

DHG PHARMACEUTICAL JOINT STOCK COMPANY

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015**

DHG PHARMACEUTICAL JOINT-STOCK COMPANY

CORPORATE INFORMATION

Establishment

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

Business Registration

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

The Business Registration Certificate has been amended several times and its latest amendment No. 1800156801 dated 12 May 2014 was issued by the Planning and Investment Department of Can Tho City.

Board of Directors

Mr Hoang Nguyen Hoc	Chairman
Mr Le Dinh Buu Tri	Vice Chairman
Mrs Pham Thi Viet Nga	Member
Mrs Dang Pham Minh Loan	Member
Mr Doan Dinh Duy Khuong	Member
Mr Tran Chi Liem	Member
Mr Shuhei Tabata	Member

Board of Management

Mrs Pham Thi Viet Nga	CEO	
Mr Le Chanh Dao		Deputy CEO
Mr Doan Dinh Duy Khuong		Deputy CEO
Mrs Nguyen Ngoc Diep		Deputy CEO

Supervisory Board

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

Legal representative

Mrs Pham Thi Viet Nga CEO

Head office

288 Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District,
Can Tho City, Vietnam

CONSOLIDATED BALANCE SHEET

Code	ASSETS	Notes	As at 30.06.2015 VND	As at 31.12.2014 VND
100	CURRENT ASSETS		2,004,394,321,412	2,386,250,376,004
110	Cash and cash equivalents	3	401,443,158,943	496,491,764,030
111	Cash		170,073,535,673	108,745,132,437
112	Cash equivalents		231,369,623,270	387,746,631,593
120	Short-term investments	4	306,041,968,304	260,616,666,667
130	Accounts receivable		561,011,593,296	844,200,659,808
131	Trade accounts receivable	5	478,531,149,039	760,722,312,361
132	Prepayments to suppliers		37,272,156,182	45,230,064,069
135	Receivables from short-term loans		34,592,783,561	32,720,645,396
136	Other receivables	6	20,338,575,813	13,233,083,634
137	Provision for doubtful debts		(9,723,071,299)	(7,705,445,652)
140	Inventories	7	716,221,467,768	780,703,611,464
141	Inventories		720,941,515,521	786,123,041,332
149	Provision for decline in value of inventories		(4,720,047,753)	(5,419,429,868)
150	Other current assets		19,676,133,101	4,237,674,035
151	Short-term prepayments		10,768,862,748	1,029,267,451
152	Value Added Tax to be reclaimed		6,263,656,407	1,767,528,950
153	Other taxes receivable		2,383,447,462	874,613,071
155	Other current assets		260,166,484	566,264,563
200	LONG-TERM ASSETS		1,120,574,240,671	1,096,467,924,049
220	Fixed assets		1,023,881,548,107	963,813,452,083
221	Tangible fixed assets	8(a)	711,740,463,031	733,663,998,483
222	Cost		1,112,618,564,308	1,090,746,573,280
223	Accumulated depreciation		(400,878,101,277)	(357,082,574,797)
227	Intangible fixed assets	8(b)	211,702,802,389	180,016,913,505
228	Cost		226,474,705,132	193,368,549,477
229	Accumulated depreciation		(14,771,902,743)	(13,351,635,972)
242	Construction in progress	8(c)	100,438,282,687	50,132,540,095
250	Long-term investments	9	16,842,443,714	16,842,443,714
252	Investments in associates		5,434,273,514	5,434,273,514
253	Other long-term investments		27,908,170,200	27,908,170,200
254	Provision for diminution in value of long-term investments		(16,500,000,000)	(16,500,000,000)
260	Other long-term assets		79,850,248,850	115,812,028,252
261	Long-term prepayments	10	65,241,586,134	100,946,118,907
262	Deferred income tax assets	11	13,775,184,031	14,017,983,554
268	Other long-term assets		833,478,685	847,925,791
270	TOTAL ASSETS		3,124,968,562,083	3,482,718,300,053

CONSOLIDATED BALANCE SHEET
(Continued)

Code	ASSETS	Note	As at 30.06.2015 VND	As at 31.12.2014 VND
300	LIABILITIES		901,432,108,128	1,189,092,829,107
310	Current liabilities		839,417,334,482	1,119,689,495,134
311	Trade accounts payable	12	181,916,662,006	261,374,420,147
312	Advances from customers Taxes and other payables to the State		84,764,305,850	912,804,381
313	Budget	13	25,873,331,893	103,311,154,783
314	Payable to employees		41,213,020,808	208,304,993,114
315	Accrued expenses	14	82,065,773,999	266,009,951,113
318	Unrealized revenue		22,027,396,786	
319	Other payables	15	19,114,888,270	36,083,180,507
320	Short-term borrowings	16	266,060,329,532	176,707,408,762
322	Bonus and welfare funds	17	116,381,625,338	66,985,582,327
330	Long-term liabilities		62,014,773,646	69,403,333,973
342	Provision for long-term payables Science and technology development	18	24,409,089,513	28,843,956,033
343	funds	19	37,605,684,133	40,559,377,940
400	OWNERS' EQUITY		2,206,149,624,440	2,276,795,062,055
410	Capital and reserves		2,206,149,624,440	2,276,795,062,055
411	Owners' capital	20,21	871,643,300,000	871,643,300,000
415	Treasury shares	20,21	(455,850,000)	(455,850,000)
418	Investment and development fund	21	1,039,479,185,578	849,140,257,139
421	Undistributed earnings	21	295,482,988,862	556,467,354,916
429	MINORITY INTEREST	22	17,386,829,515	16,830,408,891
440	TOTAL RESOURCES		3,124,968,562,083	3,482,718,300,053

OFF BALANCE SHEET ITEMS

Included in cash and cash equivalents are balances held in gold and following foreign currencies:

	As at 30.06.2015	As at 31.12.2014
USD	888,123	336,670
EUR	47,622	16,444
MOP	20	20
NDT	-	3,515
CAD	-	100
A tenth of tael	1,031	1,507
Tael	200	200

