

DHG PHARMACEUTICAL JOINT STOCK COMPANY

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014**

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 (from 1 May 2014)
	Mrs Le Minh Hong	CEO (to 1 May 2014)
	Mr Le Chanh Dao	Deputy CEO
	Mr Doan Dinh Duy Khuong	Deputy CEO
	Mrs Nguyen Ngoc Diep	Deputy CEO

Board of Supervision	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
-----------------------------	-----------------------	-----

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

CONSOLIDATED BALANCE SHEET

Code	ASSETS	Notes	As at 30 Jun 2014 VND	As at 31 Dec 2013 VND
100	CURRENT ASSETS		2,102,966,246,228	2,232,558,323,593
110	Cash and cash equivalents	3	590,138,587,810	613,286,840,667
111	Cash		106,365,214,317	197,502,688,578
112	Cash equivalents		483,773,373,493	415,784,152,089
120	Short-term investments	4	132.000.000.000	170.000.000.000
130	Accounts receivable		588,384,742,350	667,385,791,765
131	Trade accounts receivable	5	459,102,345,525	515,047,367,344
132	Prepayments to suppliers		60,749,090,596	106,904,033,805
135	Other receivables	6	79,258,098,764	54,871,697,688
139	Provision for doubtful debts		(10,724,792,535)	(9,437,307,072)
140	Inventories	7	766,617,264,986	757,948,802,811
141	Inventories		773,643,289,034	762,406,784,423
149	Provision for decline in value of inventories		(7,026,024,048)	(4,457,981,612)
150	Other current assets		25,825,651,082	23,936,888,350
151	Short-term prepayments		3,134,009,343	1,009,350,275
152	Value Added Tax to be reclaimed		10,643,425,719	11,926,381,877
154	Other taxes receivable		2,282,540,793	1,530,498,553
158	Other current assets		9,765,675,227	9,470,657,645
200	LONG-TERM ASSETS		1,026,394,416,000	848,061,960,110
220	Fixed assets		926,840,212,972	799,082,640,475
221	Tangible fixed assets	8(a)	634,839,658,229	341,559,529,935
222	Cost		951,578,645,784	624,285,468,842
223	Accumulated depreciation		(316,738,987,555)	(282,725,938,907)
227	Intangible fixed assets	8(b)	175,086,007,476	175,986,046,667
228	Cost		187,581,464,354	187,270,244,354
229	Accumulated amortisation		(12,495,456,878)	(11,284,197,687)
230	Construction in progress	8(c)	116,914,547,267	281,537,063,873
250	Long-term investments	9	20,765,323,714	20,765,323,714
252	Investments in associates		5,434,273,514	5,434,273,514
258	Other long-term investments		31,831,050,200	31,831,050,200
259	Provision for diminution in value of long-term investments		(16,500,000,000)	(16,500,000,000)
260	Other long-term assets		78,788,879,314	28,213,995,921
261	Long-term prepayments	10	68,769,725,920	18,683,501,941
262	Deferred income tax assets	11	8,383,999,720	8,256,999,578
268	Other long-term assets		1,635,153,674	1,273,494,402
270	TOTAL ASSETS		3,129,360,662,228	3,080,620,283,703

CONSOLIDATED BALANCE SHEET
 (Continued)

Code		Notes	As at 30 Jun 2014 VND	As at 31 Dec 2013 VND
	ASSETS			
300	LIABILITIES		1,083,960,622,533	1,081,177,362,120
310	Current liabilities		1,038,229,611,605	1,030,241,740,808
311	Short-term borrowings	12	97,320,938,355	127,031,078,559
312	Trade accounts payable	13	178,537,376,241	267,947,613,018
313	Advances from customers		2,751,094,319	2,694,932,738
314	Taxes and other payables to the State			
	Budget	14	36,747,313,933	56,584,127,414
315	Payable to employees		144,444,393,895	206,949,554,901
316	Accrued expenses	15	298,441,287,537	235,861,930,515
319	Other payables	16	162,152,277,601	67,438,861,042
323	Bonus and welfare funds	17	117,834,929,724	65,733,642,621
330	Long-term liabilities		45,731,010,928	50,935,621,312
339	Science and technology development funds	18	45,731,010,928	50,935,621,312
400	OWNERS' EQUITY		2,028,711,218,225	1,981,365,474,100
410	Capital and reserves		2,028,711,218,225	1,981,365,474,100
411	Owners' capital	19, 20	871,643,300,000	653,764,290,000
414	Treasury shares	19, 20	-	-
417	Investment and development fund	20	(455,850,000)	(455,850,000)
418	Financial reserve fund	20	782,075,184,719	701,396,760,268
420	Undistributed earnings	20	67,063,774,920	66,929,751,817
			308,384,808,586	559,730,522,015
439	MINORITY INTEREST	21	16,688,821,470	18,077,447,483
440	TOTAL RESOURCES		3,129,360,662,228	3,080,620,283,703

OFF BALANCE SHEET ITEMS

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

	As at 30 Jun 2014	As at 31 Dec 2013
USD	371,325	558,065
EUR	19,699	61,029
MOP	20	20
NDT	3,515	3,515
CAD	100	100
A tenth of tael	942.50	1,482
Tael	300	300

