

**DHG PHARMACEUTICAL JOINT STOCK
COMPANY**

(Incorporated in the Socialist Republic of Vietnam)

**REVIEWED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

For the 6-month period ended 30 June 2016

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DHG PHARMACEUTICAL JOINT STOCK COMPANY

No. 228 Bis Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District
Can Tho City, S.R.Vietnam

STATEMENT OF THE BOARD OF GENERAL DIRECTORS

The Board of General Directors of DHG Pharmaceutical Joint Stock Company (the “Parent Company”) and its subsidiaries (the Parent Company and its subsidiaries are referred to as the “Group”) presents this report together with the Group’s interim consolidated financial statements for the 6-month period ended 30 June 2016.

THE BOARD OF MANAGEMENT, BOARD OF GENERAL DIRECTORS AND SUPERVISORY BOARD

The members of the Board of Management, Supervisory Board and Board of General Directors of the Company who held office during the period and to the date of this report are as follows:

Board of Management

Mr. Hoang Nguyen Hoc	Chairman
Mr. Le Dinh Buu Tri	Vice Chairman
Ms. Pham Thi Viet Nga	Member
Mr. Doan Dinh Duy Khuong	Member
Ms. Dang Pham Minh Loan	Member (resigned on 20 July 2016)
Mr. Tran Chi Liem	Member
Mr. Shuhei Tabata	Member

Supervisory Board

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

Board of General Directors

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

BOARD OF GENERAL DIRECTORS’ STATEMENT OF RESPONSIBILITY

The Board of General Directors is responsible for preparing the interim consolidated financial statements which give a true and fair view of the consolidated financial position of the Group and of its consolidated results and cash flows for the period in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to interim financial reporting. In preparing these interim consolidated financial statements, the Board of General Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the interim consolidated financial statements;
- prepare the interim consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the interim consolidated financial statements so as to minimize errors and frauds.



DHG PHARMACEUTICAL JOINT STOCK COMPANY

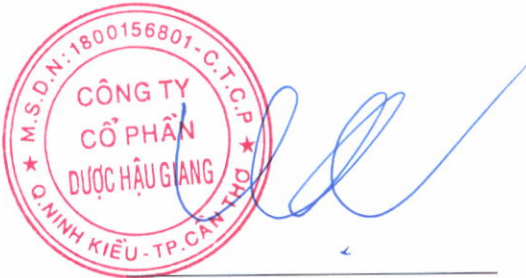
No. 228 Bis Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District
Can Tho City, S.R.Vietnam

STATEMENT OF THE BOARD OF GENERAL DIRECTORS (Continued)

The Board of General Directors is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the consolidated financial position of the Group and that the interim consolidated financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to interim financial reporting. The Board of General Directors is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board of General Directors confirms that the Group has complied with the above requirements in preparing these interim consolidated financial statements.

For and on behalf of the Board of General Directors,



Le Chanh Dao
Deputy General Director
12 August 2016

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REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**To: The shareholders
The Boards of Management, Supervisory Board and Board of General Directors
DHG Pharmaceutical Joint Stock Company**

We have reviewed the accompanying interim consolidated financial statements of DHG Pharmaceutical Joint Stock Company (the "Parent Company") and its subsidiaries (the Parent Company and its subsidiaries are referred to as the "Group") , prepared on 12 August 2016 as set out from page 5 to page 34, which comprise the interim consolidated balance sheet as at 30 June 2016, the interim consolidated income statement and interim consolidated cash flow statement for the 6-month period ended 30 June 2016 and a summary of significant accounting policies and other explanatory information.

Board of General Directors' Responsibility for the Interim Consolidated Financial Statements

The Board of General Directors is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to interim financial reporting, and for such internal control as the Board of General Directors determines is necessary to enable the preparation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the accompanying interim consolidated financial statements based on our review. We conducted our review in accordance with Vietnamese Standard on Review Engagements (VSRE) 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

A review of interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Vietnamese Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2016, and of its consolidated financial performance and its consolidated cash flows for the 6-month period then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to interim financial reporting.



REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other matter

The consolidated financial statements of the Group for the year ended 31 December 2015 were audited by another audit firm whose independent auditors' report issued on 12 March 2016 expressed an unqualified opinion. In addition, the interim consolidated financial statements of the Group for the 6-month period ended 30 June 2015 were reviewed by another audit firm whose review report issued on 15 August 2015 expressed an unqualified conclusion.



Võ Thái Hòa

Audit Partner

Audit Practising Registration Certificate

No. 0138-2013-001-1

For and on behalf of

Deloitte Vietnam Company Limited

12 August 2016

Ho Chi Minh City, S.R. Vietnam



DHG PHARMACEUTICAL JOINT STOCK COMPANY

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

Interim consolidated financial statements
 For the 6-month period ended 30 June 2016

INTERIM CONSOLIDATED BALANCE SHEET
As at 30 June 2016
FORM B 01a-DN/HN

Unit: VND

ASSETS	Codes	Notes	30/6/2016	31/12/2015
A. CURRENT ASSETS	100		2,348,876,142,895	2,221,373,030,144
I. Cash and cash equivalents	110	4	272,453,819,831	420,712,811,918
1. Cash	111		92,984,633,299	89,510,544,052
2. Cash equivalents	112		179,469,186,532	331,202,267,866
II. Short-term financial investments	120	5	834,655,100,000	507,605,100,000
1. Held-to-maturity investments	123		834,655,100,000	507,605,100,000
III. Short-term receivables	130		539,155,272,047	644,064,122,343
1. Short-term trade receivables	131	6	435,026,582,177	570,830,701,600
2. Short-term advances to suppliers	132		52,135,751,777	23,308,107,672
3. Short-term loan receivables	135		36,705,325,633	37,688,828,113
4. Other short-term receivables	136	7	27,543,659,717	23,223,854,477
5. Provision for short-term doubtful debts	137	8	(12,256,047,257)	(10,987,369,519)
IV. Inventories	140	9	688,304,282,564	639,320,555,977
1. Inventories	141		690,073,650,736	642,331,928,161
2. Provision for devaluation of inventories	149		(1,769,368,172)	(3,011,372,184)
V. Other short-term assets	150		14,307,668,453	9,670,439,906
1. Short-term prepayments	151	10	6,284,868,385	3,968,455,036
2. Value added tax deductibles	152		5,517,307,489	4,327,687,627
3. Taxes and other receivables from the State budget	153	11	2,505,492,579	1,374,297,243
B. NON-CURRENT ASSETS	200		1,145,091,715,022	1,141,825,629,796
I. Long-term receivables	210		14,005,277,144	-
1. Long-term loan receivables	215	12	14,005,277,144	-
II. Fixed assets	220		1,055,693,843,904	1,067,774,140,547
1. Tangible fixed assets	221	13	791,157,790,675	811,356,338,576
- Cost	222		1,276,556,672,708	1,252,111,595,162
- Accumulated depreciation	223		(485,398,882,033)	(440,755,256,586)
2. Intangible assets	227	14	264,536,053,229	256,417,801,971
- Cost	228		284,512,652,922	273,969,773,238
- Accumulated amortization	229		(19,976,599,693)	(17,551,971,267)
III. Long-term assets in progress	240		22,770,058,478	15,722,551,016
1. Construction in progress	242	15	22,770,058,478	15,722,551,016
IV. Long-term financial investments	250	5	15,475,731,783	15,932,055,542
1. Investments in joint-ventures, associates	252		4,067,561,583	4,523,885,342
2. Equity investments in other entities	253		27,908,170,200	27,908,170,200
3. Provision for impairment of long-term financial investments	254		(16,500,000,000)	(16,500,000,000)
V. Other long-term assets	260		37,146,803,713	42,396,882,691
1. Long-term prepayments	261	10	18,798,160,475	28,312,322,417
2. Deferred tax assets	262	16	18,348,643,238	14,084,560,274
TOTAL ASSETS (270=100+200)	270		3,493,967,857,917	3,363,198,659,940