Tran Ngoc Hien
Preparer

Dang Pham Huyen Nhung
Chief Accountant

Le Chanh Dao
Deputy CEO
20 July 2015

CONSOLIDATED INCOME STATEMENT

Code	Note	For 3-month period ended		For 6-month period ended	
		30.06.2015 VND	30.06.2014 VND	30.06.2015 VND	30.06.2014 VND
01	Sales	892,470,074,708	982,162,899,875	1,656,796,053,422	1,718,727,183,612
02	Revenue deductions	(103,639,591,679)	(13,082,209,651)	(198,882,217,212)	(25,664,650,745)
10	Net sales	788,830,483,029	969,080,690,224	1,457,913,836,210	1,693,062,532,867
11	Cost of sales	(478,341,543,316)	(456,972,352,487)	(855,896,692,420)	(799,764,009,566)
20	Gross profit	310,488,939,713	512,108,337,737	602,017,143,790	893,298,523,301
21	Financial income	7,247,846,791	9,179,453,246	13,530,318,020	17,830,950,505
22	Financial expenses	(20,163,851,284)	(17,131,128,978)	(37,508,429,283)	(31,996,000,659)
23	<i>Including: interest expense</i>	(2,000,485,791)	(813,500,322)	(3,856,327,259)	(2,418,781,165)
24	Selling expenses	(116,414,203,604)	(248,513,016,767)	(220,581,078,434)	(420,458,345,955)
25	General and administration expenses	(26,529,956,855)	(71,585,740,848)	(83,164,449,388)	(129,188,141,112)
30	Operating profit	154,628,774,761	184,057,904,390	274,293,504,705	329,486,986,080
31	Other income	31,010,782,388	7,299,733,498	53,084,448,770	9,321,543,947
32	Other expenses	(5,692,225,423)	(173,844,415)	(12,407,021,781)	(930,772,417)
40	Net other income	25,318,556,965	7,125,889,083	40,677,426,989	8,390,771,530
41	Losses from investments in associates	-	-	-	-
50	Net accounting profit before tax	179,947,331,726	191,183,793,473	314,970,931,694	337,877,757,610
51	Business income tax - current	(31,657,127,091)	(37,738,666,731)	(53,278,898,096)	(66,771,604,156)
52	Business income tax - deferred	869,101,080	(457,768,784)	(242,799,526)	127,000,142
60	Net profit after tax	149,159,305,715	152,987,357,958	261,449,234,072	271,233,153,596
	Attributable to:				
61	Minority interest	766,834,533	478,908,326	1,047,815,307	357,710,462
62	Owners of the parent company	148,392,471,182	152,508,449,632	260,401,418,765	270,875,443,134
70	Basic earnings per share (VND)	1,703	1,750	2,988	3,108

Tran Ngoc Hien
Preparer

Dang Pham Huyen Nhung
Chief Accountant

Le Chanh Dao
Deputy CEO
20 July 2015

CONSOLIDATED CASH FLOW STATEMENT
(Indirect method)

Code	Note	For fiscal period ended	
		30.06.2015 VND	30.06.2014 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01		314,970,931,694	337,877,757,610
02	8	47,552,729,844	36,129,066,866
03		1,318,243,532	3,855,527,899
05	28	(370,629,431)	122,980,749
05	23(b)	(12,856,492,973)	(17,025,171,457)
05		-	-
06	25	3,856,327,259	2,418,781,165
08		354,471,109,925	363,378,942,832
09		273,381,830,205	108,081,550,665
10		65,181,525,811	(11,236,504,611)
11		(350,830,589,388)	(125,239,364,567)
12		(8,855,548,774)	(78,847,945,724)
13		(4,029,269,490)	(2,085,938,268)
14		(125,441,321,034)	(81,698,552,480)
16		(23,604,838,255)	(47,869,983,493)
20		180,272,899,000	124,482,204,354
CASH FLOWS FROM INVESTING ACTIVITIES			
21			
22	8	(82,541,901,097)	(172,794,982,159)
23		10,112,190,910	72,090,910
24		(45,425,301,637)	-
27		-	38,000,000,000
		14,961,686,967	17,660,074,242
30		(102,893,324,857)	(117,062,817,007)
CASH FLOWS FROM FINANCING ACTIVITIES			
33		837,956,645,140	665,198,843,275
34		(748,603,724,370)	(694,908,983,479)
36		(261,781,100,000)	(857,500,000)
40		(172,428,179,230)	(30,567,640,204)
50		(95,048,605,087)	(23,148,252,857)
60	3	496,491,764,030	613,286,840,667
61			
70	3	401,443,158,943	590,138,587,810

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Preparer

Dang Pham Huyen Nhung
Chief Accountant

Le Chanh Dao
Deputy CEO
20 July 2015

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2015**
1 GENERAL INFORMATION

On 2 September 2004, DHG Pharmaceutical Joint Stock Company (“the Company”) was equitised from Hau Giang Pharmaceutical United Factory in accordance with Decision No.2405/QD-CT.UB dated 5 August 2004 issued by the People’s Committee of Can Tho City. The Company was officially incorporated as a joint stock company according to the Business Registration Certificate No.5703000111 dated 15 September 2004 issued by the Planning and Investment Department of Can Tho City with the initial legal capital of VND80,000,000,000

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

In 2014, the Company increased its share capital to VND871,643,300,000 by issuing bonus shares to the existing shareholders at the ratio of 3:1. The capital increase was approved by the relevant competent authorities. At the time of issuing the consolidated financial statements, the Company is in the process of amending the certificate of business registration for this capital increase

The principal activities of the Company and its subsidiaries are to produce and trade in pharmaceutical products; and providing domestic travelling services.

As at 30 June 2015, the Group had 2,941 employees (at 31 December 2014: 2,964 employees).

The consolidated financial statements for 6-month period ended 30 June 2015 comprises of the financial statements of the Company and its subsidiaries (together the “Group”) and the Group’s interest in associates as listed below:

Name	Principal activities	Business Registration Certificate	% of ownership and voting rights	
			30.6.2015	31.12.2014
Subsidiaries:				
DT Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 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	No. 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	No. 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	No. 1800723433 issued by the Planning and Investment Department of Can Tho City on 25 August 2008	-	100%
CM Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 6104000035 issued by the Planning and Investment Department of Ca Mau province on 8 April 2008	100%	100%

1 GENERAL INFORMATION (continued)

Name	Principal activities	Business Registration Certificate	% Ownership and voting rights	
			30.6.2015	31.12.2014
SH Pharmaceutical Joint Stock Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 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	No. 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	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 equipment, dietary supplements and pharmaceutical cosmetics	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 equipment, dietary supplements and pharmaceutical cosmetics	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 equipment and dietary supplements and pharmaceutical cosmetics	No. 1900455594 issued by the Planning and Investment Department of Bac Lieu Province on 29 March 2011	100%	100%
DHG Pharmaceutical One Member Limited Company	Manufacture and trade pharmaceuticals, dietary supplements and pharmaceutical cosmetics	No. 642041000005 issued by the Management Board of Hau Giang Industrial Zone on 16 August 2010	100%	100%
B&T Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment and dietary supplements and pharmaceutical cosmetics	No. 1300917335 issued by the Planning and Investment Department of Ben Tre Province on 5 October 2012	100%	100%
TVP Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment and dietary supplements and pharmaceutical cosmetics	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 equipment and dietary supplements and pharmaceutical cosmetics	No. 1500971019 issued by the Planning and Investment Department of Vinh Long Province on 19 December 2012	100%	100%
DHG 1 Packaging and Printing One Member Limited Company	Manufacture label, label cover, packaging from paper and cover. Manufacture and trade plastic, aluminum, paper packaging; provide printing services	No. 642041000007 issued by the Management Board of Hau Giang Industrial Zone on 28 September 2012	100%	100%

1 GENERAL INFORMATION (continued)

Name	Principal activities	Business Registration Certificate	% Ownership and voting rights	
			30.6.2015	31.12.2014
Associates: 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 4 February 2008	31,36%	31,36%

(*) As at 30 June 30 2015, complying with the decision of the Board of Directors No. 023/2015/QD.HDQT dated 8 June 2015 on dissolution of DHG Nature One Member Limited Company.

