

DHG PHARMACEUTICAL JOINT STOCK COMPANY

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE PERIOD OF 09 MONTHS ENDED SEPTEMBER 30, 2016

DHG PHARMACEUTICAL JOINT STOCK COMPANY

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD OF 09 MONTHS ENDED SEPTEMBER 30, 2016**

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DHG PHARMACEUTICAL JOINT STOCK COMPANY

CORPORATE INFORMATION

Establishment

Decision No. 2405/QĐ-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 29 October 2015 was issued by the Planning and Investment Department of Can Tho City.

Board of Directors	Mr. Hoàng Nguyễn Học	Chairman
	Mr. Lê Đình Bửu Trí	Deputy Chairman
	Mrs. Phạm Thị Việt Nga	Member
	Mr. Đoàn Đình Duy Khương	Member
	Mr. Trần Chí Liêm	Member
	Mrs. Đặng Phạm Minh Loan	Member (dismiss on July 20, 2016)
	Mr. Jun Kuroda	Member (from August 15, 2016)
Mr. Shuhei Tabata	Member	

Board of Management	Mrs Phạm Thị Việt Nga	CEO
	Mr Le Chanh Dao	Deputy CEO
	Mr Doan Dinh Duy Khuong	Deputy CEO
	Mrs Nguyen Ngoc Diep	Deputy CEO

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

Legal representative	Mrs Phạm Thị Việt Nga	CEO
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Head office 288 Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District, Can Tho City, Vietnam

CONSOLIDATED BALANCE SHEET

Code	Notes	As of 09.30.2016 VND	As of 12.31.2015 VND
ASSETS			
100	CURRENT ASSETS	2,398,685,182,064	2,221,373,030,144
110	Cash and cash equivalents	337,548,521,360	420,712,811,918
111	Cash	138,631,277,599	89,510,544,052
112	Cash equivalents	198,917,243,761	331,202,267,866
120	Short-term investments	759,186,100,000	507,605,100,000
123	Held to maturity investments	759,186,100,000	507,605,100,000
130	Short-term receivables	604,451,444,039	644,064,122,343
131	Trade receivables	492,527,760,703	570,830,701,600
132	Prepayments to suppliers	60,339,015,118	23,308,107,672
135	Receivables from short-term loans	32,683,452,666	37,688,828,113
136	Other receivables	31,037,438,116	23,223,854,477
137	Allowances for doubtful debts	(12,136,222,564)	(10,987,369,519)
140	Inventories	689,634,946,791	639,320,555,977
141	Inventories	691,338,529,521	642,331,928,161
149	Allowances for inventories	(1,703,582,730)	(3,011,372,184)
150	Other current assets	7,864,169,874	9,670,439,906
151	Short-term prepayments	5,674,190,094	3,968,455,036
152	Deductible VAT	139,636,657	4,327,687,627
153	Taxes and other payables to State Budget	2,050,343,123	1,374,297,243
200	NON-CURRENT ASSETS	1,149,085,874,866	1,141,825,629,796
210	Fixed assets	10,693,459,326	
215	Long term loan receivable	10,693,459,326	
220	Fixed assets	1,045,578,786,395	1,067,774,140,547
221	Tangible fixed assets	782,328,419,925	811,356,338,576
222	<i>Original cost</i>	1,290,335,122,608	1,252,111,595,162
223	<i>Accumulated depreciation</i>	(508,006,702,683)	(440,755,256,586)
227	Intangible fixed assets	263,250,366,470	256,417,801,971
228	<i>Original cost</i>	284,512,652,922	273,969,773,238
229	<i>Accumulated depreciation</i>	(21,262,286,452)	(17,551,971,267)
240	Long-term work in progress	36,869,111,277	15,722,551,016
242	Cost of work in progress	36,869,111,277	15,722,551,016
250	Long-term financial investments	15,475,731,783	15,932,055,542
252	Investments in associates	4,067,561,583	4,523,885,342
253	Other long-term investments	27,908,170,200	27,908,170,200
254	Provision for diminution in value of long-term investments	(16,500,000,000)	(16,500,000,000)
260	Other non-current assets	40,468,786,085	42,396,882,691
261	Long-term prepayments	19,114,809,228	28,312,322,417
262	Deferred income tax assets	21,353,976,857	14,084,560,274
270	TOTAL ASSETS	3,547,771,056,930	3,363,198,659,940

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 01 – DN/HN

CONSOLIDATED BALANCE SHEET (cont.)

Code		Note	As of 09.30.2016 VND	As of 12.31.2015 VND
	RESOURCES			
300	LIABILITIES		896,050,019,241	841,962,632,700
310	Current liabilities		839,603,821,120	779,632,287,905
311	Trade payables	16	209,268,299,862	224,957,469,694
312	Advances from customers		11,770,974,048	7,079,129,950
313	Taxes and other payables to the State Budget	11	18,564,287,391	13,343,506,157
314	Payable to employees		103,215,916,734	128,045,082,047
315	Accrued expenses	17	68,982,606,186	21,683,931,132
318	Unrealized revenue	18	45,515,657,372	7,747,880,222
319	Other payables	19	19,904,016,177	15,300,462,313
320	Short-term borrowings	20	260,559,860,041	270,711,206,737
322	Bonus and welfare fund	21	101,822,203,309	90,763,619,653
330	Long-term liabilities		56,446,198,121	62,330,344,795
342	Provision for long-term payables	22	30,015,504,222	31,323,948,748
343	Science and technology development fund	23	26,430,693,899	31,006,396,047
400	OWNERS' EQUITY		2,651,721,037,689	2,521,236,027,240
410	Owner's capital		2,651,721,037,689	2,521,236,027,240
411	Owners' capital	24	871,643,300,000	871,643,300,000
411a	- Common voting shares		871,643,300,000	871,643,300,000
412	PIC in excess of par	24	6,778,948,000	-
415	Treasury shares	24	-	(16,121,030,000)
418	Investment and development fund	24	1,220,561,708,767	1,039,479,185,578
421	Undistributed profit after tax	24	519,674,732,878	605,911,345,691
421a	- Undistributed profit after tax brought forward		50,993,468,583	164,434,562,794
421b	- Undistributed profit after tax for the current year		468,681,264,295	441,476,782,897
429	Minority interest	25	33,062,348,044	20,323,225,971
440	TOTAL RESOURCES		3,547,771,056,930	3,363,198,659,940

Tran Ngoc Hien
Preparer

Ho Buu Huan
in charge of Accounting

Pham Thi Viet Nga
Chief Executive Officer
October 18, 2016

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 02 – DN/HN

CONSOLIDATED INCOME STATEMENT

Code		Note	For 3-month period ended		For 9-month period ended	
			09.30.2016 VND	09.30.2015 VND	09.30.2016 VND	09.30.2015 VND
01	Revenues from goods and services	27	1,009,683,760,509	1,146,223,365,182	2,849,600,983,702	2,785,858,599,877
02	Deductions	27	92,886,677,499	155,153,342,482	241,668,215,854	326,867,801,849
10	Net sales	27	916,797,083,010	991,070,022,700	2,607,932,767,848	2,458,990,798,028
11	Cost of goods sold	28	491,381,097,163	626,548,938,531	1,426,496,847,186	1,479,294,802,779
20	Gross profit		425,415,985,847	364,521,084,169	1,181,435,920,662	979,695,995,249
21	Financial income	29	15,156,585,038	8,518,173,386	42,708,133,434	22,048,491,406
22	Financial expense	30	21,404,664,310	21,262,225,435	60,607,772,988	58,770,654,718
23	<i>in which: interest expense</i>		4,180,335,055	2,301,427,838	9,778,933,753	6,157,755,097
24	Profit/loss from investment to associate	5	-	-	(456,323,759)	-
25	Selling expenses	31	153,843,900,961	105,480,148,058	441,732,684,116	305,683,857,866
26	G&A expense	31	73,806,171,358	57,944,527,782	204,490,697,860	174,254,475,206
30	Operating profit		191,517,834,256	188,352,356,280	516,856,575,373	463,035,498,865
31	Other income	32	(13,237,747,866)	9,891,384,144	11,900,657,162	53,097,378,935
32	Other expenses	33	3,452,404,857	2,027,083,149	15,379,356,007	4,692,543,451
40	Net other income		(16,690,152,723)	7,864,300,995	(3,478,698,845)	48,404,835,484
50	Accounting profit before tax		174,827,681,533	196,216,657,275	513,377,876,528	511,440,334,349
51	Current CIT	35	14,416,242,277	30,603,861,322	50,067,861,215	83,882,759,418
52	Deferred income tax expense	35	(3,005,333,619)	1,437,715,721	(7,269,416,584)	1,680,515,247
60	Profit after tax		163,416,772,875	164,175,080,232	470,579,431,897	425,877,059,684
	Allocate to:					
61	Parent company PAT	25	162,627,819,660	162,977,690,496	468,681,264,295	423,631,854,641
62	Non-controlling interest PAT		788,953,215	1,197,389,736	1,898,167,602	2,245,205,043
70	Basic EPS (VND)	36	1,683	1,684	4,851	4,377

