) Financial assets

Loans and receivables

Loans and receivables are non - derivative financial assets with fixed payments or can be identified and listed on the market, except for:

- Amounts which the Group intends to sell immediately or will sell in the near future classified as assets held for trading purposes, and kinds that at the time of initial recognition classified in group determined under fair value through statement of business operation;
- Amounts classified in available group to sale at the time of initial recognition; or
- Amounts held by the Group may not recover most of the initial investment value, not due to credit deterioration, classified in available group for sale.

Assets available for sale

Assets available for sale are non - derivative financial assets defined as available for sale or not classified as:

- Financial assets defined the fair value through the statements of business operation;
- Investment held to the date of maturity; or
- Loans and receivables.

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

(ii) Financial liabilities

Financial liabilities determined by amortized cost

Unclassified financial liabilities are financial liabilities determined by fair value through the statement of business operation which will be classified as financial liabilities determined by amortized cost.

The classification of financial tools listed above is only for presentation and demonstration and not intended to describe the method of determining the value of the financial tools. The accounting policy for valuation of financial tools is presented in the related notes.

(n) Taxation

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the statement of income except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(o) Share capital

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity.

(ii) Treasury shares

When share capital recognised as equity is purchased, the amount of the consideration paid, which includes directly attributable cost, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

(p) Equity funds

Allocations are made to equity funds from retained profits each period based on percentage decided by the shareholders in their annual ordinary general meeting.

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

(q) Revenue

(i) Goods sold

Revenue from the sale of goods is recognised in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods.

(ii) Services rendered

Revenue from services rendered is recorded in the statement of income in proportion to the stage of completion of the transaction at the balance sheet date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recorded if there are significant uncertainties regards recovery of the consideration due.

(r) Operating lease payments

Payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of income as an integral part of the total lease expense.

(s) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except where the borrowing costs relate to borrowings in respect of the construction of qualifying assets, in which case the borrowing costs incurred during the period of construction are capitalised as part of the cost of the assets concerned.

(t) Earnings per share

The Group presents basic (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. The Group does not have any potentially dilutive ordinary shares.

(u) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Management is of the opinion that the Company operates in one single business segment, which is the manufacture and sale of pharmaceutical products and one single geographical segment, which is Vietnam.

(v) Off balance sheet items

Amounts which are defined as off balance sheet items under the Vietnamese Accounting System are disclosed in the relevant notes to these separate interim financial statements.

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

4. Cash and cash equivalents

	31/12/2012	31/12/2011
	VND	VND
Cash on hand	29,526,910,320	42,974,727,829
Cash in banks	149,594,473,931	294,568,181,502
Cash in transit	5,526,281	6,072,016,414
Cash equivalent	539,848,407,265	123,469,292,353
	<hr/>	<hr/>
	718,975,317,797	467,084,218,098
	<hr/> <hr/>	<hr/> <hr/>

Cash and cash equivalents at ended 31 December 2012 included amounts denominated in currencies other than VND amounting to VND 5,951 million (31 December 2011: VND 10,810 million)

5. Accounts receivable

Accounts receivable – trade comprised:

	31/12/2012	31/12/2011
	VND	VND
Trade receivables from associates	356,765,200	356,765,200
Trade receivables from third parties	449,074,288,630	340,229,001,570
	<hr/>	<hr/>
	449,431,053,830	340,585,766,770
	<hr/> <hr/>	<hr/> <hr/>

Accounts receivable – trade were unsecured, interest free and receivable within 30 days from invoice date.

Prepayments to suppliers at December 31st, 2012 and December 31st, 2011 were amounts prepaid for acquisition of machinery and construction services.

Other receivables comprised:

	31/12/2012	31/12/2011
	VND	VND
Commission prepaid	37,379,455,592	57,935,895,745
Interest receivable	1,769,027,778	-
Loan receivables	204,000,000	1,269,867,671
Receivables from employees	810,716,851	11,104,178,590
Others	2,825,662,199	2,863,127,299
	<hr/>	<hr/>
	42,988,862,420	73,173,069,305
	<hr/> <hr/>	<hr/> <hr/>

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

Fluctuations in the allowance for bad debts during the period were as follows:

	2012 VND	2011 VND
Opening balance	2,852,522,107	6,225,376,152
Increase in allowance during the period	3,276,127,874	392,832,822
Written back	(399,448,566)	(3,048,679,942)
Utilisation during the period	-	(717,006,925)
		-
Closing balance	5,729,201,415	2,852,522,107

6. Inventories

	31/12/2012 VND	31/12/2011 VND
Goods in transit	58,010,077,544	84,006,950,234
Raw materials	185,339,083,659	183,598,965,379
Work in progress	24,966,649,172	39,470,249,494
Finished products	247,801,214,737	204,667,633,456
Goods	5,275,516,344	7,002,598,909
Goods on consignment	-	1,114,690,097
	521,392,541,456	519,861,087,569
Allowance for inventories	(6,095,119,380)	(4,669,661,795)
	515,297,422,076	515,191,425,774

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

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

	2012 VND	2011 VND
Opening balance	4,669,661,795	3,025,856,755
Increase in allowance during the period	1,425,457,585	1,643,805,040
	<hr/>	<hr/>
Closing balance	6,095,119,380	4,669,661,795
	<hr/> <hr/>	<hr/> <hr/>

7. Taxes and other payables to State Treasury

	31/12/2012 VND	31/12/2011 VND
Import-export duties	1,015,085,054	
Corporate income tax	832,996,069	3,995,583,961
Personal income tax	32,470,070	
Other taxes	2,000,000	112,558,850
	<hr/>	<hr/>
	1,882,551,193	4,108,142,811
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DHG Pharmaceutical Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements for the fiscal year ended 31 December 2012 (cont.)