2 MAIN ACCOUNTING POLICIES**2.1 Basis of preparation of consolidated financial statements**

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements in SR Vietnam. The consolidated financial statements have been prepared under the historical cost convention.

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam. The accounting principles and practices utilised in SR Vietnam may differ from those generally accepted in countries and jurisdictions other than SR Vietnam

2.2 Fiscal year

The Group's fiscal year is from 1 January to 31 December.

2.3 Consolidation

In 2015, The Company prepared its consolidated financial statements in accordance with Vietnamese Accounting Standard 25 – *Consolidated Financial Statements and Accounting for Investments in Subsidiaries*.

Subsidiaries

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

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

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

2 MAIN ACCOUNTING POLICIES (continued)**2.3 Consolidation (continued)*****Transactions and minority interests***

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Associates

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

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

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

2.4 Use of estimates

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

2.5 Currency

The consolidated financial statements are prepared and presented in Vietnamese Dong.

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

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising from these translations are recognised in the income statement.

2.6 Form of records applied

The Group uses journal vouchers to record its transactions.

2 MAIN ACCOUNTING POLICIES (continued)

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank, cash in transit, demand deposits, gold and other short-term investments with an original maturity of three months or less.

2.8 Trade receivables

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

2.9 Inventories

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

2.10 Investments

(a) Short-term investments

Short-term financial investments are term deposits at bank maturing within 12 months from the balance sheet date and are accounted for at cost.

(b) Investments in associates

Investments in associates are accounted for at under equity method of accounting in the consolidated financial statements.

(c) Long-term investments

Other long-term investments comprise shareholding of less than 20% in listed and unlisted entities which are held with no intention to dispose within 12 months from the balance sheet date. These investments are initially stated at cost of acquisition. Provision is made where there is a diminution in value of these investments.

2.11 Fixed assets

Tangible and intangible fixed assets

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

Depreciation

Fixed assets are depreciated on the straight-line method, to write off the cost of the assets to their residual value over their estimated useful lives or over the term of the project if shorter. The estimated useful lives of the assets are as follows:

Building and structures	3 – 19 years
Machinery and equipment	3 – 20 years
Motor vehicles	3 – 10 years
Office equipment	2 – 10 years
Software	3 – 8 years

2 MAIN ACCOUNTING POLICIES (continued)**2.11 Fixed assets (Continued)***Depreciation (continued)*

Land use rights are amortised, using the straight-line method over the terms indicated in the land use right certificate. Land use rights which are granted for an indefinite term are carried at cost and not amortised.

Subsequent expenditure

Subsequent expenditure relating to fixed assets that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in the income statement when incurred.

Disposals

Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amounts. The disposal proceeds are recognised as income in the income statement. The carrying amounts are recognised as expenses in the income statement.

2.12 Leased assets

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.13 Share capital and treasury shares

Ordinary shares in issue are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from the proceeds.

Where the Group purchase the Group's equity share capital (treasury shares), the consideration paid, including directly attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received less any directly attributable incremental transaction costs is included in equity attributable to the Group's equity holders.

2.14 Borrowing costs

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

2.15 Revenue recognition**(a) Sales of goods**

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

(b) Interest income

Interest income is recognised on the basis of the actual time and interest rate in each period.

(c) Dividend income

Dividend income is recognised in the period in which the dividends are declared by the investee entities.

2 MAIN ACCOUNTING POLICIES (continued)**2.16 Prepaid expenses**

Prepaid expenses include short-term or long-term prepayments on the balance sheet and are mainly leasehold improvements, prepaid land rental, tools and equipment were put to use.

2.17 Current and deferred income tax

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

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

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

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

2.18 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.

Interim dividends are declared and paid based on the estimated earnings of the year. Final dividends are declared and paid in the following year from undistributed earnings based on the approval of shareholders at the Company's Annual General Meeting.

2.19 Method of reserve appropriation

Annual appropriation from undistributed earnings to reserve funds belonged to owners' equity is approved by shareholders at the Annual General Meeting of the Company.

2 MAIN ACCOUNTING POLICIES (continued)**2.20 Related parties**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

The State Capital Investment Corporation holds the largest shareholding in the Company and accordingly is regarded as a related party. However, enterprises which are controlled or significantly influenced by the State Capital Investment Corporation are not considered as related parties of the Company for the purposes of disclosure since they do not influence, or are not influenced by, the Company.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

2.21 Provisions

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

Provisions are measured at the expenditures expected to be required to settle the obligation. If the time value of money is material, provisions will be measured at their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expenses.

3 CASH AND CASH EQUIVALENTS

	30.06.2015	31.12.2014
	VND	VND
Cash on hand	14,155,096,097	16,321,258,859
Cash at bank	155,876,124,576	92,423,873,578
Cash in transit	42,315,000	-
Cash equivalents (*)	231,369,623,270	387,746,631,593
	<u>401,443,158,943</u>	<u>496,491,764,030</u>

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

4 SHORT-TERM FINANCIAL INVESTMENTS

Short-term financial investments are term deposits at bank maturing within 12 months from the balance sheet date, except for term deposits with an original maturity of 3 months or less being classified to cash equivalents in Note 3.

