

DHG PHARMACEUTICAL JOINT STOCK COMPANY

**CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD OF 06 MONTHS ENDED JUNE 30, 2016**

DHG PHARMACEUTICAL JOINT STOCK COMPANY

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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 29 October 2015 was issued by the Planning and Investment Department of Can Tho City,

Board of Directors

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

Board of Management

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

Supervisory Board

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

Legal representative

Mrs Pham Thi Viet Nga	CEO
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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 30.06.2016 VND	As of 31.12.2015 VND
100	ASSETS		
100	CURRENT ASSETS	2,371,221,703,753	2,221,373,030,144
110	Cash and cash equivalents	270,830,819,831	420,712,811,918
111	Cash	92,984,633,299	89,510,544,052
112	Cash equivalents	177,846,186,532	331,202,267,866
120	Short-term investments	836,278,100,000	507,605,100,000
123	Held to maturity investments	836,278,100,000	507,605,100,000
130	Short-term receivables	558,614,677,851	644,064,122,343
131	Trade receivables	435,214,472,084	570,830,701,600
132	Prepayments to suppliers	52,517,699,177	23,308,107,672
135	Receivables from short-term loans	50,710,602,777	37,688,828,113
136	Other receivables	26,132,256,103	23,223,854,477
137	Allowances for doubtful debts	(12,256,047,257)	(10,987,369,519)
139	Other provision	6,295,694,967	-
140	Inventories	688,467,396,152	639,320,555,977
141	Inventories	690,136,234,998	642,331,928,161
149	Allowances for inventories	(1,668,838,846)	(3,011,372,184)
150	Other current assets	17,030,709,919	9,670,439,906
151	Short-term prepayments	8,431,620,589	3,968,455,036
152	Deductible VAT	5,517,307,489	4,327,687,627
	Taxes and other payables to State		
153	Budget	2,494,330,640	1,374,297,243
155	Other current assets	587,451,201	-
200	NON-CURRENT ASSETS	1,131,086,437,878	1,141,825,629,796
220	Fixed assets	1,054,671,116,632	1,067,774,140,547
221	Tangible fixed assets	790,135,063,403	811,356,338,576
222	Original cost	1,275,533,945,436	1,252,111,595,162
223	Accumulated depreciation	(485,398,882,033)	(440,755,256,586)
227	Intangible fixed assets	264,536,053,229	256,417,801,971
228	Original cost	284,512,652,922	273,969,773,238
229	Accumulated depreciation	(19,976,599,693)	(17,551,971,267)
240	Long-term work in progress	23,792,785,750	15,722,551,016
242	Cost of work in progress	23,792,785,750	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	37,146,803,713	42,396,882,691
261	Long-term prepayments	18,798,160,475	28,312,322,417
262	Deferred income tax assets	18,348,643,238	14,084,560,274
268	Other non-current assets	-	-
270	TOTAL ASSETS	3,502,308,141,631	3,363,198,659,940

CONSOLIDATED BALANCE SHEET

(Continued)

Code	RESOURCES	Note	As of 31.12.2015 VND	As of 31.12.2014 VND
300	LIABILITIES		1,057,700,225,994	841,962,632,700
310	Current liabilities		998,047,232,399	779,632,287,905
311	Trade payables	13	223,081,848,415	224,957,469,694
312	Advances from customers		12,037,336,856	7,079,129,950
313	Taxes and other payables to the State Budget	14	29,168,311,756	13,343,506,157
314	Payable to employees		85,582,404,213	128,045,082,047
315	Accrued expenses	15	86,724,863,116	21,683,931,132
318	Unrealized revenue	16	31,625,656,349	7,747,880,222
319	Other payables	17	13,047,263,666	15,300,462,313
320	Short-term borrowings	18	386,511,706,114	270,711,206,737
322	Bonus and welfare fund	19	130,267,841,914	90,763,619,653
330	Long-term liabilities		59,652,993,595	62,330,344,795
342	Provision for long-term payables Science and technology development	21	31,620,370,328	31,323,948,748
343	fund	20	28,032,623,267	31,006,396,047
400	OWNERS' EQUITY		2,444,607,915,637	2,521,236,027,240
410	Owner's capital		2,444,607,915,637	2,521,236,027,240
411	Owners' capital	22,23	871,643,300,000	871,643,300,000
415	Treasury shares	22,23	(16,121,030,000)	(16,121,030,000)
418	Investment and development fund	23	1,220,561,708,767	1,039,479,185,578
421	Undistributed profit after tax	23	349,550,377,121	605,911,345,691
421a	- Undistributed profit after tax brought forward		50,993,468,583	164,434,562,793
421b	- Undistributed profit after tax for the current year		298,556,908,538	441,476,782,897
429	Minority interest	24	18,973,559,749	20,323,225,971
440	TOTAL RESOURCES		3,502,308,141,631	3,363,198,659,940

Trần Ngọc Hiền
Preparer

Hồ Bửu Huân
Accountant

Lê Chánh Đạo
Deputy CEO
July 18, 2016

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 02 – DN/HN

CONSOLIDATED INCOME STATEMENT

Co de	Note	For 3-month period ended		For the fiscal year ended	
		30.06.2016 VND	30.06.2015 VND	30.06.2016 VND	30.06.2015 VND
01	Sales	961,295,035,941	875,309,255,981	1,839,284,179,557	1,639,635,234,695
02	Revenue deductions	(86,306,287,342)	(76,471,833,834)	(148,882,664,594)	(171,714,459,367)
10	Net sales	27(a) 874,988,748,599	798,837,422,147	1,690,401,514,963	1,467,920,775,328
11	Costs of goods sold	28 (484,562,634,896)	(475,190,715,144)	(931,674,165,013)	(852,745,864,248)
20	Gross profit	390,426,113,703	323,646,707,003	758,727,349,950	615,174,911,080
21	Financial income	27(b) 14,784,460,535	7,247,846,791	27,360,639,620	13,530,318,020
22	Financial expenses	29 (21,297,860,372)	(20,163,851,284)	(38,795,850,432)	(37,508,429,283)
23	<i>Including: interest expense</i>	(2,978,740,007)	(2,000,485,791)	(5,598,598,698)	(3,856,327,259)
24	Losses from investments in associates	(456,323,759)	-	(456,323,759)	
25	Selling expenses	30 (159,445,105,844)	(96,036,834,978)	(287,741,655,959)	(200,203,709,808)
30	General administration expenses	31 (63,403,881,593)	(59,675,454,891)	(137,804,910,437)	(116,309,947,424)
31	Operating profit	160,607,402,670	155,018,412,641	321,289,248,983	274,683,142,585
32					
40	Other income	14,337,119,193	30,873,889,888	27,395,401,568	52,947,556,270
41	Other expenses	(6,542,731,306)	(5,692,225,423)	(9,488,867,803)	(12,407,021,781)
50	Net other income	32 7,794,387,887	25,181,664,465	17,906,533,765	40,540,534,489
	Net accounting profit before tax	168,401,790,557	180,200,077,106	339,195,782,748	315,223,677,074

CONSOLIDATED INCOME STATEMENT (cont.)