The accompanying notes are an integral part of these interim consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEET (Continued)

As at 30 June 2016

FORM B 01a-DN/HN

Unit: VND

RESOURCES	Codes	Notes	30/6/2016	31/12/2015
C. LIABILITIES	300		1,041,767,691,123	841,962,632,700
I. Short-term liabilities	310		982,389,247,051	779,632,287,905
1. Short-term trade payables	311	17	223,461,737,265	224,957,469,694
2. Short-term advances from customers	312		11,748,320,710	7,079,129,950
3. Taxes and amounts payable to the State budget	313	11	20,934,362,058	13,343,506,157
4. Payables to employees	314		85,582,404,213	128,045,082,047
5. Short-term accrued expenses	315	18	80,293,761,335	21,683,931,132
6. Short-term unearned revenue	318	19	31,625,656,349	7,747,880,222
7. Other short-term payables	319	20	12,248,457,093	15,300,462,313
8. Short-term loans	320	21	386,511,706,114	270,711,206,737
9. Bonus and welfare funds	322	22	129,982,841,914	90,763,619,653
II. Long-term liabilities	330		59,378,444,072	62,330,344,795
1. Long-term provisions	342	23	31,345,820,805	31,323,948,748
2. Scientific and technological development fund	343	24	28,032,623,267	31,006,396,047
D. EQUITY	400		2,452,200,166,794	2,521,236,027,240
I. Owner's equity	410		2,452,200,166,794	2,521,236,027,240
1. Owner's contributed capital	411	25	871,643,300,000	871,643,300,000
2. Treasury shares	415	25	(16,121,030,000)	(16,121,030,000)
3. Investment and development fund	418	25	1,220,561,708,767	1,039,479,185,578
4. Retained earnings	421	25	357,046,913,218	605,911,345,691
- Retained earning accumulated to the prior year end	421a		50,993,468,583	164,434,562,794
- Retained earnings of the current period/year	421b		306,053,444,635	441,476,782,897
5. Non-controlling interests	429	26	19,069,274,809	20,323,225,971
TOTAL RESOURCES (440=300+400)	440		3,493,967,857,917	3,363,198,659,940

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Tran Ngoc Hien
Preparer

stuan

Ho Bui Huan
Accountant in-charge



Le Chanh Dao
Deputy General Director
12 August 2016

DHG PHARMACEUTICAL JOINT STOCK COMPANY

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

Interim consolidated financial statements
 For the 6-month period ended 30 June 2016

INTERIM CONSOLIDATED INCOME STATEMENT

For the 6-month period ended 30 June 2016

FORM B 02a-DN/HN

Unit: VND

ITEMS	Codes	Notes	For the 6-month period ended	
			30/6/2016	30/6/2015
1. Gross revenue of goods sold and services rendered	01	29	1,839,917,223,193	1,639,635,234,695
2. Deductions	02	29	148,781,538,355	171,714,459,367
3. Net revenue of goods sold and services rendered (10=01-02)	10	29	1,691,135,684,838	1,467,920,775,328
4. Cost of goods sold and services rendered	11	30	935,115,750,023	852,745,864,248
5. Gross profit from goods sold and services rendered (20=10-11)	20		756,019,934,815	615,174,911,080
6. Financial income	21	32	27,551,548,396	13,530,318,020
7. Financial expenses	22	33	39,203,108,678	37,508,429,283
- In which: Interest expense	23		5,598,598,698	3,856,327,259
8. Share of net losses from associate	24	5	(456,323,759)	-
9. Selling expenses	25	34	287,888,783,155	200,203,709,808
10. General and administration expenses	26	34	130,684,526,502	116,309,947,424
11. Operating profit (30=(20+(21-22)+24-(25+26))	30		325,338,741,117	274,683,142,585
12. Other income	31	35	25,138,405,028	43,205,994,791
13. Other expenses	32	36	11,926,951,150	2,665,460,302
14. Profit from other activities (40=31-32)	40		13,211,453,878	40,540,534,489
15. Accounting profit before tax (50=30+40)	50		338,550,194,995	315,223,677,074
16. Current corporate income tax expense	51	37	35,651,618,938	53,278,898,096
17. Deferred corporate tax (income)/expenses	52	37	(4,264,082,965)	242,799,526
18. Net profit after corporate income tax (60=50-51-52) <i>Attributable to:</i>	60		307,162,659,022	261,701,979,452
<i>The Parent Company's shareholders</i>	61		306,053,444,635	260,654,164,145
<i>Non-controlling interest</i>	62	26	1,109,214,387	1,047,815,307
19. Basic earnings per share (VND/share)	70	38	3,168	2,692

 Tran Ngoc Hien
 Preparer

 Ho Bui Huan
 Accountant in-charge


 Le Chanh Dao
 Deputy General Director
 12 August 2016

DHG PHARMACEUTICAL JOINT STOCK COMPANY

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

Interim consolidated financial statements
For the 6-month period ended 30 June 2016

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS**FORM B 09a-DN/HN**

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

1. GENERAL INFORMATION**Structure of ownership**

On 2 September 2004, DHG Pharmaceutical Joint Stock Company (the “Company”) was equitized 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 under the Business Registration Certificate No. 5703000111 dated 15 September 2004 issued by the Department of Planning and Investment of Can Tho City with the initial charter capital of VND 80,000,000,000.

In 2014, the Company increased its share capital to VND 871,643,300,000. The Company was granted the 20th amended Business Registration Certificate dated 6 May 2015 for the increase in share capital and the 21th amended Business Registration Certificate dated 29 October 2015 for supplementing the business scope of manufacturing and selling bottled pure water.

