

**DHG Pharmaceutical Joint-Stock Company
and its subsidiaries**

Consolidated interim financial statements for
the six-month period ended 30 June 2012

DHG Pharmaceutical Joint-Stock Company Corporate Information

Establishment Decision	2405/QD-CT.UB The decision was issued by Can Tho City People's Committee.	5 August 2004
Business Licence	5703000111 issued by Can Tho City Planning and Investment Department on 15 September 2004. The Company's Business Licence has been amended several times, the most recent of which business licence number is 1800156801, issued on 25 June 2012	
Board of Management	Ms. Pham Thi Viet Nga Ms. Le Minh Hong Mr. Le Chanh Dao Mr. Doan Dinh Duy Khuong Ms. Nguyen Thi Hong Loan Mr. Nguyen Nhu Song Mr. Le Dinh Buu Tri Mr. Nguyen Si Trung Ky	Chairman Deputy Chairman Member Member Member Member Member Member
Board of Directors	Ms. Pham Thi Viet Nga Ms. Le Minh Hong Mr. Le Chanh Dao Mr. Doan Dinh Duy Khuong Ms. Nguyen Ngoc Diep	General Director Deputy General Director Deputy General Director Deputy General Director Deputy General Director
Supervisory Board	Mr. Tran Quoc Hung Ms. Tran Thi Anh Nhu Ms. Nguyen Phuong Thao	Chairman Member Member
Registered Office	288 Bis Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District, Can Tho City, Vietnam	
Auditors	KPMG Limited Vietnam	

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Consolidated balance sheet for the six-month period ended 30 June 2012

	Code	Note	30/6/2012 VND	31/12/2011 VND
ASSETS				
Current assets	100		1,685,559,435,882	1,490,691,786,181
Cash and cash equivalents	110	3	555,377,402,793	467,084,218,098
Cash	111		206,003,237,050	343,614,925,745
Cash equivalents	112		349,374,165,743	123,469,292,353
Short – term investments	120		-	-
Accounts receivable	130	4	518,704,583,850	489,939,062,124
Accounts receivable-trade	131		387,509,195,677	340,585,766,770
Prepayments for suppliers	132		76,693,292,412	79,032,748,156
Other receivables	135		57,354,617,868	73,173,069,305
Allowance for doubtful debts	139		(2,852,522,107)	(2,852,522,107)
Inventories	140	5	596,425,080,542	515,191,425,774
Inventories	141		602,520,199,922	519,861,087,569
Allowance for inventories	149		(6,095,119,380)	(4,669,661,795)
Other current assets	150		15,052,368,697	18,477,080,185
Short – term prepayments	151		3,290,137,056	1,431,601,904
Deductible value added tax	152		1,686,019,234	4,301,209,672
Taxes receivable from State Treasury	154	6	1,281,667,062	4,108,142,811
Other current assets	158		8,794,545,345	8,636,125,798

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

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Consolidated balance sheet for the six-month period ended 30 June 2012 (continued)

	Code	Note	30/6/2012 VND	31/12/2011 VND
Long – term assets	200		531,532,291,293	505,014,880,878
Fixed assets	220		487,395,004,788	459,454,490,641
Tangible fixed assets	221	7	288,070,130,780	255,330,772,673
<i>Cost</i>	222		501,403,912,003	443,230,788,716
<i>Accumulated depreciation</i>	223		(213,333,781,223)	(187,900,016,043)
Intangible fixed assets	227	8	164,938,749,797	157,377,310,396
<i>Cost</i>	228		171,833,009,488	163,249,725,488
<i>Accumulated amortisation</i>	229		(6,894,259,691)	(5,872,415,092)
Construction in progress	230	9	34,386,124,211	46,746,407,572
Investment real estate	240		-	-
<i>Cost</i>	241		-	-
<i>Accumulated depreciation</i>	242		-	-
Long – term investments	250	10	16,239,001,017	17,473,451,017
Investments in associates	252		8,921,832,266	10,086,282,266
Other long – term investments	258		11,831,050,200	11,901,050,200
Allowance for diminution in the value of long – term investments	259		(4,513,881,449)	(4,513,881,449)
Other long – term assets	260		27,898,285,488	28,086,939,220
Long – term prepayments	261	11	19,902,582,165	20,446,170,185
Deferred tax assets	262	29	6,229,661,978	5,509,693,831
Other long – term assets	268		1,766,041,345	2,131,075,204
TOTAL ASSETS	270		2,217,091,727,175	1,995,706,667,059

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

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Consolidated balance sheet for the six-month period ended 30 June 2012 (continued)

	Code	Note	30/6/2012 VND	31/12/2011 VND
RESOURCES				
LIABILITIES	300		675,623,156,657	602,248,423,265
Current liabilities	310		619,084,381,278	544,024,124,947
Short – term borrowings	311	12	16,310,749,238	21,115,601,324
Accounts payable - trade	312	13	106,225,300,446	123,618,564,257
Advances from customers	313		2,293,779,048	720,929,252
Taxes payable to State Treasury	314	14	36,611,388,254	28,297,625,312
Payable to employees	315		112,338,731,322	125,958,570,389
Accrued expenses	316	15	140,673,463,393	165,931,042,238
Other payables	319		123,949,144,775	33,834,092,563
Bonus and welfare fund	323	16	80,681,824,802	44,547,699,612
Long – term liabilities	330		56,538,775,379	58,224,298,318
Unearned revenue	333		-	-
Provision for severance allowance	336	17	33,286,145,815	33,818,985,521
Science and technology development fund	339	18	23,252,629,564	24,405,312,797
EQUITY	400		1,527,932,226,543	1,381,546,863,475
Equity	410		1,527,932,226,543	1,381,546,863,475
Share capital	411	19	653,764,290,000	651,764,290,000
Capital surplus	412		-	-
Treasury shares	414	19	(455,850,000)	(455,850,000)
Investment and development fund	416		491,137,167,263	286,384,048,884
Financial reserves	418		66,762,044,635	66,541,621,663
Retained profits	420		316,724,574,645	377,312,752,928
MINORITY INTEREST	439	20	13,536,343,975	11,911,380,319
TOTAL RESOURCES	440		2,217,091,727,175	1,995,706,667,059

Prepared by:

Approved by:

Dang Pham Huyen Nhung
Chief Accountant

Le Chanh Dao
Deputy General Director

24 July 2012

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

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Consolidated statement of income for the six-month period ended 30 June 2012