5 TRADE ACCOUNTS RECEIVABLE

	30.06.2015	31.12.2014
	VND	VND
Trade receivables from third parties	478,531,149,039	760,722,312,361

Movements in the provision for doubtful accounts in the period / year are as follows:

	Fiscial period ended 30.06.2015 VND	Fiscial period ended 31.12.2014 VND
Opening balance	7,705,445,652	9,437,307,072
Increase	2,066,922,459	3,105,888,426
Reversal	(49,296,812)	(4,837,749,846)
Closing balance	<u>9,723,071,299</u>	<u>7,705,445,652</u>

6 OTHER RECEIVABLES

	30.06.2015 VND	31.12.2014 VND
Interest income receivable	3,401,054,166	5,506,248,160
Advance	3,829,502,130	2,734,294,251
Other receivables	13,108,019,517	4,992,541,223
	<u>20,338,575,813</u>	<u>13,233,083,634</u>

7 INVENTORIES

	30.06.2015 VND	31.12.2014 VND
Goods in transit	68,144,194,900	56,439,936,854
Raw materials	212,904,341,852	263,217,163,928
Work in progress	32,138,474,101	31,768,962,547
Finished goods	336,872,759,578	346,304,666,143
Merchandises	60,638,846,045	88,392,311,860
Goods sent for sale	10,242,899,045	-
	<u>720,941,515,521</u>	<u>786,123,041,332</u>
Provision for decline in value of inventories	(4,720,047,753)	(5,419,429,868)
	<u>716,221,467,768</u>	<u>780,703,611,464</u>

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

	30.06.2015 VND	31.12.2014 VND
Opening balance	5,419,429,868	4,457,981,612
Increase	19,016,529	961,448,256
Reversal	(718,398,644)	-
Closing balance	<u>4,720,047,753</u>	<u>5,419,429,868</u>

8 FIXED ASSETS**(a) Tangible fixed assets**

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
Historical cost					
At 1 January 2015	409,107,292,593	450,217,148,519	161,166,902,151	70,255,230,017	1,090,746,573,280
Increase	593,215,908	2,334,630,000	-	578,744,032	3,506,589,940
Transfers from construction in progress (Note 8(c))	2,576,426,771	5,047,687,647	2,778,817,431	10,364,591,036	20,767,522,885
Transfers to tools and supplies	-	(709,460,856)	-	-	(709,460,856)
Disposals	(212,898,182)	(132,000,000)	(555,979,559)	(791,783,200)	(1,692,660,941)
At 30 June 2015	<u>412,064,037,090</u>	<u>456,758,005,310</u>	<u>163,389,740,023</u>	<u>80,406,781,885</u>	<u>1,112,618,564,308</u>
Accumulated depreciation					
At 1 January 2015	77,399,212,388	161,333,863,172	71,567,636,222	46,781,863,015	357,082,574,797
Depreciation for the period	12,498,489,929	19,863,965,382	9,345,693,629	4,397,737,465	46,105,886,405
Transfer to tools and supplies	-	(709,460,856)	-	-	(709,460,856)
Charge for the period	(121,136,311)	(132,000,000)	(555,979,558)	(791,783,200)	(1,600,899,069)
At 30 June 2015	<u>89,776,566,007</u>	<u>180,356,367,698</u>	<u>80,357,350,292</u>	<u>50,387,817,280</u>	<u>400,878,101,277</u>
Net book value					
At 1 January 2015	<u>331,708,080,205</u>	<u>288,883,285,347</u>	<u>89,599,265,929</u>	<u>23,473,367,002</u>	<u>733,663,998,483</u>
At 30 June 2015	<u>322,287,471,083</u>	<u>276,401,637,612</u>	<u>83,032,389,731</u>	<u>30,018,964,605</u>	<u>711,740,463,031</u>

Included in tangible fixed assets as at 30 June 2015 were assets costing VND 120,194,343,271 (31 December 2014: VND 114,317,371) which were fully depreciated but still in active use.

8 FIXED ASSETS (continued)**(b) Intangible fixed assets**

	Land use rights with indefinite term VND	Land use rights with definite term VND	Software VND	Total VND
Historical cost				
At 1 January 2015	114,973,064,021	72,388,067,651	6,007,417,805	193,368,549,477
Increase	-	-	-	-
Transfers from construction in progress (Note 8(c))	5,697,960,680	-	2,264,085,000	7,962,045,680
Transfer from prepaid expenses	-	34,820,486,250	-	34,820,486,250
Disposals	(5,729,741,275)	(3,946,635,000)	-	(9,676,376,275)
At 30 June 2015	114,941,283,426	103,261,918,901	8,271,502,805	226,474,705,132
Accumulated amortisation				
At 1 January 2015	-	8,741,492,753	4,610,143,219	13,351,635,972
Charge for the period	-	1,080,586,417	366,257,022	1,446,843,439
Disposals	-	(26,576,668,00)	-	(26,576,668,00)
At 30 June 2015	-	9,795,502,502	4,976,400,241	14,771,902,743
Net book value				
At 1 January 2015	114,973,064,021	63,646,574,898	1,397,274,586	180,016,913,505
At 30 June 2015	114,941,283,426	93,466,416,399	3,295,102,564	211,702,802,389

(c) Construction in progress

	Fiscal period ended 30.06.2015 VND	Fiscal year ended 31.12.2014 VND
Opening balance	50,132,540,095	281,537,063,873
Additions	79,243,476,611	231,319,133,808
Transfers to tangible fixed assets (Note 8(a))	(20,767,522,885)	(447,386,996,173)
Transfers to intangible fixed assets (Note 8(b))	(7,962,045,680)	(6,852,020,000)
Transfers to tools and supplies	-	(5,994,690,672)
Transfers to prepayments	(208,165,454)	(2,539,950,741)
Closing balance	100,438,282,687	50,132,540,095

In which, valuable large projects are being implemented in subsidiaries as follows:

	30.06.2015 VND	31.12.2014 VND
Office building and ancillary works at DHG Pharmaceutical One Member Limited Company	5,204,638,173	876,649,246
Beta lactam factory project	58,293,528,052	23,629,137,559
Non-beta lactam factory project	46,181,818	46,181,818

9 LONG-TERM FINANCIAL INVESTMENTS**(a) Investments in associates**

	30.06.2015 VND	31.12.2014 VND
Vinh Hao Algae Processing Joint Stock Company	<u>5,434,273,514</u>	<u>5,434,273,514</u>

Movement in investment in associates during the period/year were as follows:

	Fiscal period ended 30.06.2015 VND	Fiscal year ended 31.12.2014 VND
Opening balance	5,434,273,514	5,434,273,514
Losses from associates	-	-
Dividend received	-	-
Transfers to other long-term investments	-	-
Closing balance	<u>5,434,273,514</u>	<u>5,434,273,514</u>

(b) Other long-term investments

	30.06.2015 VND	31.12.2014 VND
Vinh Tuong High-Tech Packaging Corporation	20,000,000,000	20,000,000,000
Binh Duong Pharmaceutical & Medical Equipment Joint Stock Company	4,286,800,000	4,286,800,000
Tra Vinh Pharmaceutical Joint Stock Company	2,575,315,200	2,575,315,200
Ninh Thuan Pharmaceutical & Medical Equipment Joint Stock Company	796,675,000	796,675,000
Tay Ninh Pharmaceutical Joint Stock Company	221,960,000	221,960,000
Cuu Long Pharmaceutical Joint Stock Company	27,420,000	27,420,000
	<u>27,908,170,200</u>	<u>27,908,170,200</u>

(c) Provision for diminution in value of long-term investments

Movement in provision for diminution in value of long-term investments during the period/year were as follows:

	Fiscal period ended 30.06.2015 VND	Fiscal year ended 31.12.2014 VND
Opening balance	16,500,000,000	16,500,000,000
Increase	-	-
Reversal	-	-
Closing balance	<u>16,500,000,000</u>	<u>16,500,000,000</u>

Balance as at 30 June 2015 and 31 December 2014 represents the provision for diminution in value of long-term investments in Vinh Tuong High-Tech Packaging Corporation.