Code	Note	For 3-month period ended		Kỳ 6 tháng kết thúc ngày	
		30.06.2016 VND	30.06.2015 VND	30.06.2016 VND	30.06.2015 VND
50		168,401,790,557	180,200,077,106	339,195,782,748	315,223,677,074
51	34	(24,085,797,758)	(31,657,127,091)	(43,889,457,848)	(53,278,898,096)
52		3,112,904,688	869,101,080	4,264,082,965	(242,799,526)
60		147,428,897,487	149,412,051,095	299,570,407,865	261,701,979,452
61	24	369,409,740	766,834,533	1,013,499,327	1,047,815,307
62		147,059,487,747	148,645,216,562	298,556,908,538	260,654,164,145
70	35	1,522	1,535	3,091	2,692

Trần Ngọc Hiền
Preparer

Hồ Bửu Huân
Accountant

Lê Chánh Đạo
Deputy CEO
July 18, 2016

DHG PHARMACEUTICAL JOINT STOCK COMPANY

NOTES

DHG Pharmaceutical Joint-Stock Company explains the fluctuations in sales and profits of 1H2016 compared to the same period last year, details as follows:

Unit: million dong

Target	2016		2015		Increase / Decrease			
	Q2	6 months	Q2	6 months	Q2		6 months	
					Value	Rate	Value	Rate
Net sales	874,989	1,690,402	798,837	1,467,921	76,151	9,53%	222,481	15,16%
Profit before tax	168,402	339,196	180,200	315,224	(11,798)	-6,55%	23,972	7,60%
Profit after tax	147,429	299,570	149,412	261,702	(1,983)	-1,33%	37,868	14,47%

Profit after tax in the first 6 months of 2016 increased by 14,47% over the same period, mainly because:

- Sales activity improved the company revenue by 15,16% and profit before tax by 7,6%, Results achieved thanks to the restructuring of the distribution system in previous years and the focus on media to promote major brands in the first 6 months of 2016,
- DHG received corporate income tax incentives at the new pharmaceuticals plant (DHG Pharmaceutical Company Limited) and the new packaging plant (DHG PP1), The total amount of the tax incentives for first 6 months of 2016 is 39,7 billion (2016 plan of 80 billion) compared with 2,9 billion first 6 months of 2015, resulted in an increase of 36,8 billion to profit after tax,

Trần Ngọc Hiền
Preparer

Hồ Bửu Huân
Accountant

Lê Chánh Đạo
Deputy CEO
July 18, 2016

CONSOLIDATED CASH FLOW STATEMENT
(Indirect method)

Code	Note	For fiscal year ended	
		30.06.2016 VND	30.06.2015 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01		339,195,782,748	315,223,677,074
		Adjustments for:	
02	9	47,470,211,142	47,552,729,844
03		222,565,980	318,243,532
05	32	(4,641,006,262)	(370,629,431)
05	27(b)	(25,461,916,744)	(12,856,492,973)
05		456,323,759	-
06	29	5,598,598,698	3,856,327,259
08		362,840,559,321	353,723,855,305
09		101,347,296,679	327,230,506,110
10		(47,802,911,837)	61,098,645,096
11		45,872,845,359	(416,784,400,740)
12		5,050,996,389	(4,827,239,644)
14		(5,395,198,556)	(4,029,269,490)
15		(26,855,480,493)	(125,473,007,350)
17		(29,700,977,135)	(23,252,626,054)
20		405,357,129,727	167,686,463,233
CASH FLOWS FROM INVESTING ACTIVITIES			
21	9	(49,939,887,926)	(86,935,078,989)
22		7,696,809,375	10,112,190,910
23		(835,523,163,593)	(49,848,333,333)
24		493,828,388,929	-
27		18,420,057,024	14,961,686,964
30		(365,517,796,191)	(111,709,534,448)
CASH FLOWS FROM FINANCING ACTIVITIES			
32		-	-
33		633,486,276,089	837,956,645,140
34		(517,685,776,712)	(748,603,724,370)
36		(305,521,825,000)	(261,781,100,000)
40		(189,721,325,623)	(172,428,179,230)
50		(149,881,992,087)	(116,451,250,445)
60	3	420,712,811,918	596,956,764,030
61			
70	3	270,830,819,831	480,505,513,585

Trần Ngọc Hiền
PreparerHồ Bửu Huân
AccountantLê Chánh Đạo
Deputy CEO
July 18, 2016

**NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE 06 MONTHS PERIOD ENDED JUNE 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

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

In 2014, the Company increased its share capital to VND871,643,300,000 by issuing bonus shares to the existing shareholders at the ratio of 3:1, The capital increase was approved by the relevant competent authorities,

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

As at 31 December 2015, the Group had 2,877 employees (at 31 December 2015: 2,964 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	
			31.12.2015	31.12.2014
Subsidiaries:				
DT Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No, 5104000057 issued by the Planning and Investment Department of Dong Thap province on 28 August 2008	100%	100%
DHG Travel One Member Limited Company	Domestic travel services	No, 5704000134 issued by the Planning and Investment Department of Can Tho City on 26 December 2007	100%	100%
HT Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No, 5604000048 issued by the Planning and Investment Department of Kien Giang province on 16 May 2008	100%	100%
DHG Nature One Member Limited Company (*)	Grow, process, manufacture, and trade herbal materials; manufacture and trade pharmaceutical chemistry and dietary supplements	No, 1800723433 issued by the Planning and Investment Department of Can Tho City on 25 August 2008	-	100%
CM Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No, 6104000035 issued by the Planning and Investment Department of Ca Mau province on 8 April 2008	100%	100%