Tran Ngoc Hien
Preparer

Ho Buu Huan
in charge of Accounting

Pham Thi Viet Nga
Chief Executive Officer
October 18, 2016

DHG PHARMACEUTICAL JOINT STOCK COMPANY

NOTE

DHG Pharmaceutical Joint-Stock Company explains the fluctuations in sales and profits of the first 9 months of 2016 compared to the same period last year, details as follows:

Unit: VND million

Target	2016		2015		Increase / Decrease			
	Q3	9 months	Q3	9 months	Q3		9 months	
					Value	Rate	Value	Rate
Net sales	916,797	2,607,933	991,070	2,458,991	(74,273)	-7.49%	148,942	6.06%
Profit before tax	174,828	513,378	196,217	511,440	(21,389)	-10.90%	1,938	0.38%
Profit after tax	163,417	470,579	164,175	425,877	(758)	-0.46%	44,702	10.50%

Profit after tax 9 months / 2016 increased by 10.5% yoy, mainly due to:

- Sales activity helped improve company revenue grew 6.06% and profit before tax increased by 0.38%. Results achieved thanks to the restructuring of the distribution system in previous years and the focus on media promoting of major brands in the first 9 months of 2016.
- DHG received incentives corporate income tax at the new pharmaceuticals plant (DHG Pharmaceutical One Member Company Limited) and the new packaging plant (Company Limited Print Packaging DHG 1). The total amount of the preferential enterprise income tax for 9 months of 2016 is 58.2 billion compared 25.4 billion compared to the same period in 2015, with positive 32.7 billion impact on net profit.

DHG Pharma kindly explains.

Tran Ngoc Hien
Preparer

Ho Buu Huan
in charge of Accounting

Pham Thi Viet Nga
Chief Executive Officer
October 18, 2016

CONSOLIDATED CASH FLOW STATEMENT
(Indirect method)

Code	Note	For fiscal period ended	
		09.30.2016 VND	09.30.2015 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01		513,377,876,528	511,440,334,349
	Profit before tax		
	Adjustments for:		
02	Depreciation of fixed assets	70,564,833,477	72,851,560,880
03	Provisions	(1,467,380,935)	2,008,810,277
05	Gains from disposal of fixed assets	32 (4,672,231,445)	(1,506,862,982)
05	Interest and dividend income	29 (40,464,872,423)	(20,466,286,279)
05	Losses from investments in associates	456,323,759	-
06	Interest expense	30 9,778,933,753	6,157,755,097
08	Operating profit before changes in working capital	547,573,482,714	570,485,311,342
09	(Increase)/decrease in receivables	45,621,485,415	285,823,596,168
10	(Increase)/decrease in inventories	(49,005,206,360)	124,301,490,063
11	(Increase)/decrease in payables	53,313,306,745	(421,790,261,016)
12	(Increase)/decrease in prepaid expenses	718,333,448	(3,142,212,220)
14	Interest paid	(10,042,697,705)	(6,050,863,933)
15	Business income tax paid	(44,053,107,753)	(146,952,386,941)
17	Other payments on operating activities	(44,491,387,343)	(53,158,498,279)
20	Net cash inflows from operating activities	499,634,209,161	349,516,175,184
CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchases of fixed assets and other long-term assets	(72,360,030,438)	(116,776,109,727)
22	Proceeds from disposals of fixed assets and other long-term assets	7,789,966,384	11,312,626,754
23	Payments for investments in other entities	(1,130,246,744,559)	(6,041,533,333)
24	Collection of loans granted to other entities	872,977,660,680	-
27	Increase in term deposits at bank, dividends and interest received	31,813,841,910	20,685,231,654
30	Net cash outflows from investing activities	(290,025,306,023)	(90,819,784,652)
CASH FLOWS FROM FINANCING ACTIVITIES			
31	Cash received from the issuance of share, receive of capital contribution, increase in charter capital	22,899,978,000	-
32	Repurchase of treasury shares	-	(15,665,180,000)
33	Proceeds from short-term borrowings	976,774,858,019	975,601,333,826
34	Repayments of borrowings	(986,926,204,715)	(972,940,777,871)
36	Dividends paid	(305,521,825,000)	(261,781,100,000)
40	Net cash outflows from financing activities	(292,773,193,696)	(274,785,724,045)
50	Net cash flows during the year	(83,164,290,558)	(16,089,333,513)
60	Cash and cash equivalents at the beginning of year	420,712,811,918	596,956,764,030
61	Impacts of exchange rate fluctuations		
70	Cash and cash equivalents at the end of the period	337,548,521,360	580,867,430,517

Tran Ngoc Hien
Preparer

Ho Buu Huan
in charge of Accounting

Pham Thi Viet Nga
Chief Executive Officer
October 18, 2016

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE 09 MONTHS PERIOD ENDED SEPTEMBER 30, 2016.**

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 charter capital of VND80,000,000,000.

Shares of the company was approved to be listed in Ho Chi Minh City Stock Exchange on December 1, 2006 under the stock listing License No. 93 / SSC-GPNY of the State Securities Commission, with "DHG" ticker.

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

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

As at September 31, 2015, the Group had 2,878 employees (at 12/31/2015: 2,877 employees).

The consolidated financial statements for fiscal year ended 31 December 2015 comprises of the financial statements of the Company and its subsidiaries (together the “Group”) and the Group’s interest in associates as listed below:

Name	Principal activities	Business Registration Certificate	% of ownership and voting rights	
			09.30.2016	12.31.2015
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%
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%
SH Pharmaceutical Joint Stock Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 6403000044 issued by the Planning and Investment Department of Hau Giang province on 20 July 2007	51%	51%
A&G Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 1601171629 issued by the Planning and Investment Department of An Giang province on 17 June 2009	100%	100%
ST Pharmaceutical	Trade pharmaceuticals,	No. 5904000064 issued by the	100%	100%