The Company’s shares were listed in Ho Chi Minh Stock Exchange with DHG code in accordance with Decision No. 93/UBCK-GPNY dated 1 December 2006 issued by the State Securities Commission of Vietnam.

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

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

The number of employees of the Group as at 30 June 2016 was 2,850 (as at 31 December 2015: 2,877).

Operating industry and principal activities

The operating industry of the Company and its subsidiaries are to manufacture and sell pharmaceutical products, provide travelling services.

The principal activities of the Company and its subsidiaries are to manufacture and trade pharmaceuticals, medical tools and supplies, medical equipment, dietary supplements and pharmaceutical cosmetics; provide travelling services.

The Group’s structure

As at 30 June 2016, the Company’s subsidiaries and associate were as follows:

Name	Principal activities	Business Registration Certificate	Proportion of ownership interest and voting power held	
			30/6/2016	31/12/2015
Subsidiaries				
DHG Travel One Member Limited Company	Domestic travel services	No. 5704000134 issued by the Planning and Investment Department of Can Tho City on 26 December 2007	100%	100%
DHG Pharmaceutical One Member Limited Company	Manufacture and trade pharmaceuticals, medical tools and supplies, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 642041000005 issued by the Management Board of Hau Giang Industrial Zone on 16 August 2010	100%	100%
DHG Packaging and Printing 1 One Member Limited Company	Manufacture and trade packaging, plastic, aluminum, paper for pharmaceutical industry; provide printing services	No. 642041000007 issued by the Management Board of Hau Giang Industrial Zone on 28 September 2012	100%	100%

DHG PHARMACEUTICAL JOINT STOCK COMPANY

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Interim consolidated financial statements
 For the 6-month period ended 30 June 2016

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09a-DN/HN
These notes are an integral part of and should be read in conjunction with the interim consolidated financial statements

Name	Principal activities	Business Registration Certificate	Proportion of ownership interest and voting power held	
			30/6/2016	31/12/2015
Subsidiaries (Continued)				
SH Pharmaceutical Joint Stock Company	Trade pharmaceuticals, medical tools and supplies, 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%
CM Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical tools and supplies, 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%
ST Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical tools and supplies, 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%
HT Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical tools and supplies, 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%
DT Pharmaceutical One Member Limited	Trade pharmaceuticals, medical tools and supplies, 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%
TOT Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical tools and supplies, 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 tools and supplies, 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%
A&G Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical tools and supplies, 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%
Bali Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical tools and supplies, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 1900455594 issued by the Planning and Investment Department of Bac Lieu Province on 29 March 2011	100%	100%
B&T Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical tools and supplies, medical equipment, 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 tools and supplies, medical equipment, 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 tools and supplies, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 1500971019 issued by the Planning and Investment Department of Tra Vinh Province on 19 December 2012	100%	100%
Associate				
Vinh Hao Algae Processing Joint Stock Company	Manufacture and trade spirulina algae	No. 4803000150 issued by the Planning and Investment Department of Binh Thuan Province on 4 February 2008	31.36%	31.36%

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09a-DN/HN

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

Normal production and business cycle

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

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The interim consolidated financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.

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

Financial year

The Group's financial year begins on 1 January and ends on 31 December. The interim consolidated financial statements are prepared for the 6-month period ended 30 June each year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Estimates

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) up to 30 June each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

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

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

Intra-group transactions and balances are eliminated in full on consolidation.

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



NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09a-DN/HN

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

Business combination

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

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

Investments in associates

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

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in transit, demand deposits and short-term investments with maturity term not exceeding 3 months from the date of investment, which are highly liquid, readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

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

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

Held-to-maturity investments include term deposits with a remaining maturity term not exceeding 12 months from balance sheet date to earn periodic interest. These investments are measured at cost less provision for impairment of financial investments. Interest income from term deposits is recognized in the income statement on accrual basis.

Loan receivables

Loan receivables are measured at cost less provision for doubtful debts. Provision for doubtful debts relating to loan receivables is made in accordance with prevailing accounting regulations.

Equity investments in other entities

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

Equity investments in other entities are carried at cost less provision for impairment. The provision for impairment of these investments is made when the entities made losses, except for loss that was anticipated in their business plan before the date of investment.



NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09a-DN/HN

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

Receivables

Receivables represent the amounts recoverable from customers or other debtors and are stated at book value less provision for doubtful debts.

Provision for doubtful debts is made for receivables that are overdue for six months or more, or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt.

Inventories

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

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

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives, as follows:

	<u>Years</u>
Buildings and structures	3 - 50
Machinery and equipment	3 - 20
Motor vehicles	3 - 20
Office equipment	3 - 10

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

Leases

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

Intangible assets and amortization

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

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

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

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Construction in progress

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

Prepayments

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

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

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

Provisions

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

Severance allowance payable

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

Provision for dismantling and restoration costs

In accordance with Circular 200/2014/TT-BTC issued by Ministry of Finance, since 1 January 2015, the Group is required to provide for dismantling and restoration costs of the Group's leased premises or land. The provision for dismantling and restoration costs is determined based on the estimated dismantling and restoration costs to be incurred at the time of returning the premises or land at the end of the lease term and recognized on a straight-line basis over the period from 1 January 2015 to the time of returning the premises or land.

Unearned revenue

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

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Revenue recognition

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

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

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

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

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

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

Sales deductions

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

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

Customer loyalty programs

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

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

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

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The Group applies the method of recording foreign exchange differences in accordance with Vietnamese Accounting Standard No. 10 (VAS 10) "Effects of changes in foreign exchange rates". Accordingly, transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognised in the income statement. Unrealized exchange gains as at the balance sheet date are not treated as part of distributable profit to shareholders.

Borrowing costs

Borrowing costs are recognized in the income statement in the period when incurred unless they are capitalised in accordance with Vietnamese Accounting Standard No. 16 "Borrowing costs". Accordingly, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. For specific borrowings for the purpose of construction of fixed assets and investment properties, borrowing costs are capitalized even when the construction period is under 12 months.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on significant differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

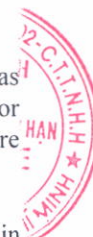
Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are applied in accordance with the prevailing tax laws in Vietnam.

Segmental reporting

A segment is a distinct business segment of the Company that provides a single product or service or a group of related products and services (product segment), or provides products and services within a particular economic environment (geographical segment). Each segment is subject to risks and returns that are different from those of others. The basic reportable segment of the Company is product segment.



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Segment reporting is prepared and presented in accordance with accounting policies applied to the preparation and presentation of the Company's interim separate financial statements in order to help users of interim separate financial statements to understand and evaluate the operations of the Company in a comprehensive way.