1 GENERAL INFORMATION (continued)

Name	Principal activities	Business Registration Certificate	% Ownership and voting rights	
			31.12.2015	31.12.2014
SH Pharmaceutical Joint Stock Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No, 6403000044 issued by the Planning and Investment Department of Hau Giang province on 20 July 2007	51%	51%
A&G Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No, 1601171629 issued by the Planning and Investment Department of An Giang province on 17 June 2009	100%	100%
ST Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No, 5904000064 issued by the Planning and Investment Department of Soc Trang province on 11 April 2008	100%	100%
TOT Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No, 1801113085 issued by the Planning and Investment Department of Can Tho City on 25 February 2009	100%	100%
TG Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No, 1200975943 issued by the Planning and Investment Department of Tien Giang province on 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%
VL Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment and dietary supplements and pharmaceutical cosmetics	No, 1500971019 issued by the Planning and Investment Department of Vinh Long Province on 19 December 2012	100%	100%
DHG 1 Packaging and Printing One Member Limited Company	Manufacture label, label cover, packaging from paper and cover, Manufacture and trade plastic, aluminium, paper packaging; provide printing services	No, 642041000007 issued by the Management Board of Hau Giang Industrial Zone on 28 September 2012	100%	100%

1 GENERAL INFORMATION (continued)

Name	Principal activities	Business Registration Certificate	% Ownership and voting rights	
			31.12.2015	31.12.2014
Associates: Vinh Hao Algae Processing Joint Stock Company	Manufacture and trade spirulina algae	No, 4803000150 issued by the Planning and Investment Department of Binh Thuan Province on 4 February 2008	31,36%	31,36%

(*) As at 31 December 2015, Board of Directors of the Company has issued Decision No, 023/2015/QD,HDQT dated June 8, 2015 to dissolve DHG Nature Pharmaceutical One-member Limited,

2 MAIN ACCOUNTING POLICIES**2,1 Basis of preparation of consolidated financial statements**

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

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

2,2 Significant changes in accounting policies applied

On December 22, 2014, the Ministry of Finance issued Circular No 200/2014/TT-BTC ("Circular 200") – Guideline of enterprise accounting regime replacing Decision No 15/2006/QD BTC dated March 20, 2006 and Circular No, 244/2009/TT-BTC dated December 31, 2009, Circular 200 applies to fiscal year beginning January 1, 2015,

Also on December 22, 2014, the Ministry of Finance issued Circular No 202/2014/TT-BTC ("Circular 202") – Guideline of preparation and presentation methods of consolidated financial statements, Circular 202 replaces the formerly guidance in Section XIII of Circular No, 161/2007/TT-BTC dated December 31, 2007 of the Ministry of Finance, Circular 202 is also effective from February 15, 2015 and applies to annual accounting periods beginning on or after January 1, 2015,

Here are some significant changes to the accounting policies of the Group are presented in the notes to the principal accounting policies:

- Basis of consolidation - Gains or losses arising from the purchase or liquidation of part of investments without losing or having control right recorded directly in retained earnings in equity, Uncontrolled shareholder benefits are reclassified as part of the equity - Notes 2,4
- Transactions in foreign currencies and revaluation of assets and liabilities denominated in foreign currency - Notes 2,6,
- Cash and cash equivalents - Note 2,7,
- Revenue recognition - Notes 2,24 and 2,26
- Financial reserve fund - Demonstration 2:22
- Earnings per share - Earnings or loss attributable to ordinary shareholders of the Company shall be determined after deducting allocations to bonus and welfare fund - Note 35

2,3 Fiscal year

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

2,4 Consolidation

In 2015, The Company prepared its consolidated financial statements in accordance with Circular 202/2014/TT-BTC – Guideline of preparation and presentation of consolidated financial statement,

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,

Transactions, balances and unrealised gains and losses on transactions arising between companies in the Group are eliminated, Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group,

Transactions and interests of uncontrolled shareholders

The Group applies a policy of transactions with minority interests as transactions with parties not belonging to the Group,

Uncontrolled shareholder benefits are determined in ownership rate of the uncontrolled shareholders in net assets reacquired at the acquisition date,

The divestment of the Group in a subsidiary that does not result in loss of control shall be put account similar to the equity transaction, The difference between the value change of the Group's ownership in the net assets of subsidiaries and expenses or income from divestment in subsidiaries is recognized in the undistributed profit after tax of the equity,

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 MAIN ACCOUNTING POLICIES (continued)

2,5 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,

2,6 Currency

The consolidated interim 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, The foreign currencies in banks at the balance sheet date are translated according to buying rate of the bank where the company opened a foreign currency account, Foreign exchange differences arising on translation are recognized as income or expense in the statement of operations,

2,7 Cash and cash equivalents

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

2,8 Trade receivables

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

2,9 Inventories

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

2,10 Investments

(a) 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 for the purpose of collecting interest periodically, These investments are recorded at cost less allowance for diminution in value of investments,

Provision for diminution in value of held-to-maturity investments is made when there is unlikely to recover those investments,

2 MAIN ACCOUNTING POLICIES (continued)

2,10 Investments (continued)

(b) Investments in associates

Investments in associates are accounted for at under equity method of accounting in the consolidated financial statements (Note 2,4),

(c) 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 diminution 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,

2,11 Fixed assets

Tangible and intangible fixed assets

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

Depreciation

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

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

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

Subsequent expenditure

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

Disposals

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

2 MAIN ACCOUNTING POLICIES (continued)**2,12 Leased assets**

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

2,13 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. These expenses are recorded in the income statement according to straight-line method or allocated period.

2,14 Liabilities

The liabilities are monitored in detail by maturity payable, subject to payment, type of currency payable and other factors according to management needs of the Company. The liabilities are classified based on features, including:

- Trade payables include commercial payables arising from the purchase of goods and services,
- Other payables, including non-commercial payables, not related to the purchase, sale and supply of goods and services,

The liabilities are classified short-term and long-term on the balance sheet based on the remaining term of the liabilities at the date of the financial statements.

2,15 Accrued expenses

Includes accounts payable for goods and services received from the seller or provided to the buyer during the reporting period but actually unpaid due to no or insufficient records, accounting records, are recognized in the cost of production and business of the reporting period.

2,16 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.

2,17 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.

2,18 Provision for severance allowances

According to the Vietnam Labor Code, The Group's employees are entitled to severance benefits based on their years of service. This allowance will be paid once to employees who have left the Group.

According to the Social Insurance Law, from January 1, 2009, the Group is required to contribute to the unemployment insurance fund managed by the Vietnam Social Insurance Agency. Since implementing unemployment insurance policy, the Group does not need to provide for their years of employees from January 1, 2009. However, the provision for severance allowances as at June 30, 2015 was determined based on years of service of employees in the Group as of December 31, 2008 and based on their average salary during the period 6 months before the date of the balance sheet accounting.