Tran Ngoc Hien
Preparer

Dang Pham Huyen Nhung
Chief Accountant

Le Chanh Dao
Deputy General Director
15 July 2014

CONSOLIDATED INCOME STATEMENT

Code	Note	For 3-month period ended		For 6-month period ended	
		30.06.2014 VND	30.06.2013 VND	30.06.2014 VND	30.06.2013 VND
01	Sales	988,977,003,711	1,128,818,235,502	1,729,184,490,991	1,901,575,142,657
02	Less deductions	(13,082,209,651)	(349,513,335,994)	(25,664,650,745)	(351,882,901,297)
10	Net sales	23(a) 975,894,794,060	779,304,899,508	1,703,519,840,246	1,549,692,241,360
11	Cost of sales	24 (461,680,764,222)	(408,470,350,887)	(808,379,163,660)	(833,578,793,246)
20	Gross profit	514,214,029,838	370,834,548,621	895,140,676,586	716,113,448,114
21	Financial income	23(b) 10,260,175,474	15,301,536,268	18,911,672,733	26,456,247,758
22	Financial expenses	25 (17,131,128,978)	(814,492,103)	(31,996,000,659)	(1,516,040,989)
23	Including: interest expense	(813,500,322)	(607,215,519)	(2,418,781,165)	(1,210,993,184)
24	Selling expenses	26 (250,618,708,868)	(158,294,144,252)	(422,300,499,240)	(315,985,416,881)
25	General and administration expenses	27 (71,585,740,848)	(73,980,696,383)	(129,188,141,112)	(121,831,158,798)
30	Operating profit	185,138,626,618	153,046,752,151	330,567,708,308	303,237,079,204
31	Other income	7,299,733,498	2,535,577,788	9,321,543,947	14,873,506,618
32	Other expenses	(173,844,415)	5,729,184,818	(930,772,417)	(6,435,513,370)
40	Net other income	28 7,125,889,083	8,264,762,606	8,390,771,530	8,437,993,248
41	Share of associates' result	-	(100,000,000)	-	(400,000,000)
50	Net accounting profit before tax	192,264,515,701	161,211,514,757	338,958,479,838	311,275,072,452

CONSOLIDATED INCOME STATEMENT (continued)

Code	Notes	For 3-month period ended		For 6-month period ended	
		30.06.2014 VND	30.06.2013 VND	30.06.2014 VND	30.06.2013 VND
50	Net accounting profit before tax	192,264,515,701	161,211,514,757	338,958,479,838	311,275,072,452
51	Business income tax current	29 (37,796,779,831)	(36,727,574,266)	(66,829,717,256)	(68,906,697,394)
52	Business income tax - deferred	11, 29 (399,655,683)	1,317,740,660	185,113,243	2,153,091,849
60	Net profit after tax	154,068,080,187	125,801,681,151	272,313,875,825	244,521,466,907
	Attributable to:				
61	Minority interest	21 478,908,326	1,604,726	357,710,462	2,591,443,096
62	Owners of the parent company	153,589,171,861	125,800,076,425	271,956,165,363	241,930,023,811
70	Basic earnings per share (VND)	30 1,762	1,925	3,120	3,701

 Tran Ngoc Hien
 Preparer

 Dang Pham Huyen Nhung
 Chief Accountant

 Le Chanh Dao
 Deputy General Director
 15 July 2014

DHG PHARMACEUTICAL JOINT STOCK COMPANY

NOTES

DHG Pharmaceutical Joint-Stock Company explains the fluctuations in revenue and profits of the first 6 months of 2014 compared to the same period last year, details as follows:

Unit: million dong

Target	6 months/2014		6 months/2013		Increase, decrease			
					Q2		6 months	
	Q2	6 months	Q2	6 months	Value	Rate	Value	Rate
Net sales	975,895	1,703,520	779,305	1,549,692	196,590	25.23%	153.828	9.93%
Profit before tax	192,265	338,958	161,212	311,275	31,053	19.26%	27.683	8.89%
Profit after tax	154,068	272,314	125,802	244,521	28,266	22.47%	27.792	11.37%

Reasons:

To perform the targets of year 2014 DHG Pharma promotes advertising, media activities to introduce products to consumers. The impact on sales of Q2 increased by 25.23% and of the first 6 months of 2014 increased by 9.93% makes profit after tax of 6 months of 2014 increase 11.37% compared with the same period.

DHG Pharmaceutical Joint-Stock Company kindly explains.