4. CASH AND CASH EQUIVALENTS

	30/6/2016	31/12/2015
	<u>VND</u>	<u>VND</u>
Cash on hand	12,061,272,385	15,959,146,726
Demand deposits	80,923,360,914	73,551,397,326
Cash equivalents (*)	179,469,186,532	331,202,267,866
	<u><u>272,453,819,831</u></u>	<u><u>420,712,811,918</u></u>

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

At as 30 June 2016, cash equivalents of VND 6,793,127,451 was pledged as collaterals for tender guarantees and performance of contracts (as at 31 December 2015: nil).

5. FINANCIAL INVESTMENTS**Held-to-maturity investments**

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

At as 30 June 2016, term deposits with maturity term over 3 months of VND 220,605,100,000 was pledged as collaterals for the short-term loans from the banks (Note 21), and for tender guarantees (as at 31 December 2015: VND 105,000,000,000).

Investments in associate

	30/6/2016	31/12/2015
	<u>VND</u>	<u>VND</u>
Vinh Hao Algae Processing Joint Stock Company	<u>4,067,561,583</u>	<u>4,523,885,342</u>

Movements in the investment in associate during the current period and prior year were as follows:

	For the 6-month period ended 30 June 2016	For the year ended 31 December 2015
	<u>VND</u>	<u>VND</u>
Opening balance	4,523,885,342	5,434,273,514
Share of losses	(456,323,759)	(910,388,172)
Closing balance	<u><u>4,067,561,583</u></u>	<u><u>4,523,885,342</u></u>

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	30/6/2016	31/12/2015
	<u>VND</u>	<u>VND</u>
Vinh Tuong High-Tech Packaging Corporation	20,000,000,000	20,000,000,000
Binh Duong Pharmaceutical & Medical Equipments 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 Equipments 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><u>27,908,170,200</u></u>	<u><u>27,908,170,200</u></u>

As at 30 June 2016 and 31 December 2015, fair values of long-term investments in other entities were not available as there is no reference price in the market, except Cuu Long Pharmaceutical Joint Stock Company whose shares are listed in Ho Chi Minh Stock Exchange since 2008. Fair value of the Company's investment in Cuu Long Pharmaceutical Joint Stock Company as at 30 June 2016 and 31 December 2015 was VND 59,472,000 and VND 63,000,000, respectively.

Provision balance as at 30 June 2016 and 31 December 2015 represented the provision for impairment of the investment in Vinh Tuong High-Tech Packaging Corporation.

6. SHORT-TERM TRADE RECEIVABLES

As at 30 June 2016 and 31 December 2015, short-term trade receivables only included receivables from the third parties; and there was no single short-term trade receivables accounting for 10% or more of total trade accounts receivable balance.

7. OTHER SHORT-TERM RECEIVABLES

	30/6/2016	31/12/2015
	<u>VND</u>	<u>VND</u>
Prepaid trade discounts	447,210,553	2,027,703,466
Interest income receivable	13,924,333,776	6,691,565,280
Receivable from employees	2,474,847,379	1,576,597,439
Other receivables	10,697,268,009	12,927,988,292
	<u><u>27,543,659,717</u></u>	<u><u>23,223,854,477</u></u>

8. BAD DEBTS

	30/6/2016			31/12/2015		
	Cost <u>VND</u>	Provision <u>VND</u>	Recoverable amount <u>VND</u>	Cost <u>VND</u>	Provision <u>VND</u>	Recoverable amount <u>VND</u>
Total amount of receivables and loans past due or not past due but impaired	161,263,196,393	(12,256,047,257)	149,007,149,136	263,197,852,081	(10,987,369,519)	252,210,482,562

As at 30 June 2016 and 31 December 2015, there was no single receivable accounting for 10% or more of total amount of receivables past due or not past due but impaired.

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Movements in the provision for doubtful debts during current period and prior year were as follows:

	For the 6-month period ended 30 June 2016 VND	For the year ended 31 December 2015 VND
Opening balance	10,987,369,519	7,705,445,652
Additional provision	1,358,323,432	4,722,120,351
Write-off	-	(1,298,566,283)
Reversal	(89,645,694)	(141,630,201)
Closing balance	<u>12,256,047,257</u>	<u>10,987,369,519</u>

9. INVENTORIES

	30/6/2016		31/12/2015	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	62,541,350,710	-	62,830,863,204	-
Raw materials	189,611,196,407	-	189,692,016,502	-
Work in progress	42,070,422,109	-	20,039,649,051	-
Finished goods	314,617,338,434	1,768,498,304	272,482,704,120	3,006,691,934
Merchandises	81,233,343,076	869,868	97,286,695,284	4,680,250
	<u>690,073,650,736</u>	<u>1,769,368,172</u>	<u>642,331,928,161</u>	<u>3,011,372,184</u>

Movements in the provision for devaluation of inventories during the current period and prior year were as follows:

	For the 6-month period ended 30 June 2016 VND	For the year ended 31 December 2015 VND
Opening balance	3,011,372,184	5,419,429,868
Additional provision	56,303,016	77,701,136
Reversal of provision	(1,298,307,028)	(2,485,758,820)
Closing balance	<u>1,769,368,172</u>	<u>3,011,372,184</u>

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

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10. PREPAYMENTS

	30/6/2016	31/12/2015
	VND	VND
a. Short-term		
Prepaid operating leases	3,072,350,425	341,400,000
Others	3,212,517,960	3,627,055,036
	<u>6,284,868,385</u>	<u>3,968,455,036</u>
b. Long-term		
Prepaid land rental	11,232,364,694	18,179,059,222
Tools and supplies issued for consumption	2,894,867,022	8,771,307,312
Leasehold improvements	126,750,798	174,666,020
Others	4,544,177,961	1,187,289,863
	<u>18,798,160,475</u>	<u>28,312,322,417</u>

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

	As at	Movement during the period		As at
	01/01/2016	Payables	Paid	30/6/2016
	VND	VND	VND	VND
a. Receivables				
Value added tax	-	-	329,203,560	329,203,560
- <i>Output value added tax</i>	-	-	329,203,560	329,203,560
Import duty	561,274,411	7,468,500,158	7,659,361,663	752,135,916
Corporate income tax	661,402,094	486,497,538	29,472,162	204,376,718
Other taxes	151,620,738	92,088,092	1,160,243,739	1,219,776,385
<i>Personal income tax</i>	151,620,738	92,088,092	1,160,243,739	1,219,776,385
	<u>1,374,297,243</u>	<u>8,047,085,788</u>	<u>9,178,281,124</u>	<u>2,505,492,579</u>
b. Payables				
Value added tax	6,294,283,103	49,909,284,081	53,753,760,091	2,449,807,093
- <i>Output value added tax</i>	6,294,283,103	28,948,909,560	32,793,385,570	2,449,807,093
- <i>Value added tax for import goods</i>	-	20,960,374,521	20,960,374,521	-
Corporate income tax	5,090,580,730	35,165,121,400	26,826,008,331	13,429,693,799
Land tax	-	5,592,954,764	1,441,692,361	4,151,262,403
Other taxes	1,958,642,324	16,749,770,030	17,804,813,591	903,598,763
<i>Personal income tax</i>	1,958,153,290	16,662,360,424	17,716,914,951	903,598,763
<i>Other taxes</i>	489,034	87,409,606	87,898,640	-
	<u>13,343,506,157</u>	<u>107,417,130,275</u>	<u>99,826,274,374</u>	<u>20,934,362,058</u>

12. LONG-TERM LOAN RECEIVABLES

Long-term loan receivables represents free-interest loans granted to customers in accordance with the refundable capital support policy of the Group.