2 MAIN ACCOUNTING POLICIES (continued)**2,19 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,

2,20 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,

2,21 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 have not signed any double tax relief agreement, Income tax expense comprises current tax expense and deferred tax expense,

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

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

2,22 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,

2,23 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 Group,

Since 2015, the financial reserve fund is no longer used, The remaining balance of the fund will be transferred to the development and investment fund,

2 MAIN ACCOUNTING POLICIES (continued)**2,24 Dividend distribution**

The Group's net profit after tax is available for appropriation to shareholders as dividends after approval by shareholders at the Group'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 Group 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,

2,25 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,

Revenue is recognized in accordance with nature than form and is allocated according to the goods supply obligations, Where the Group used finished products, goods for promoting to the customer together with the purchase condition of the Group, the Group allocated the proceeds to calculate revenue for both promotional goods and promotional value charged to cost of sales,

(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,

2,26 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,

2,27 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

DHG PHARMACEUTICAL JOINT STOCK COMPANY

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,

2,28 Cost of goods sold

Cost of sales and service delivery are recognized on time and gathered by the value and quantity of finished products, goods and materials sold and services provided to customers, ensuring conformity with business principles revenue and precautionary principle, The costs exceeded normal levels of inventory and service delivery are recognized immediately in operating results and at accounting period,

2,29 Financial expenses

Financial expenses reflect expenses for financial activities, including expenses or losses related to financial investments, cost of lending and borrowing, cost of joint venture, associates, losses from short-term security transfer, costs of security selling transaction; allowances for decline in value of trading securities, allowances for impairment of investments in other entities, losses incurred by foreign currency selling, exchange rate losses,

2,30 Selling expenses

Selling expenses reflect the actual expenses incurred in the process of products, goods selling and service provision, including costs of offering, product introduction, product advertising, sales commissions, product warranties (excluding construction activities), storage, packaging and transportation,

2,31 General administration expenses

General administration expenses include staff expenses (salaries, allowances, ,,); social insurance, health insurance, trade union fees, unemployment insurance; office supply expenses, fixed assets depreciation used for business management; land rents; provision expenses for bad debts; outside services (electricity, water, telephone, fax, property insurance, fire ,,); other expenses (reception, customer conferences ,,),

2,32 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,

3 CASH AND CASH EQUIVALENTS

	30.06.2016	31.12.2015
	VND	VND
Cash on hand	13,126,921,362	15,959,146,726
Cash in banks	79,857,711,937	73,551,397,326
Cash equivalents (*)	177,846,186,532	331,202,267,866
	<u>270,830,819,831</u>	<u>420,712,811,918</u>

(*) Cash equivalents included term deposits with an original maturity of 3 months or less but the remaining maturity period is less than 3 months from the reporting date,

4 SHORT-TERM FINANCIAL INVESTMENTS**(a) Held to maturity investments**

	30.06.2016		31.12.2015	
	Original cost	Book value	Original cost	Book value
	VND	VND	VND	VND
Term deposits	836,278,100,000	836,278,100,000	507,605,100,000	507,605,100,000
	<u>836,278,100,000</u>		<u>507,605,100,000</u>	

(b) Investments in equity of other entities

	30.06.2016		31.12.2015	
	Original cost	Provision	Original cost	Provision
	VND	VND	VND	VND
Investments in associates (*)	4,067,561,583	-	4,523,885,342	-
Investments in equity of other entities (**)	27,908,170,200	(16,500,000,000)	27,908,170,200	(16,500,000,000)
	<u>31,975,731,783</u>	<u>(16,500,000,000)</u>	<u>32,432,055,542</u>	<u>(16,500,000,000)</u>

(*) The note details ratio of owned capital and voting ratio of associated companies presented in Note 2, Details of investments in equity of other entities are as follows:

	30.06.2016	31.12.2015
	VND	VND
Vinh Hao Algae Corporation	4,067,561,583	4,523,885,342
	<u>4,067,561,583</u>	

4 SHORT-TERM FINANCIAL INVESTMENTS (cont)**(b) Investments in equity of other entities**

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

	30.06.2016 VND	31.12.2015 VND
Beginning balance	4,523,885,342	5,434,273,514
Loss from associates	(456,323,759)	(910,388,172)
Beginning	<u>4,067,561,583</u>	<u>4,523,885,342</u>

(**) Details of each investment in other entities as of 30 May 06, 2016 and December 31, 2015 are as follows:

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

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

5 TRADE RECEIVABLES

	30.06.2016 VND	31.12.2015 VND
Trade receivables from third parties	435,214,472,084	570,830,701,600

At June 30, 2016, no trade receivable from third parties accounts for 10% or more of total trade receivables,

6 OTHER RECEIVABLES

	30.06.2016		31.12.2015	
	Value VND	Provision VND	Value VND	Provision VND
Prepaid sale discount	447,210,553	-	2,091,752,341	-
Interest income receivable	13,733,425,000	-	6,691,565,280	-
Receivables from employees	1,887,396,178	-	1,581,592,079	-
Other receivables	10,064,224,372	-	12,858,944,777	-
	<u>26,132,256,103</u>	<u>-</u>	<u>23,223,854,477</u>	<u>-</u>

7 BAD DEBT

	30.06.2016		
	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 (*)	166,240,831,299	153,984,784,042	12,256,047,257
	31.12.2015		
	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

(*) At 30 June 2015, 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 year ended 30.06.2016 VND	Fiscal year ended 31.12.2015 VND
Opening balance	10,987,369,519	7,705,445,652
Increase	1,357,608,522	4,722,120,351
Reverse	(88,930,784)	(141,630,201)
Write off		(1,298,566,283)
Closing balance	<u>12,256,047,257</u>	<u>10,987,369,519</u>

8 INVENTORIES

	30.06.2016		31.12.2015	
	Original cost VND	Provision VND	Original cost VND	Provision VND
Goods in transit	62,541,350,710		62,830,863,204	
Raw materials	189,611,196,407		189,692,016,502	
Work in progress	42,302,681,043		20,039,649,051	
Finished goods	335,889,695,184	1,667,968,978	272,482,704,120	3,006,691,934
Merchandises	59,791,311,654	869,868	97,286,695,284	4,680,250
	<u>690,136,234,998</u>	<u>1,668,838,846</u>	<u>642,331,928,161</u>	<u>3,011,372,184</u>

DHG PHARMACEUTICAL JOINT STOCK COMPANY**8 INVENTORIES (cont)**

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

	Fiscal year ended 30.06.2016 VND	Fiscal year ended 31.12.2015 VND
Opening balance	3,011,372,184	5,419,429,868
Increase	21,926,755	77,701,136
Reversal	<u>(1,364,460,093)</u>	<u>(2,485,758,820)</u>
Closing balance	<u>1,668,838,846</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,