8. Tangible fixed assets

	Buildings VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
Cost					
Opening balance	126,517,175,786	179,007,016,121	84,843,066,505	52,863,530,304	126,517,175,786
Additions	2,193,290,073	19,223,032,978	1,750,215,803	10,589,966,970	2,193,290,073
Transfers from construction in progress	20,548,898,356	19,488,947,241	13,021,295,571	933,144,083	20,548,898,356
Transfers from investment property	204,000,000				204,000,000
Transfer to short-term prepaid expenses	-	-	(19,521,365)	-	-
Disposals	(600,000,005)	(6,142,889,047)	(5,476,917,528)	(1,058,825,291)	(600,000,005)
Closing balance	148,863,364,210	211,576,107,293	94,118,138,986	63,327,816,066	148,863,364,210
Accumulated depreciation					
Opening balance	30,112,197,918	95,605,934,725	31,934,640,987	30,247,242,413	30,112,197,918
Depreciation in the period	13,288,287,515	28,990,484,946	14,393,166,935	7,943,809,778	13,288,287,515
Transfer to short-term prepaid expenses	-	-	(5,315,613)	-	-
Disposals	(165,000,000)	(5,634,469,676)	(2,783,585,938)	(1,049,728,552)	(165,000,000)
Closing balance	43,235,485,433	118,961,949,995	43,538,906,371	37,141,323,639	43,235,485,433
Net book value					
Opening balance	96,404,977,868	83,401,081,396	52,908,425,518	22,616,287,891	96,404,977,868
Closing balance	105,627,878,777	92,614,157,298	50,579,232,615	26,186,492,427	105,627,878,777

Included in the cost of tangible fixed assets were assets costing VND 97.962 million which were fully depreciated as of ended 31 December 2012 (31 December 2012: VND 58,893 million), but which are still in active use.

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

9. Intangible fixed assets

	Indefinite land use rights VND	Definite land use rights VND	Software VND	Total VND
Cost				
Opening balance	103,908,193,658	53,693,912,775	5,647,619,055	163,249,725,488
Additions during the period	3,512,842,000	9,455,656,955	-	12,968,498,955
Disposals	(150,000,000)	(1,099,000,000)	(45,581,250)	(1,294,581,250)
Closing balance	107,271,035,658	62,050,569,730	5,602,037,805	174,923,643,193
Accumulated amortisation				
Opening balance	-	4,076,846,191	1,795,568,901	5,872,415,092
Depreciation in the Period	-	1,178,976,344	962,435,817	2,141,412,161
Disposals	-	(45,791,675)	(45,581,250)	(91,372,925)
Closing balance	-	5,210,030,860	2,712,423,468	7,922,454,328
Net book value				
Opening balance	103,908,193,658	49,617,066,584	3,852,050,154	157,377,310,396
Closing balance	107,271,035,658	56,840,538,870	2,889,614,337	167,001,188,865

Included in the cost of intangible fixed assets were assets costing 1,079 million VND were fully depreciated as of December 31st, 2012, but which are still in active use.

10. Construction in progress

	2012 VND	2011 VND
Opening balance	46,746,407,572	7,719,996,731
Additions during the period	82,653,632,875	125,929,691,161
Transfers to tangible fixed assets	(53,924,601,507)	(84,194,123,202)
Transfers to intangible fixed assets	(1,936,214,955)	(2,540,241,968)
Transfers to expense fee	(98,757,272)	(168,915,150)
Closing balance	73,440,466,713	46,746,407,572

11. Long-term investments

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

	31/12/2012	31/12/2011
	VND	VND
Investment in associates		
▪ Vinh Hao Spirulina Algae Corporation	5,468,305,813	4,986,282,266
▪ Vinh Tuong High-Tech Packaging Corporation	3,900,000,000	5,100,000,000
	<hr/>	<hr/>
	9,368,305,813	10,086,282,266
	<hr/> <hr/>	<hr/> <hr/>
Other long-term investment		
▪ Cuu Long Pharmaceutical Joint Stock Company	27,420,000	27,420,000
▪ Binh Duong Pharmaceutical Joint Stock Company	4,286,800,000	4,286,800,000
▪ Ninh Thuan Pharmaceutical Joint Stock Company	796,675,000	796,675,000
▪ Nghe An Pharmaceutical Joint Stock Company	3,922,880,000	3,922,880,000
▪ TV,Pharm Pharmaceutical Joint Stock Company	2,575,315,200	2,575,315,200
▪ Ba Ria – Vung Tau Pharmaceutical, Cosmetic and Commercial Joint Stock Company	-	70,000,000
▪ Tay Ninh Pharmaceutical Joint Stock Company	221,960,000	221,960,000
	<hr/>	<hr/>
	11,831,050,200	11,901,050,200
	<hr/> <hr/>	<hr/> <hr/>