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13. TANGIBLE FIXED ASSETS

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
COST					
As at 01/01/2016	476,774,270,225	520,156,224,966	175,646,609,476	79,534,490,495	1,252,111,595,162
Additions	69,627,500	7,946,645,719	-	-	8,016,273,219
Transferred from construction in progress	7,483,885,959	11,176,622,057	3,019,354,545	215,970,000	21,895,832,561
Disposals	<u>(3,718,973,551)</u>	<u>(189,158,563)</u>	<u>(848,795,665)</u>	<u>(710,100,455)</u>	<u>(5,467,028,234)</u>
As at 30/6/2016	<u>480,608,810,133</u>	<u>539,090,334,179</u>	<u>177,817,168,356</u>	<u>79,040,360,040</u>	<u>1,276,556,672,708</u>
ACCUMULATED DEPRECIATION					
As at 01/01/2016	101,691,317,297	196,822,251,509	88,065,099,713	54,176,588,067	440,755,256,586
Charge for the period	14,107,144,089	22,349,144,204	9,269,390,043	3,726,692,877	49,452,371,213
Disposals	<u>(3,099,170,438)</u>	<u>(189,158,563)</u>	<u>(848,795,665)</u>	<u>(671,621,100)</u>	<u>(4,808,745,766)</u>
As at 30/6/2016	<u>112,699,290,948</u>	<u>218,982,237,150</u>	<u>96,485,694,091</u>	<u>57,231,659,844</u>	<u>485,398,882,033</u>
NET BOOK VALUE					
As at 30/6/2016	<u>367,909,519,185</u>	<u>320,108,097,029</u>	<u>81,331,474,265</u>	<u>21,808,700,196</u>	<u>791,157,790,675</u>
As at 31/12/2015	<u>375,082,952,928</u>	<u>323,333,973,457</u>	<u>87,581,509,763</u>	<u>25,357,902,428</u>	<u>811,356,338,576</u>

As at 30 June 2016, the cost of the tangible fixed assets included VND 164,798 million (as at 31 December 2015: VND 124,814 million) of assets which were fully depreciated but are still in active use.

14. INTANGIBLE ASSETS

	Land use rights with indefinite term VND	Land use rights with definite term VND	Computer software VND	Total VND
COST				
As at 01/01/2016	113,669,150,046	151,617,120,387	8,683,502,805	273,969,773,238
Transfer from construction in progress	1,800,000,000	-	4,405,435,000	6,205,435,000
Transfer from long-term prepaid expenses	-	6,773,444,684	-	6,773,444,684
Disposals	<u>(2,436,000,000)</u>	<u>-</u>	<u>-</u>	<u>(2,436,000,000)</u>
As at 30/6/2016	<u>113,033,150,046</u>	<u>158,390,565,071</u>	<u>13,088,937,805</u>	<u>284,512,652,922</u>
ACCUMULATED AMORTIZATION				
As at 01/01/2016	-	12,096,109,754	5,455,861,513	17,551,971,267
Charge for the period	-	1,651,676,970	772,951,456	2,424,628,426
As at 30/6/2016	<u>-</u>	<u>13,747,786,724</u>	<u>6,228,812,969</u>	<u>19,976,599,693</u>
NET BOOK VALUE				
As at 30/6/2016	<u>113,033,150,046</u>	<u>144,642,778,347</u>	<u>6,860,124,836</u>	<u>264,536,053,229</u>
As at 31/12/2015	<u>113,669,150,046</u>	<u>139,521,010,633</u>	<u>3,227,641,292</u>	<u>256,417,801,971</u>

As at 30 June 2016 and as at 31 December 2015, the cost of intangible assets included VND 2,917 million of assets which were fully amortized but are still in active use.

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	30/6/2016	31/12/2015
	<u>VND</u>	<u>VND</u>
Construction of Tan Phu Thanh plant	6,244,200,000	7,266,927,272
Construction of effervescent tablets plant	4,054,610,000	3,061,360,000
Construction of Da Nang branch office	3,032,409,114	27,580,000
Improvement of production line	2,570,726,870	-
Construction of raw materials warehouse	2,315,307,019	-
Construction of Ho Chi Minh branch office	1,553,664,706	14,461,818
Office and ancillary structure	1,511,519,679	1,124,316,220
Construction of Gia Lai branch office	623,948,774	623,948,774
Construction of finished goods warehouse at Cach Mang Thang 8 Street	208,314,663	3,031,610,782
Office improvement	58,669,956	-
Construction of Thai Nguyen branch office	11,818,182	-
Construction of Hai Phong branch office	-	90,909,091
Others	584,869,515	481,437,059
	<u><u>22,770,058,478</u></u>	<u><u>15,722,551,016</u></u>

16. DEFERRED TAX ASSETS

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

17. SHORT-TERM TRADE PAYABLES

As at 30 June 2016 and 31 December 2015, the Group did not have any short-term trade payables past due.

Details of trade payables accounting for 10% of total balance of trade payables are more was as follows:

	30/6/2016	31/12/2015
	<u>VND</u>	<u>VND</u>
Truong Tin Pharmaceutical Limited Company	40,575,317,287	38,175,021,388
Mega Lifescience (Vietnam) Limited Company	13,944,788,306	42,854,138,507
Nomura Trading Co., Ltd	56,161,643,000	18,155,970,000

18. SHORT-TERM ACCRUED EXPENSES

	30/6/2016	31/12/2015
	<u>VND</u>	<u>VND</u>
Marketing and customer care expenses	58,213,034,035	3,196,827,384
Seminar expenses	7,254,950,000	827,636,363
Interest payable	655,542,140	452,141,998
Other accruals	14,170,235,160	17,207,325,387
	<u><u>80,293,761,335</u></u>	<u><u>21,683,931,132</u></u>

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19. SHORT-TERM UNEARNED REVENUE