At 30 June 2016, the Group does not have the value of inventory that is accumulated, poor quality, inability to consume,

9 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 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	69,627,500	7,946,645,719	-	-	8,016,273,219
Transfers from construction in progress (Note 10)	6,461,158,687	11,176,622,057	3,019,354,545	215,970,000	20,873,105,289
Transfers to tools and supplies	(3,718,973,551)	(189,158,563)	(848,795,665)	(710,100,455)	(5,467,028,234)
At June 30, 2016	<u>479,586,082,861</u>	<u>539,090,334,179</u>	<u>177,817,168,356</u>	<u>79,040,360,040</u>	<u>1,275,533,945,436</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	14,107,144,089	22,349,144,204	9,269,390,043	3,726,692,877	49,452,371,213
Disposals	(3,099,170,438)	(189,158,563)	(848,795,665)	(671,621,100)	(4,808,745,766)
At June 30, 2016	<u>112,699,290,948</u>	<u>218,982,237,150</u>	<u>96,485,694,091</u>	<u>57,231,659,844</u>	<u>485,398,882,033</u>
Net book value					
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 June 30, 2016	<u>366,886,791,913</u>	<u>320,108,097,029</u>	<u>81,331,474,265</u>	<u>21,808,700,196</u>	<u>790,135,063,403</u>

Included in tangible fixed assets as of June 30, 2016 is VND 164,270 million (at December 31, 2015: VND 125,814 million), which were fully depreciated but still in active use,

9 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 01/01/2016	113,669,150,046	151,617,120,387	8,683,502,805	273,969,773,238
Increase	-	6,773,444,684	-	6,773,444,684
Transfers from construction in progress (Note 10)	1,800,000,000	-	4,405,435,000	6,205,435,000
Disposals	(2,436,000,000)	-	-	(2,436,000,000)
At June 30, 2016	<u>113,033,150,046</u>	<u>158,390,565,071</u>	<u>13,088,937,805</u>	<u>284,512,652,922</u>
Accumulated amortisation				
At 01/01/2016	-	12,096,109,754	5,455,861,513	17,551,971,267
Depreciation in the period/year	-	1,651,676,970,00	772,951,456,00	2,424,628,426
Disposals	-	-	-	-
At June 30, 2016	-	<u>13,747,786,724</u>	<u>6,228,812,969</u>	<u>19,976,599,693</u>
Net book value				
At 01/01/2016	<u>113,669,150,046</u>	<u>139,521,010,633</u>	<u>3,227,641,292</u>	<u>256,417,801,971</u>
At June 30, 2016	<u>113,033,150,046</u>	<u>144,642,778,347</u>	<u>6,860,124,836</u>	<u>264,536,053,229</u>

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

10 LONG-TERM ASSETS IN PROGRESS**Construction in progress**

	30.06.2016 VND	31.12.2015 VND
Main works:		
Construction of Beta lactam factory	7,266,927,272	7,266,927,272
Construction of effervescent drug line	4,054,610,000	-
Build office branch in Da Nang	3,032,409,114	-
Renovate production lines	2,570,726,870	-
Build raw material warehouse	2,315,307,019	-

Movement in costs of construction in progress in the period/year

	Fiscal year ended 30.06.2016 VND	Fiscal year ended 31.12.2015 VND
Opening balance	15,722,551,016	50,132,540,095
Additions	35,150,170,023	141,702,916,365
Transfer to tangible fixed assets (Note 9(a))	(20,873,105,289)	(157,255,650,566)
Transfer to intangible fixed assets (Note 9(b))	(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)
Closing balance	<u>23,792,785,750</u>	<u>15,722,551,016</u>

11 PREPAID EXPENSES

(a) Short-term prepayments

	30.06.2016 VND	31.12.2015 VND
Operating lease expenses	4,589,102,629	341,400,000
Others expenses	3,842,517,960	3,627,055,036
	<u>8,431,620,589</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,

(b) Long-term prepayments

	30.06.2016 VND	31.12.2015 VND
Prepaid land rental fees	11,232,364,694	18,179,059,222
Tools	2,894,867,022	8,771,307,312
Leasehold improvements	126,750,798	174,666,020
Others expenses	4,544,177,961	1,187,289,863
	<u>18,798,160,475</u>	<u>28,312,322,417</u>

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

Movements in long-term prepaid expenses as follows:

	Fiscal year ended 30.06.2016 VND	Fiscal year ended 31.12.2015 VND
Opening balance	28,312,322,417	100,946,118,907
Increase	2,141,287,457	7,119,628,313
Transfer from construction in progress	-	674,908,727
Allocation	(11,655,449,399)	(11,091,451,894)
Transfers to intangible fixed assets (Note 9(b) (*)	-	(69,336,881,636)
Closing balance	<u>18,798,160,475</u>	<u>28,312,322,417</u>

(*) The value transferred to intangible fixed assets is the value of leased land which has certificate of land use right,

12 DEFERRED INCOME TAX ASSETS

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

	Fiscal year ended 30.06.2016 VND	Fiscal year Ended 31.12.2015 VND
Opening balance	14,084,560,274	14,017,983,554
Income statement credit	4,264,082,964	66,576,720
Closing balance	<u>18,348,643,238</u>	<u>14,084,560,274</u>

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

13 TRADE ACCOUNTS PAYABLE

	30.06.2016 Value VND	Amount payable VND	31.12.2015 Value VND	Amount payable VND
Trade payables to third parties	<u>223,081,848,415</u>	<u>223,081,848,415</u>	<u>224,957,469,694</u>	<u>224,957,469,694</u>

(*) Details for each subject account for 10% or more of total payables:

	30.06.2016 VND	31.12.2015 VND
Truong Tin Pharmaceutical Ltd, Co,	40,575,317,287	38,175,021,388
Mega Lifesciences Ltd, (VN)	13,944,788,306	42,854,138,507
NOMURA TRADING CO.,LTD	<u>56,161,643,000</u>	<u>18,155,970,000</u>

14 TAXES AND OTHER PAYABLES TO THE STATE BUDGET

	30.06.2016 VND	31.12.2015 VND
Value added tax	2,457,079,820	6,294,283,103
Corporate income tax - current	21,656,370,770	5,090,580,730
Personal income tax	903,598,763	1,958,153,290
Others	4,151,262,403	489,034
	<u>29,168,311,756</u>	<u>13,343,506,157</u>