	Code	Note	Three - month period ended		Six – month period ended	
			30/06/2012	30/06/2011	30/06/2012	30/06/2011
			VND	VND	VND	VND
Total revenue	01	21	696,099,820,369	584,842,975,251	1,320,284,506,188	1,167,154,554,445
Less revenue deductions	02	21	(4,582,911,342)	(3,832,334,417)	(8,386,353,353)	(6,832,112,487)
Net revenue	10	21	691,516,909,027	581,010,640,834	1,311,898,152,835	1,160,322,441,958
Cost of sales	11	22	(356,870,532,329)	(299,061,436,025)	(686,309,579,213)	(600,510,905,267)
Gross profit	20		334,646,376,698	281,949,204,809	625,588,573,622	559,811,536,691
Financial income	21	23	12,673,951,244	14,759,749,983	19,928,614,099	27,374,646,467
Financial expenses	22	24	(1,284,437,238)	(1,668,520,213)	(2,816,394,445)	(3,062,915,164)
<i>Loan interest</i>			<i>(775,945,932)</i>	<i>(563,777,113)</i>	<i>(1,626,605,104)</i>	<i>(887,149,880)</i>
Selling expenses	24	25	(102,757,957,932)	(121,086,032,882)	(240,440,409,004)	(266,529,067,609)
General and administration expenses	25	26	(56,799,252,432)	(35,103,671,861)	(99,521,677,025)	(77,067,794,020)
Net operating profit	30		186,478,680,340	138,850,729,836	302,738,707,247	240,526,406,365
Results of other activities	40					
Other income	31	27	4,790,502,308	1,281,603,063	6,224,047,881	2,268,906,610
Other expenses	32	28	(2,595,340,692)	(1,567,666,450)	(3,707,943,825)	(2,678,562,992)
Share of loss in associates	30	10	(300,000,000)	(300,000,000)	(600,000,000)	(600,000,000)
Profit before tax	50		188,373,841,956	138,264,666,449	304,654,811,303	239,516,749,983

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

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Consolidated statement of income for the six-month period ended 30 June 2012
(continued)

	Code	Note	Three - month period ended		Six – month period ended	
			30/06/2012	30/06/2011	30/06/2012	30/06/2011
			VND	VND	VND	VND
Profit before tax	50		188,373,841,956	138,264,666,449	304,654,811,303	239,516,749,983
Income tax expense – current	51	29	(27,342,606,235)	(16,784,832,283)	(41,418,474,812)	(30,258,704,701)
Income tax benefit/(expense) - deferred	52	29	(546,231,021)	(252,815,017)	689,356,519	101,191,342
Net profit	60		160,485,004,700	121,227,019,149	263,925,693,010	209,359,236,624
Attributable to						
Minority interest	61	20	1,917,882,914	537,870,709	3,157,230,059	911,685,086
Equity holders of the Company	62		158,567,121,786	120,689,148,440	260,768,462,951	208,447,551,538
Net profit	60		160,485,004,700	121,227,019,149	263,925,693,010	209,359,236,624
Basic earnings per share	70	30	2,428	4,445	3,997	7,712

Prepared by:

Approved by:

Dang Pham Huyen Nhung
Chief Accountant

Le Chanh Dao
Deputy General Director

24 July 2012

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

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Consolidated statement of income for the six-month period ended 30 June 2012
(continued)

Disclosure:

DHG Pharmaceutical Joint-Stock Company discloses about the fluctuation of revenue and profit of 6 months of the year 2012 in comparison with the same period last year, detailed as follows:

Unit: Million VND

	Six-month period ended		Increase , Value (+/-) VND	Discrease Scale (+/-) %
	30/06/2012 VND	30/06/2011 VND		
Net revenue	1,311,898	1,160,322	151,576	13.06%
Profit after tax	263,926	209,359	54,566	26.06%

Reasons:

- Implement sales activities based on contracts per area to supervise and speed up in order to ensure the profit target of VND 505 billion with revenue of VND 2,750 billion.
- Promote marketing activities of brands, categories; hold many programs, conferences to introduce new products to customers.
- Invest in researching new products, launch to market 26 new products, in which include 19 medicine products and 07 food supplements.

Because of the above influence factors, the revenue increases 151 billion in comparison with the same period with the increase rate of 13.06%; the income increases 54 billion in comparison with the same period with the increase rate 26.06%.

DHG Pharmaceutical Joint-Stock Company kindly reports.

Prepared by:

Approved by:

Dang Pham Huyen Nhung
Chief Accountant

Le Chanh Dao
Deputy General Director

The accompanying notes form an intergral part of these consolidated interim financial statements

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Consolidated statements of changes in equity for the six-month period ended 30 June 2012

	Share capital VND	Capital surplus VND	Treasury shares VND	Investment and development funds VND	Financial reserves VND	Retained profits VND	Total VND
Balance on 1 January 2011	269,129,620,000	378,761,392,824	(455,850,000)	204,329,442,743	64,215,412,933	364,342,106,640	1,280,322,125,140
Shares capital issued	2,500,000,000	-	-	-	-	-	2,500,000,000
Attributable to funds	-	-	-	83,427,883,317	2,326,208,730	(85,754,092,047)	-
Transfer to bonus and welfare fund	-	-	-	-	-	(45,937,137,077)	(45,937,137,077)
Board of management bonus fund	-	-	-	-	-	(10,199,508,489)	(10,199,508,489)
Net profits in the period	-	-	-	-	-	208,447,551,538	208,447,551,538
Dividends	-	-	-	-	-	(195,500,390,400)	(195,500,390,400)
Balance on 30 June 2011	271,629,620,000	378,761,392,824	(455,850,000)	287,757,326,060	66,541,621,663	235,398,530,165	1,239,632,640,712
Bonus shares	380,134,670,000	(378,761,392,824)	-	(1,373,277,176)	-	-	-
Net profits in the period	-	-	-	-	-	207,079,028,363	207,079,028,363
Dividends	-	-	-	-	-	(65,164,805,600)	(65,164,805,600)
Balance on 31 December 2011	651,764,290,000	-	(455,850,000)	286,384,048,884	66,541,621,663	377,312,752,928	1,381,546,863,475

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

DHG Pharmaceutical Joint-Stock Company and its subsidiaries

Consolidated statements of changes in equity for the six-month period ended 30 June 2012 (continued)

	Share capital VND	Capital surplus VND	Treasurt shares VND	Investment and development funds VND	Financial reserves VND	Retained profits VND	Total VND
Balance on 31 December 2011	651,764,290,000		- (455,850,000)	286,384,048,884	66,541,621,663	377,312,752,928	1,381,546,863,475
Shares capital issued	2,000,000,000		-	-	-	-	2,000,000,000
Attributable to funds	-		-	204,753,118,379	220,422,972	(204,973,541,351)	-
Transfer to bonus and welfare fund	-		-	-	-	(42,473,937,213)	(42,473,937,213)
Board of management bonus fund	-		-	-	-	(8,742,863,670)	(8,742,863,670)
Net profits in the period	-		-	-	-	260,768,462,951	260,768,462,951
Dividends	-		-	-	-	(65,166,299,000)	(65,166,299,000)
Balance on 30 June 2012	653,764,290,000		- (455,850,000)	491,137,167,263	66,762,044,635	316,724,574,645	1,527,932,226,543