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

20. OTHER SHORT-TERM PAYABLES

	30/6/2016	31/12/2015
	<u>VND</u>	<u>VND</u>
Trade discounts	285,785,946	3,144,620,676
Insurance payables	1,669,286,215	1,102,968,970
Others	10,293,384,932	11,052,872,667
	<u><u>12,248,457,093</u></u>	<u><u>15,300,462,313</u></u>

21. SHORT-TERM LOANS

	As at 01/01/2016	Increase	Decrease	As at 30/6/2016
	<u>VND</u>	<u>VND</u>	<u>VND</u>	<u>VND</u>
Loans from banks (*)	247,000,000,000	628,000,000,000	515,000,000,000	360,000,000,000
Loans from employees (**)	23,711,206,737	5,486,276,089	2,685,776,712	26,511,706,114
	<u><u>270,711,206,737</u></u>	<u><u>633,486,276,089</u></u>	<u><u>517,685,776,712</u></u>	<u><u>386,511,706,114</u></u>

(*) Represents the credit facility obtained from Vietnam Bank for Industry and Trade - Can Tho Branch with a maximum credit limit of VND 400,000,000,000. This facility can be drawn in Vietnam Dong and will expire on 4 March 2017. The duration for each withdrawal is from 3 to 4 months. These loans are secured by term deposits at bank, as presented in Note 5, and bear interest at the rate ranging from 0.37% per month to 0.38% per month (as at 31 December 2015: from 0.29% per month to 0.62% per month).

(**) Loans from employees are unsecured and bear interest at the rate ranging from 0.42% per month to 0.57% per month (as at 31 December 2015: 0.42% per month to 0.57% per month).

22. BONUS AND WELFARE FUNDS

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

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

	Bonus and welfare fund	Bonus fund for Board of Management	Welfare fund in form of assets	Total
	<u>VND</u>	<u>VND</u>	<u>VND</u>	<u>VND</u>
As at 01/01/2016	49,431,767,334	6,353,384,139	34,978,468,180	90,763,619,653
Appropriation to the funds	62,205,301,754	8,471,392,714	-	70,676,694,468
Depreciation of assets formed from funds	-	-	(2,190,138,390)	(2,190,138,390)
Utilization	(26,036,926,817)	(3,230,407,000)	-	(29,267,333,817)
As at 30/6/2016	<u><u>85,600,142,271</u></u>	<u><u>11,594,369,853</u></u>	<u><u>32,788,329,790</u></u>	<u><u>129,982,841,914</u></u>

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NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09a-DN/HN*These notes are an integral part of and should be read in conjunction with the interim consolidated financial statements***23. LONG-TERM PROVISIONS**

	Provision for dismantling and restoration costs VND	Serverance allowance VND	Total VND
As at 01/01/2016	5,053,947,698	26,270,001,050	31,323,948,748
Additional provision	764,273,407	408,761,300	1,173,034,707
Utilization of provision	-	(1,151,162,650)	(1,151,162,650)
As at 30/6/2016	5,818,221,105	25,527,599,700	31,345,820,805

24. SCIENCE AND TECHNOLOGY DEVELOPMENT FUNDS

In accordance with Circular No. 15/2011/TT-BTC dated 9 February 2011, enterprises are allowed to establish the science and technology development funds for research and development activities. Funds are utilized when disbursement are paid for research and development activities.

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

	Science and technology development fund VND	Science and technology development fund in form of assets VND	Total VND
As at 01/01/2016	6,519,245,955	24,487,150,092	31,006,396,047
Utilization of funds	(718,643,318)	-	(718,643,318)
Assets formed from funds	(1,658,107,727)	1,658,107,727	-
Depreciation of assets formed from funds	-	(2,216,650,107)	(2,216,650,107)
Disposal of assets formed from funds	-	(38,479,355)	(38,479,355)
As at 30/6/2016	4,142,494,910	23,890,128,357	28,032,623,267



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25. OWNER'S EQUITY

Movement in owner's equity

	Owner's contributed capital VND	Treasury shares VND	Financial reserve fund VND	Investment and development fund VND	Retained earnings VND	Total VND
As at 01/01/2015	871,643,300,000	(455,850,000)	67,063,774,920	782,076,482,219	556,467,354,916	2,276,795,062,055
Profit for the year	-	-	-	-	588,701,003,222	588,701,003,222
Repurchase of shares	-	(15,665,180,000)	-	-	-	(15,665,180,000)
Dividends declared for the year 2014	-	-	-	-	(261,462,600,000)	(261,462,600,000)
Appropriation to bonus fund for the Board of Management	-	-	-	-	(7,031,826,014)	(7,031,826,014)
Appropriation to investment and development fund	-	-	-	190,338,928,439	(190,338,928,439)	-
Appropriation to bonus and welfare fund	-	-	-	-	(80,423,657,994)	(80,423,657,994)
Transfer from financial reserve fund	-	-	(67,063,774,920)	67,063,774,920	-	-
As at 31/12/2015	871,643,300,000	(16,121,030,000)	-	1,039,479,185,578	605,911,345,691	2,500,912,801,269
Profit for the period	-	-	-	-	306,053,444,635	306,053,444,635
Dividends declared for the year 2015	-	-	-	-	(304,296,825,000)	(304,296,825,000)
Appropriation to bonus fund for the Board of Management	-	-	-	-	(7,930,858,929)	(7,930,858,929)
Appropriation to investment and development fund	-	-	-	181,082,523,189	(181,082,523,189)	-
Appropriation to bonus and welfare funds	-	-	-	-	(61,607,669,990)	(61,607,669,990)
As at 30/6/2016	871,643,300,000	(16,121,030,000)	-	1,220,561,708,767	357,046,913,218	2,433,130,891,985

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According to the amended Business Registration Certificate, the Company's charter capital is VND 871,643,300,000. The value and number of shares of the Company are as follows:

	30/6/2016		31/12/2015	
	Number of shares	VND	Number of shares	VND
Authorized and issued share capital	87,164,330	871,643,300,000	87,164,330	871,643,300,000
Treasure shares	(222,380)	(16,121,030,000)	(222,380)	(16,121,030,000)
Ordinary shares currently in circulation	86,941,950	855,522,270,000	86,941,950	855,522,270,000

All ordinary shares have a par value of VND 10,000. Each share is entitled to one vote at shareholders' meetings. Shareholders are eligible to receive dividends declared by the Company. 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.

Dividends

According to Resolution of the Company's Annual General Meeting No. 001/2016/NQ-DHĐCĐ dated 28 April 2016, the shareholders of the Company has approved declaration of dividends from profit after tax of 2015 at 35% in cash, equivalent to VND 304,296,825,000.