Movements of investment in associates were as follows:

	2012	2011
	VND	VND
Opening balance	10,086,282,266	32,592,080,669
Diposals during the period		(11,953,307,310)
Profit/(loss) from associates	(153,526,453)	(10,025,671,093)
Dividend	(564,450,000)	(526,820,000)
	<hr/>	<hr/>
Closing balance	9,368,305,813	10,086,282,266
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Details of the investments in associates were as follows:

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

Name	Principal activity	Business Registration Certificate	% of ownership	
			31/12/2012	31/12/2011
Associates				
Vinh Hao Algae Processing Joint Stock Company	Manufacture and trade spirulina algae.	4803000150 issued by the Planning and Investment Department of Binh Thuan Province on 04 February 2008	30%	30%
Vinh Tuong High-Tech Packaging Corporation	Manufacture package from primeval plastics	4603000373 issued by the Planning and Investment Department of Binh Duong Province on 09 July 2007	20%	20%

12. Long-term prepayments

	Leasehold improvements VND	Prepaid land costs VND	Tools and equipments VND	Total VND
Opening balance	1,798,393,813	18,599,855,707	47,920,665	20,446,170,185
Additions during the period	-	-	153,057,818	153,057,818
Amortisation for the period	(733,474,069)	(441,027,565)	(77,225,197)	(1,251,726,831)
Closing balance	1,064,919,744	18,158,828,142	123,753,286	19,347,501,172

13. Short-term borrowings

	31/12/2012 VND	31/12/2011 VND
Loan from the Group's employees (*)	19,484,808,997	21,115,601,324

(*) These borrowings were unsecured and bore interest at rates ranging from 0.9% to 1.1% per month during the period (2011: từ 1.10% đến 1,15%).

14. Accounts payable - trade

	31/12/2012 VND	31/12/2011 VND
Trade payables to associates	3,423,000,000	2,024,000,000

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

Trade payables to third parties	73,526,242,440	121,594,564,257
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	76,949,242,440	123,618,564,257
	<hr/>	<hr/>

The amounts were unsecured, interest free and payable on demand.

15. Taxes payable to State Treasury

	31/12/2012	31/12/2011
	VND	VND
Value added tax	9,613,137,679	2,353,466,431
Corporate income tax	8,066,832,696	9,253,439,110
Personal income tax	4,200,911,485	16,267,959,957
Others	-	422,759,814
	<hr/>	<hr/>
	21,880,881,860	28,297,625,312
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DHG Pharmaceutical Joint Stock Company and its subsidiaries**Notes to the consolidated financial statements for the fiscal year ended 31 December 2012 (cont.)**

In details as follows:

	<u>Beginning balance</u>	<u>Amount payable</u>	<u>Amount already paid</u>	<u>Ending balance</u>
VAT on local sales	(1,947,743,241)	43,430,177,971	(35,746,246,940)	5,736,187,790
VAT on imports	-	34,209,093,398	(34,209,093,398)	-
Import-export duties	(98,775,395)	12,008,887,312	(12,925,196,971)	(1,015,085,054)
Corporate income tax	5,257,855,149	85,423,386,577	(83,447,405,099)	7,233,836,627
Personal income tax	16,485,985,830	32,641,511,049	(44,959,055,464)	4,168,441,415
Land rental	-	2,250,373,050	(2,250,373,050)	-
Others	190,950,486	74,000,000	(266,950,486)	(2,000,000)
Total	<u>19,888,272,829</u>	<u>210,037,429,357</u>	<u>(213,804,321,408)</u>	<u>16,121,380,778</u>

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

16. Accrued expenses

	31/12/2012	31/12/2011
	VND	VND
Sales rebates	126,210,885,597	108,460,753,247
Sales promotion	84,528,035,126	45,510,216,128
Seminar expenses	16,925,732,519	1,923,656,378
Advertising expenses	5,520,924,677	174,805,673
Interest payable	980,410,624	393,485,351
Others	10,978,885,918	9,468,125,461
	<hr/>	<hr/>
	245,144,874,461	165,931,042,238
	<hr/> <hr/>	<hr/> <hr/>

17. Other payables

	31/12/2012	31/12/2011
	VND	VND
Social insurance, Health insurance, Trade-union	3,761,839,350	2,527,506,792
Commission payable	39,675,278,154	24,140,103,060
Dividend payable	17,894,000	15,750,000
Others	20,332,556,141	7,150,732,711
	<hr/>	<hr/>
	63,787,567,645	33,834,092,563
	<hr/> <hr/>	<hr/> <hr/>

18. Bonus and welfare fund

The fund is established by appropriating from retained profits at the discretion of shareholders at their annual general meeting. The fund is used to pay bonus and welfare to the Company's employees and Board of Management fee in accordance with the Company's bonus and welfare policies and Board of Management fee in accordance with the resolution of the shareholders in the annual general meeting.