Prepared by:

Approved by:

Dang Pham Huyen Nhung
Chief Accountant

Le Chanh Dao
Deputy General Director

24 July 2012

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

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Consolidated statement of cash flows for the six-month period ended 30 June 2012

	Code	Note	From 1/1/2012 to 30/6/2012 VND	From 1/1/2011 to 30/6/2011 VND
CASH FOLLOWS FROM OPERATING ACTIVITIES				
Profit before tax	01		304,654,811,303	239,516,749,983
Adjustments for				
Depreciation and amortisation	02		30,095,389,781	23,231,336,590
Allowances and Provisions	03		892,617,879	(929,216,130)
Gain on disposals of fixed assets	05		(2,032,683,260)	(270,090,162)
Dividends and interest income	06		(18,848,167,440)	(23,432,610,864)
Interest expense	07		1,626,605,104	887,149,880
Gain on disposal of associate				(1,546,692,690)
Share of losses in associates	08		1,164,450,000	600,000,000
Operating profit before changes in working capital	09		317,553,023,367	238,056,626,607
Changes in receivables and other current assets	10		(24,185,497,823)	33,180,690,811
Changes in inventories	11		(82,659,112,353)	(174,062,109,924)
Changes in payables and other liabilities	12		(40,638,564,732)	71,572,494,489
Changes in prepayments	13		(1,314,947,132)	(2,039,832,686)
Interest paid	14		(1,560,096,920)	(965,125,028)
Income tax paid	15		(17,605,067,850)	(32,059,834,352)
Other payments for operating activities	17		(17,032,625,330)	(17,749,584,724)
Net cash generated from operating activities	20		132,557,111,227	115,933,325,193

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

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Consolidated statement of cash flows for the six-month period ended 30 June 2012
(continued)

	Code	Note	From 1/1/2012 to 30/6/2012 VND	From 1/1/2011 to 30/6/2011 VND
CASH FLOW FROM INVESTING ACTIVITIES				
Payments for addition to fixed assets and other long – term assets	21		(60,585,891,679)	(152,038,140,203)
Proceeds from disposals of fixed assets and other long – term assets	22		4,582,671,011	1,016,806,718
Loans given to other entities	23		-	(188,537,465)
Loans collected from other entities	24		1,269,867,671	5,757,070,522
Term deposits received	25		-	-
Payments for investments in other entities	26		-	-
Collections on investments in other entities.	27		90,000,000	10,725,199,734
Receipts of interests and dividends	28		13,184,278,551	24,483,762,584
Net cash used in investment activities	30		(41,459,074,446)	(110,243,838,110)
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from share issued	31		2,000,000,000	2,500,000,000
Payments for shares repurchases	32		-	-
Proceeds from short – term borrowings	33		12,070,654,208	14,679,154,864
Payments for settle debts	34		(16,875,506,294)	(11,287,386,526)
Payments of dividends	35		-	-
Payments of dividends for minority interest	36		-	(735,000,000)
Net cash generated from/(used in) financing activities	40		(2,804,852,086)	5,156,768,338
Net cash flows during the period	50		88,293,184,695	10,846,255,421
Cash and cash equivalents at the beginning of the year	60		467,084,218,098	642,519,118,992
Cash and cash equivalents at the end of the period	70	3	555,377,402,793	653,365,374,413

Prepared by:

Approved by:

Dang Pham Huyen Nhung
Chief Accountant

Le Chanh Dao
Deputy General Director

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

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012

These disclosures form an integral part of and should be read in conjunction with the accompanying consolidated interim financial statements.

1. Reporting Entity

DHG Pharmaceutical Joint – Stock Company (“the Company “) was incorporated as a joint-stock company under Business Registration Certificate No. 5703000111 issued by the Planning and Investment Department of Can Tho City on 15 September 2004. The principal activities of the Company are to produce and trade in pharmaceutical products.

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

The consolidated interim financial statements comprise the Company and its subsidiaries (together referred to as “the Group”) and the Group’s interest in associates.

The details of the subsidiaries, which are incorporated in Vietnam, are as follows:

Name	Principal activity	Business License	% of ownership	
			30/6/2012	31/12/2011
Subsidiaries				
DT Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipments, food supplements and pharmaceutical cosmetics	No. 5104000057 issued by 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 equipments, food supplements and pharmaceutical cosmetics	No. 5604000048 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 on herbal materials; chemistry and food supplements	No. 1800723433 issued by the Planning and Investment Department of Can Tho City on 25 August 2008	100%	100%

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

Name	Principal activity	Business License	% of ownership	
			30/6/2012	31/12/2011
CM Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipments, food supplements and pharmaceutical cosmetics	No. 6104000035 issued by the Planning and Investment Department of Ca Mau Province on 8 April 2008	100%	100%
DHG Packaging and Printing One Member Limited Company	Manufacture and trade packaging plastic, aluminium, paper, print publication	No. 5704000183 issued by the Planning and Investment Department of Can Tho City on 29 April 2008	100%	100%
Song Hau Pharmaceutical Joint-stock company	Trade pharmaceuticals, medical equipments, food 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 equipments, food 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 equipments, food 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 equipments, food supplements and pharmaceutical cosmetics	No. 1801113085 5704000183 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 equipments, food supplements and pharmaceutical cosmetics	No. 1200975943 5904000064 issued by the Planning and Investment Department of Tien Giang Province on 25 February 2009	100%	100%

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

Name	Principal activity	Business License	% of ownership	
			30/6/2012	31/12/2011
Bali Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipments, food supplements and pharmaceutical cosmetics	No. 1900455594 issued by Bac Lieu Province Planning and Investment Department on 29 March 2011	100%	100%
DHG Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipments, food supplements and pharmaceutical cosmetics	No. 642041000005 issued by Board of Management of Hau Giang Industrial Zone on 16 August 2010	100%	100%

On 30 June 2012, the Group had 2,741 employees (31 December 2011: 2,629 employees).

2. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Group in the preparation of consolidated interim financial statement.

(a) Basis of financial statement preparation

The consolidated financial statements, expressed in Vietnam Dong “VND”, is prepared in accordance with Vietnam Accounting Standard, Vietnam Accounting System and other relative legal regulations.

The consolidated interim financial statements, except for the consolidated statement of cash flows, are prepared on the accrual basis using historical cost concept. The consolidated statement of cash flows is prepared using the indirect method.

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those entities that controlled by the Group. Control exists when the Group has ability to rule financial and operating policies to obtain benefits from activities of those entities.

(ii) Associates

Associates are those entities that the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted by using equity method. The consolidated financial statements includes the Group’s share of income and expenses of associates, after adjustments to align accounting policies of the Group, from the date that influence commences to the date that significant influence ceases. When the Group’s share of loss exceeds its interest in an associate, the carrying account of that investment (including any long – term investments) will reduce to nil and the recognition of further losses is discontinued to the extent that the Group has an obligation or has made payments on behalf of the associate.