Tran Ngoc Hien
Preparer

Dang Pham Huyen Nhung
Chief Accountant

Le Chanh Dao
Deputy General Director
15 July 2014

**CONSOLIDATED CASH FLOW STATEMENT
(Indirect method)**

Code	Note	For 6-month period ended	
		30.06.2014 VND	30.06.2013 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01		338,958,479,838	311,275,072,452
	Adjustments for:		
02	Depreciation and amortisation	8 36,129,066,866	29,398,329,478
03	Provisions	3,855,527,899	345,958,664
05	Gains from disposal of fixed assets	28 122,980,749	(94,991,856)
05	Interest and dividend income	23(b) (18,105,893,685)	(25,013,369,313)
05	Losses from investments in associates	-	400,000,000
06	Interest expense	25 2,418,781,165	1,210,993,184
08	Operating profit before changes in working capital	363,378,942,832	317,521,992,609
09	(Increase)/decrease in receivables	78,033,620,459	(36,308,386,278)
10	(Increase)/decrease in inventories	(11,236,504,611)	(86,057,658,019)
11	(Increase)/decrease in payables	(130,541,768,174)	112,620,936,736
12	(Increase)/decrease in prepaid expenses	(52,210,883,047)	(1,517,747,312)
13	Interest paid	(2,085,938,268)	(1,579,987,862)
14	Business income tax paid	(81,698,552,480)	(58,116,248,187)
16	Other payments on operating activities	(47,869,983,494)	(24,163,192,897)
20	Net cash inflows from operating activities	115,768,933,217	222,399,708,790
CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchases of fixed assets and other long-term assets	8 (164,081,711,022)	(83,033,854,279)
22	Proceeds from disposals of fixed assets and other long-term assets	72,090,910	3,471,279,617
23	Increase in term deposits at bank	-	(165,955,000,000)
24	Collection of loans granted to other entities	38,000,000,000	-
25	Payments for investments in other entities	-	-
26	Proceeds from divestment in other entities	-	-
27	Dividends and interest received	17,660,074,242	21,108,091,535
30	Net cash outflows from investing activities	(108,349,545,870)	(224,409,483,127)
CASH FLOWS FROM FINANCING ACTIVITIES			
31	Proceeds from issuance of shares	-	-
33	Proceeds from short-term borrowings	665,198,843,275	5,834,635,669
34	Repayments of borrowings	(694,908,983,479)	(861,932,415)
36	Dividends paid	(857,500,000)	(131,590,098,000)
40	Net cash outflows from financing activities	(30,567,640,204)	(126,617,394,746)
50	Net (decrease)/increase in cash and cash equivalents	(23,148,252,857)	(128,627,169,083)
60	Cash and cash equivalents at beginning of year	613,286,840,667	718,975,317,797
61	Impacts of exchange rate fluctuations		
70	Cash and cash equivalents at end of the period	590,138,587,810	590,348,148,714

Tran Ngoc Hien
Preparer

Dang Pham Huyen Nhung
Chief Accountant

Le Chanh Dao
Deputy General Director
15 July 2014

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2014**
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.

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 2014, the Company had 3,002 employees (at 31 December 2013: 2,830 employees).

The consolidated financial statements for 6-month period ended 30 June 2014 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	
			30.06.2014	31.12.2013
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%	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%
DHG Packaging and Printing One Member Limited Company (*)	Manufacture and trade packaging, plastic, aluminum, paper; provide printing services	No. 5704000183 issued by the Planning and Investment Department of Can Tho City on 29 April 2008	-	100%
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%

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 09 – DN/HN

1 GENERAL INFORMATION (continued)

Name	Principal activities	Business Registration Certificate	% Ownership and voting rights	
			30.06.2014	31.12.2013
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%
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%
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%
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%	30%

(*) On 31 December 2013, the Board of Directors of the Company issued the decision to dissolve DHG Packaging and Printing One Member Limited Company.

2 ACCOUNTING SYSTEM AND 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. 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

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.

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.

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (CONTINUED)**2.3 Consolidation (continued)*****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 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.

2.5 Form of records applied

The Group uses journal vouchers to record its transactions.

2.6 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.

2.7 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 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (CONTINUED)**2.8 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.

2.9 Investments**(a) Short-term investments**

Short-term 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.

2.10 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

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.

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (CONTINUED)**2.10 Fixed assets (Continued)***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.

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (CONTINUED)**2.16 Current and deferred income tax (continued)**

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.

2.17 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.

Appropriation of the Company's net profit after tax of the year 2013 was approved by shareholders at the Company's Annual General Meeting as follows:

- Dividends declared for year 2013: 30% nominal value.
- Appropriation to the bonus and welfare fund: 10% of net profit after tax.
- Payment for BOD, BOS, collaborators, BOM and key management personnel: 5 billion VND.
- Bonus for BOD, BOS, collaborators, BOM and key management personnel: 5% of increase in net consolidated profit after tax.
- Remaining net profit after tax was appropriated to the investment and development fund

2.18 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.

2.19 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 ACCOUNTING SYSTEM AND ACCOUNTING POLICIES (CONTINUED)**2.20 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

	30.06.2014	31.12.2013
	VND	VND
Cash on hand	17,590,181,538	30,418,601,252
Cash at bank	88,381,868,981	167,084,087,326
Cash in transit	393,163,798	-
Cash equivalents (*)	483,773,373,493	415,784,152,089
	<u>590,138,587,810</u>	<u>613,286,840,667</u>

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

4 SHORT-TERM INVESTMENTS

Short-term 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

	30.06.2014	31.12.2013
	VND	VND
	459,102,345,525	
Trade receivables from third parties	<u>459,102,345,525</u>	<u>515,047,387,344</u>

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

	For 6-month period	Fiscal year
	ended	ended
	30.06.2014	31.12.2013
	VND	VND
Opening balance	9,437,307,072	5,729,201,415
Increase	1,602,792,644	6,140,246,859
Reversal	(315,307,181)	(2,432,141,202)
Closing balance	<u>10,724,792,535</u>	<u>9,437,307,072</u>