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

	Bonus and welfare fund VND	Welfare fund transferred to fixed assets VND	Board of management bonus fund VND	Total VND
Opening balance	20,198,681,266	22,218,888,308	2,130,130,038	44,547,699,612
Allocation to the fund	43,109,274,016	-	8,904,793,271	52,014,067,287
Utilisation	(24,102,793,086)	(1,559,093,240)	(8,240,559,860)	(33,902,446,186)
	<hr/>	<hr/>	<hr/>	<hr/>
Closing balance	39,205,162,196	20,659,795,068	2,794,363,449	62,659,320,713
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19. Provision for severance allowance

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

Movements of provision for severance allowance during the period were as follows:

	VND
Opening balance	33,818,985,521
Provision made during the period	-
Utilised during the period	(4,586,214,391)
Written back	(29,232,771,130)
	<hr/>
Closing balance	-
	<hr/>

20. Science and technology development fund

In accordance with Circular 130/2008/TT-BTC dated 26 December 2008, entities are allowed to provide for the science and technology development fund for using in research and development activities. Provisions are charged to income. Fund is utilised when research and development activities are carried out and disbursements are made.

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

	VND
Opening balance	24,405,312,797
Utilisation during the period	(5,511,609,394)
Science & Tech fund turned into fixed assets	3,307,001,799
Depreciation of assets formed by Science & Tech fund	(937,595,477)
	<hr/>
Closing balance	21,263,109,725
	<hr/>

DHG Pharmaceutical Joint Stock Company and its subsidiaries

Notes to the consolidated financial statements for the fiscal year ended 31 December 2012 (cont.)

21. Change of share capital

	Share capital VND	Capital surplus VND	Treasury shares VND	Investment and development fund VND	Financial reserves VND	Retained profits VND	Total VND
Balance at 1 January 2011	269,129,620,000	378,761,392,824	(455,850,000)	204,329,442,743	64,215,412,933	364,342,106,640	1,280,322,125,140
Share capital issued	2,500,000,000						2,500,000,000
Bonus shares	380,134,670,000	(378,761,392,824)		(1,373,277,176)		-	-
Attribution to funds	-	-		83,427,883,317	2,326,208,730	(85,754,092,047)	-
Transfer to bonus and welfare fund	-	-	-	-	-	(45,937,137,077)	(45,937,137,077)
Board of management bonus fund	-	-	-	-	-	(10,199,508,489)	(10,199,508,489)
Net profit for the period						415,526,579,901	415,526,579,901
Dividends	-	-	-	-	-	(260,665,196,000)	(260,665,196,000)
Balance at 31 December 2011	651,764,290,000	-	(455,850,000)	286,384,048,884	66,541,621,663	377,312,752,928	1,381,546,863,475
Share capital issued	2,000,000,000	-	-	-	-	-	2,000,000,000
Attribution to funds	-	-	-	204,753,118,379	220,422,972	(204,973,541,351)	-
Transfer to bonus and welfare fund	-	-	-	-	-	(42,473,937,214)	(42,473,937,214)
Board of management bonus fund	-	-	-	-	-	(8,742,863,670)	(8,742,863,670)
Net profit for the period	-	-	-	-	-	491,312,777,296	491,312,777,296
Dividends (Note 33)	-	-	-	-	-	(130,532,598,000)	(130,532,598,000)
Balance at 31 December 2012	653,764,290,000	-	(455,850,000)	491,137,167,263	66,762,044,635	481,902,589,989	1,693,110,241,887

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

22. Share capital

The Company authorised and issued share capital is:

	31/12/2012		31/12/2011	
	Number of shares	VND	Number of shares	VND
Authorised and issued share capital	65,376,429	653,764,290,000	65,176,429	651,764,290,000
Treasury shares	(10,130)	(455,850,000)	(10,130)	(455,850,000)
Ordinary shares currently in circulation	65,366,299	653,308,440,000	65,166,299	651,308,440,000

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at meetings of the Company. Shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to the Company's residual assets. In respect of shares bought back by the Company, all rights are suspended until those shares are reissued.

Movements in share capital during the period were as follows:

	2012		2011	
	Number of shares	VND	Number of shares	VND
Balance at the beginning of the period	65,166,299	651,308,440,000	26,902,832	268,673,770,000
Ordinary shares issued during the period	200,000	2,000,000,000	250,000	2,500,000,000
Bonus shares issued during the period			38,013,467	380,134,670,000
Balance at the end of the period	65,366,299	653,308,440,000	65,166,299	651,308,440,000

23. Minority interest

	2012 VND	2011 VND
Balance at the beginning of the period	11,911,380,319	8,716,245,431
Net earnings attributable to minority interest during the period	5,627,404,205	4,235,578,682
Bonus and welfare fund borne by minority interest	(635,336,802)	(217,298,666)
Board of Management fee borne by minority interest	(161,929,601)	(88,145,128)
Dividends	(735,000,000)	(735,000,000)
Balance at the end of the period	16,006,518,121	11,911,380,319

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

24. Total revenue

Total revenue represented the gross invoiced value of goods sold exclusive of value added tax.