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Name	Principal activities	Business Registration Certificate	% of ownership and voting rights	
			09.30.2016	12.31.2015
One Member Limited Company	medical equipment, dietary supplements and pharmaceutical cosmetics	Planning and Investment Department of Soc Trang province on 11 April 2008		
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 13 November 2013	100%	100%
Bali Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment and dietary supplements and pharmaceutical cosmetics	No. 1900455594 issued by the Planning and Investment Department of Bac Lieu Province on 29 March 2011	100%	100%
DHG Pharmaceutical One Member Limited Company	Manufacture and trade pharmaceuticals, dietary supplements and pharmaceutical cosmetics	No. 642041000005 issued by the Management Board of Hau Giang Industrial Zone on 16 August 2010	100%	100%
B&T Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment and dietary supplements and pharmaceutical cosmetics	No. 1300917335 issued by the Planning and Investment Department of Ben Tre Province on 5 October 2012	100%	100%
TVP Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment and dietary supplements and pharmaceutical cosmetics	No. 2100510569 issued by the Planning and Investment Department of Tra Vinh Province on 19 October 2012	100%	100%
DHG 1 Packaging and Printing One Member Limited Company	Manufacture label, label cover, packaging from paper and cover, Manufacture and trade plastic, aluminium, paper packaging; provide printing services	No. 642041000007 issued by the Management Board of Hau Giang Industrial Zone on 28 September 2012	100%	100%
Fuji Medic Company Ltd.	Operation of clinic, dental, and specialist clinic	No. 1801472944 issued by the planning and investment department of Can Tho City on 07/27/2016	51%	-
Associates: Vinh Hao Algae Processing Joint Stock Company	Manufacture and trade spirulina algae	No. 4803000150 issued by the Planning and Investment Department of Binh Thuan Province on 4 February 2008	31,36%	31,36%

DHG PHARMACEUTICAL JOINT STOCK COMPANY

2 BASIS OF PREPARATION OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND FISCAL YEAR

Basis of preparation of interim consolidated financial statements

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

Fiscal year

The Company's fiscal year is from 01/01 to 12/31

3 MAIN ACCOUNTING POLICIES

Following are key accounting policies for preparing consolidated interim financial statements:

Use of estimates

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

Basis of preparation consolidated financial statement

Consolidated financial statements include the financial statements of the Company and the financial statements of companies controlled by the Company (its subsidiaries) up to September 30 every year. The control is achieved where the Company has the ability to control the financial and operating policies of the investee companies to obtain benefits from the activities of these companies.

Business operating results of subsidiaries acquired or disposed of during the period are presented in the Report on results of consolidated operations from the date of acquisition or up to the date of sale of the investment in that subsidiary.

If needed, the financial statements of subsidiaries are adjusted to the accounting policies applied by the Parent Company.

All transactions and balances between companies within the Group are eliminated on consolidation of financial statements.

The interests of non-controlling shareholders in the net assets of consolidated subsidiaries are identified as a target separately from the equity portion of the shareholders of the parent company. Benefits of non-controlling shareholders include the value of the shareholders' interests at the date of the original business combination (for details see the content shown below) and the benefits of non-controlling shareholders fluctuations in total equity from the date of a business combination. The losses incurred in the subsidiary must be allocated in proportion to the ownership of non-controlling shareholders, even in the case of a larger amount of losses compared to the share of non-controlling shareholders in the net assets of the subsidiary.

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Business Combination

Assets, liabilities and contingent liabilities of the subsidiaries are determined under the fair value at the date of acquisition. Any additional amounts of the cost of acquisition above the fair value of identifiable net assets acquired is recorded as goodwill. Any deficiency of the cost of acquisition and the fair value of the total assets acquired is recognized in the results of operations in the accounting period in which the acquisition activity incurred.

The interests of noncontrolling shareholders at the date of business combination is initially determined based on the ratio of non-controlling shareholders in the total recognized fair value of the assets, liabilities and contingent liabilities.

Investment in 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.

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 are things which Company's Board of Management intends and has 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.

Equity investments in other entities

Equity investments in other entities are items invested in equity instruments of other entities but have no right of control or co-control, no significant influence on the invested parties. These investments are initially recorded at cost. Provision for decrease in value of investments is made when the Company recognized investment losses, except for losses that the Board of Management of the Company had anticipated from the investment.

Trade receivables

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

Provision for bad debts is create for receivables overdue for six months or more, or the receivable of which the debtor is unlikely to pay due to liquidation, bankruptcy or similar difficulties.

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.

Provision for decline in price of inventories of the Company are made in accordance with current accounting regulations. Accordingly, the Company is allowed to book provision for decrease in value of inventory for obsolete, damaged, poor quality and in the case of historical cost is higher than the inventory's net realizable value currently at the date of balance sheet.

Tangible Fixed Assets and depreciation

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.

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

	<u>Years</u>
Building and structures	3 - 25
Machinery and equipment	3 - 20
Motor vehicles	3 - 10
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.

Operating Lease

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.

Intangible Fixed Assets and depreciation

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

Land use rights is amortized straight-line basis during the validity period of the certificate of land use rights. Indefinitely land use rights are recorded at cost and are not depreciated.

Computer software is amortized using the straight line method during the estimated useful lives of 3 to 8 years.

Work in progress

The property which is in the process of construction for production, leasing, management purposes or for any other purpose are recorded at cost. This amount covers the costs necessary to create assets

in line with the accounting policies of the Company. The depreciation of these assets is applied just as with other assets, commences when the assets are ready for their use.

Prepaid expenses

Prepaid expenses include the actual costs incurred, but is related to the results of operations and business of many accounting periods. Prepaid expenses include the cost of upgrading the leased property, the cost of prepaid land lease, the value of tools, instruments, spare parts issued for use and other prepaid expenses.

Land rents represent land lease amount was paid in advance. Prepaid land rent is allocated to report on results of operations in accordance with the respective straight-line basis over the lease term.

Provisions

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

Severance allowances

Severance allowances for employees are accrued at the end of each reporting period for all employees who have worked at the company for 12 months or more. Working time for calculation is the total time the employee has actually worked for the employer minus time workers joined the unemployment insurance under the provisions of law and the workspace was the employers who pay severance allowance. The deduction level for each year of employment is half the average monthly salary in accordance with the Labor Law, Social Insurance Law and guidelines related. The average monthly salary for calculating severance allowances will be adjusted at the end of each reporting period in accordance with the average salary of the six-month period up to the date of the financial statements. Any changes to the accrued amount will be recognized in the Report on results of operations.

Provision for cleanup costs, recovery and return of premises

As required by Circular 200, since January 1, 2015, the Group set up provision for cleanup costs and recover arises when returning the leasing premises. The provision is determined based on the total estimated cost of cleanup and site restoration arise when returning the premises in the future and are recognized evenly starting January 1, 2015 to the date of returning the premises.

Unrealized revenue

Unrealized revenue is that corresponding to the value of goods and services subject to discounts for customers in the traditional client program, The Group recorded the unrealized revenues corresponding to the obligations which the Group will have to perform in the future.

Revenue recognition

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

- (a) the Company has transferred substantially all risks and rewards associated with ownership of the goods to the buyer;
- (b) the Company no longer retains management of goods as cargo owners or control of goods;
- (c) revenue can be measured reliably;
- (d) the Company will obtain economic benefits from the sale transaction; and
- (e) able to identify the costs related to sales transactions.

Sales of the transaction involving the rendering of services is recognized when the outcome of the transaction can be measured reliably. Where a transaction on the provision of services related to several periods, revenue is recognized in the period according to the percentage of completion at the balance sheet date of the reporting period. The result of the transaction service provider is defined as satisfying all four (4) conditions:

- (a) The revenue can be measured reliably;
- (b) It is probable that the economic benefits associated with the transaction will provide such services;
- (c) able to identify the percentage of work completed at the date of the accounting balance sheet; and
- (d) able to identify the costs incurred for the transaction and the costs to complete the transaction provides that service.

Interest income is recognized on an accrual basis, shall be determined on the balance of the deposit account and the interest rate applied.

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

Revenue deductions

Revenue deductions include trade discounts, sales returns and sales rebates. The revenue deductions arising from consumption of products, goods and services in the same period are recorded adjustment of revenue deductions at the arising period.

In case of products, goods and services sold from the previous period, to a new period after trade discounts, sales rebates, or sales return but incurred prior to the issuance of financial statements, the adjusted revenues are at the reporting period in revenue deductions.

Programs for traditional customers

Revenue is recognized as the total amount to be receivables or received minus the fair value of goods and services to provide free or discounts to buyers. The value of goods and services must be provided for free or discounts to buyer are recognized as unrealized revenue, If the expiry of the program that the buyer does not qualify as prescribed and does not enjoy free goods or services or discounts, the unrealized revenues are transferred to sales, service provision.