6 OTHER RECEIVABLES

	30.06.2014	31.12.2013
	VND	VND
Trade discounts	37,906,098,759	43,340,621,042
Interest income receivable	3,745,763,897	3,299,944,454
Receivables from employees	1,825,836,018	-
Other receivables	35,780,400,090	8,231,132,192
	79,258,098,764	54,871,697,688

7 INVENTORIES

	30.06.2014	31.12.2013
	VND	VND
Goods in transit	85,581,696,267	80,761,118,021
Raw materials	247,600,803,061	238,200,575,337
Work in progress	56,371,190,981	52,070,111,304
Finished goods	334,554,426,556	321,552,534,685
Merchandises	49,535,172,169	69,822,445,076
	773,643,289,034	762,406,784,423
Provision for decline in value of inventory	(7,026,024,048)	(4,457,981,612)
	766,617,264,986	757,948,802,811

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

	For 6-month period	Fiscal year
	ended	ended
	30.06.2014	31.12.2013
	VND	VND
Opening balance	4,457,981,612	6,028,589,133
Increase	2,568,042,436	-
Reversal	-	(1,570,607,521)
	7,026,024,048	4,457,981,612
Closing balance	7,026,024,048	4,457,981,612

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 2014	217,596,266,580	229,303,470,033	109,040,239,016	68,345,493,213	624,285,468,842
Increase	7,174,715,455	1,735,731,744	3,941,846,462	50,684,449	12,902,978,110
Transfers from construction in progress (Note 8(c))	112,046,971,688	163,761,212,470	39,473,663,542	208,181,818	315,490,029,518
Disposals	-	(368,480,261)	(529,686,482)	(201,663,943)	(1,099,830,686)
At 30 June 2014	<u>336,817,953,723</u>	<u>394,431,933,986</u>	<u>151,926,062,538</u>	<u>68,402,695,537</u>	<u>951,578,645,784</u>
Accumulated depreciation					
At 1 January 2014	57,611,519,174	129,620,837,025	55,065,501,712	40,428,080,996	282,725,938,907
Depreciation for the period/year	10,622,449,664	12,455,691,810	7,922,417,009	3,917,249,192	34,917,807,675
Disposals	-	(189,772,239)	(513,322,845)	(201,663,943)	(904,759,027)
At 30 June 2014	<u>68,233,968,838</u>	<u>141,886,756,596</u>	<u>62,474,595,876</u>	<u>44,143,666,245</u>	<u>316,738,987,555</u>
Net book value					
At 1 January 2014	<u>159,984,747,406</u>	<u>99,682,633,008</u>	<u>53,974,737,304</u>	<u>27,917,412,217</u>	<u>341,559,529,935</u>
At 30 June 2014	<u>268,583,984,885</u>	<u>252,545,177,390</u>	<u>89,451,466,662</u>	<u>24,259,029,292</u>	<u>634,839,658,229</u>

Included in tangible fixed assets as at 30 June 2014 were assets costing VND109,769 million (31 December 2013: VND106,244 million) 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 2014	109,273,175,913	72,258,870,636	5,738,197,805	187,270,244,354
Increase	-	-	-	-
Transfers from construction in progress (Note 8(c))	-	-	311,220,000	311,220,000
At 30 June 2014	109,273,175,913	72,258,870,636	6,049,417,805	187,581,464,354
Accumulated amortisation				
At 1 January 2014	-	7,451,546,227	3,832,651,460	11,284,197,687
Depreciation for the period / year	-	644,820,204	566,438,987	1,211,259,191
At 30 June 2014	-	8,096,366,431	4,399,090,447	12,495,456,878
Net book value				
At 1 January 2014	109,273,175,913	64,807,324,409	1,905,546,345	175,986,046,667
At 30 June 2014	109,273,175,913	64,162,504,205	1,650,327,358	175,086,007,476

(c) Construction in progress

	For 6-month period ended 30.06.2014 VND	Fiscal year ended 31.12.2013 VND
Opening balance	281,537,063,873	70,391,435,034
Additions	200,386,636,963	336,873,642,724
Transfers to tangible fixed assets (Note 8(a))	(315,490,029,518)	(115,327,420,681)
Transfers to intangible fixed assets (Note 8(b))	(311,220,000)	(8,313,909,371)
Transfers to prepayments	(49,207,904,051)	(2,086,683,833)
Closing balance	116,914,547,267	281,537,063,873

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

	30.06.2014 VND	31.12.2013 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:

	For 6-month period ended 30.06.2014 VND	Fiscal year ended 31.12.2013 VND
Opening balance	5,434,273,514	9,334,273,514
Share of losses from associates	-	(400,000,000)
Dividend received	-	-
Transfers to other long-term investments	-	(3,500,000,000)
Closing balance	<u>5,434,273,514</u>	<u>5,434,273,514</u>

(b) Other long-term investments

	30.06.2014 VND	31.12.2013 VND
Cuu Long Pharmaceutical Joint Stock Company	27,420,000	27,420,000
Binh Duong Pharmaceutical & Medical Equipment Joint Stock Company	4,286,800,000	4,286,800,000
Ninh Thuan Pharmaceutical & Medical Equipment Joint Stock Company	796,675,000	796,675,000
Nghe An Pharmaceutical & Medical Equipment Joint Stock Company	3,922,880,000	3,922,880,000
Tra Vinh Pharmaceutical Joint Stock Company	2,575,315,200	2,575,315,200
Tay Ninh Pharmaceutical Joint Stock Company	221,960,000	221,960,000
Vinh Tuong High-Tech Packaging Corporation	<u>20,000,000,000</u>	<u>20,000,000,000</u>
	<u>31,831,050,200</u>	<u>31,831,050,200</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:

	For 6-month period ended 30.06.2014 VND	Fiscal year ended 31.12.2013 VND
Opening balance	16,500,000,000	4,513,881,449
Increase	-	16,500,000,000
Reversal	-	(4,513,881,449)
Closing balance	<u>16,500,000,000</u>	<u>16,500,000,000</u>

Balance as at 30 June 2014 represents the provision for diminution in value of long-term investments in Vinh Tuong High-Tech Packaging Corporation (2013: VND16,500,000,000).

10 LONG-TERM PREPAYMENTS

Details of long-term prepayments are presented as follows:

	Leasehold improvements VND	Prepaid land rental fees VND	Tools and supplies VND	Total VND
Opening balance	658,302,929	12,098,613,904	5,926,585,108	18,683,501,941
Increase	-	-	52,832,743,851	52,832,743,851
Allocation	<u>(165,382,238)</u>	<u>(173,249,838)</u>	<u>(2,407,887,796)</u>	<u>(2,746,519,872)</u>
Closing balance	<u>492,920,691</u>	<u>11,925,364,066</u>	<u>56,351,441,163</u>	<u>68,769,725,920</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:

	For 6-month period ended 30.06.2014 VND	Fiscal year ended 31.12.2013 VND
Opening balance	8,256,999,578	5,840,892,665
Income statement credit	<u>127,000,142</u>	<u>2,416,106,913</u>
Closing balance	<u>8,383,999,720</u>	<u>8,256,999,578</u>

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

12 SHORT-TERM BORROWINGS

	30.06.2014 VND	31.12.2013 VND
Loans from bank (*)	69,000,000,000	100,000,000,000
Loans from the Group's employees (**)	<u>28,320,938,355</u>	<u>27,031,078,559</u>
	<u>97,320,938,355</u>	<u>127,031,078,559</u>

(*) These loans are secured by term deposits at bank.

(**) These loans are unsecured and bear interest at 0.42% to 0.57% (2013: from 0.42% to 0.9% per month).

13 TRADE ACCOUNTS PAYABLE

	30.06.2014 VND	31.12.2013 VND
Trade payables to third parties	<u>178,537,376,241</u>	<u>267,947,613,018</u>

DHG PHARMACEUTICAL JOINT STOCK COMPANY**Form B 09 – DN/HN****14 TAXES AND OTHER PAYABLES TO THE STATE BUDGET**

	30.06.2014	31.12.2013
	VND	VND
Value added tax	6,303,829,402	6,994,254,300
Corporate income tax - current	27,630,160,873	42,465,676,431
Personal income tax	2,711,003,586	6,986,166,309
Others	102,320,072	138,030,374
	<hr/>	<hr/>
	36,747,313,933	56,584,127,414
	<hr/>	<hr/>

Taxes included as follows:

	Opening balance	Amount paid in the period/year	Loss transfer from the last year	Reclassification of accounts	Amount paid in the period/year	Amount refunded in the period/year	Closing balance
VAT on domestic sales	1,919,253,324	28,104,080,443	-	-	(34,117,248,443)	5,075,000,976	981,086,300
VAT on imports	-	20,502,722,374	-	-	(20,502,722,374)	-	-
Import export tax	(1,260,969,346)	7,052,404,053	-	-	(7,887,574,787)	-	(2,096,140,080)
Corporate income tax	42,455,817,463	66,829,717,256	(58,113,100)	99,096,778	(81,698,552,480)	-	27,627,965,917
Personal income tax	6,728,496,070	26,657,489,782	-	(99,096,778)	(30,760,091,245)	-	2,526,797,829
Land tax	-	2,258,816,356	-	-	(2,156,496,284)	-	102,320,072
Others	136,030,374	266,900,470	-	-	(402,930,844)	-	-
Total	49,978,627,885	151,672,130,734	(58,113,100)	-	(177,525,616,457)	5,075,000,976	29,142,030,038

15 ACCRUED EXPENSES

	30.06.2014	31.12.2013
	VND	VND
Trade discounts and promotions	83,308,014,365	215,040,838,957
Seminar expenses	74,363,512,903	8,010,929,648
Advertising expenses	57,518,187,740	-
Support expenses	39,209,573,113	-
Interest payable	833,086,518	500,243,621
Marketing and customer care expenses	26,748,375,964	6,574,318,617
Others	16,460,536,934	5,735,599,672
	<u>298,441,287,537</u>	<u>235,861,930,515</u>

16 OTHER PAYABLES

	30.06.2014	31.12.2013
	VND	VND
Union fee and health insurance	2,857,705,859	1,932,376,325
Trade discounts	20,029,172,457	56,122,553,316
Dividends payable	130,750,491,500	17,894,000
Other payables	8,514,907,785	9,366,037,401
	<u>162,152,277,601</u>	<u>67,438,861,042</u>

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 period/year were as follows:

	Bonus and welfare fund	Welfare fund in form of assets	Bonus fund for Board of Directors	Total
	VND	VND	VND	VND
Opening balance	26,756,454,324	34,255,636,868	4,721,551,429	65,733,642,621
Appropriation to the funds	81,439,278,361	-	13,327,381,852	94,766,660,213
Assets formed from funds	(671,194,528)	671,194,528	-	-
Depreciation of assets formed from funds	-	(2,286,099,945)	-	(2,286,099,945)
Utilisation	(32,666,901,123)	-	(7,712,372,042)	(40,379,273,165)
Closing balance	<u>74,857,637,034</u>	<u>32,640,731,451</u>	<u>10,336,561,239</u>	<u>117,834,929,724</u>

18 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 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	38,995,208,593	11,940,412,719	50,935,621,312
Assets formed from funds	(4,213,006,894)	4,213,006,894	-
Depreciation of assets formed from funds	-	(1,334,971,603)	(1,334,971,603)
Utilisation	(3,869,638,781)	-	(3,869,638,781)
Closing balance	<u>30,912,562,918</u>	<u>14,818,448,010</u>	<u>45,731,010,928</u>

19 OWNERS' CAPITAL

	30.06.2014		31.12.2013	
	Number of shares	VND	Number of shares	VND
Authorised and issued share capital	87,164,330	871,643,300,000	65,376,429	653,764,290,000
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>65,366,299</u>	<u>653,308,440,000</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:

	For 6-month period ended 30.06.2014		For fiscal year ended 31.12.2013	
	Number of shares	VND	Number of shares	VND
Opening balance	65,366,299	653,308,440,000	65,366,299	653,308,440,000
Bonus shares issued	21,787,901	217,879,010,000	-	-
Closing balance	<u>87,154,200</u>	<u>871,187,450,000</u>	<u>65,366,299</u>	<u>653,308,440,000</u>

20 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 2013	653,764,290,000	(455,850,000)	491,137,167,263	66,762,044,635	476,511,599,368	1,687,719,251,266
Profit for the year	-	-	-	-	588,959,753,802	588,959,753,802
Dividends paid for the year 2012	-	-	-	-	(130,732,598,000)	(130,732,598,000)
Pay in advanced for 2013 dividend	-	-	-	-	(98,049,448,500)	(98,049,448,500)
Allocation of funds	-	-	210,259,593,005	167,707,182	(210,427,300,187)	-
Appropriation to bonus and welfare fund	-	-	-	-	(55,487,114,833)	(55,487,114,833)
Appropriation to Board of Directors bonus fund	-	-	-	-	(11,044,369,634)	(11,044,369,634)
As at 31 December 2013	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 with rate 3:1	217,879,010,000		(217,879,010,000)			-
Profit for the period/year					271,956,165,363	271,956,165,363
Dividends paid					(130,732,597,500)	(130,732,597,500)
Allocation of funds			298,557,434,451	134,023,103	(298,691,457,554)	-
Appropriation to bonus and welfare fund					(80,795,441,886)	(80,795,441,886)
Appropriation to Board of Directors bonus fund					(13,082,381,852)	(13,082,381,852)
As at 30 June 2014	871,643,300,000	(455,850,000)	782,075,184,719	67,063,774,920	308,384,808,586	2,028,711,218,225

21 MINORITY INTEREST

	For 6-month period ended 30.06.2014	For fiscal year ended 31.12.2013
Opening balance	18,077,447,483	15,750,128,249
Net profit attributable to minority shareholders in the period/year	357,710,462	4,292,243,167
Appropriation to bonus and welfare fund	(643,836,475)	(805,652,150)
Appropriation to Board of management bonus fund	(245,000,000)	(301,771,783)
Dividends paid	(857,500,000)	(857,500,000)
	<hr/>	<hr/>
Closing balance	16,688,821,470	18,077,447,483
	<hr/>	<hr/>

22 DIVIDENDS

In the year 2013, the Company has declared and paid the final dividends of 10% in cash for the year 2012.

On 2 August 2013, the Board of Directors of the Company approved the first dividends of 15% in cash for the year 2013 temporarily which was paid on 30 August 2013.

Final dividends of 15% in cash for the year 2013 will be paid on 4 August 2014.

23 REVENUE**(a) Net sales**

	For 3-month period ended		For 6-month period ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	VND	VND	VND	VND
Sales				
Sales of finished goods	905,550,068,167	1,019,492,881,140	1,581,042,144,733	1,685,801,712,895
Sales of merchandise goods	73,692,425,795	87,287,674,495	131,350,005,218	151,812,535,502
Services	2,920,405,913	6,119,177,870	6,335,033,661	8,681,726,054
Promotion goods	6,814,103,836	15,918,501,997	10,457,307,379	55,279,168,206
	<u>988,977,003,711</u>	<u>1,128,818,235,502</u>	<u>1,729,184,490,991</u>	<u>1,901,575,142,657</u>
Sales deductions				
Sales deductions	-	(49,393,196)	-	(117,500,569)
Trade discounts (*)	(9,431,606,844)	(346,188,174,945)	(16,613,277,687)	(346,188,174,945)
Sales returns	(3,650,602,807)	(3,275,767,853)	(9,051,373,058)	(5,577,225,783)
	<u>(13,082,209,651)</u>	<u>(349,513,335,994)</u>	<u>(25,664,650,745)</u>	<u>(351,882,901,297)</u>
Net sales	<u>975,894,794,060</u>	<u>779,304,899,508</u>	<u>1,703,519,840,246</u>	<u>1,549,692,241,360</u>