(iii) Transactions eliminated on consolidation

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

Balances of intra-group and any unrealized interest or loss arising from intra-group transaction are eliminated on the consolidated financial statement. Unrealised gains arising from the transactions with the associates are eliminated to extent of the Group's interest in the associates. Unrealised losses are eliminated in the same way of unrealized interest, but only to the extent that there is no evidence of impairment.

(iv) Goodwill

Goodwill represents investment cost excess of the value of net assets of the Group's share on total assets of subsidiaries and associates at the date of acquisition. Goodwill is amortized in 5 years. If the fair value of net assets that the Group purchases from the subsidiaries and associates exceeds the cost of its acquisition, the excess is recorded in the statement of the year.

(c) Fiscal year

The fiscal year of the Group is from 1 January to 31 December

(d) Adoption of Circular No. 210/2009/TT-BTC of the Ministry of Finance on presentation and disclosures of financial instruments

Effective from 1 January 2011, the Company adopted the requirements of Circular No. 210/2009/TT-BTC of the Ministry of Finance on presentation and disclosures of financial instruments ("Circular No.210") prospectively. The adoption of Circular did not have a material effect on the measurement or presentation of financial instruments in the Company's financial statements. The financial statements disclosures specified in Circular 210 are not required for corresponding figures due to the prospective application.

(e) Foreign currency transactions

The monetary assets and liabilities denominated in currencies other than VND are translated into VND at rates of exchange ruling at the balance sheet date. Transactions in currencies other than VND during the period have been translated into VND at rates approximating those ruling at the transaction dates.

All foreign exchange the difference are recorded in the statement of income in accordance with Vietnamese Accounting Standard No.10 ("VAS 10") – *The Effects of Changes in Foreign Exchange Rates*.

(f) Cash and cash equivalents

Cash comprises cash balance and call deposits. Cash equivalents are short-term highly liquid-investments that are readily convertible to known amount of cash, are subject to an insignificant risk of changes in value and are hold for the purpose of meeting short-term cash commitments rather than for investment or other purpose .

(g) Investments

Investments in entities over which the Group does not have control or significant influence are stated at cost except to allowance in reduction in investment value. The Allowance is made for reductions in investment values if the market value of the investment falls below cost or if the investee has suffered a loss. The allowance is reserved if the subsequent increase in recoverable amount can be

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

related objectively to an event occurring after the allowance was recognized. An allowance is reserved only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined if no allowance had been recognized.

(h) *Accounts receivable*

Trade and other receivables are stated at cost less allowance for doubtful debts.

(i) *Inventories*

Inventories are stated at the lower of cost and net realized value. Cost is determined on a weighted average basis and includes all costs incurred in bringing the inventories to their current location and condition. Cost in the case of finished products and products in progress include raw materials, direct labor and attributable manufacturing overheads. Net realizable value is the estimated selling price of inventory items, less the estimated costs of completion and selling expenses.

The Group applies the perpetual method of accounting for inventory.

(j) *Tangible fixed assets*

(i) *Cost*

Tangible fixed assets are stated at cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises purchase price, including import duties, non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after tangible fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to income in the period in which the cost incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of tangible fixed assets beyond their originally assessed standard of performance, the expenditure is capitalized as an additional cost of tangible fixed assets.

(ii) *Depreciation*

Depreciation is computed on a straight – line basis over the estimated useful lives of tangible fixed assets. The estimated useful lives are as follows:

▪ Buildings:	3-18 years
▪ Machinery and equipment:	3-13 years
▪ Motor vehicles:	3-13 years
▪ Office equipment:	2-10 years

(k) *Intangible fixed assets*

(i) *Indefinite land use rights*

Indefinite land use rights are stated at cost and are not amortized. The initial cost of land use right comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use right.

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

(ii) Definite land use rights

Definite land use rights are stated at cost less accumulated amortization. The initial cost of land use right comprises its purchase price and any directly attributable costs incurred in conjunction with securing the land use right

(iii) Software

Cost of acquisition of new software, which is not an integral part of the related hardware, is capitalized and treated as an intangible asset. Software is amortised on a straight-line basis ranging from 3 to 7 years.

(l) Construction in progress

Construction in progress represents the cost of construction and machinery which have not been fully completed or installed. No depreciation is provided for construction in progress during the period of construction and installation.

(m) Investment property

(i) Cost

Investment property is stated at cost less accumulated depreciation. The initial cost of an investment property comprises its purchase price, cost of land use rights and any directly attributable expenditure of bringing the property to the condition necessary for it to be capable of operating in the manner intended by management. Expenditure incurred after investment property has been put into operation, such as repairs and maintenance, is charged to the statement of income in the period in which the expenditure is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in future economic benefits in excess of the originally assessed standard of performance of the existing investment property, the expenditure is capitalised as an additional cost of investment property.

(ii) Depreciation

Depreciation is computed on a straight-line basis over the estimated useful lives of investment property which are ranging from 5 to 16 years.

(n) Long – term prepayments

(i) Leasehold improvements

Leasehold improvements are recorded at cost and amortized on a straight – line basis over 2 to 5 years.

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Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

(ii) Prepaid land costs

Prepaid land cost comprises prepaid land lease rentals and other costs incurred in conjunction with securing the use of leased land. These costs are recognized in the statement of income on a straight – line basis over the term of lease ranging from 39 to 50 years.

(iii) Tools and equipments

Tools and equipments which do not have enough condition to be recognized as tangible fixed assets in accordance with Vietnamese law when their cost is lower than 10 million VND and classified at the same way of long-term prepayment and amortized on a straight-line basis ranging in 2 years.

(o) Trade and other payables

Trade and other payables are stated at their cost.

(p) Provision

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(q) Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly to equity, in which case it is recognized in equity.

Current tax is the expected payable on the taxable income for the period, using rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is determined by using the balance sheet method, based on temporary differences between the carrying amounts of assets and amounts of assets and liabilities for financial reporting purpose and the amounts used for taxation purposes. The amount of deferred tax provided is based on expected manner of realization or settlement of carrying amount of assets and liabilities using tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related benefit will be realized.

(r) Share capital

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

(i) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity.

(ii) Treasury shares

When shares are purchased, the amount of the consideration paid, comprises directly arised cost, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are recognized as a deduction from total equity.

(s) Equity funds

Allocations are made from retained profits each period based on percentage decided by the shareholders in their ordinary general meeting.

(t) Revenue

(i) Goods sold

Revenue from goods sold is recognized in the statement of income when the risks and benefits combines with ownership of products or goods have been transferred to the buyer. Revenue is not recognized to if there are significations uncertainties regarding recovery of the receivable or possible return of goods.