10 LONG-TERM PREPAYMENTS

Details of long-term prepayments are presented as follows:

	Leasehold improvements VND	Prepaid land rental fees VND	Other prepayments VND	Total VND
Opening balance	608,209,443	88,135,409,821	12,202,499,643	100,946,118,907
Increase	-	177,968,223	2,397,225,340	2,575,193,563
Reclassification according to Circular 200	(15,641,562)	(554,117,225)	(3,832,995,835)	(4,402,754,622)
Allocation	(434,533,959)	(30,873,851,250)	(2,568,586,505)	(33,876,971,714)
Closing balance	<u>158,033,922</u>	<u>56,885,409,569</u>	<u>8,198,142,643</u>	<u>65,241,586,134</u>

11 DEFERRED INCOME TAX ASSETS

The gross movement in the deferred income tax, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Fiscal period ended 30.06.2015 VND	Fiscal year ended 31.12.2014 VND
Opening balance	14,017,983,554	8,256,999,578
Income statement credit	<u>(242,799,523)</u>	<u>5,760,983,976</u>
Closing balance	<u>13,775,184,031</u>	<u>14,017,983,554</u>

The deferred income tax asset mainly arises from deductible temporary differences of provisions and unrealised gains on transactions among subsidiaries of the Group arising in consolidation.

12 TRADE ACCOUNTS PAYABLE

	30.06.2015 VND	31.12.2014 VND
Trade payables to third parties	<u>181,916,662,006</u>	<u>261,374,420,147</u>

13 TAXES AND OTHER PAYABLES TO THE STATE BUDGET

	30.06.2015 VND	31.12.2014 VND
Value added tax	7,190,276,380	11,422,235,182
Corporate income tax - current	16,344,011,082	87,380,168,507
Personal income tax	1,458,391,801	4,508,702,955
Others	<u>880,652,630</u>	<u>48,139</u>
	<u>25,873,331,893</u>	<u>103,311,154,783</u>

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Taxes included as follows:

	<u>Opening balance</u>	<u>Amount payable in the period/year</u>	<u>Loss transfer from the last year</u>	<u>Reclassification of accounts</u>	<u>Closing balance</u>
VAT on domestic sales	9,654,706,232	29,903,555,706	(38,631,641,965)	-	926,619,973
VAT on imports	-	16,139,699,895	(16,139,699,895)	-	-
Import export tax	(740,713,926)	4,354,185,217	(4,587,258,266)	-	(973,786,975)
Corporate income tax	87,380,168,507	53,278,898,096	(125,441,321,034)	12,010	15,217,757,579
Personal income tax	4,374,803,810	27,835,425,865	(31,035,244,858)	-	1,174,984,817
Land tax	-	1,974,006,153	(1,093,531,093)	-	880,475,060
Others	48,139	171,610,366	(171,480,935)	-	177,570
Total	<u>100,669,012,762</u>	<u>133,657,381,298</u>	<u>(217,100,178,046)</u>	<u>12,010</u>	<u>17,226,228,024</u>

14 ACCRUED EXPENSES

	30.06.2015	31.12.2014
	VND	VND
Trade discounts and promotions	758,814,583	246,880,627,671
Marketing and customer care expenses	49,368,346,616	7,386,412,520
Interest payable	1,208,763,440	1,381,705,671
Seminar expenses	17,107,940,613	859,859,395
Others	13,621,908,747	9,501,345,856
	<u>82,065,773,999</u>	<u>266,009,951,113</u>

15 OTHER PAYABLES

	30.06.2015	31.12.2014
	VND	VND
Trade discounts	7,031,173,393	10,104,760,934
Union fee and health insurance	3,547,330,897	1,484,416,312
Dividends payable	-	17,894,000
Other payables	8,536,383,980	24,476,109,261
	<u>19,114,888,270</u>	<u>36,083,180,507</u>

16 SHORT-TERM BORROWINGS

	30.06.2015	31.12.2014
	VND	VND
Loans from bank (*)	243,000,000,000	150,000,000,000
Loans from the Group's employees (**)	23,060,329,532	26,707,408,762
	<u>266,060,329,532</u>	<u>176,707,408,762</u>

(*) These loans are secured by term deposits at bank (Note 3) and bear interest at 0.29% to 0.62% per month (31.12.2014: from 0.37% to 0.4% per month).

(**) These loans are unsecured and bear interest at 0.42% to 0.5% per month (31.12.2014: from 0.42% to 0.5% per month).

17 BONUS AND WELFARE FUNDS

The funds are established through appropriation from retained earnings upon approval of shareholders at the Company's and its subsidiaries' Annual General Meetings ("AGM"). The funds are used to pay bonus and welfare to the Group's employees in accordance with the Group's bonus and welfare policies and Board of Management in accordance with the Company's and its subsidiaries' AGM Resolution.

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

	Bonus and welfare fund for staffs VND	Welfare fund in form of assets VND	Bonus fund for Board of Directors VND	Total VND
Opening balance	26,460,470,761	30,537,725,466	9,987,386,100	66,985,582,327
Appropriation to the funds in the period	62,692,959,183	-	7,064,191,880	69,757,151,063
Assets formed from the welfare fund	(9,228,221,494)	9,228,221,494	-	-
Depreciation of assets formed from the welfare fund	-	(2,393,739,390)	-	(2,393,739,390)
Utilisation	(11,171,119,950)	-	(6,796,248,712)	(17,967,368,662)
Closing balance	62,692,959,183	37,372,207,570	10,255,329,268	116,381,625,338

18 LONG-TERM PROVISIONS

Long-term provisions represent allowances paid to employees as required by the Labor Code of Vietnam. According to the Vietnam Labor Code, The Group's employees are entitled to severance benefits based on their years of service. This allowance will be paid once to employees who have left the Group. Provision for severance allowance is calculated based on number of years of service of the employees until 31 December 2008 (before the Law on Social Insurance is in effect) and the average wage of employees in a phase of 6 months before the date of accounting balance sheet

19 SCIENCE AND TECHNOLOGY DEVELOPMENT FUNDS

In accordance with Circular 15/2011/TT-BTC dated 9 February 2011, entities are allowed to establish the science and technology development funds for research and development activities. Provision made during the year is charged to expenses. Funds are utilised when disbursement are paid for research and development activities.