Taxes included as follows:

(a) Movements payables to the States budget:

	<u>Opening balance</u>	<u>Amount payable in the period/year</u>	<u>Amount paid in the period/year</u>	<u>Closing balance</u>
VAT on domestic sales	6,294,283,103	29,285,385,847	(33,122,589,130)	2,457,079,820
VAT on imports	-	20,960,374,521	(20,960,374,521)	-
Import export tax	-	7,659,361,663	(7,659,361,663)	-
Corporate income tax	5,090,580,730	43,889,457,848	(27,323,667,808)	21,656,370,770
Personal income tax	1,958,153,290	15,907,119,688	(16,961,674,215)	903,598,763
Land tax	-	5,592,954,764	(1,441,692,361)	4,151,262,403
Others	489,034	87,409,606	(87,898,640)	-
Total	<u>13,343,506,157</u>	<u>123,382,063,937</u>	<u>(107,557,258,338)</u>	<u>29,168,311,756</u>

(b) Movements receivables to the States budget:

	<u>Opening balance</u>	<u>Amount receivable in the period/year</u>	<u>Amount received in the period/year</u>	<u>Closing balance</u>
VAT on domestic sales	4,327,687,627	1,518,823,422	-	5,846,511,049
Import export tax	561,274,411	190,861,505	-	752,135,916
Corporate income tax (*)	661,402,094	-	(468,187,315)	193,214,779
Personal income tax	151,620,738	1,068,155,647	-	1,219,776,385
Others	-	-	-	-
Total	<u>5,701,984,870</u>	<u>2,777,840,574</u>	<u>(468,187,315)</u>	<u>8,011,638,129</u>

(*) Corporate income tax amounts already paid VND 27,323,667,808 consists of corporate income tax actually paid to the State is VND 26,855,480,493 of the required tax and corporate income tax decreased during the period is 468,187,315,

15 SHORT-TERM ACCRUED EXPENSES

	30.06.2016 VND	31.12.2015 VND
Marketing and customer care expenses	61,771,776,379	3,196,827,384
Interest payable	655,542,140	452,141,998
Seminar expenses	5,082,181,907	827,636,363
Others	19,215,362,690	17,207,325,387
	<u>86,724,863,116</u>	<u>21,683,931,132</u>

16 SHORT-TERM UNREALIZED REVENUE

	30.06.2016 VND	31.12.2015 VND
Revenue unrealized from traditional client program (Note 2,20 and 2,27)	31,625,656,349	7,747,880,222
	<u>31,625,656,349</u>	<u>7,747,880,222</u>

17 OTHER PAYABLES

	30.06.2016 VND	31.12.2015 VND
Union fee and health insurance	1,582,426,415	1,102,968,970
Trade discounts	1,091,242,843	3,144,620,676
Other payables	10,373,594,408	11,052,872,667
	<u>13,047,263,666</u>	<u>15,300,462,313</u>

18 SHORT-TERM BORROWINGS

	30.06.2016		31.12.2015	
	Value	Amount	Value	Amount
	VND	Payable	VND	Payable
		VND		VND
Loans from bank (*)	360,000,000,000	360,000,000,000	247,000,000,000	247,000,000,000
Loans from the Group's employees (**)	26,511,706,114	26,511,706,114	23,711,206,737	23,711,206,737
	<u>386,511,706,114</u>	<u>386,511,706,114</u>	<u>270,711,206,737</u>	<u>270,711,206,737</u>

(*) These loans are born interest at 0,29% to 0,62% per month (31.12.2014: from 0,37% to 0,4% per month),

(**) These loans are born interest at 0,42% to 0,57% per month (31.12.2014: from 0,42% to 0,5% per month),

18 SHORT-TERM BORROWINGS (cont.)

Movements of short term borrowing as follows:

	At 01.01.2016 VND	Increase VND	Decrease VND	At 30.06.2016 VND
Loans from bank	247,000,000,000	628,000,000,000	(515,000,000,000)	360,000,000,000
Loans from the Group's employees	23,711,206,737	5,486,276,089	(2,685,776,712)	26,511,706,114
	<u>270,711,206,737</u>	<u>633,486,276,089</u>	<u>(517,685,776,712)</u>	<u>386,511,706,114</u>

19 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 VND	Welfare fund in form of fixed assets VND	Bonus fund for Board of Directors VND	Total 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	-	(2,190,138,390)	-	(2,190,138,390)
Utilisation	<u>(25,751,926,817)</u>	-	<u>(3,230,407,000)</u>	<u>(28,982,333,817)</u>
Closing balance	<u>85,885,142,271</u>	<u>32,788,329,790</u>	<u>11,594,369,853</u>	<u>130,267,841,914</u>

20 SCIENCE AND TECHNOLOGY DEVELOPMENT FUND

In accordance with Circular 15/2011/TT-BTC dated 9 February 2011, 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,

20 SCIENCE AND TECHNOLOGY DEVELOPMENT FUND (cont)

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
Revenue from Vietnam Business Challenge Fund	(1,658,107,727)	1,658,107,727	-
Science and technology development fund used for fixed asset acquisition	-	(2,216,650,107)	(2,216,650,107)
Depreciation of assets formed from Science and technology development fund	-	(38,479,355)	(38,479,355)
Liquidation of assets formed from Science and technology development fund	(718,643,318)	-	(718,643,318)
Utilisation	4,142,494,910	23,890,128,357	28,032,623,267

21 PROVISION FOR LONG-TERM PAYABLES

	30.06.2016 VND	31.12.2015 VND
Provision for severance allowances	25,527,599,700	26,270,001,050
Provision for environmental recovery, returning of premises	6,092,770,628	5,053,947,698
	<u>31,620,370,328</u>	<u>31,323,948,748</u>

22 OWNERS' CAPITAL

	30.06.2016		31.12.2015	
	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)	(222,380)	(16,121,030,000)
Ordinary shares currently in circulation	<u>86,941,950</u>	<u>855,522,270,000</u>	<u>86,941,950</u>	<u>855,522,270,000</u>

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

Movements in share capital during the period/year were follows:

	Fiscal period ended		Fiscal year ended	
	30.06.2016		31.12.2015	
	Number of shares	VND	Number of shares	VND
Opening balance	86,941,950	855,522,270,000	87,154,200	871,187,450,000
Ordinary shares issued	-	-	(212,250)	(15,665,180,000)
Acquisition of shares as treasury shares	86,941,950	855,522,270,000	86,941,950	855,522,270,000