(ii) Services

Revenue from services is recognized in the statement with the completion percentage of the transaction on the ending date of fiscal year.

Completion percentage is determined based on surveying complete works. Revenue is not recognized if there are significations uncertainties regarding recovery of the receivable.

(u) Dividend income

Dividend income is recognized as income when the right to receive the dividend is established.

(v) Borrowing costs

Borrowing costs are recognized in the statement on a straight – line basis base on as expense in the period of borrowing period. Commissions of borrowing are recognized in the statement as a part of total borrowing cost.

(w) Earning per share

The Group presents basic earning per share (EPS) for its ordinary share. Basic EPS is determined by dividing the profit or loss of ordinary shareholders by weighted average number of ordinary shares outstanding during the year. The Group does not have any potentially dilutive ordinary shares.

(x) Segment reporting

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

A segment is a distinguishable component of the Group that is engaged either in providing relating products or services (business segment), or in providing products or services within a particular economic environment (geography segment), which is subject to risks and rewards that are different from those of other segments. Board of Director assesses that the Group operates in only one segment, which is manufacture and trade of pharmaceutical products and one significant geography segment, which is Vietnam.

(y) **Off balance sheet items**

Amounts which are defined as off balance sheet items under the Vietnamese Accounting System are disclosed in the relevant notes to these separate interim financial statements.

3. Cash and cash equivalents

	30/6/2012	31/12/2011
	VND	VND
Cash in hand	24,050,625,345	42,974,727,829
Cash in bank	178,224,091,602	294,568,181,502
Cash in transit	3,728,520,103	6,072,016,414
Cash equivalents	349,374,165,743	123,469,292,353
	<hr/>	<hr/>
	555,377,402,793	467,084,218,098
	<hr/>	<hr/>

Cash and cash equivalent on 30 June 2012 included amounts denominated in currencies other than VND amounting to VND 10,956 million (31 December 2011: VND 10,810 million)

4. Accounts receivable

Accounts receivable – trade comprised:

	30/6/2012	31/12/2011
	VND	VND
Trade receivables from associates	356,765,200	356,765,200
Trade receivables from third parties	387,152,430,477	340,229,001,570
	<hr/>	<hr/>
	387,509,195,677	340,585,766,770
	<hr/>	<hr/>

Accounts receivable – trade were unsecured, interest free and receivable within 30 days from invoice date.

Prepayments to suppliers at of 30 June 2012 were amounts prepaid for acquisition of machinery and construction serDeputys.

Other receivables comprised:

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

	30/6/2012	31/12/2011
	VND	VND
Commission prepaid	46,337,279,411	57,935,895,745
Interest receivable	5,663,888,889	
Loan receivables (*)	-	2,116,867,671
Receivables from employees	661,169,331	11,104,178,590
Others	4,692,280,237	2,016,127,299
	<hr/>	<hr/>
	57,354,617,868	73,173,069,305
	<hr/> <hr/>	<hr/> <hr/>

(*) This represented loans to associates and hospitals with maturity of less than a period which were unsecured.

Movements in the allowance for doubtful debts during the period were as follows:

	2012	2011
	VND	VND
Opening balance	2,852,522,107	6,225,376,152
Increase in allowance during the period	-	392,832,822
Written back	-	(3,048,679,942)
Allowance utilised during the period	-	(717,006,925)
	<hr/>	<hr/>
Closing balance	2,852,522,107	2,852,522,107
	<hr/> <hr/>	<hr/> <hr/>

The carrying amount of receivables represented the maximum credit risk pertaining to receivables.

The Group's exposure to credit risk in relation with receivables is mainly influenced by the individual characteristics of each customer. In response to the risk, management of the Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. Credit purchase limits are established for each customer, which represents the maximum open amount without requiring approval from a director. The limit is reviewed annually. Receivables are due within 30 days from the date of billing. Debtors with balances that are more than 60 days outstanding are requested to settle the balances before further credit is granted. No collateral is collected from the customers.

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

5. Inventories

	30/6/2012	31/12/2011
	VND	VND
Goods in transit	100,494,723,411	84,006,950,234
Raw materials	167,961,358,587	183,598,965,379
Work in progress	40,058,717,005	39,470,249,494
Finished goods	283,685,416,251	204,667,633,456
Merchandise inventory	10,319,984,668	7,002,598,909
Goods on consignments	-	1,114,690,097
	<hr/>	<hr/>
	602,520,199,922	519,861,087,569
Allowance for inventories	(6,095,119,380)	(4,669,661,795)
	<hr/>	<hr/>
	596,425,080,542	515,191,425,774
	<hr/>	<hr/>

Movements in the allowance for inventories during the period were as follows:

	2012	2011
	VND	VND
Opening balance	4,669,661,795	3,025,856,755
Increase in allowance during the period	1,425,457,585	1,643,805,040
Written back	-	-
	<hr/>	<hr/>
Closing balance	6,095,119,380	4,669,661,795
	<hr/>	<hr/>

6. Taxes receivable from State Treasury

	30/6/2012	31/12/2011
	VND	VND
Corporate income tax	-	3,995,583,961
Personal income tax	98,947,393	
Other taxes	1,182,719,669	112,558,850
	<hr/>	<hr/>
	1,281,667,062	4,108,142,811
	<hr/>	<hr/>

DHG Pharmaceutical Joint-Stock Company and its subsidiaries

Notes to the consolidated interim financial statements for the six-month period ended 30 June 2012 (continued)

7. Tangible fixed assets

	Buildings VND	Machinery and equipment VND	Motor vehicles VND	Office equipment	Total VND
Cost					
Opening balance	126,517,175,786	179,007,016,121	84,843,066,505	52,863,530,304	443,230,788,716
Additions	1,001,838,265	12,828,901,688	570,676,596	5,813,698,951	20,215,115,500
Transfers from construction in progress	13,267,026,728	16,740,808,241	13,021,295,571	19,645,000	43,048,775,540
Transfers to tools, equipments	-	-	-	(11,621,365)	(11,621,365)
Disposals	(600,000,000)	(9,000,000)	(4,244,387,732)	(225,758,656)	(5,079,146,388)
Closing balance	140,186,040,779	208,567,726,050	94,190,650,940	58,459,494,234	501,403,912,003
Accumulated depreciation					
Opening balance	30,112,197,918	95,605,934,725	31,934,640,990	30,247,242,410	187,900,016,043
Charge for the period	5,356,353,666	12,774,431,018	7,287,683,071	3,609,285,752	29,027,753,507
Transfers to tools, equipments	-	-	-	(5,315,613)	(5,315,613)
Disposals	(165,000,000)	(52,892,020)	(3,125,018,032)	(245,762,662)	(3,588,672,714)
Closing balance	35,303,551,584	108,327,473,723	36,097,306,029	33,605,449,887	213,333,781,223
Net book value					
Opening balance	96,404,977,868	83,401,081,396	52,908,425,515	22,616,287,894	255,330,772,673
Closing balance	104,882,489,195	100,240,252,327	58,093,344,911	24,854,044,347	288,070,130,780

Included in the cost of tangible fixed assets were assets costing VND 69,409 million which were fully depreciated as of 30 June 2012 (31 December 2011: VND 58,893 million), but which are still in active use.