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

	Science and technology development fund VND	Science and technology development fund in form of assets VND	Total VND
Opening balance	18,566,450,573	21,992,927,367	40,559,377,940
Increase	290,036,396	-	290,036,396
Assets formed from Science and technology development fund	(218,427,500)	218,427,500	-
Depreciation of assets formed from Science and technology development fund	-	(1,907,449,031)	(1,907,449,031)
Utilisation	(1,336,281,172)	-	(1,336,281,172)
Closing balance	17,301,778,297	20,303,905,836	37,605,684,133

20 OWNERS' CAPITAL

	30.06.2015		31.12.2014	
	Number of shares	VND	Number of shares	VND
Authorised and issued share capital	87,164,330	871,643,300,000	87,164,330	871,643,300,000
Treasury shares	(10,130)	(455,850,000)	(10,130)	(455,850,000)
Ordinary shares currently in circulation				
	<u>87,154,200</u>	<u>871,187,450,000</u>	<u>87,154,200</u>	<u>871,187,450,000</u>

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at shareholders' meetings. Ordinary shares are ranked equally with regard to the Company's residual assets. Shareholders are eligible to dividends declared by the Company. 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 follows:

	Fiscal period ended 30.06.2015		Fiscal year ended 31.12.2014	
	Number of shares	VND	Number of shares	VND
Opening balance	87,154,200	871,187,450,000	65,366,299	653,308,440,000
Ordinary shares issued	-	-	21,787,901	217,879,010,000
Closing balance	<u>87,154,200</u>	<u>871,187,450,000</u>	<u>87,154,200</u>	<u>871,187,450,000</u>

21 MOVEMENTS IN OWNERS' EQUITY

	Share capital VND	Treasury shares VND	Investment and development fund VND	Financial reserve fund VND	Undistributed earnings VND	Total VND
As at 1 January 2014	653,764,290,000	(455,850,000)	701,396,760,268	66,929,751,817	559,730,522,015	1,981,365,474,100
Bonus share issued	217,879,010,000		(217,879,010,000)			-
Profit for the year					533,272,781,144	533,272,781,144
Dividends paid for the final phase of the year 2013	-	-	-	-	(130,731,300,000)	(130,731,300,000)
Appropriation to funds	-		298,558,731,951	134,023,103	(298,692,755,054)	-
Appropriation to bonus and welfare fund	-	-			(90,366,344,160)	(90,366,344,160)
Appropriation to Board of Directors bonus fund	-	-	-		(16,745,549,029)	(16,745,549,029)
As at 31 December 2014	<u>871,643,300,000</u>	<u>(455,850,000)</u>	<u>782,076,482,219</u>	<u>67,063,774,920</u>	<u>556,467,354,916</u>	<u>2,276,795,062,055</u>
Profit for the period/year	-	-	-	-	260,401,418,765	260,401,418,765
Dividend	-	-	-	-	(261,462,600,000)	(261,462,600,000)
Appropriation to funds	-	-	190,338,928,439	-	(190,338,928,439)	-
Reclassification according to circular 200	-	-	67,063,774,920	(67,063,774,920)	-	-
Appropriation to bonus and welfare fund	-	-	-	-	(62,618,064,500)	(62,618,064,500)
Appropriation to Board of Directors bonus fund	-	-	-	-	(6,966,191,880)	(6,966,191,880)
As at 30 June 2015	<u>871,643,300,000</u>	<u>(455,850,000)</u>	<u>1,039,479,185,578</u>	<u>-</u>	<u>295,482,988,862</u>	<u>2,206,149,624,440</u>

22 MINORITY INTEREST

	Fiscal period ended 30.06.2015 VND	Fiscal year ended 31.12.2014 VND
Opening balance	16,830,408,891	18,077,447,483
Net profit for the year	1,047,815,307	499,297,883
Appropriation to bonus and welfare fund	(74,894,683)	(643,836,475)
Appropriation to Board of Directors bonus fund	(98,000,000)	(245,000,000)
Dividends paid	(318,500,000)	(857,500,000)
Closing balance	17,386,829,515	16,830,408,891

23 REVENUE

(a) Net sales

	For 3-month period ended		For 6-month period ended	
	30.06.2015 VND	30.06.2014 VND	30.06.2015 VND	30.06.2014 VND
Sales				
Sales of finished goods	766,121,962,188	905,550,068,167	1,397,232,924,660	1,581,042,144,733
Sales of merchandise goods	119,442,616,777	73,692,425,795	248,765,587,423	131,350,005,218
Services	6,635,800,977	2,920,405,913	10,391,359,796	6,335,033,661
Others	269,694,766	-	406,181,543	-
	<u>892,470,074,708</u>	<u>982,162,899,875</u>	<u>1,656,796,053,422</u>	<u>1,718,727,183,612</u>
Sales deductions				
Trade discounts	(93,300,010,377)	(9,431,606,844)	(184,848,351,587)	(16,613,277,687)
Sales returns	(10,339,581,302)	(3,650,602,807)	(14,033,865,625)	(9,051,373,058)
	<u>(103,639,591,679)</u>	<u>(13,082,209,651)</u>	<u>(198,882,217,212)</u>	<u>(25,664,650,745)</u>
Net sales	<u>788,830,483,029</u>	<u>969,080,690,224</u>	<u>1,457,913,836,210</u>	<u>1,693,062,532,867</u>
In which:				
Sales of finished goods	665,899,046,195	892,684,413,819	1,205,584,872,836	1,555,737,077,705
Sales of merchandise goods	116,025,941,091	73,475,870,492	241,531,422,035	130,990,421,501
Revenue from services rendered	6,635,800,977	2,920,405,913	10,391,359,796	6,335,033,661
Other revenues	269,694,766	-	406,181,543	-

23 REVENUE (continued)**(a) Financial income**

	For 3-month period ended		For 6-month period ended	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	VND	VND	VND	VND
Interest income from deposits at bank	7,323,652,073	8,482,814,222	12,624,704,078	16,726,751,189
Dividend income	123,308,895	274,085,468	231,788,895	298,420,268
Realised foreign exchange gains	210,417,233	389,314,055	664,420,126	637,813,791
Other financial income	(409,531,410)	33,239,501	9,404,921	167,965,257
	<u>7,247,846,791</u>	<u>9,179,453,246</u>	<u>13,530,318,020</u>	<u>17,830,950,505</u>