Net sales comprised:

	Three-month period ended		Fiscal years ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	VND	VND	VND	VND
Total revenue				
▪ Finished goods sold	833,853,108,000	703,131,744,727	2,721,921,636,997	2,324,656,400,216
▪ Merchandise goods sold	31,879,632,797	29,275,681,054	113,195,695,133	99,353,230,052
▪ Service supplied	6,282,726,817	636,243,569	17,323,928,221	8,509,276,377
▪ Other goods	38,217,301,954	36,669,555,658	96,845,211,196	78,306,239,283
	910,232,769,568	769,713,225,008	2,949,286,471,547	2,510,825,145,928
Less sales deduction				
▪ Goods deduction	(242,120,915)	-	(633,511,262)	
▪ Trade discount	-	(211,937,090)	(4,204,818)	(338,267,075)
▪ Sales returns	(3,928,820,419)	(6,071,238,716)	(17,572,263,020)	(19,606,943,121)
	(4,170,941,334)	(6,283,175,806)	(18,209,979,100)	(19,945,210,196)
Net sales	906,061,828,234	763,430,049,202	2,931,076,492,447	2,490,879,935,732
In which:				
▪ Finished goods sold	829,715,810,285	695,750,949,485	2,704,231,508,811	2,304,711,190,020
▪ Merchandise goods sold	31,850,952,068	30,373,300,490	112,709,143,829	99,353,230,052
▪ Service supplied	6,282,726,817	636,243,569	17,323,928,221	8,509,276,377
▪ Other goods	38,212,339,064	36,669,555,658	96,811,911,586	78,306,239,283

25. Cost of sales

	Three-month period ended		Fiscal years ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	VND	VND	VND	VND
Finished goods sold	380,825,274,241	339,210,869,514	1,275,840,155,247	1,109,249,378,574
Merchandise goods sold	29,635,372,381	26,392,987,629	104,872,250,892	87,956,779,109
Service fee	5,545,944,942	(20,708,835,901)	14,668,590,756	7,102,057,130
Other goods	37,164,287,727	31,070,673,836	90,537,912,384	76,164,990,852
Allowance for inventory	-	134,892,489	1,425,457,585	1,643,805,040
	453,170,879,291	376,100,587,567	1,487,344,366,864	1,282,117,010,705

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

26. Financial income

	Three-month period ended		Fiscal years ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	VND	VND	VND	VND
Interest income	8,807,831,285	6,617,651,842	39,102,635,155	41,907,995,760
Dividends	-	220,888,000	421,533,155	488,738,100
Interest from liquidation of long-term investment	-	-	20,000,000	1,546,692,690
Foreign exchange gains	755,130,150	1,603,673,059	2,001,753,137	4,951,709,656
Other financial income	112,702,503	-	631,498,634	
	<hr/>	<hr/>	<hr/>	<hr/>
	9,675,663,938	8,442,212,901	42,177,420,081	48,895,136,206

27. Financial expenses

	Three-month period ended		Fiscal years ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	VND	VND	VND	VND
Interest expense	507,167,514	733,485,672	2,611,607,290	2,038,850,925
Foreign exchange losses	100,588,699	1,995,762,016	1,709,118,220	5,000,720,822
Other expenses	15,076,242	21,540,771	132,308,093	143,115,990
	<hr/>	<hr/>	<hr/>	<hr/>
	622,832,455	2,750,788,459	4,453,033,603	7,182,687,737

28. Selling expenses

	Three-month period ended		Fiscal years ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	VND	VND	VND	VND
Expenses for employees	101,077,644,633	92,633,054,081	304,912,007,078	294,477,696,225
Materials and supplies	3,914,468,870	3,185,611,987	13,341,456,689	10,034,315,688
Tools	788,976,404	1,277,870,081	3,802,624,508	4,418,637,351
Depreciation of fixed assets	3,246,005,301	2,714,721,269	12,722,530,392	9,909,656,107
External service rendered	121,102,125,664	71,498,946,477	297,967,659,788	185,732,587,626
Other expenses	36,017,835,722	17,067,331,885	79,985,844,116	54,289,977,513
	<hr/>	<hr/>	<hr/>	<hr/>
	266,147,056,594	188,377,535,780	712,732,122,571	558,862,870,510