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23 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 of 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)
As of Dec 31, 2015	<u>871,643,300,000</u>	<u>(16,121,030,000)</u>	<u>1,039,479,185,578</u>	-	<u>605,911,345,691</u>	<u>2,500,912,801,269</u>
Profit for the year	-	-	-	-	298,556,908,538	298,556,908,538
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 June 30, 2016	<u>871,643,300,000</u>	<u>(16,121,030,000)</u>	<u>1,220,561,708,767</u>	-	<u>349,550,377,121</u>	<u>2,425,634,355,888</u>

(*)Under the guidance of Circular 200 and Resolution of GMS No, 001/2015/NQ,DHDCD dated 20 April 2015, the Group transferred the full balance of the financial reserve fund to the investment and development fund,

24 MINORITY INTEREST

	Fiscal period ended 30.06.2016 VND	Fiscal year ended 31.12.2015 VND
Opening balance	20,323,225,971	16,830,408,891
Net profit for the year	1,013,499,327	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	<u>18,973,559,749</u>	<u>20,323,225,971</u>

25 DIVIDENDS

In 2016, the Company announced a cash dividend of 2015 at 35% and has conducted payment on 27 May 2016,

26 OFF BALANCE SHEET ITEMS**a) Commitments under operating leases**

Operating lease contracts for the fiscal period ended June 30, 2016 are explained in Note 38,

b) Foreign currencies

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

	30.06.2016 VND	31.12.2015 VND
USD	106,685	246,134
EUR	53,239	82,222
MOP	20	20
	<u> </u>	<u> </u>

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27 REVENUE

(a) Net sales

	For 3-month period ended		For 6-month period ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	VND	VND	VND	VND
Sales				
Sales of finished goods	799,340,794,050	695,547,115,088	1,522,582,244,245	1,326,658,077,560
Sales of merchandise goods	157,104,915,469	169,898,276,556	309,475,941,393	299,357,733,979
Services	4,849,326,422	9,863,864,337	7,225,993,919	13,619,423,156
	<u>961,295,035,941</u>	<u>875,309,255,981</u>	<u>1,839,284,179,557</u>	<u>1,639,635,234,695</u>
Sales deductions				
Trade discounts	81,505,364,461	66,132,252,532	140,026,082,164	157,680,593,742
Sales returns	4,800,922,881	10,339,581,302	8,856,582,430	14,033,865,625
	<u>86,306,287,342</u>	<u>76,471,833,834</u>	<u>148,882,664,594</u>	<u>171,714,459,367</u>
Net Sales	<u>874,988,748,599</u>	<u>798,837,422,147</u>	<u>1,690,401,514,963</u>	<u>1,467,920,775,328</u>
In which:				
Sales of finished goods	715,347,765,131	624,088,228,393	1,381,887,192,054	1,163,774,055,034
Sales of merchandise goods	154,791,657,046	164,885,329,417	301,288,328,990	290,527,297,138
Revenue from services rendered	4,849,326,422	9,863,864,337	7,225,993,919	13,619,423,156

(b) Financial income

	For 3-month period ended		For 6-month period ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	VND	VND	VND	VND
Interest income from deposits at bank	13,784,786,684	7,323,652,073	25,306,328,324	12,624,704,078
Dividend income	19,123,220	123,308,895	155,588,420	231,788,895
Realised foreign exchange gains	728,518,315	210,417,233	1,646,690,560	664,420,126
Other financial income	252,032,316	(409,531,410)	252,032,316	9,404,921
	<u>14,784,460,535</u>	<u>7,247,846,791</u>	<u>27,360,639,620</u>	<u>13,530,318,020</u>

28 COST OF SALES

	For 3-month period ended		For 6-month period ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	VND	VND	VND	VND
Cost of finished goods sold	335,907,383,623	308,296,548,775	640,639,249,211	569,782,335,661
Cost of merchandises sold	146,039,351,322	160,047,174,088	286,574,441,318	273,324,093,400
Cost of services rendered	3,903,404,190	7,161,405,210	5,759,346,098	9,994,854,091
Provision for decline in value of inventories	(1,287,504,239)	(314,412,929)	(1,298,871,614)	(355,418,904)
	<u>484,562,634,896</u>	<u>475,190,715,144</u>	<u>931,674,165,013</u>	<u>852,745,864,248</u>

29 FINANCIAL EXPENSES

	For 3-month period ended		For 6-month period ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	VND	VND	VND	VND
Interest expense	2,978,740,007	2,000,485,791	5,598,598,698	3,856,327,259
Realised foreign exchange losses	987,742,870	1,810,963,656	1,915,728,951	2,706,336,252
Payment discounts	17,316,105,508	16,337,386,320	31,222,259,115	30,902,018,642
Other expenses	15,271,987	15,015,517	59,263,668	43,747,130
	<u>21,297,860,372</u>	<u>20,163,851,284</u>	<u>38,795,850,432</u>	<u>37,508,429,283</u>

30 SELLING EXPENSES

	For 3-month period ended		For 6-month period ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	VND	VND	VND	VND
Labour costs	57,640,782,686	11,000,475,228	111,832,614,843	77,148,193,225
Material costs	2,997,716,824	3,291,152,377	5,593,793,330	4,836,016,555
Tools and supplies expenses	2,420,226,158	865,201,306	3,419,309,125	1,658,638,057
Depreciation expenses	4,403,969,368	3,470,343,091	7,997,308,045	7,031,720,066
Advertising expenses	60,667,256,318	40,021,968,193	110,062,804,298	53,302,453,770
Discount and promotion expenses	-	675,197,513	-	675,197,513
Seminar expenses	3,645,774,257	11,698,771,045	4,877,002,689	21,556,281,479
Customer care expenses	1,020,423,895	1,400,000,000	1,042,073,894	1,460,251,004
Transportation expenses	4,013,063,653	5,196,976,174	8,193,941,060	9,624,784,543
Other expenses	22,635,892,685	18,416,750,051	34,722,808,675	22,910,173,596
	<u>159,445,105,844</u>	<u>96,036,834,978</u>	<u>287,741,655,959</u>	<u>200,203,709,808</u>