When buyers achieve the conditions prescribed by the program, in case the seller directly provides goods or services free or at a discounts for buyers: the unrealized revenue corresponding to fair value of the free or discounted goods and services provided, discounts for the buyer are recognized as sales, service provider when the buyer has received the goods or services free or discount prescribed by the program.

When buyers achieve the conditions prescribed by the program, in case the third party is obliged to supply goods or services free or at a discounts for buyers: If the contract between the seller and the third party was not the nature of the agency contract, the third party shall provide goods, services, discounts, unrealized revenues are transferred to sales, service provider. If the agency contract, the difference between the unrealized revenues and the amounts payable to third parties is only recognized as revenue. The amount paid to third parties is considered as the payment of liabilities.

Foreign Currency

The Company applies processing exchange rate differences under the guidance of Vietnam Accounting Standard No. 10 (VAS 10) "Effects of Changes in exchange rates". Accordingly, transactions in foreign currencies are translated at exchange rates at the dates of the transactions. The balances of monetary items denominated in foreign currencies at the end of the period are converted at the exchange rate at that date. Foreign exchange differences arising are accounted for in reports business results. Interest rate differences due to the revaluation of the balance sheet date in the operation can not be used to distribute to shareholders.

Borrowing costs

Borrowing costs are recognized in the cost of production, sales in the period they are incurred, unless it is capitalized in accordance with the provisions of Vietnam Accounting Standards No. 16 "Borrowing Costs". Accordingly, borrowing costs directly attributable to the acquisition, the construction or

production of assets requiring a relatively long time to complete and put into use or sale, are added to the cost of assets until the asset is put into use or sale. The income arising from the temporary investment of loans are deducted from the related asset prices. For private loans serve the construction of fixed assets, real estate investment, interest is capitalized even if the construction period of less than 12 months.

Tax

Corporate income tax represents the total value of the tax currently payable and deferred tax.

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

Deferred income taxes are calculated on the difference between the carrying amount and tax base of the income or assets liabilities on separate financial statements and interim method are recorded at the Balance Sheet. Deferred income tax can be recognized for all temporary differences remaining, however deferred tax assets are only recognized when it is probable that taxable profits in the future can be used to deduct the difference temporary differences.

Deferred income tax is determined using tax rates expected to apply to any asset is realized or the liability is paid. Deferred income taxes are recognized in the statement of operations and recorded in equity if such taxes related to items charged or credited directly to equity.

Deferred tax assets and deferred income tax payable are offset when the Company has the legal right to offset tax assets between current income and current income tax payable, and the deferred income tax assets and Deferred income tax asset payable are managed by the same taxation authority and the company intends to pay current income tax on a net basis.

The determination of corporate income tax payable by the Company pursuant to the current regulations on taxation. However, these regulations are changed from time to time and the ultimate determination of corporate income tax, depending on the test results of the competent tax authority.

Other taxes are applied according to the prevailing tax laws in Vietnam.

Dividend distribution

The Company's net profit after tax is available for appropriation to shareholders as dividends after approval by shareholders at the Company's Annual General Meeting.

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

The distribution of 2015 profit after tax of the Company is approved by the General Meeting of Shareholders as follows:

- Dividend 2015: 35% of par value,
- Deductions for the employee reward, welfare fund: 10% of profit after tax,
- Remuneration of the BOD, Supervisory Board, members of the subcommittees directly under the BOD, the Board secretary: VND5 billion,
- The remaining profit is added the development investment fund,

4 CASH AND CASH EQUIVALENTS

	09.30.2016	12.31.2015
	VND	VND
Cash on hand	12,494,023,024	15,959,146,726
Cash in banks	126,137,254,575	73,551,397,326
Cash equivalents (*)	198,917,243,761	331,202,267,866
	<u>337,548,521,360</u>	<u>420,712,811,918</u>

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

5 SHORT-TERM FINANCIAL INVESTMENTS**Held to maturity investments**

Investments held to maturity include bank deposits with an original maturity period of 3 months to 12 months.

Investments in associated company

	09.30.2016	12.31.2015
	VND	VND
Vinh Hao Algae Processing Joint Stock Company	4,067,561,583	4,523,885,342
	<u>4,067,561,583</u>	<u>4,523,885,342</u>

Fluctuations in investments in associates during the period / year were as follows:

	Fiscal period ended	Fiscal year ended
	09/30/2016	12/31/2015
	VND	VND
Beginning balance	4,523,885,342	5,434,273,514
Loss from associates	(456,323,759)	(910,388,172)
Ending balance	<u>4,067,561,583</u>	<u>4,523,885,342</u>

Investments in equity of other entities

	09.30.2016	12.31.2015
	VND	VND
Vinh Tuong High-Tech Packaging Corporation	20,000,000,000	20,000,000,000
Binh Duong Pharma & Medical Equipment JSC	4,286,800,000	4,286,800,000
Tra Vinh Pharmaceutical JSC	2,575,315,200	2,575,315,200
Ninh Thuan Pharmaceutical & Medical Equipment JSC	796,675,000	796,675,000
Tay Ninh Pharmaceutical JSC	221,960,000	221,960,000
Cuu Long Pharmaceutical JSC	27,420,000	27,420,000
	<u>27,908,170,200</u>	<u>27,908,170,200</u>

Balance as of September 30, 2016 and December 31, 2015 represents the provision for decrease in value of long-term investments in Vinh Tuong High-Tech Packaging Corporation.

DHG PHARMACEUTICAL JOINT STOCK COMPANY

6 SHORT TERM RECEIVABLES

At September 30, 2016 and December 31, 2015, short-term accounts receivable of customers only include short-term receivables from third parties, and no receivables account for 10% or more on total trade receivables.

7 OTHER SHORT TERM RECEIVABLES

	09.30.2016	12.31.2015
	Value VND	Value VND
Prepaid sale discount	221,382,859	2,091,752,341
Interest income receivable	15,342,595,793	6,691,565,280
Receivables from employees	3,131,423,995	1,581,592,079
Other receivables	12,342,035,469	12,858,944,777
	<u>31,037,438,116</u>	<u>23,223,854,477</u>

8 BAD DEBTS

	09.30.2016		
	Original cost VND	Recoverable value VND	Provision VND
The total value of receivables and loans that are overdue or not overdue but it is unlikely to recover (*)	156,378,664,375	144,242,441,811	(12,136,222,564)
	<hr/> <hr/>		
	12.31.2015		
	Original cost VND	Recoverable value VND	Provision VND
The total value of receivables and loans that are overdue or not overdue but it is unlikely to recover (*)	263,197,852,081	252,210,482,562	(10,987,369,519)
	<hr/> <hr/>		

At September 30, 2016, no overdue receivables account for 10% or more of total delinquency

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

	Fiscal period ended 09/30/2016 VND	Fiscal year ended 12/31/2015 VND
Opening balance	10,987,369,519	7,705,445,652
Increase	1,801,071,144	4,722,120,351
Reverse	(652,218,099)	(141,630,201)
Write off	-	(1,298,566,283)
Closing balance	<u>12,136,222,564</u>	<u>10,987,369,519</u>

DHG PHARMACEUTICAL JOINT STOCK COMPANY

9 INVENTORY

	09.30.2016		12.31.2015	
	Original cost VND	Provision VND	Original cost VND	Provision VND
Goods in transit	55,350,279,821		62,830,863,204	
Raw materials	232,913,702,581		189,692,016,502	
Work in progress	27,774,827,772		20,039,649,051	
Finished goods	283,707,667,522	1,702,712,862	272,482,704,120	3,006,691,934
Merchandises	91,592,051,825	869,868	97,286,695,284	4,680,250
	<u>691,338,529,521</u>	<u>1,703,582,730</u>	<u>642,331,928,161</u>	<u>3,011,372,184</u>

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

	Fiscal period ended 09/30/2016 VND	Fiscal year ended 12/31/2015 VND
Opening balance	3,011,372,184	5,419,429,868
Increase	21,434,085	77,701,136
Reversal	(1,329,223,539)	(2,485,758,820)
Closing balance	<u>1,703,582,730</u>	<u>3,011,372,184</u>

Provision for decline in inventories is established by original cost of inventories higher than net realizable value of inventories,

10 PREPAID EXPENSES

Short-term prepayments

	09.30.2016 VND	12.31.2015 VND
Operating lease expenses	835,308,203	341,400,000
Others expenses	4,838,881,891	3,627,055,036
	<u>5,674,190,094</u>	<u>3,968,455,036</u>

The prepayment has less than 12 months or less than a normal business cycle as from the time of prepayment.