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

29. Administrative overheads

	Three-month period ended		Fiscal years ended	
	31/12/2012 VND	31/12/2011 VND	31/12/2012 VND	31/12/2011 VND
Expenses for employees	47,846,161,937	38,747,373,480	156,470,260,328	127,943,965,474
Materials and supplies	192,269,077	73,110,127	916,520,043	424,909,653
Office supplies	731,985,317	617,612,456	3,754,921,122	3,378,810,784
Depreciation of fixed assets	3,091,327,929	3,191,307,659	11,244,357,263	9,752,562,037
Taxes, fees and legal fees	194,894,318	(209,869,430)	472,412,091	503,332,499
Provision expenses	(402,137,648)	10,705,740,306	3,020,732,338	15,007,239,568
External service rendered	6,167,902,102	2,681,499,553	12,260,896,404	9,164,783,392
Other cash expenses	6,700,243,156	8,026,584,800	29,643,087,427	19,012,613,718
	64,522,646,188	63,833,358,951	217,783,187,016	185,188,217,125

30. Other income

	Three-month period ended		Fiscal years ended	
	31/12/2012 VND	31/12/2011 VND	31/12/2012 VND	31/12/2011 VND
Income from scrap sales	253,940,174	(192,594,757)	819,360,195	570,030,518
Proceeds on disposals of fixed assets	(413,824,526)	958,230,841	4,538,181,874	5,487,880,667
Others	31,209,167,800	2,961,137,960	34,081,285,947	3,876,274,378
	31,049,283,448	3,726,774,044	39,438,828,016	9,934,185,563

31. Other expenses

	Three-month period ended		Fiscal years ended	
	31/12/2012 VND	31/12/2011 VND	31/12/2012 VND	31/12/2011 VND
Net book value of fixed assets disposed and written off	(588,410,824)	296,006,963	2,445,168,989	3,728,147,827
expenses for repairing and replacing broken assets	-	1,648,170,309	202,473,500	7,073,639,168
Other expenses	2,020,117,467	1,625,810,144	5,546,492,292	4,589,303,410
	1,431,706,643	3,569,987,416	8,194,134,781	15,391,090,405

32. Corporate Income tax

(a) Deferred tax assets

Deferred tax assets were attributable to the following:

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

	31/12/2012 VND	31/12/2011 VND
Allowance and provisions	3,300,000,000	3,300,000,000
Unrealised profits	2,540,892,665	2,209,693,831
	<hr/>	<hr/>
	5,840,892,665	5,509,693,831
	<hr/>	<hr/>

(b) Recognised in the statement of income

	Three-month period ended		Fiscal years ended	
	31/12/2012 VND	31/12/2011 VND	31/12/2012 VND	31/12/2011 VND
Current tax expense	26,254,898,546	23,963,588,039	85,423,386,577	72,903,779,886
Deferred tax income	207,302,078	(1,106,148,592)	(331,198,822)	(1,724,228,543)
	<hr/>			
Corporate income tax expense	26,462,200,624	22,857,439,447	85,092,187,755	71,179,551,343
	<hr/>			

(c) Reconciliation of effective tax rate

	2012 VND	2011 VND
Profit before tax	<hr/> 582,032,369,256	<hr/> 490,941,709,926
Tax at income rate applicable to the Company	145,508,092,314	122,735,427,482
Tax effect of non-deductible expenses	1,161,820,767	3,330,264,667
Tax exempt income	(105,383,289)	(122,184,525)
Deficient provision in previous year	37,997,037	832,752,218
Effect of tax incentives	(61,510,339,074)	(55,596,708,499)
	<hr/>	
Corporate tax income expense	85,092,187,755	71,179,551,343
	<hr/>	

(d) Applicable tax rate

The Company

Under the term of its Investment License, The Company has an obligation to pay the government corporate income tax at the rate of 20% of taxable profits from 2005 to 2014 and 25% for the succeeding years. The provisions of the Company's Investment License allow it to be exempted from income tax from 2005 to 2006 and receive a 50% reduction in income tax from 2007 to 2013.

Subsidiaries

Except for DHG Packing and Printing One Member Limited Company, HT Pharmaceutical One

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

Member Limited Company, DHG Nature One Member Limited Company, ST Pharmaceutical One Member Limited Company, Song Hau Pharmaceutical Joint Stock Company, other companies in the Group have an obligation to pay the government corporate income tax at the rate of 25% of taxable profits.

DHG Packing and Printing One Member Limited Company

Under the term of its Investment License, DHG Packing and Printing One Member Limited Company has an obligation to pay the government corporate income tax at the rate of 25% of taxable profits. The provisions of the company's investment license allow it to be exempted from income tax from 2009 to 2010 and receive a 50% reduction in income tax from 2011 to 2012.

HT Pharmaceutical One Member Limited Company

Under the term of its Investment License, HT Pharmaceutical One Member Limited Company has an obligation to pay the government corporate income tax at the rate of 20% of taxable profits from 2009 to 2018 and 25% for the succeeding years.. The provisions of the company's investment license allow it to be exempted from income tax from 2009 to 2010 and receive a 50% reduction in income tax from 2011 to 2016.

DHG Nature One Member Limited Company

Under the term of its Investment License, DHG Nature One Member Limited Company has an obligation to pay the government corporate income tax at the rate of 20% of taxable profits from 2009 to 2018 and 25% for the succeeding years. The provisions of the company's investment license allow it to be exempted from income tax from 2009 to 2010 and receive a 50% reduction in income tax from 2011 to 2013.