31 GENERAL ADMINISTRATION EXPENSES

	For 3-month period ended		For 6-month period ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	VND	VND	VND	VND
Staff expenses	50,505,220,830	41,324,765,225	106,886,233,907	79,788,135,247
Material costs	116,756,307	230,391,230	264,378,439	520,655,485
Tools and instruments	791,131,249	1,281,307,436	1,667,426,759	2,264,751,451
Depreciation expenses	2,203,689,684	3,696,455,122	5,398,342,268	7,060,287,387
Taxes, fees and charges	300,491,230	190,501,166	462,272,283	381,107,509
Provision expenses	342,910,089	1,333,284,688	1,255,791,361	2,366,858,121
Environmental recovery expense	626,210,325	-	1,051,709,307	-
Outside services	4,530,071,165	4,605,282,941	8,195,653,431	9,500,879,488
Other expenses	3,987,400,714	7,013,467,083	12,623,102,682	14,427,272,736
	<u>63,403,881,593</u>	<u>59,675,454,891</u>	<u>137,804,910,437</u>	<u>116,309,947,424</u>

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32 OTHER INCOME AND EXPENSES

	For 3-month period ended		For 6-month period ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	VND	VND	VND	VND
Other income				
Proceeds from disposals of fixed assets and other LT assets	4,789,176,648	4,771,418,181	7,696,809,375	10,112,190,910
Commission income	7,960,163,275	10,098,757,178	14,984,252,929	19,174,781,740
Sundry income	1,587,779,270	16,003,714,529	4,714,339,264	23,660,583,620
	<u>14,337,119,193</u>	<u>30,873,889,888</u>	<u>27,395,401,568</u>	<u>52,947,556,270</u>
Other expenses				
Net book value of fixed assets disposed and deleted	2,175,530,217	4,011,820,204	3,055,803,113	9,741,561,479
Sundry expenses	4,367,201,089	1,680,405,219	6,433,064,690	2,665,460,302
	<u>6,542,731,306</u>	<u>5,692,225,423</u>	<u>9,488,867,803</u>	<u>12,407,021,781</u>
Net other income	<u>7,794,387,887</u>	<u>25,181,664,465</u>	<u>17,906,533,765</u>	<u>40,540,534,489</u>

33 COST OF OPERATIONS BY FACTOR

	For 6-month period ended	
	30.06.2016	30.06.2015
	VND	VND
Material cost	761,845,333,223	687,353,572,927
Labour costs	346,958,769,338	240,017,452,124
Depreciation expense	43,397,804,681	42,510,574,973
Outside service expenses	181,199,945,377	138,454,158,595
Other expenses	44,546,742,229	40,366,689,663
	<u>1,377,948,594,848</u>	<u>1,148,702,448,282</u>

34 CORPORATE INCOME TAX

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

	For 3-month period ended		For 6-month period ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	VND	VND	VND	VND
Net accounting profit before tax	168,401,790,557	180,200,077,106	339,195,782,748	315,223,677,074
Tax calculated at a rate of 20% (2015: 22%)	33,680,358,112	39,644,016,963	67,839,156,550	69,349,208,956
Effect of:				
Expenses not deductible for tax purposes	710,060,143	73,095,157	842,440,155	87,193,324
Income not subject to tax	(3,824,663)	(106,597,541)	(31,120,711)	(106,597,541)
Under provision in previous years	3,235,225	65,788,042	3,235,225	65,788,042
Tax incentives	(23,145,213,820)	(2,075,606,003)	(39,708,680,707)	(2,951,324,021)
Differences from consolidation	9,728,278,073	(6,812,670,607)	10,680,344,371	(12,922,571,138)
Business income tax charge	<u>20,972,893,070</u>	<u>30,788,026,011</u>	<u>39,625,374,883</u>	<u>53,521,697,622</u>

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	For 3-month period ended		For 6-month period ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	VND	VND	VND	VND
Recorded in the Income Statement				
Corporate income tax – current	24,085,797,758	31,657,127,091	43,889,457,848	53,278,898,096
Corporate income tax – deferred	(3,112,904,688)	(869,101,080)	(4,264,082,965)	242,799,526
Corporate income tax expense	20,972,893,070	30,788,026,011	39,625,374,883	53,521,697,622

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 Nature One Member Limited Company, ST Pharmaceutical One Member Limited Company, HT Pharmaceutical One Member Limited Company, DHG Pharmaceutical One Member Limited Company and Song Hau Pharmaceutical Joint Stock Company, other subsidiaries in the Group have an obligation to pay the business income tax 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 Nature One Member Limited Company (“DHG Nature”)

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

ST Pharmaceutical One Member Limited Company (“ST Pharma”)

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

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

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

DHG Pharmaceutical One Member Limited Company

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, According to Circular 78/2014/TT-BTC, the income tax rate is 22% as from 1 January 2014 and a decrease in 20% as from 1 January 2016, Preferential rate does not apply other income, The other income is subject to ordinary tax rate of 22%, 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 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 2017 and 22% thereafter, 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,

35 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,

	For 3-month period ended		For 6-month period ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	VND	VND	VND	VND
Net profit attributable to shareholders (dong)	147,059,487,747	152,508,449,632	298,556,908,538	260,654,164,145
Appropriation to bonus and welfare fund expected (*)	(14,705,948,775)	(15,250,844,963)	(29,855,690,854)	(26,065,416,415)
	132,353,538,972	137,257,604,669	268,701,217,684	234,588,747,730
Weighted average of outstanding ordinary shares	86,941,950	87,154,200	86,941,950	87,154,200
Basic earnings per share based on weighted average of outstanding ordinary shares (dong)	1,522	1,575	3,091	2,692

(*)Appropriation to bonus and welfare fund expected for 2015 is based on the percentage of allocation of profit after tax in 2014 of 12%,

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

DHG PHARMACEUTICAL JOINT STOCK COMPANY

c, Amounts of net payment of borrowings during the year

	2016 VND	2015 VND
Borrowings under normal contract	<u>517,685,776,712</u>	<u>748,603,724,370</u>

38 COMMITMENTS

a) Operating leases commitments

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

	Land leases	
	30.06.2016	31.12.2015
	VND	VND
Within 1 year	1,803,540,453	1,854,150,976
From 1 to 5 year	14,428,323,624	7,416,603,904
Over 5 year	<u>82,551,262,175</u>	<u>43,338,191,348</u>
	<u>98,783,126,252</u>	<u>52,608,946,228</u>

b) Capital commitments

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

	30.06.2016	31.12.2015
	VND	VND
Approved but not contracted	39,130,301,624	51,906,098,511
Approved and contracted but not recognised in the financial statements	<u>42,010,075,762</u>	<u>35,194,222,984</u>
	<u>81,140,377,386</u>	<u>87,100,321,495</u>

Trần Ngọc Hiền
Preparer

Hồ Bửu Huân
Accountant

Lê Chánh Đạo
Deputy CEO
July 18, 2016