Long-term prepayments

	09.30.2016 VND	12.31.2015 VND
Prepaid land rental fees	11,145,739,772	18,179,059,222
Tools	5,886,960,272	8,771,307,312
Leasehold improvements	118,930,017	174,666,020
Others expenses	1,963,179,167	1,187,289,863
	<u>19,114,809,228</u>	<u>28,312,322,417</u>

11 TAXES AND OTHER RECEIVABLE / PAYABLE TO THE STATE

Receivables

	<u>Opening balance</u>	<u>Amount payable in the period/year</u>	<u>Amount paid in the period/year</u>	<u>Tax Refund</u>	<u>Closing balance</u>
VAT on domestic sales	-	-	-	-	-
VAT on imports	-	-	13,976,652	-	13,976,652
Import export tax	561,274,411	11,643,088,154	11,959,043,622	-	877,229,879
Corporate income tax	661,402,094	553,223,198	61,134,928	-	169,313,824
Personal income tax	151,620,738	218,751,705	1,050,773,735	-	983,642,768
Others	-	-	6,180,000	-	6,180,000
Total	<u><u>1,374,297,243</u></u>	<u><u>12,415,063,057</u></u>	<u><u>13,091,108,937</u></u>	<u><u>-</u></u>	<u><u>2,050,343,123</u></u>

Payables

VAT on domestic sales	6,294,283,103	38,779,513,576	40,833,717,295	-	4,240,079,384
VAT on imports	-	31,267,481,101	31,267,481,101	-	-
Corporate income tax	5,090,580,730	49,431,839,396	43,991,972,825	72,150,627	10,458,296,674
Personal income tax	1,958,153,290	26,934,780,258	27,767,535,264	-	1,125,398,284
Land tax	-	5,593,925,538	2,853,412,489	-	2,740,513,049
Others	489,034	137,655,606	138,144,640	-	-
Total	<u><u>13,343,506,157</u></u>	<u><u>152,145,195,475</u></u>	<u><u>146,852,263,614</u></u>	<u><u>72,150,627</u></u>	<u><u>18,564,287,391</u></u>

12 TANGIBLE FIXED ASSETS

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
Historical cost					
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
Increase	210,366,591	11,572,095,972	-	81,520,645	11,863,983,208
Transfers from construction in progress (Note 14)	7,875,540,170	19,440,758,661	5,311,665,362	514,692,776	33,142,656,969
Liquidate	(3,718,973,551)	(849,658,564)	(1,387,642,800)	(780,806,061)	(6,737,080,976)
Disposal	-	(46,031,755)	-	-	(46,031,755)
On September 30, 2016	<u>481,141,203,435</u>	<u>550,273,389,280</u>	<u>179,570,632,038</u>	<u>79,349,897,855</u>	<u>1,290,335,122,608</u>
Accumulated depreciation					
At 01/01/2016	101,691,317,297	196,822,251,509	88,065,099,713	54,176,588,067	440,755,256,586
Depreciation for the period/year	20,800,184,627	33,604,477,107	13,546,032,311	5,402,129,844	73,352,823,889
Liquidate	(3,099,170,438)	(849,658,564)	(1,325,710,974)	(780,806,061)	(6,055,346,037)
Disposals	-	(46,031,755)	-	-	(46,031,755)
At 09/30/2016	<u>119,392,331,486</u>	<u>229,531,038,297</u>	<u>100,285,421,050</u>	<u>58,797,911,850</u>	<u>508,006,702,683</u>
Net book value					
At 01/01/2016	<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>
At 09/30/2016	<u>361,748,871,949</u>	<u>320,742,350,983</u>	<u>79,285,210,988</u>	<u>20,551,986,005</u>	<u>782,328,419,925</u>

Included in tangible fixed assets as of September 30, 2016 is VND 179,857 million (at December 31, 2015: VND 125,814 million), which were fully depreciated but still in active use.

13 INTANGIBLE FIXED ASSETS

	Land use rights with indefinite term VND	Land use rights with definite term VND	Software VND	Total VND
Historical cost				
At 01/01/2016	113,669,150,046	151,617,120,387	8,683,502,805	273,969,773,238
Transfers from construction in progress (note 14)	1,800,000,000	-	4,405,435,000	6,205,435,000
Transfers from LT prepaid expense	-	6,773,444,684	-	6,773,444,684
Disposal	(2,436,000,000)	-	-	(2,436,000,000)
At 09/30/2016	113,033,150,046	158,390,565,071	13,088,937,805	284,512,652,922
Accumulated amortisation				
At 01/01/2016	-	12,096,109,754	5,455,861,513	17,551,971,267
Depreciation in the period/year	-	2,477,515,455	1,232,799,730	3,710,315,185
Disposals	-	-	-	-
At 09/30/2016	-	14,573,625,209	6,688,661,243	21,262,286,452
Net book value				
At 01/01/2016	113,669,150,046	139,521,010,633	3,227,641,292	256,417,801,971
At 09/30/2016	113,033,150,046	143,816,939,862	6,400,276,562	263,250,366,470

The historical cost of intangible fixed assets of the Group has been fully depreciated but still used at September 30, 2016 is VND 2,917 million (at Dec 31, 2015: VND 2,917 million)

14 LONG-TERM ASSETS IN PROGRESS: CONSTRUCTION IN PROGRESS

	09.30.2016 VND	12.31.2015 VND
Construction of Beta lactam factory	8,419,920,000	7,266,927,272
Construction of effervescent drug line	4,054,610,000	3,061,360,000
Build office branch in Da Nang	6,036,831,210	27,580,000
Build office branch in Hồ Chí Minh City	3,175,213,548	14,461,818
Build office branch and other minor construction site of DHG Pharmaceutical One Member Co. Ltd.	1,474,246,952	1,124,316,220
Build office branch in Gia Lai	623,948,774	623,948,774
Build office branch in Thái Nguyên	1,146,220,909	-
Build office branch in Hải Phòng	-	90,909,091
Build finished goods warehouse-CMT8	-	3,031,610,782
Build raw material warehouse	3,841,477,647	-
Renovate workshop	6,240,664,371	-
Renovate office	1,202,794,624	-
Other	653,183,242	481,437,059
	36,869,111,277	15,722,551,016

14 CONSTRUCTION IN PROGRESS EXPENSE (cont.)**Movement in costs of construction in progress in the period/year**

	Fiscal period ended 09/30/2016 VND	Fiscal year ended 12/31/2015 VND
Opening balance	15,722,551,016	50,132,540,095
Additions	60,506,047,231	141,702,916,365
Transfer to tangible fixed assets (Note 12)	(33,142,656,969)	(157,255,650,566)
Transfer to intangible fixed assets (Note 13)	(6,205,435,000)	(17,770,669,213)
Transfer to prepayments	-	(674,908,727)
Transfer to tools and supplies	(1,395,000)	(411,676,938)
Disposal	(10,000,001)	-
Closing balance	<u>36,869,111,277</u>	<u>15,722,551,016</u>

15 DEFFERED INCOME TAX ASSETS

Deferred tax assets primarily arise from the temporary differences are deductible of the reserves and unrealized profits arising between subsidiaries of the same group when preparing the consolidated statements.