ST Pharmaceutical One Member Limited Company

Under the term of its Investment License, ST Pharmaceutical One Member Limited Company has an obligation to pay the government corporate income tax at the rate of 20% of taxable profits from 2009 to 2018 and 25% for the succeeding years. The provisions of the company's investment license allow it to be exempted from income tax from 2009 to 2010 and receive a 50% reduction in income tax from 2011 to 2014.

Song Hau Pharmaceutical Joint Stock Company

Under the term of its Investment License, Song Hau Pharmaceutical Joint Stock Company has an obligation to pay the government corporate income tax at the rate of 15% of taxable profits from 2008 to 2019 and 25% for the succeeding years. The provisions of the company's investment license allow it to be exempted from income tax from 2008 to 2009 and receive a 50% reduction in income tax from 2010 to 2014.

All tax exemption does not apply to other incomes, other income tax rate of 25%.

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

33. Basic earnings per share

The calculation of basic earnings per share at 31 December 2012 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

(i) Net profit attributable to ordinary shareholders

	Three-month period ended		Fiscal years ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
	VND	VND	VND	VND
Net profit attributable to ordinary shareholders	133,225,491,379	106,494,725,710	491,312,777,296	415,526,579,901

(ii) Weighted average number of ordinary shares

	Three-month period ended		Fiscal years ended	
	31/12/2012	31/12/2011	31/12/2012	31/12/2011
Issued ordinary shares at the beginning of the period	65,250,743	65,166,299	65,166,299	26,902,832
Effect of ordinary shares issued in April 2011	-	-	-	188,356
Effect of bonus shares issued in August 2011	-	-	-	38,013,467
Effect of ordinary shares issued in May 2012	-	-	121,644	-
Weighted average number of ordinary shares circulating at the end of period	65,250,743	65,166,299	65,287,943	65,104,655

34. Dividends

The Annual Shareholders' Meeting of the Company dated 26 April 2012 decides to distribute dividends of the year 2011 by cash with the amount of 130,331 million VND. Dividends distributed by cash include dividends between 65,166 million VND (10% of par value of shares in circulation at 17 November 2011) and year-end dividends with the amount of 65,166 million VND (10% of par value of shares in circulation at 8 June 2012). In addition, the meeting of Board of Management dated 19 October 2012 decides to distribute dividends for the half year 2012 by cash with the amount of 65,366 million VND (10% of par value of shares in circulation at 07 November 2012).

35. The financial tools

(a) Financial risk management

(i) Overview

Types of financial risk that the Group must face because of using its financial tools:

- Credit risk
- Payment risk
- Market risk

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

This section provides information about each type of risk - the risk that the Group may encounter and describes the objectives, policies and processes that the Group uses for accounting and managing risk

(ii) Risk management framework

The Board of Directors has overall responsibility for establishing and monitoring the Company's risk management framework. The Directors are responsible for developing and monitoring risk management policies of the Group

(b) Credit risk

Credit risk is the risk of financial losses of the Group if a customer or counterparty of a financial tool does not meet contractual obligations, and arises primarily from customer receivables and investments in debt securities.

(i) The impact of credit risk

The total record value of financial assets represents the maximum credit risk. The maximum credit risk at the reporting date is as follows:

	Note	31/12/2012 VND	31/12/2011 VND
Term and non-term bank deposits	(ii)	689,448,407,477	424,109,490,269
Trade receivables and other receivables	(iii)	498,149,117,665	410,906,313,968
		1,187,597,525,142	835,015,804,237

(ii) Term and non-term bank deposits

Term and non-term bank deposits of the Group are mainly deposited in reputable financial organization. Board of Directors have not noticed any significant credit risk from these deposits and that financial organizations can take solvency and cause damage to the Group.

(iii) Trade receivables and other receivables

The balance of receivable accounts represents the maximum level of credit risk related to receivable accounts.

The Group's credit risk related to receivable accounts is mainly affected by the individual characteristics of each customer. To control these risks, the Board of Directors of the Group has established credit policies that each new customer is analyzed the possibility of credit prior to the proposed contract terms and conditions relating to payment and delivery of goods. Credit limit is set for each customer, the maximum receivables that customers can have without the approval of the Board of Directors. Credit limits are reviewed each year. Receivable accounts are required to pay within 30 days from the date of the invoice. Customers having balance over 45 days will be required to pay before being allowed to buy more. The Group did not receive collateral from customers

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

(c) Liquidity risk

Liquidity risk is the risk that the Group can not pay its financial obligations when they are due. Method of the Group 's liquidity management is to ensure the highest level that The Group always have sufficient liquidity to pay liabilities when due, under normal conditions as well as under conditions of financial stress, which does not give rise to unacceptable losses or risk of harm to the reputation of the Group

On 31 December 2012 and 31 December 2011, financial liabilities with fixed payments or can be identified, including estimated interest payments have contractual maturities as following:

	Book value VND	Contractual cash flow VND	Within one year VND
At 31 December 2012			
Short-term borrowings	19,484,808,997	20,018,033,043	20,018,033,043
Trade payables	76,949,242,440	76,949,242,440	76,949,242,440
Payable to employees	155,170,608,953	155,170,608,953	155,170,608,953
Accrued expenses	245,144,874,461	245,144,874,461	245,144,874,461
Other payables	63,787,567,645	63,787,567,645	63,787,567,645
	560,537,102,496	561,070,326,542	561,070,326,542

	Book value VND	Contractual cash flow VND	Within one year VND
At 31 December 2011			
Short-term borrowings	21,115,601,324	21,830,148,358	21,830,148,358
Trade payables	123,618,564,257	123,618,564,257	123,618,564,257
Payable to employees	125,958,570,389	125,958,570,389	125,958,570,389
Accrued expenses	165,931,042,238	165,931,042,238	165,931,042,238
Other payables	33,834,092,563	33,834,092,563	33,834,092,563
	470,457,870,771	471,172,417,805	471,172,417,805

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and stock prices will affect the Group's income or the value of the financial tools in which the Group is holding. The purpose of market risk management is to manage and control market risk within acceptable limits, while maximizing profits.

(i) Exchange rate risk

The Group receives the exchange rate risk for the sale and purchase in a currency other than USD, mainly USD and EUR.

Effect of exchange rate risk

At 31 December 2012 and 31 December 2011, the company has assets / (liabilities) in foreign currency as follows

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

	31/12/2012		31/12/2011	
	USD	EUR	USD	EUR
Cash and cash equivalents	109,684	131,696	271,766	182,918
Receivables from customers	325,301	22,644	91,257	-
Payables for seller	(2,107,460)	(138,354)	(3,336,160)	(87,659)
	(1,672,475)	15,986	(2,973,137)	95,259

Here is the exchange rate adopted by the Group:

	Exchange rate at the date of	
	31/12/2012	31/12/2011
USD 1	20,855	21,036
EUR 1	27,755	27,670

1 % stronger of the VND against USD and weaker 0.3% of the EUR at the end of period (2011: VND weakened 10 % and 2 % against the U.S. dollar and EUR) can affect the net profit as shown below. This assessment assuming all other parameters, in particular interest rates remains unchanged.

	Affect net profit	
	31/12/2012 VND	31/12/2011 VND
USD – increase in net profit	261,596,055	(4,690,718,245)
EUR – increase in net profit	3,327,698	39,537,248
	264,923,753	(4,651,180,997)

(ii) Interest rate risk

On the reporting date, the Group's financial tools bear interest rate as follows

	Book value	
	31/12/2012 VND	31/12/2011 VND
Financial tools with fixed interest rates:		
Cash equivalents	539,848,407,265	123,469,292,353
Short-term borrowings	(19,484,808,997)	(21,115,601,324)
	520,363,598,268	102,353,691,029
Financial tools with floating interest rates:		
Cash at bank	149,594,473,931	294,568,181,502

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

The financial tools with floating interest rates make the Group get changes in interest rate risk. The Group's policy does not limit the potential risk of interest rate fluctuations. The 100 basis point interest rate changes do not significantly affect the Group's net profit.

36. Significant transactions with related parties

Identity of related parties

The Group has related party relationship with its subsidiaries, associates, shareholders, directors and executive officers.

Significant transactions with associates

In additions to balances with associates disclosed in other notes to these financial statements, during the period there were the following significant transactions with associates:

	2012	2011
	VND	VND
Vinh Tuong High-Tech Packaging Corporation		
Purchase of raw materials	-	518,910,500
Vinh Hao Spirulina Algae Corporation		
Purchases of raw materials	9,693,200,000	11,863,000,000
Dividends	564,450,000	526,820,000

Transactions with key management personnel

Total remuneration and business allowances to key management personnel were as follows:

	2012	2011
	VND	VND
Salary	5,057,725,900	2,103,276,605
Remuneration	2,392,000,000	1,748,019,000
Bonus	925,000,000	3,323,300,000
	8,374,725,900	8,204,765,374

37. Capital commitments

As at ended 31 December 2012 the Group had the following outstanding capital commitments approved but not provided for in the balance sheet:

	31/12/2012	31/12/2011
	VND	VND
Approved but not contracted	693,655,841,444	698,955,443,787
Approved and contracted	39,980,704,273	17,697,277,500
	733,636,545,717	716,652,721,287

DHG Pharmaceutical Joint Stock Company and its subsidiaries
Notes to the consolidated financial statements for the fiscal year ended 31 December
2012 (cont.)

38. Production and business costs by element

	2012 VND	2011 VND
Raw material costs included in production costs	1,276,201,276,167	1,243,906,349,046
Labour costs and staff costs	658,949,807,559	584,526,314,132
Depreciation and amortisation	67,119,687,879	53,597,351,298
Outside services	385,258,076,323	305,673,366,751
Other expenses	127,930,231,436	96,739,906,184
	<hr/> 2,515,459,079,364	<hr/> 2,284,443,287,411

Prepared by:

Approved by:

Dang Pham Huyen Nhung
Chief Accountant

Le Chanh Dao
Deputy General Director

18 January 2013