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

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period
ended 30 June 2012 (continued)

8. Intangible fixed assets

	Indefinite land use rights VND	Definite land use rights VND	Software VND	Total VND
Cost				
Opening balance	103,908,193,658	53,693,912,775	5,647,619,055	163,249,725,488
Additions	9,165,204,000	517,080,000	-	9,682,284,000
Disposals	-	(1,099,000,000)	-	(1,099,000,000)
Closing balance	113,073,397,658	53,111,992,775	5,647,619,055	171,833,009,488
Accumulated depreciation				
Opening balance	-	4,076,846,191	1,795,568,901	5,872,415,092
Charge for period	-	579,434,065	488,202,209	1,067,636,274
Diminution in term	-	(45,791,675)	-	(45,791,675)
Closing balance	-	4,610,488,581	2,283,771,110	6,894,259,691
Net book value				
Opening balance	103,908,193,658	49,617,066,584	3,852,050,154	157,377,310,396
Closing balance	113,073,397,658	48,501,504,194	3,363,847,945	164,938,749,797

9. Construction in progress

	2012 VND	2011 VND
Opening balance	46,746,407,572	7,719,996,731
Additions during the period	30,688,492,179	125,929,691,161
Transfers to tangible fixed assets	(43,048,775,540)	(84,194,123,202)
Transfers to intangible fixed assets	-	(2,540,241,968)
Transfers to long-term prepayments	-	(168,915,150)
Closing balance	34,386,124,211	46,746,407,572

10. Long-term investments

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

	30/6//2012	31/12/2011
	VND	VND
Investments in associates		
▪ Vinh Hao Algae Processing Joint Stock Company	4,421,832,266	4,986,282,266
▪ Vinh Tuong High-Tech Packaging Corporation	4,500,000,000	5,100,000,000
	<hr/>	<hr/>
	8,921,832,266	10,086,282,266
	<hr/>	<hr/>
Other long-term investments		
• Cuu Long Pharmaceutical Joint Stock Company	27,420,000	27,420,000
• Binh Duong Pharmaceutical Joint Stock Company	4,286,800,000	4,286,800,000
• Ninh Thuan Pharmaceutical Joint Stock Company	796,675,000	796,675,000
• Nghe An Pharmaceutical Joint Stock Company	3,922,880,000	3,922,880,000
• TV. Pharm Pharmaceutical Joint Stock Company	2,575,315,200	2,575,315,200
• Ba Ria – Vung Tau Pharmaceutical, Cosmetic, and Commercial Joint Stock Company	-	70,000,000
• Tay Ninh Pharmaceutical Joint Stock Company	221,960,000	221,960,000
	<hr/>	<hr/>
	11,831,050,200	11,901,050,200
	<hr/>	<hr/>

Movements of investments in associates were as follows:

	2012	2011
	VND	VND
Opening balance	10,086,282,266	32,592,080,669
New investments during the period	-	-
Disposal during the period	-	(11,953,307,310)
Share in net loss of associates	(600,000,000)	(10,025,671,093)
Dividends	(564,450,000)	(526,820,000)
	<hr/>	<hr/>
Closing balance	8,921,832,266	10,086,282,266
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DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

Details of the investments in associates were as follows:

Name	Principal activity	Business Licence	% of ownership	
			30/6/2012	31/12/2011
Associates				
Vinh Hao Algae Processing Joint Stock Company	Manufacture and trade spirulina algae	4803000150 issued by Binh Thuan province Planning and Investment Department on 4 February 2008	30%	30%
Vinh Tuong High-Tech Packaging Corporation	Manufacture package from primeval plastics	4603000373 issued by Binh Duong province Planning and Investment Department on 9 July 2007	20%	20%

11. Long-term prepayments

	Leasehold improvements	Prepaid land costs	Tools and supplies	Total
	VND	VND	VND	VND
Opening balance	1,705,424,607	18,692,824,913	47,920,665	20,446,170,185
Addition during the period	-	-	65,915,091	65,915,091
Apportion in period	(330,221,956)	(249,263,782)	(30,017,373)	(609,503,111)
Closing balance	1,468,171,857	18,350,591,925	83,818,383	19,902,582,165

12. Short-term loans

	30/6/2012	31/12/2011
	VND	VND
Loan from the Group's employees (*)	16,310,749,238	21,115,601,324

(*) These loans were unsecured and bore interest at rates ranging from 0.75% đến 1% (2011: from 1.10% to 1.15%) during the year.

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Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

13. Accounts payable – trade

	30/6/2012	31/12/2011
	VND	VND
Trade payables to associates	1,980,000,000	2,024,000,000
Trade payables to third parties	104,245,300,446	121,594,564,257
	<hr/>	<hr/>
	106,225,300,446	123,618,564,257
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14. Taxes payable to State Treasury

	30/6/2012	31/12/2011
	VND	VND
Value added tax	3,965,703,641	2,353,466,431
Corporate income tax	29,071,262,111	9,253,439,110
Personal income tax	2,382,701,939	16,267,959,957
Others	1,191,720,563	422,759,814
	<hr/>	<hr/>
	36,611,388,254	28,297,625,312
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DHG Pharmaceutical Joint-Stock Company and its subsidiaries**Notes to the consolidated interim financial statements for the six-month period ended 30 June 2012 (continued)**

Details of taxes as follows:

	Number at the beginning of the year	Payable taxes in the period	Paid taxes in the period	Total number at the end of period
Value added tax of domestic goods	(1,947,743,241)	14,697,775,467	(10,470,347,819)	2,279,684,407
Value added tax of imported goods	-	17,726,953,311	(17,726,953,311)	-
Import and export tax	(98,775,395)	5,097,983,790	(6,181,928,064)	(1,182,719,669)
Corporate income tax	5,257,855,149	41,418,474,812	(17,605,067,850)	29,071,262,111
Personal income tax	16,485,985,830	13,748,280,433	(27,950,511,717)	2,283,754,546
Land rental	-	2,264,513,557	(1,072,792,994)	1,191,720,563
Other taxes	190,950,486	71,000,000	(261,950,486)	-
Total	19,888,272,829	95,024,981,370	(81,269,552,241)	33,643,701,958

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Notes to the consolidated interim financial statements for the six-month period
ended 30 June 2012 (continued)

15. Accrued expenses

	30/6/2012	31/12/2011
	VND	VND
Sale rebates	72,230,156,169	108,460,753,247
Sale promotion	48,030,623,090	45,510,216,128
Seminar expenses	887,070,001	1,923,656,378
Advertising expenses	4,873,355,063	174,805,673
Interest payable	459,993,535	393,485,351
Others	14,192,265,535	9,468,125,461
	<hr/>	<hr/>
	140,673,463,393	165,931,042,238
	<hr/>	<hr/>

16. Bonus and welfare funds

The funds are established through apportion from retained profits in accordance with the decision of shareholders at shareholders' meetings. The funds are used to pay bonus and welfare to the Group's employees in accordance with the Group's bonus and welfare policies and Board of Management fee in accordance with the General Meeting of Shareholders resolution of the Group.