16 TRADE ACCOUNTS PAYABLE

At 09/30/2016 and 12/31/2015, there is no overdue trade account payable.

Details for each companies have more than 10% of total payable:

	09.30.2016 VND	12.31.2015 VND
Trường Tín Pharma Co. Ltd.	44,317,117,933	38,175,021,388
Mega Lifesciences One Member Co. Ltd. (VN)	<u>10,490,285,655</u>	<u>42,854,138,507</u>

17 SHORT TERM PAYABLE

	09.30.2016 VND	12.31.2015 VND
Promotion and Customer care expense	44,479,466,375	3,196,827,384
Loan payable	188,378,046	452,141,998
Seminar expense	7,406,081,390	827,636,363
Other payable	<u>16,908,680,375</u>	<u>17,207,325,387</u>
	<u>68,982,606,186</u>	<u>21,683,931,132</u>

18 SHORT TERM UNEARNED REVENUES

Short-term unrealized revenues represent revenue from traditional client program, as described in Note 3.

19 OTHER SHORT TERM PAYABLE

	09.30.2016	12.31.2015
	VND	VND
Union fee and health insurance	1,391,907,654	1,102,968,970
Trade discounts	181,670,772	3,144,620,676
Other payables	18,330,437,751	11,052,872,667
	<u>19,904,016,177</u>	<u>15,300,462,313</u>

20 SHORT-TERM BORROWINGS

	At			At
	01.01.2016	Increase	Decrease	09.30.2016
	VND	VND	VND	VND
Loans from bank (*)	247,000,000,000	969,000,000,000	(982,000,000,000)	234,000,000,000
Loans from the Company's employees (**)	23,711,206,737	7,774,858,019	(4,926,204,715)	26,559,860,041
	<u>270,711,206,737</u>	<u>976,774,858,019</u>	<u>(986,926,204,715)</u>	<u>260,559,860,041</u>

(*) These loans are born interest at 0.32% to 0.38% per month (12.31.2015: from 0.29% to 0.62% per month).

(**) These loans are born interest at 0.375 % to 0.57% per month (12.31.2015: from 0.42% to 0.57% per month),

21 BONUS AND WELFARE FUND

The fund is 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 Directors in accordance with the Company's and its subsidiaries' AGM Resolution.

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

	Bonus and welfare fund for staffs	Welfare fund in form of fixed assets	Bonus fund for Board of Directors	Total
	VND	VND	VND	VND
Opening balance	49,431,767,334	34,978,468,180	6,353,384,139	90,763,619,653
Appropriation to the funds in the period/year	62,205,301,754	-	8,471,392,714	70,676,694,468
Assets formed from the welfare fund	-	-	-	-
Depreciation of assets formed from the welfare fund	-	(3,059,104,427)	-	(3,059,104,427)
Utilisation	(51,516,000,885)	-	(5,043,005,500)	(56,559,006,385)
Closing balance	<u>60,121,068,203</u>	<u>31,919,363,753</u>	<u>9,781,771,353</u>	<u>101,822,203,309</u>

22 PROVISION FOR LONG-TERM PAYABLES

	Provision for environmental recovery, returning of premises VND	Provision for severance allowances	Total VND
At 01/01/2016	5,053,947,698	26,270,001,050	31,323,948,748
Appropriation of fund/ year	1,193,004,524	1,012,972,000	2,205,976,524
Use of appropriation	-	(3,514,421,050)	(3,514,421,050)
At 09/30/2016	<u>6,246,952,222</u>	<u>23,768,552,000</u>	<u>30,015,504,222</u>

23 SCIENCE AND TECHNOLOGY DEVELOPMENT FUND

In accordance with Circular 12/2016/TTLT-BKHCN-BTC dated June 28, 2016, entities are allowed to establish the science and technology development fund for research and development activities, Provision made during the year is charged to expenses, The fund is utilised when disbursement is paid for research and development activities,

Movements of the science and technology development fund 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	6,519,245,955	24,487,150,092	31,006,396,047
Science and technology development fund used for fixed asset acquisition	(7,667,555,045)	7,667,555,045	-
Depreciation of assets formed from Science and technology development fund	-	(3,439,201,170)	(3,439,201,170)
Use of fund	(1,136,500,978)	-	(1,136,500,978)
Ending balance	<u>(2,284,810,068)</u>	<u>28,715,503,967</u>	<u>26,430,693,899</u>

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 09 – DN/HN

24 OWNERS' EQUITY

MOVEMENTS IN OWNERS' EQUITY

	Share capital VND	PIC in excess of par value VND	Treasury shares VND	Investment and development fund VND	Financial reserve fund VND	Undistributed earnings VND	Total VND
On 01/01/2015	871,643,300,000	-	(455,850,000)	782,076,482,219	67,063,774,920	556,467,354,916	2,276,795,062,055
Treasury share repurchased	-	-	(15,665,180,000)	-	-	-	(15,665,180,000)
Profit for the year	-	-	-	-	-	588,701,003,222	588,701,003,222
Dividend	-	-	-	-	-	(261,462,600,000)	(261,462,600,000)
Appropriation to funds	-	-	-	190,338,928,439	-	(190,338,928,439)	-
Transfer from Financial Reserve Fund (*)	-	-	-	67,063,774,920	(67,063,774,920)	-	-
Appropriation to bonus and welfare fund	-	-	-	-	-	(80,423,657,994)	(80,423,657,994)
Appropriation to Board of Directors bonus fund	-	-	-	-	-	(7,031,826,013)	(7,031,826,013)
On 12/31/2015	871,643,300,000	-	(16,121,030,000)	1,039,479,185,578	-	605,911,345,691	2,500,912,801,269
Treasury shares reissued	-	6,778,948,000	16,121,030,000	-	-	-	22,899,978,000
Profit for the period/year	-	-	-	-	-	468,681,264,295	468,684,009,181
Dividend	-	-	-	-	-	(304,296,825,000)	(304,296,825,000)
Appropriation to funds	-	-	-	181,082,523,189	-	(181,082,523,189)	-
Appropriation to bonus and welfare fund	-	-	-	-	-	(61,607,669,990)	(61,607,669,990)
Appropriation to Board of Directors bonus fund	-	-	-	-	-	(7,930,858,929)	(7,930,858,929)
At 09/30/2016	871,643,300,000	6,778,948,000	-	1,220,561,708,767	-	519,674,732,878	2,618,661,434,531

24 OWNERS' EQUITY (cont.)

Charter Capital

	09.30.2016		12.31.2015	
	Number of shares	VND	Number of shares	VND
Authorised and issued share capital	87,164,330	871,643,300,000	87,164,330	871,643,300,000
Treasury shares	-	-	(222,380)	(16,121,030,000)
Ordinary shares currently in circulation	87,164,330	871,643,300,000	86,941,950	855,522,270,000

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:

	Fiscal period ended 09.30.2016		Năm tài chính kết thúc ngày 12.31.2015	
	Number of shares	VND	Number of shares	VND
Opening balance	86,941,950	855,522,270,000	87,154,200	871,187,450,000
Share repurchased	-	-	(212,250)	(15,665,180,000)
Treasury share reissued during the period	222,380	16,121,030,000	-	-
Ending balance	87,164,330	871,643,300,000	86,941,950	855,522,270,000

Dividend

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

25 MINORITY INTEREST

	Fiscal period ended 09.30.2016 VND	Fiscal year ended 12.31.2015 VND
Opening balance	20.323.225.971	16.830.408.891
Minority Capital	13.204.120.020	-
Net profit for the year	1.898.167.602	3.984.211.763
Appropriation to bonus and welfare fund	(597.631.764)	(74.894.683)
Appropriation to Board of Directors bonus fund	(540.533.785)	(98.000.000)
Dividends paid	(1.225.000.000)	(318.500.000)
Closing balance	33.062.348.044	20.323.225.971

26 OFF BALANCE SHEET ITEMS**Foreign currencies**

Cash and cash equivalents include gold and foreign currencies as follows:

	09.30.2016	12.31.2015
	VND	VND
USD	287,150	246,134
EUR	45,528	82,222
MOP	20	20
	<u> </u>	<u> </u>

27 REVENUE

	For 3-month period ended		For 9-month period ended	
	09.30.2016	09.30.2015	09.30.2016	09.30.2015
	VND	VND	VND	VND
Sales				
Sales of finished goods	817,847,541,392	848,972,950,627	2,340,429,785,637	2,175,631,028,187
Sales of merchandise goods	170,394,396,397	292,250,603,153	479,059,665,415	591,608,337,132
Services	26,469,532,069	4,999,811,402	35,139,241,999	18,619,234,558
	<u>1,014,711,469,858</u>	<u>1,146,223,365,182</u>	<u>2,854,628,693,051</u>	<u>2,785,858,599,877</u>
Sales deductions				
Trade discounts	94,963,940,413	151,935,509,220	234,888,896,338	309,616,102,962
Sales returns	2,950,446,435	3,217,833,262	11,807,028,865	17,251,698,887
	<u>97,914,386,848</u>	<u>155,153,342,482</u>	<u>246,695,925,203</u>	<u>326,867,801,849</u>
Net Sales	<u>916,797,083,010</u>	<u>991,070,022,700</u>	<u>2,607,932,767,848</u>	<u>2,458,990,798,028</u>
In which:				
Sales of finished goods	723,962,561,820	693,664,006,202	2,105,949,234,513	1,857,438,061,236
Sales of merchandise goods	166,364,989,121	292,406,205,096	466,844,291,336	582,933,502,234
Revenue from services rendered	26,469,532,069	4,999,811,402	35,139,241,999	18,619,234,558

28 COST OF GOODS SOLD

	For 3-month period ended		For 9-month period ended	
	09.30.2016	09.30.2015	09.30.2016	09.30.2015
	VND	VND	VND	VND
Cost of finished goods sold	332,103,728,680	338,237,026,396	975,501,847,861	908,054,444,738
Cost of merchandises sold	156,333,516,936	285,773,859,071	442,550,311,946	559,097,952,471
Cost of services rendered	2,854,028,237	2,518,621,499	9,553,206,357	12,513,475,590
Provision for decline in value of inventories	89,823,310	19,431,565	(1,108,518,978)	(371,070,020)
	<u>491,381,097,163</u>	<u>626,548,938,531</u>	<u>1,426,496,847,186</u>	<u>1,479,294,802,779</u>

29 FINANCIAL INCOME

	For 3-month period ended		For 9-month period ended	
	09.30.2016	09.30.2015	09.30.2016	09.30.2015
	VND	VND	VND	VND
Interest income from deposits at bank	14,653,885,703	7,550,667,575	40,151,122,803	20,175,371,653
Dividend income	158,161,200	59,125,731	313,749,620	290,914,626
Realised foreign exchange gains	335,907,518	908,380,080	1,982,598,078	1,572,800,206
Other financial income	8,630,617	-	260,662,933	9,404,921
	<u>15,156,585,038</u>	<u>8,518,173,386</u>	<u>42,708,133,434</u>	<u>22,048,491,406</u>

30 FINANCIAL EXPENSES

	For 3-month period ended		For 9-month period ended	
	09.30.2016	09.30.2015	09.30.2016	09.30.2015
	VND	VND	VND	VND
Interest expense	4,180,335,055	2,301,427,838	9,778,933,753	6,157,755,097
Realised foreign exchange losses	776,993,047	4,224,518,915	2,992,610,848	6,930,855,167
Payment discounts	16,387,185,348	14,663,168,395	47,716,813,859	45,565,187,037
Other expenses	60,150,860	73,110,287	119,414,528	116,857,417
	<u>21,404,664,310</u>	<u>21,262,225,435</u>	<u>60,607,772,988</u>	<u>58,770,654,718</u>

31 SELLING, GENERAL, ADMINISTRATION EXPENSES**Selling expenses**

	For 3-month period ended		For 9-month period ended	
	09.30.2016	09.30.2015	09.30.2016	09.30.2015
	VND	VND	VND	VND
Labour costs	85,086,363,846	74,531,279,068	197,853,838,650	151,679,472,293
Material costs	3,164,255,498	3,249,308,009	8,775,648,355	8,085,324,564
Tools and supplies expenses	1,958,555,818	966,584,607	5,377,864,943	2,625,222,664
Depreciation expenses	4,209,339,338	3,490,894,791	12,206,647,383	10,522,614,857
Advertising expenses	26,707,331,563	7,482,753,222	133,404,107,153	60,785,206,992
Discount and promotion expenses	-	(543,610,001)	-	131,587,512
Seminar expenses	6,422,401,454	(12,680,260,077)	11,299,404,143	8,876,021,402
Customer care expenses	2,688,417,525	70,835,182	3,634,759,990	1,531,086,186
Transportation expenses	4,126,921,979	5,094,815,608	12,188,504,139	14,719,600,151
Other expenses	19,480,313,940	23,817,547,649	56,991,909,360	46,727,721,245
	<u>153,843,900,961</u>	<u>105,480,148,058</u>	<u>441,732,684,116</u>	<u>305,683,857,866</u>

31 SELLING, GENERAL, ADMINISTRATION EXPENSES (cont.)**General & Administration expenses**

	For 3-month period ended		For 9-month period ended	
	09.30.2016	09.30.2015	09.30.2016	09.30.2015
	VND	VND	VND	VND
Staff expenses	60,357,062,164	39,508,091,965	162,672,694,640	119,296,227,212
Material costs	85,993,159	833,837,872	350,371,598	1,354,493,357
Tools and instruments	996,916,135	1,764,573,094	2,664,342,894	4,029,324,545
Depreciation expenses	2,197,995,120	2,805,633,362	7,596,337,388	9,865,920,749
Taxes, fees and charges	228,724,471	221,493,975	690,996,754	602,601,484
Provision expenses	(119,824,693)	1,695,226,534	1,148,853,045	4,062,084,655
Environmental recovery expense	428,731,117	-	1,193,004,524	-
Outside services	4,758,670,842	3,734,868,023	12,958,950,744	13,235,747,511
Other expenses	4,871,903,043	7,380,802,957	15,215,146,273	21,808,075,693
	<u>73,806,171,358</u>	<u>57,944,527,782</u>	<u>204,490,697,860</u>	<u>174,254,475,206</u>

32 OTHER INCOMES

	For 3-month period ended		For 9-month period ended	
	09.30.2016	09.30.2015	09.30.2016	09.30.2015
	VND	VND	VND	VND
Proceeds from disposals of fixed assets and other LT assets	31,225,183	1,162,228,151	4,672,231,445	1,532,857,582
Commission income	(14,982,872,482)	6,797,451,287	1,380,447	25,972,233,027
Sundry income	1,713,899,433	1,931,704,706	7,227,045,270	25,592,288,326
	<u>(13,237,747,866)</u>	<u>9,891,384,144</u>	<u>11,900,657,162</u>	<u>53,097,378,935</u>

33 OTHER EXPENSES

	For 3-month period ended		For 9-month period ended	
	09.30.2016	09.30.2015	09.30.2016	09.30.2015
	VND	VND	VND	VND
Net book value of fixed assets disposed and deleted	-	-	8,295,694,967	-
Sundry expenses	3,452,404,857	2,027,083,149	7,083,661,040	4,692,543,451
	<u>3,452,404,857</u>	<u>2,027,083,149</u>	<u>15,379,356,007</u>	<u>4,692,543,451</u>

34 COST OF OPERATIONS BY FACTOR

	For 9-month period ended	
	09.30.2016	09.30.2015
	VND	VND
Material cost	1,196,906,625,591	924,790,895,907
Labour costs	516,892,926,796	365,253,701,460
Depreciation expense	63,838,126,309	43,500,815,208
Outside service expenses	221,918,046,345	151,183,997,272
Other expenses	60,871,904,436	64,847,314,095
	<u>2,060,427,629,477</u>	<u>1,549,576,723,942</u>