In which:

Sales of finished goods	892,684,413,819	689,052,480,088	1,555,737,077,705	1,353,169,697,494
Sales of merchandise goods	73,475,870,492	68,218,760,813	130,990,421,501	132,565,670,866
Revenue from services rendered	2,920,405,913	6,119,177,870	6,335,033,661	8,681,726,054
Revenue from promotion goods	6,814,103,836	15,914,480,737	10,457,307,379	55,275,146,946

(b) Financial income

	For 3-month period ended		For 6-month period ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	VND	VND	VND	VND
Interest income from deposits at bank	9,563,536,450	14,326,012,182	17,807,473,417	24,680,383,713
Dividend income	274,085,468	206,950,800	298,420,268	332,985,600
Realised foreign exchange gains	389,314,055	629,393,096	637,813,791	1,192,667,752
Others	33,239,501	139,180,190	167,965,257	250,210,693
	<u>10,260,175,474</u>	<u>15,301,536,268</u>	<u>18,911,672,733</u>	<u>26,456,247,758</u>

24 COST OF SALES

	For 3-month period ended		For 6-month period ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	VND	VND	VND	VND
Cost of finished goods sold	385,657,126,077	325,582,986,851	672,653,131,020	648,410,857,054
Cost of merchandises sold	67,770,951,465	63,884,433,270	120,726,429,901	125,152,795,420
Cost of services rendered	976,232,509	4,911,365,149	3,816,406,209	7,024,551,190
Cost of promotion goods	4,708,411,735	14,091,565,617	8,615,154,094	52,990,589,582
(Reversal)/provision for decline in value of inventories	2,568,042,436	-	2,568,042,436	-
	<u>461,680,764,222</u>	<u>408,470,350,887</u>	<u>808,379,163,660</u>	<u>833,578,793,246</u>

25 FINANCIAL EXPENSES

	For 3-month period ended		For 6-month period ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	VND	VND	VND	VND
Interest expense	813,500,322	607,215,519	2,418,781,165	1,210,993,184
Realised foreign exchange losses	1,091,201,159	177,672,462	1,204,161,824	206,843,085
Payment discounts	15,196,411,980	-	28,316,489,329	-
Other expenses	30,015,517	29,604,122	56,568,341	98,204,720
	<u>17,131,128,978</u>	<u>814,492,103</u>	<u>31,996,000,659</u>	<u>1,516,040,989</u>

26 SELLING EXPENSES

	For 3-month period ended		For 6-month period ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	VND	VND	VND	VND
Staff costs	66,438,332,021	71,268,371,759	135,329,699,853	151,274,303,247
Material expenses	966,094,302	1,072,888,157	1,686,059,312	1,778,053,524
Tools and supplies expenses	1,249,727,191	1,025,229,961	2,221,593,629	1,951,374,065
Depreciation expenses	3,305,060,075	3,146,897,432	6,451,691,873	6,390,840,102
Advertising expenses	34,193,280,636	15,281,930,813	48,861,662,021	22,410,595,679
Discount and promotion expenses	44,898,590,964	5,828,007,141	57,523,798,184	29,650,081,149
Seminar expenses	62,045,673,229	22,905,148,352	111,264,288,532	49,949,645,722
Customer care expenses	14,621,564,812	14,704,089,848	16,448,749,812	15,791,489,848
Transportation for goods sold	7,383,798,490	7,088,665,136	12,682,239,585	12,122,647,781
Other expenses	15,516,587,148	15,972,915,653	29,830,716,439	24,666,385,764
	<u>250,618,708,868</u>	<u>158,294,144,252</u>	<u>422,300,499,240</u>	<u>315,985,416,881</u>

27 GENERAL AND ADMINISTRATION EXPENSES

	For 3-month period ended		For 6-month period ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	VND	VND	VND	VND
Staff costs	44,023,780,866	42,447,506,741	85,793,165,180	77,318,792,317
Material expenses	158,736,402	116,308,017	280,437,016	281,311,310
Tools and supplies expenses	2,637,317,727	985,569,702	3,864,576,686	1,582,964,067
Depreciation expenses	3,127,733,735	3,043,461,661	6,201,433,109	6,208,486,581
Fees and duties	151,931,431	107,117,555	347,128,057	266,671,722
Provision expenses	651,446,247	189,715,015	1,304,752,468	345,958,664
Outside service expenses	4,178,178,910	3,765,856,082	7,167,122,523	6,656,603,560
Science and technology development fund	-	14,243,381,534	-	14,243,381,534
Other expenses	16,656,615,530	9,081,780,076	24,229,526,073	14,926,989,043
	<u>71,585,740,848</u>	<u>73,980,696,383</u>	<u>129,188,141,112</u>	<u>121,831,158,798</u>