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

	Bonus and welfare fund VND	Welfare fund to establish fixed assets	Board of management bonus fund	Total VND
Opening balance	20,198,681,266	22,218,888,308	2,130,130,038	44,547,699,612
Allocation to the funds	43,109,274,016	-	8,904,793,271	52,014,067,287
Fund utilisation	(10,209,531,554)	350,649,317	(6,021,059,860)	(15,879,942,097)
	<hr/>	<hr/>	<hr/>	<hr/>
Closing balance	53,098,423,728	22,569,537,625	5,013,863,449	80,681,824,802
	<hr/>	<hr/>	<hr/>	<hr/>

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Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

17. Provision for severance allowance

Movements of provision for severance allowance during the period were as follows:

	VND
Opening balance	33,818,985,521
Provision made during the period	90,322,362
Utilised during the period	(623,162,068)
	<hr/>
Closing balance	<u>33,286,145,815</u>

Under the Vietnamese Labour Code, when employees who have worked for 12 months or more (“eligible employees”) voluntarily terminates his/her labour contract, the employer is required to pay the eligible employee severance allowance calculated based on periods of serDeputy and employees’ compensation at termination. Provision for severance allowance has been provided based on employee periods of serDeputy and their current salary level.

Pursuant to Law on Social Insurance, effective from 1 January 2009 the Group and its employees are required to contribute to an unemployment insurance fund managed by the Viet Nam Social Insurance Agency. The contribution to be paid by each party is calculated at 1% of the lower of the employees’ basic salary and 20 times the general minimum salary level as specified by the Government from time to time. With the implementation of unemployment insurance scheme, the Group is no longer required to provide severance allowance for the serDeputy period after 1 January 2009. However, severance allowance to be paid to the existing eligible employees as of 31 December 2008 will be determined based on the eligible employees’ periods of serDeputy as 31 December 2008 and their average salary for the six-month period prior to the termination date.

For the period of six months ended 30 June 2012, the Group contributed VND 1,331 million (The period of six months ended 30 June 2011: VND 836 million) to the unemployment insurance fund and the amount is recorded as part of labour and staff costs in the statement of income.

18. Science and technology development fund

In accordance with Circular 130/2008/TT-BTC dated 26 December 2008, entities are allowed to provide for the science and technology development fund for using in research and development activities. Provisions are charged to income. Fund is utilised when research and development activities are carried out and disbursements are made.

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

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

	VND
Opening balance	24,405,312,797
Utilised during the period	(1,152,683,233)
	<hr/>
Closing balance	23,252,629,564
	<hr/>

19. Share capital

The Company's authorised and issued share capital is:

	30/6/2012		31/12/2011	
	Number of shares	VND	Number of shares	VND
Authorised and issued share capital	65,376,429	653,764,290,000	65,176,429	651,764,290,000
Treasury shares	(10,130)	(455,850,000)	(10,130)	(455,850,000)
	<hr/>			
Ordinary shares currently in circulation	65,366,299	653,308,440,000	65,166,299	651,308,440,000
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All ordinary shares have a par value of VND 10,000. Each share is entitled to one vote at meetings of the Company. Shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to the Company's residual assets. In respect of shares bought back by the Company, all rights are suspended until those shares are reissued.

Movements in share capital during the period were as follows:

	1/1/2012 to 30/6/2012		1/1/2011 to 30/6/2011	
	Number of shares	VND	Number of shares	VND
Balance at the beginning of the year	65,166,299	651,308,440,000	26,902,832	268,673,770,000
Ordinary shares issued	200,000	2,000,000,000	250,000	2,500,000,000
Bonus shares issued		-		-
Treasury shares bought back				-
Treasury shares reissued				-
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Balance at the end of the period	65,366,299	653,308,440,000	27,152,832	271,173,770,000
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DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

20. Minority interest

	2012 VND	2011 VND
Balance at the beginning of the year	11,911,380,319	8,716,245,431
Net earnings attributable to minority interest during the period	3,157,230,059	4,235,578,682
Bonus and welfare fund borne by minority interest	(635,336,802)	(217,298,666)
Board of management fee borne by minority interest	(161,929,601)	(88,145,128)
Dividends	(735,000,000)	(735,000,000)
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Balance at the end of the period	13,536,343,975	11,911,380,319
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DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

21. Total revenue

Total revenue represented the gross invoiced value of goods sold exclusive of value added tax.
Net sales comprised:

	Period of 3 months ended on		Period of 6 months ended on	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	VND	VND	VND	VND
Total revenue	645,950,416,729	550,487,795,463	1,219,147,425,142	1,089,411,809,140
▪ Finished goods sold	31,280,703,513	22,813,808,866	54,937,813,317	43,017,000,159
▪ Merchandise goods sold	18,868,700,127	11,541,370,922	46,199,267,729	34,725,745,146
▪ Other goods				
	696,099,820,369	584,842,975,251	1,320,284,506,188	1,167,154,554,445
Sales deductions				
▪ Sales discounts	(205,367,436)	(62,271,252)	(306,254,164)	(73,071,128)
▪ Sale returns	(4,377,543,906)	(3,770,063,165)	(8,080,099,189)	(6,759,041,359)
	(4,582,911,342)	(3,832,334,417)	(8,386,353,353)	(6,832,112,487)
Net sales	691,516,909,027	581,010,640,834	1,311,898,152,835	1,160,322,441,958
<i>In which:</i>				
▪ Finished goods sold	641,367,505,387	546,655,461,046	1,210,761,071,789	1,082,579,696,653
▪ Merchandise goods sold	31,280,703,513	22,813,808,866	54,937,813,317	43,017,000,159
▪ Other goods	18,868,700,127	11,541,370,922	46,199,267,729	34,725,745,146

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

22. Cost of sales

	Period of 3 months ended on		Period of 6 months ended on	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	VND	VND	VND	VND
Finished goods sold	311,362,797,965	259,298,549,762	593,324,863,171	519,140,396,315
Merchandise goods sold	28,849,525,708	20,126,212,858	50,822,596,127	37,575,510,825
Other goods	15,232,751,071	18,127,760,854	40,736,662,330	42,286,085,576
Allowance for inventories	1,425,457,585	1,508,912,551	1,425,457,585	1,508,912,551
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	356,870,532,329	299,061,436,025	686,309,579,213	600,510,905,267
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23. Financial income