24 COST OF SALES

	For 3-month period ended		For 6-month period ended	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	VND	VND	VND	VND
Cost of finished goods sold	364,393,297,800	385,657,126,077	625,879,084,686	672,653,131,020
Cost of merchandises sold	109,649,883,812	67,770,951,465	222,802,281,558	120,726,429,901
Cost of services rendered	5,230,713,374	976,232,509	8,064,162,255	3,816,406,209
Cost of other goods	(762,966,167)	-	(638,444,601)	-
(Reversal)/provision for decline in value of inventories	(169,385,503)	2,568,042,436	(210,391,478)	2,568,042,436
	<u>478,341,543,316</u>	<u>456,972,352,487</u>	<u>855,896,692,420</u>	<u>799,764,009,566</u>

25 FINANCIAL EXPENSES

	For 3-month period ended		For 6-month period ended	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	VND	VND	VND	VND
Interest expense	2,000,485,791	813,500,322	3,856,327,259	2,418,781,165
Realised foreign exchange losses	1,810,963,656	1,091,201,159	2,706,336,252	1,204,161,824
Payment discounts	16,337,386,320	15,196,411,980	30,902,018,642	28,316,489,329
Other expenses	15,015,517	30,015,517	43,747,130	56,568,341
	<u>20,163,851,284</u>	<u>17,131,128,978</u>	<u>37,508,429,283</u>	<u>31,996,000,659</u>

26 SELLING EXPENSES

	For 3-month period ended		For 6-month period ended	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	VND	VND	VND	VND
Staff costs	31.377.843.854	66.438.332.021	97.525.561.851	135.329.699.853
Material expenses	3.339.843.942	966.094.302	4.884.708.120	1.686.059.312
Tools and supplies expenses	865.201.306	1.249.727.191	1.658.638.057	2.221.593.629
Depreciation expenses	3.470.343.091	3.305.060.075	7.031.720.066	6.451.691.873
Advertising expenses	39.698.885.131	34.193.280.636	53.138.731.480	48.861.662.021
Discount and promotion expenses	(4.917.845.323)	43.578.853.323	(8.837.234.395)	56.467.599.359
Seminar expenses	8.440.593.469	61.259.718.769	19.171.194.308	110.478.334.072
Customer care expenses	1.400.000.000	14.621.564.812	1.460.251.004	16.448.749.812
Transportation for goods sold	5.196.976.174	7.383.798.490	9.624.784.543	12.682.239.585
Other expenses	27.542.361.960	15.516.587.148	34.922.723.400	29.830.716.439
	<u>116.414.203.604</u>	<u>248.513.016.767</u>	<u>220.581.078.434</u>	<u>420.458.345.955</u>

27 GENERAL AND ADMINISTRATION EXPENSES

	For 3-month period ended		For 6-month period ended	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	VND	VND	VND	VND
Staff costs	8,179,267,189	44,023,780,866	46,642,637,211	85,793,165,180
Material expenses	230,391,230	158,736,402	520,655,485	280,437,016
Tools and supplies expenses	1,281,307,436	2,637,317,727	2,264,751,451	3,864,576,686
Depreciation expenses	3,696,455,122	3,127,733,735	7,060,287,387	6,201,433,109
Taxes, fees and duties	190,501,166	151,931,431	381,107,509	347,128,057
Provision expenses	1,333,284,688	651,446,247	2,366,858,121	1,304,752,468
Outside service expenses	4,605,282,941	4,178,178,910	9,500,879,488	7,167,122,523
Other expenses	7,013,467,083	16,656,615,530	14,427,272,736	24,229,526,073
	<u>26,529,956,855</u>	<u>71,585,740,848</u>	<u>83,164,449,388</u>	<u>129,188,141,112</u>

28 OTHER INCOME AND EXPENSES

	For 3-month period ended		For 6-month period ended	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	VND	VND	VND	VND
Other income				
Proceeds from sales of scraps	32,886,596	522,312,236	136,892,500	784,818,141
Proceeds from disposals of fixed assets	4,771,418,181	16,636,363	10,112,190,910	72,090,910
Commission income	10,098,757,178	5,170,742,566	19,174,781,740	6,098,746,923
Sundry income	16,107,720,433	1,590,042,333	23,660,583,620	2,365,887,973
	<u>31,010,782,388</u>	<u>7,299,733,498</u>	<u>53,084,448,770</u>	<u>9,321,543,947</u>
Other expenses				
Net book value of fixed assets disposed	4,011,820,204	178,708,022	9,741,561,479	195,071,659
Sundry expenses	1,680,405,219	(4,863,607)	2,665,460,302	735,700,758
	<u>5,692,225,423</u>	<u>173,844,415</u>	<u>12,407,021,781</u>	<u>930,772,417</u>
Net other income	<u>25,318,556,965</u>	<u>7,125,889,083</u>	<u>40,677,426,989</u>	<u>8,390,771,530</u>

29 CORPORATE INCOME TAX

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the normal tax rate of 25% as regulated in current tax regulations as follows:

	Fiscal period ended	
	30.06.2015	30.06.2014
	VND	VND
Net accounting profit before tax	314,970,931,694	337,877,757,610
Tax calculated at a rate of 22%	69,293,604,973	74,333,106,674
Effect of:		
Expenses not deductible for tax purposes	87,193,324	227,792,595
Income not subject to tax	(50,993,557)	(65,652,458)
Under provision in previous years	65,788,042	36,692,476
Tax incentives	(15,873,895,160)	(7,887,335,273)
	<hr/>	<hr/>
Business income tax charge	53,521,697,622	66,644,604,014

Applicable tax rates*The Company*

According to the Decision of 3044/QĐ-UBND of People's Committee of Can Tho City, the Company is required to pay the business income tax ("BIT") at rate of 20% from 2005 to 2014 and 22% for the following years. 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.

This tax reduction is not applied for other income. Other income is taxed at the rate of 22%.

The Subsidiaries

Except for DHG 1 Packaging and Printing One Member Limited Company, DHG Nature One Member Limited Company, ST Pharmaceutical One Member Limited Company, HT Pharmaceutical One Member Limited Company, DHG Pharmaceutical One Member Limited Company and Song Hau Pharmaceutical Joint Stock Company, other subsidiaries in the Group have an obligation to pay the business income tax at rate of 22% of taxable profits.

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

Pursuant to its Business Registration Certificate, DHG 1 Packaging and Printing has an obligation to pay the business income tax at rate of 10% of taxable profits from 2014 to 2028 and 22% for the following years. The company was exempted from income tax from 2014 to 2017 and received a 50% reduction in income tax from 2018 to 2026.

DHG Nature One Member Limited Company ("DHG Nature")

Pursuant to its Business Registration Certificate, DHG Nature has an obligation to pay the business income tax at rate of 20% of taxable profits from 2009 to 2018 and 22% thereafter. The company was exempted from income tax from 2009 to 2010 and received a 50% reduction in income tax from 2011 to 2013.