28 OTHER INCOME AND EXPENSES

	For 3-month period ended		For 6-month period ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	VND	VND	VND	VND
Other income				
Proceeds from sales of scraps	522,312,236	231,371,696	784,818,141	391,896,343
Proceeds from disposals of fixed assets	16,636,363	3,391,488,850	72,090,910	3,471,279,617
Fire insurance compensation	-	4,725,320,451	-	4,725,320,451
Income from sales commissions	5,170,742,566	3,977,997,897	6,098,746,923	3,977,997,897
Sundry income	1,590,042,333	(9,790,601,106)	2,365,887,973	2,307,012,310
	<u>7,299,733,498</u>	<u>2,535,577,788</u>	<u>9,321,543,947</u>	<u>14,873,506,618</u>
Other expenses				
Net book value of fixed assets disposed	178,708,022	2,786,844,906	195,071,659	2,813,812,328
Sundry expenses	(4,863,607)	(8,516,029,724)	735,700,758	3,621,701,042
	<u>173,844,415</u>	<u>(5,729,184,818)</u>	<u>930,772,417</u>	<u>6,435,513,370</u>
Net other income	<u>7,125,889,083</u>	<u>8,264,762,606</u>	<u>8,390,771,530</u>	<u>8,437,993,248</u>

29 TAXATION

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the normal tax rate of 22% as regulated in current tax regulations as follows:

	For 6-month period ended	
	30.06.2014	30.06.2013
	VND	VND
Net accounting profit before tax	338,958,479,838	311,275,072,452
Tax calculated at a rate of 22%	74,570,865,564	77,818,768,113
Effect of:		
Expenses not deductible for tax purposes	227,792,595	51,047,005
Income not subject to tax	(65,652,459)	(83,246,401)
Under/(over) provision in previous years	36,692,476	177,973,855
Tax incentives	(8,125,094,163)	(11,210,937,028)
Business income tax charge	<u>66,644,604,013</u>	<u>66,753,605,545</u>

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.

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* 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 2004 to 2008 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.

29 TAXATION (continued)*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.

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.

Song Hau Pharmaceutical Joint Stock Company ("SH Pharma JSC")

Pursuant to its Business Registration Certificate, SH Pharma JSC 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	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	VND	VND	VND	VND
Net profit attributable to shareholders	153,589,171,861	125,800,076,425	271,956,165,363	241,930,023,811
Issued ordinary shares at the beginning of the period/year (shares)	65,366,299	65,366,299	65,366,299	65,366,299
Effect of ordinary 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	65,366,299	87,154,200	65,366,299
Basic earnings per share	1,762	1,925	3,120	3,701

31 COST OF OPERATIONS BY FACTOR

	For 6-month period ended	
	30.06.2014	30.06.2013
	VND	VND
Raw materials in production	671,050,969,141	642,780,434,052
Labour costs	337,110,549,627	328,731,702,864
Depreciation expense	36,129,066,866	29,541,476,493
Outside service expenses	261,078,402,408	186,265,572,094
Other expenses	93,802,912,455	47,118,021,470
	1,399,171,900,497	1,234,437,206,973

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. During the period, the following transactions were carried out with related parties:

	For 6-month period ended	
	30.6.2014	30.6.2013
	VND	VND
i) Purchases of goods and services		
Associate		
Vinh Hao Algae Processing Joint Stock Company	5,200,000	448,800,000
ii) Dividend income		
Associate		
Vinh Hao Algae Processing Joint Stock Company	-	-
iii) Dividend paid		
Major shareholder		
The State Capital Investment Corporation (“SCIC”)	-	56,626,238,000
iv) Remuneration of key management		
Gross salaries and other benefits	9,046,525,992	8,289,278,994

33 COMMITMENTS**(a) Capital commitments**

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

	30.6.2014	31.12.2013
	VND	VND
Approved but not contracted	303,535,312,984	277,981,720,607
Approved and contracted but not recognised in the financial statements	58,113,627,497	181,158,336,297
	<u>361,648,940,481</u>	<u>459,140,056,904</u>

(b) Commitments under operating leases

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

Land rental	30.6.2014	31.12.2013
	VND	VND
Within 1 year	1,070,748,966	2,141,497,932
Between 1 and 5 years	8,565,991,728	8,565,991,728
Over 5 years	53,287,009,424	54,363,706,995
Total minimum payments	<u>62,923,750,118</u>	<u>65,071,196,655</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	
	30.6.2014	31.12.2013	30.6.2014	31.12.2013
Financial assets				
Cash and deposits at bank	371,325	558,065	7,931,497,729	11,789,127,351
Trade and other receivables	102,437	188,825	2,187,517,244	3,988,933,744
	<u>473,762</u>	<u>746,890</u>	<u>10,119,014,973</u>	<u>15,778,061,095</u>
Financial liabilities				
Trade and other payables	4,922,657	5,106,128	105,147,948,821	107,866,940,903
Net currency exposure	<u>(4,448,895)</u>	<u>(4,359,238)</u>	<u>(95,028,933,848)</u>	<u>(92,088,879,808)</u>

At 30 June 2014, 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 6-month period ended 30 June 2014 would have been VND7,602,314,708 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.

(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.

34 FINANCIAL RISK MANAGEMENT (continued)

(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 2014, the Group had financial liabilities comprising short-term borrowings, trade and other payables amounting to VND880,896,273,629 (31.12.2013: VND905,229,038,035) which represented contractual undiscounted cash outflows payable in less than one year.

Tran Ngoc Hien
Preparer

Dang Pham Huyen Nhung
Chief Accountant

Le Chanh Dao
Deputy General Director
15 July 2014