26. NON-CONTROLLING INTERESTS

	For the 6-month period ended 30/6/2016 VND	For the year ended 31/12/2015 VND
Opening balance	20,323,225,971	16,830,408,891
Net profit attributable to non-controlling interest	1,109,214,387	3,984,211,763
Dividends paid	(1,225,000,000)	(318,500,000)
Appropriation to the bonus fund for the Board of Management	(540,533,785)	(98,000,000)
Appropriation to bonus and welfare funds	(597,631,764)	(74,894,683)
Closing balance	19,069,274,809	20,323,225,971

27. OFF BALANCE SHEET ITEMS**Foreign currencies**

	30/6/2016	31/12/2015
United States Dollar (USD)	106,685	246,134
Euro (EUR)	97,793	82,222
Pataca Macau (MOP)	20	20

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28. SEGMENTAL REPORTING

The primary format, product segments, is based on the Company's management and internal reporting structure.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise assets and liabilities, financial income and expenses, selling expenses, general and administration expenses, other income or other expenses, and corporate income tax.

Product segments

In presenting information on the basis of product segments, segment revenue is disclosed for pharmaceutical products, functional foods and others.

	For the 6-month period ended	
	30/6/2016	30/6/2015
	VND	VND
Net sales		
Pharmaceutical products	1,289,887,389,107	1,106,956,154,134
Functional foods	232,225,544,437	101,407,514,619
Others	169,022,751,294	259,557,106,575
	1,691,135,684,838	1,467,920,775,328
Cost of goods sold and services rendered		
Pharmaceutical products	(684,688,622,523)	(566,018,790,677)
Functional foods	(120,361,361,000)	(54,926,989,267)
Others	(130,065,766,500)	(231,800,084,304)
	(935,115,750,023)	(852,745,864,248)
Gross profit		
Pharmaceutical products	605,198,766,584	540,937,363,457
Functional foods	111,864,183,437	46,480,525,352
Others	38,956,984,794	27,757,022,271
	756,019,934,815	615,174,911,080

29. NET REVENUE OF GOODS SOLD AND SERVICES RENDERED

	For the 6-month period ended	
	30/6/2016	30/6/2015
	VND	VND
Sales of goods and services		
Sales of merchandises	308,665,269,018	299,357,733,979
Sales of finished goods	1,522,582,244,245	1,326,658,077,560
Sales of services rendered	8,669,709,930	13,619,423,156
	1,839,917,223,193	1,639,635,234,695
Sales deductions		
Sales discounts	139,924,955,925	157,680,593,742
Sales returns	8,856,582,430	14,033,865,625
	148,781,538,355	171,714,459,367
Net sales		
<i>In which:</i>		
Sales of finished goods	1,381,986,672,693	1,163,774,055,034
Sales of merchandises	300,479,302,215	290,527,297,138
Sales of services rendered	8,669,709,930	13,619,423,156
	1,691,135,684,838	1,467,920,775,328

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	For the 6-month period ended	
	30/6/2016	30/6/2015
	VND	VND
Cost of merchandises sold	286,216,795,010	273,324,093,400
Cost of finished goods sold	643,398,119,181	569,817,418,342
Cost of services rendered	6,699,178,120	9,994,854,091
Reversal of provision for devaluation of inventories	(1,198,342,288)	(390,501,585)
	935,115,750,023	852,745,864,248

31. PRODUCTION AND OPERATING COSTS BY NATURE

	For the 6-month period ended	
	30/6/2016	30/6/2015
	VND	VND
Raw materials and consumables	778,381,654,986	687,353,572,927
Labour costs	343,200,819,774	240,017,452,124
Depreciation and amortization	44,461,162,526	42,510,574,973
Out-sourced services	162,129,456,646	138,454,158,595
Others expenses	44,414,575,443	40,366,689,663
	1,372,587,669,375	1,148,702,448,282

32. FINANCIAL INCOME

	For the 6-month period ended	
	30/6/2016	30/6/2015
	VND	VND
Interest income	25,497,237,100	12,624,704,078
Foreign exchange gains	1,646,690,560	664,420,126
Dividends and profits earned	155,588,420	231,788,895
Other financial income	252,032,316	9,404,921
	27,551,548,396	13,530,318,020

33. FINANCIAL EXPENSES

	For the 6-month period ended	
	30/6/2016	30/6/2015
	VND	VND
Interest expense	5,598,598,698	3,856,327,259
Settlement discount	31,329,628,511	30,902,018,642
Foreign exchange losses	2,215,617,801	2,706,336,252
Other financial expenses	59,263,668	43,747,130
	39,203,108,678	37,508,429,283



NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09a-DN/HN*These notes are an integral part of and should be read in conjunction with the interim consolidated financial statements***34. SELLING AND GENERAL AND ADMINISTRATION EXPENSES**

	For the 6-month period ended	
	30/6/2016 VND	30/6/2015 VND
a. Selling expenses		
Advertising expenses	106,696,775,590	53,302,453,770
Staff costs	112,767,474,804	77,148,193,225
Seminar expenses	4,877,002,689	21,556,281,479
Depreciation and amortization expenses	7,997,308,045	7,031,720,066
Transportation expenses	8,061,582,160	9,624,784,543
Material expenses	5,611,392,857	4,836,016,555
Customer care expenses	946,342,465	1,460,251,004
Tools and supplies expenses	3,419,309,125	1,658,638,057
Others	37,511,595,420	23,585,371,109
	287,888,783,155	200,203,709,808
b. General and administration expenses		
Staff costs	102,315,632,476	79,788,135,247
Out-sourced services expenses	8,200,279,902	9,500,879,488
Depreciation and amortization expenses	5,398,342,268	7,060,287,387
Provision for dismantling and restoration costs	764,273,407	-
Tools and supplies expenses	1,667,426,759	2,264,751,451
Provision for doubtful debts	1,268,677,738	2,366,858,121
Taxes, fees and duties	462,272,283	381,107,509
Material expenses	264,378,439	520,655,485
Others	10,343,243,230	14,427,272,736
	130,684,526,502	116,309,947,424

35. OTHER INCOME

	For the 6-month period ended	
	30/6/2016 VND	30/6/2015 VND
Commission income	14,984,252,929	19,174,781,740
Gain from disposal of fixed assets	4,641,006,262	370,629,431
Others	5,513,145,837	23,660,583,620
	25,138,405,028	43,205,994,791

36. OTHER EXPENSES

	For the 6-month period ended	
	30/6/2016 VND	30/6/2015 VND
Write-off missing inventories	8,295,694,967	-
Others	3,631,256,183	2,665,460,302
	11,926,951,150	2,665,460,302

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37. CURRENT CORPORATE INCOME TAX EXPENSE

	For the 6-month period ended	
	30/6/2016	30/6/2015
	VND	VND
Accounting profit before tax	338,550,194,995	315,223,677,074
Tax calculated at a rate of 20% (2015: 22%)	67,710,038,999	69,349,208,956
Effect of:		
Income not subject to tax	(31,120,711)	(106,597,541)
Expenses not deductible for tax purpose	2,101,579,151	87,193,324
Tax addition from prior periods	3,235,225	65,788,042
Tax incentives	(39,255,500,881)	(14,334,858,349)
Eliminated entries for consolidation	859,304,190	(1,539,036,810)
Current tax expenses after adjustments	31,387,535,973	53,521,697,622

Charge/(credit) to the income statement:

	For the 6-month period ended	
	30/6/2016	30/6/2015
	VND	VND
Current corporate income tax expenses	35,651,618,938	53,278,898,096
Deferred corporate tax (income)/expenses	(4,264,082,965)	242,799,526
	31,387,535,973	53,521,697,622

The corporate income tax expense for the period is estimated based on taxable income and is subject to adjustments upon review of the tax authorities.