35 CORPORATE INCOME TAX

	For 3-month period ended		For 9-month period ended	
	09.30.2016	09.30.2015	09.30.2016	09.30.2015
	VND	VND	VND	VND
Net accounting profit before tax	174,827,681,533	196,216,657,275	513,377,876,528	511,440,334,349
Tax calculated at a rate of 20% (2015: 22%)	34,965,536,307	43,167,664,601	102,675,575,306	112,516,873,557
Effect of:				
Expenses not deductible for tax purposes	407,661,471	241,438,109	2,509,240,622	328,631,433
Income not subject to tax	(31,632,254)	71,003,984	(62,752,965)	(35,593,557)
Under provision in previous years	45,448,502	-	48,683,727	65,788,042
Tax incentive	(18,979,455,456)	(11,136,214,948)	(58,234,956,337)	(25,471,073,297)
Deferred income tax of provisions	(5,279,753,347)	-	(5,279,753,347)	-
Differences from consolidation	283,103,435	(302,314,703)	1,142,407,625	(1,841,351,513)
Business income tax charge	<u>11,410,908,658</u>	<u>32,041,577,043</u>	<u>42,798,444,631</u>	<u>85,563,274,665</u>

	For 3-month period ended		For 9-month period ended	
	09.30.2016	09.30.2015	09.30.2016	09.30.2015
	VND	VND	VND	VND
Record in the report on the operation results				
Corporate income tax – current	14,416,242,277	30,603,861,322	50,067,861,215	83,882,759,418
Corporate income tax – deferred	(3,005,333,619)	1,437,715,721	(7,269,416,584)	1,680,515,247
Corporate income tax expense	<u>11,410,908,658</u>	<u>32,041,577,043</u>	<u>42,798,444,631</u>	<u>85,563,274,665</u>

Applicable tax rates

Pursuant to Circular 78/2014/TT-BTC, from January 01, 2014 common corporate income tax rate is 22% and from January 01, 2016 lowered to 20%.

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, The Company was exempted from income tax from 2005 to 2006 and received a 50% reduction in income tax from 2007 to 2011 according to Decision No, 3044/QĐ-UBND.

The Subsidiaries

Except for DHG 1 Packaging and Printing One Member Limited Company, DHG Pharmaceutical One Member Limited Company and Song Hau Pharmaceutical Joint Stock Company, other subsidiaries in the Group have an obligation to pay the business income tax from taxable profits.

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

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

DHG Pharmaceutical One Member Limited Company

According to Investment Certificate No, 642041000005 of the management board of industrial zones in Hau Giang Province, the Company enjoys income tax rate of 10% for 15 years as from commencement of operations, The Company has been exempted from income tax for 4 years and received a 50% reduction in income tax for 9 years for the next years after the taxable income. The Company has registered the start of tax exemption and tax reduction from the year 2015.

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

Pursuant to its Investment License, SH Pharma has an obligation to pay 20% of taxable profits generated from trading activities from 2008 to 2017. The terms of its investment license allow the Company to be exempted from income tax from 2008 to 2009 and a 50% reduction in income tax from 2010 to 2015,

All the above tax incentives are not applicable to other income. Other income is required to pay at ordinary tax rate.

36 EARNINGS PER SHARE

Earnings per share at June 30, 2016 is calculated by net profit after excluding appropriation to bonus and welfare fund from profit after tax attributable to shareholders divided by the weighted average of outstanding ordinary shares during the period, not including common share repurchased as treasury shares.

	For 3-month period ended		For 9-month period ended	
	09.30.2016	09.30.2015	09.30.2016	09.30.2015
	VND	VND	VND	VND
Net profit attributable to shareholders (dong)	162,627,819,660	162,977,690,496	468,681,264,295	423,631,854,641
Appropriation to bonus and welfare fund expected (*)	(16,262,781,966)	(16,297,769,050)	(46,868,126,430)	(42,363,185,464)
	<u>146,365,037,694</u>	<u>146,679,921,446</u>	<u>421,813,137,865</u>	<u>381,268,669,177</u>
Weighted average of outstanding ordinary shares	86,958,825	87,100,277	86,958,825	87,100,277
Basic earnings per share based on weighted average of outstanding ordinary shares (dong)	1,683	1,684	4,851	4,377

(*) Appropriation to bonus and welfare fund expected for 2016 is based on the percentage of allocation of profit after tax in 2015 of 10%,

The Group has no potential shares which has effect on diluting of earnings per share,

37 COMMITMENTS**a) Operating leases commitments**

Non-cancellable lease contracts signed, the Company must pay the minimum amount as follows:

	Land leases	
	09.30.2016	12.31.2015
	VND	VND
Within 1 year	4,111,495,020	1,854,150,976
From 1 to 5 year	21,927,973,432	7,416,603,904
Over 5 year	123,959,900,378	43,338,191,348
	<u>149,999,368,830</u>	<u>52,608,946,228</u>

b) Capital commitments

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

	09.30.2016	12.31.2015
	VND	VND
Approved but not contracted	17,947,726,700	51,906,098,511
Approved and contracted but not recognised in the financial statements	38,360,066,705	35,194,222,984
	<u>56,307,793,405</u>	<u>87,100,321,495</u>

38 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 Vietnam

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

	For 9-month period ended	
	09.30.2016	09.30.2015
	VND	VND
<i>Purchase of goods and services</i>		
Associates		
Vinh Hao Algae Corporation	1,697,150,000	34,890,909
	<u>1,697,150,000</u>	<u>34,890,909</u>
<i>Sales of goods and services</i>		
Associates		
Vinh Hao Algae Corporation	54,000,000	-
	<u>54,000,000</u>	<u>-</u>
<i>Dividend payment</i>		
State Capital Investment Corporation (“SCIC”)	132,127,887,500	113,252,475,000
	<u>132,127,887,500</u>	<u>113,252,475,000</u>
<i>Remuneration of key management</i>		
Gross salaries and other benefits	8,559,063,981	9,401,621,549
	<u>8,559,063,981</u>	<u>9,401,621,549</u>

39 ADDITIONAL INFORMATION FOR THE ITEMS OF THE STATEMENT OF CASH FLOWS (CFS)
a. Non cash transactions affecting CFS

	For 9-month period ended	
	09.30.2016 VND	09.30.2015 VND
Allocation of funds from profit	250,621,052,108	268,405,197,616
Transfer from construction in progress to Tangible fixed assets	33,142,656,969	41,361,630,936
Transfer from construction in progress to Intangible fixed assets	6,205,435,000	8,374,045,680
Transfer from construction in progress Long-term prepaid expenses	-	208,165,454
Transfer from construction in progress to the tools and instruments	1,395,000	397,676,938
Transfer from long-term prepaid expenses to intangible fixed assets	6,773,444,684	69,336,881,636
Transfer from reserve funds to finance development fund	-	67,063,774,920

b. Borrowing amount actually collected during the period / year

	For 9-month period ended	
	09.30.2016 VND	09.30.2015 VND
Loans with regular terms	976,774,858,019	975,601,333,826

c. Money paid during the period of loan period / year

	For 9-month period ended	
	09.30.2016 VND	09.30.2015 VND
Loans with regular terms	986,926,204,715	972,940,777,871

40 COMPARATIVE FIGURES

Some data from previous reporting periods were reclassified to conform with the comparison with the figures of this period, as follows:

	Reported figures VND	Reclassified figures VND	Net change VND
Other income	62,877,148,107	53,097,378,935	(9,779,769,172)
Other expense	14,472,312,623	4,692,543,451	(9,779,769,172)

The reclassification does not affect net income and tax expense for the financial period ended September 30, 2015.

Tran Ngoc Hien
Preparer

Ho Buu Huan
in charge of Accounting

Pham Thi Viet Nga
Chief Executive Officer
October 18, 2016