ST Pharmaceutical One Member Limited Company ("ST Pharma")

Pursuant to its Business Registration Certificate, ST Pharma has an obligation to pay the business income tax at rate of 20% of taxable profits from 2009 to 2018 and 22% thereafter. The company was exempted from income tax from 2009 to 2010 and received a 50% reduction in income tax from 2011 to 2014.

29 CORPORATE INCOME TAX (continued)*HT Pharmaceutical One Member Limited Company ("HT Pharma")*

Pursuant to its Business Registration Certificate, HT Pharma has an obligation to pay the business income tax at rate of 20% of taxable profits from 2008 to 2014 and 22% thereafter. The company was exempted from income tax from 2009 to 2010 and received a 50% reduction in income tax from 2008 to 2009.

DHG Pharmaceutical One Member Limited Company

Pursuant to its Business Registration Certificate, the Company has an obligation to pay the business income tax at rate of 10% of taxable profits for 15 (fifteen) years from the beginning of operation. The company was exempted from income tax for 4 (four) years and received a 50% reduction in income tax for 9 (nine) years for the next years after the taxable income.

Song Hau Pharmaceutical Joint Stock Company ("SH Pharm")

Pursuant to its Business Registration Certificate, SH Pharma has an obligation to pay the business income tax at rate of 15% of taxable profits generated from production activities and 20% of taxable profits generated from trading activities from 2008 to 2019 and 22% thereafter. The Company was exempted from income tax from 2008 to 2010 and received a 50% reduction in income tax from 2011 to 2017.

All the above tax incentives are not applicable to other income which is taxed at rate of 22%.

30 EARNINGS PER SHARE

	For 3-month period ended		For 6-month period ended	
	30.06.2015 VND	30.06.2014 VND	30.06.2015 VND	30.06.2014 VND
Net profit attributable to shareholders	148,392,471,182	152,508,449,632	260,401,418,765	270,875,443,134
Issued ordinary shares at the beginning of the period/year (shares)	87,154,200	65,366,299	87,154,200	65,366,299
Effect of bonus shares issued during the period/ year (shares)	-	21,787,901	-	21,787,901
Weighted average number of ordinary shares at the end of the period/year (shares)	-	87,154,200	-	87,154,200
Basic earnings per share	1,703	1,750	2,988	3,108

31 COST OF OPERATIONS BY FACTOR

	For 6-month period ended	
	30.06.2015 VND	30.06.2014 VND
Material cost	572,811,157,863	671,050,969,141
Labour costs	240,020,548,124	337,110,549,627
Depreciation expense	42,537,847,700	31,430,130,060
Outside service expenses	138,561,879,057	260,937,837,254
Other expenses	40,416,317,622	98,642,414,415
	1,034,347,750,366	1,399,171,900,497

32 RELATED PARTY TRANSACTIONS

The largest shareholder of the Group is the State Capital Investment Corporation (“SCIC”) which owns 43.31% of the Group’s share capital. The SCIC is controlled by the Government of SR Vietnam.

Remuneration of key management

	For 6-month period ended	
	30.06.2015	30.06.2014
	VND	VND
Gross salaries and other benefits	7,596,790,861	9,046,525,992

33 COMMITMENTS**(a) Capital commitments**

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

	30.06.2015	31.12.2014
	VND	VND
Approved but not contracted	178,935,117,541	183,740,702,869
Approved and contracted but not recognised in the financial statements	51,717,279,235	112,345,655,928
	<u>230,652,396,776</u>	<u>296,086,358,797</u>

(b) Commitments under operating leases

The future minimum lease payments under non-cancellable operating lease are as follows:

Land rental	30.06.2015	31.12.2014
	VND	VND
Within 1 year	927,075,488	2,141,497,932
Between 1 and 5 years	7,416,603,904	8,565,991,728
Over 5 years	44,285,868,514	52,192,466,036
Total minimum payments	<u>52,629,547,906</u>	<u>62,899,955,696</u>

34 FINANCIAL RISK MANAGEMENT**Financial risk factors****Overview**

The Group has exposure to the following risks from their use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group's business is exposed to foreign currency risk arising from various currency exposures, primarily United States Dollar ("USD").

The Company's currency exposure to the USD is as follows:

	Original currency - USD		Equivalent to VND	
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
Financial assets				
Cash and deposits at bank	888,123	336,670	19,343,318,940	7,206,417,286
Trade and other receivables	94,042	15,615	2,048,234,760	334,235,136
	<u>982,165</u>	<u>352,285</u>	<u>21,391,553,700</u>	<u>7,540,652,422</u>
Financial liabilities				
Trade and other payables	4,258,708	4,991,674	92,754,660,240	106,846,788,391
Net currency exposure	<u>(3,276,543)</u>	<u>(4,639,389)</u>	<u>(71,363,106,540)</u>	<u>(99,306,135,969)</u>

At 30 June 2015, if the USD had strengthened/weakened by 10% against the VND with all other variables (included tax rate) being held constant, the Group's profit after tax for the fiscal period ended 30 June 2015 would have been VND5,566,322,310 lower/higher as a result of foreign exchange losses/gains on translation of USD-denominated financial instruments.

(ii) Interest risk

The Group is not subject to significant risks on interest rates because the majority of the Group's loans are short-term loans from banks which bear fixed interest rates.

34 FINANCIAL RISK MANAGEMENT (continued)**(b) Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group adopts the policy of dealing with customers of appropriate credit history to mitigate credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group's policy is to regularly monitor current, future liquidity requirements to ensure the Group can maintain sufficient cash reserves to meet liquidity requirements in the short to medium term.

As at 30 June 2015, the Group had financial liabilities comprising short-term borrowings, trade and other payables amounting to VND504,143,117,139 (31.12.2014: VND948,479,953,643) which represented contractual undiscounted cash outflows payable in less than one year.

35 COMPARATIVE FIGURES

According to Circular 200/2014/TT/BTC dated 22/12/2014 of the Ministry of Finance, certain comparative figures have been reclassified to conform to the current year's presentation, detailed as follows:

Code	Fiscal year ended 31 December 2014		
	As reported previously VND	Adjusted (*) VND	Represented VND
135	Receivables of short-term loans	32,720,645,396	32,720,645,396
136	Other receivables	43,219,434,779	(29,986,351,145) 13,233,083,634
155	Other current assets	3,300,558,814	(2,734,294,251) 566,264,563
418	Development and investment Fund	782,076,482,219	67,063,774,920 849,140,257,139
	Fund financial reserve	67,063,774,920	(67,063,774,920) -

This reclassification does not affect net income and taxable expense for the fiscal year ended 31 December 2014.

Tran Ngoc Hien
Preparer

Dang Pham Huyen Nhung
Chief Accountant

Le Chanh Dao
Deputy CEO
20 July 2015