Applicable tax rates

According to Circular No. 78/2014/TT-BTC, the standard corporate income tax is 22% since 1 January 2014 and is decreased to 20% since 1 January 2016.

Except for DHG Packaging and Printing 1 One Member Limited Company, DHG Pharmaceutical One Member Limited Company, SH Pharmaceutical Joint Stock Company which are entitled to tax incentives, the Company and other subsidiaries in the Group is obliged to pay corporate income tax at the rate of 20% (2015: 22%) of its taxable income.

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

Pursuant to the Investment Certificate, DHG Packaging and Printing 1 has an obligation to pay corporate income tax at the rate of 10% of taxable income from 2014 to 2028. Under terms in Investment Certificate granted to DHG Packaging and Printing 1, DHG Packaging and Printing 1 is entitled to corporate income tax exemption from 2014 to 2017 and 50% reduction of corporate income tax from 2018 to 2026.

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

Pursuant to Investment Certificate No. 64204100005 issued by the Management Board of Hau Giang Industrial Zone, DHG One Member Pharma is entitled to corporate income tax at the rate of 10% of taxable income for 15 years from the date of starting its operation. DHG One Member Pharma is entitled to the corporate income tax exemption for 4 years and 50% reduction for the following 9 years commencing from the first year of having taxable income. DHG One Member Pharma has registered to the tax department of Hau Giang province to apply the above tax incentives effective from the financial year 2015.

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Pursuant to the Investment Certificate, SH Pharma JSC has an obligation to pay corporate income tax at the rate of 20% of taxable income from 2008 to 2017. Under terms in Investment Certificate granted to SH Pharma JSC, SH Pharma JSC is entitled to corporate income tax exemption from 2008 to 2009 and 50% reduction of corporate income tax from 2010 to 2015.

All above tax incentives are not applicable to other income which are entitled to the standard rate of 20% for 2016 (2015: 22%).

38. BASIC EARNINGS PER SHARE**a. Basic earnings per share**

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

	For the 6-month period ended	
	30/6/2016	30/6/2015
Profit for the period attributable to equity holders of the Company (VND)	306,053,444,635	260,654,164,145
Appropriation to bonus and welfare fund	(30,605,344,464)	(26,065,416,415)
Earnings for the purpose of calculating basic earnings per share (VND)	275,448,100,171	234,588,747,731
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share (share)	86,941,950	87,154,200
Basic earnings per share (VND/share)	<u>3,168</u>	<u>2,692</u>

(*) Estimated amounts appropriated to bonus and welfare funds for the 6-month period ended 30 June 2016 are determined based on the appropriation percentage of profit distribution for 2015 to bonus and welfare funds at the rate of 10%.

b. Dilutive earnings per share

The Group does not have potentially dilutive ordinary shares.

39. COMMITMENTS**a. Operating lease commitment**

	For the 6-month period ended	
	30/6/2016	30/6/2015
	<u>VND</u>	<u>VND</u>
Minimum lease payments under operating leases recognized in the income statement for the period	<u>2,740,996,679</u>	<u>927,075,488</u>

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	For the 6-month period ended	
	30/6/2016	30/6/2015
	VND	VND
Appropriation to reserves	250,621,052,108	259,705,007,431
Transfer from construction in progress to tangible fixed assets	21,895,832,561	20,785,003,270
Transfer from construction in progress to intangible assets	6,205,435,000	7,962,045,680
Transfer from construction in progress to tools and supplies	1,395,000	238,377,438
Transfer from construction in progress to long-term prepayments	-	208,165,454
Transfer from long-term prepayments to intangible assets	6,773,444,684	69,336,881,636
Transfer from financial reserve fund to investment and development fund	-	67,063,114,920

b. Proceeds from borrowings

	For the 6-month period ended	
	30/6/2016	30/6/2015
	VND	VND
Proceeds from borrowings under normal contracts	633,486,276,089	837,965,645,140

c. Repayment of borrowings

	For the 6-month period ended	
	30/6/2016	30/6/2015
	VND	VND
Repayment of borrowings under normal contracts	517,685,776,712	748,603,724,370

42. SUBSEQUENT EVENTS

According to the Board of Management's Decision No. 016/2016/QĐ.HĐQT dated 4 July 2016, the Company's Board of Management approved the plan to sell 222,380 treasury shares at the expected price which shall not be lower than VND 94,500 per share. The expected time for this transaction will be decided by the Company's General Director within 6 months from the date of approval.

On 20 January 2016, the Company signed a joint venture contract with two foreign partners to set up a joint venture company to conduct healthcare business activities in Vietnam with total investment capital of USD 2,000,000 and total charter capital of USD 1,200,000. The capital contribution ratio for the Company and the two foreign partners will be 51% (equivalent to USD 612,000) and 49% (equivalent to USD 588,000), respectively. On 27 July 2016, the joint venture company - Fuji Medic Co., Ltd was incorporated in accordance with Business Registration Certificate No. 1801472944 issued by the Department of Planning and Investment of Can Tho City. At the issuance date of the interim consolidated financial statements, the Company has not contributed capital to this joint venture company.



DHG PHARMACEUTICAL JOINT STOCK COMPANY288 Bis Nguyen Van Cu Street, An Hoa Ward
Ninh Kieu District, Can Tho City, S.R.Vietnam**Interim consolidated financial statements**
For the 6-month period ended 30 June 2016**NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS (Continued) FORM B 09a-DN/HN***These notes are an integral part of and should be read in conjunction with the interim consolidated financial statements***43. COMPARATIVE FIGURES**

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

	Previously reported amount VND	Amount after reclassification VND	Net change VND
Other income	52,947,556,270	43,205,994,791	(9,741,561,479)
Other expenses	12,407,021,781	2,665,460,302	(9,741,561,479)



Tran Ngoc Hien
Preparer



Ho Bui Huan
Accountant in-charge



Le Chanh Dao
Deputy General Director
12 August 2016