	Period of 3 months ended on		Period of 6 months ended on	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	VND	VND	VND	VND
Interest income	12,215,223,487	13,003,746,948	18,565,785,085	23,247,835,564
Dividend	143,231,555	106,475,300	282,382,355	184,775,300
Interest from disposal of long-term investment	-	1,546,692,690	20,000,000	1,546,692,690
Interest from exchange rate differences	325,599,633	102,835,045	627,767,270	2,395,342,913
Interest receivable from owe fines	366,196,569	-	432,679,389	-
	<hr/>	<hr/>	<hr/>	<hr/>
	13,050,251,244	14,759,749,983	19,928,614,099	27,374,646,467
	<hr/>	<hr/>	<hr/>	<hr/>

24. Financial expenses

	Period of 3 months ended on		Period of 6 months ended on	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	VND	VND	VND	VND
Interest expense	775,945,932	563,777,113	1,626,605,104	887,149,880
Foreign exchange losses	469,214,907	1,058,687,754	1,122,976,894	2,091,638,117
Other financial expenses	39,276,399	46,055,346	66,812,447	84,127,167
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	1,284,437,238	1,668,520,213	2,816,394,445	3,062,915,164
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DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

25. Sales expenses

	Period of 3 months ends on		Period of 6 months ended on	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	VND	VND	VND	VND
Staff expenses	74,990,846,398	74,382,969,387	134,321,872,862	142,184,739,716
Raw material expenses	3,194,741,862	2,407,808,412	6,316,739,857	4,261,262,192
Equipment expenses	1,084,458,183	1,330,128,435	2,371,908,630	2,230,225,485
Expenses of fixed asset depreciation	3,268,836,764	2,454,774,151	6,381,431,622	4,603,069,761
Expenses of serDeputys purchased outside	22,907,448,600	53,530,422,222	67,043,639,097	95,424,133,692
Other expenses by cash	(2,688,373,875)	(13,020,069,725)	24,004,816,936	17,825,636,763
	102,757,957,932	121,086,032,882	240,440,409,004	266,529,067,609

26. General and administration expenses

	Period of 3 months ended on		Period of 6 months ended on	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	VND	VND	VND	VND
Staff expenses	41,649,370,103	26,755,724,991	71,754,170,335	57,184,986,787
Raw material expenses	206,486,670	156,615,660	549,982,024	239,974,209
Equipment expenses	1,285,883,311	894,279,097	2,291,420,531	1,722,718,383
Expenses of fixed asset depreciation	2,694,331,373	2,075,440,592	5,177,184,715	4,176,094,931
Tax, and expenses	78,783,924	419,233,111	196,778,621	666,318,463
Allowance expenses	43,521,196	(671,307,055)	90,322,362	1,348,429,647
Expenses from serDeputy purchased outside	3,058,499,581	2,777,917,216	5,077,230,823	4,849,756,902
Other expenses by cash	7,782,376,274	2,695,768,249	14,384,587,614	6,879,514,698
	56,799,252,432	35,103,671,861	99,521,677,025	77,067,794,020

27. Other income

	Period of 3 months ended on		Period of 6 months ended on	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	VND	VND	VND	VND
Income from scrap sales	214,979,107	251,019,392	418,919,423	521,469,937
Income from disposal fixed assets	4,022,918,182	649,579,445	4,582,671,011	1,016,806,718
Other income	552,605,019	381,004,226	1,222,457,447	730,629,955
	4,790,502,308	1,281,603,063	6,224,047,881	2,268,906,610

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

28. Other expenses

	Period of 3 months ended on		Period of 6 months ended on	
	30/06/2012	30/06/2011	30/06/2012	30/06/2011
	VND	VND	VND	VND
Net book value of fixed assets disposed and written off	1,660,631,842	511,959,919	2,104,953,206	746,716,556
Others	934,708,850	1,055,706,531	1,602,990,619	1,931,846,436
	<hr/>	<hr/>	<hr/>	<hr/>
	2,595,340,692	1,567,666,450	3,707,943,825	2,678,562,992
	<hr/>	<hr/>	<hr/>	<hr/>

29. Corporate income tax

(a) Recognised in the balance sheet

Deferred tax assets were attributable to the following:

	30/6/2012	31/12/2011
	VND	VND
Allowances and provisions	3,300,000,000	3,300,000,000
Unrealised profits	2,929,661,978,00	2,209,693,831
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	6,229,661,978,00	5,509,693,831
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DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

(b) Recognised in the report of business result

	Period of 3 months ended on		Period of 6 months ended on	
	30/06/2012 VND	30/06/2011 VND	30/06/2012 VND	30/06/2011 VND
Current income tax expense	27,342,606,235	16,784,832,283	41,418,474,812	30,258,704,701
Benefits of deferred income tax	546,231,021	252,815,017	(689,356,519)	(101,191,342)
Expenses of corporate income tax	27,888,837,256	17,037,647,300	40,729,118,293	30,157,513,359

(c) Reconciliation of effective tax rate

	From 1/1/2012 to 30/6/2012 VND	From 1/1/2011 to 30/6/2011 VND
Profit before tax	304,654,811,303	239,516,749,983
Tax at income rate applicable to the Company	76,163,702,826,00	59,879,187,496
Tax effect of non-deductible expenses	-	422,338,575
Tax exempt income	(70,595,589)	(46,193,825)
Under provision in prior periods	37,997,037	300,022,510
Effect of tax incentives	(35,401,985,981)	(30,397,841,397)
Corporate income tax expenses	40,729,118,293	30,157,513,359

(d) Applicable tax rates

The Company

Under the terms of its Investment Licence, the Company has an obligation to pay the government corporate income tax at the rate of 20 % of taxable profits from 2005 to 2014 and 25% for the succeeding years. The provisions of the Company's Investment Licence allow it to be exempted from income tax from 2005 to 2006 and receive a 50% reduction in income tax from 2007 to 2011.

On 21 December 2006, DHG shares are listed on Ho Chi Minh city stock exchange and issued licence of stock listing number 93/UBCK-GPNY dated 01/12/2006 by the State Securities Commission. According to official dispatch number 10997/BTC-CST about corporate income tax incentives for organizations listed and registered of securities transaction on 8 September 2006, the Company was reduced 50% of corporate income tax payable in 2 years from 2012 to 2013.

The Subsidiaries

Except for DHG Packaging and Printing One Member Limited Company, HT Pharmaceutical One Member Limited Company, DHG Nature One Member Limited Company, ST Pharmaceutical One

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

Member Limited Company and Song Hau Pharmaceutical Joint Stock Company, other subsidiaries in the Group have an obligation to pay the government income tax at the rate of 25% of taxable profits.

DHG Packaging and Printing One Member Limited Company (“DHG Packaging and Printing”)

Under the terms of its Investment Licence, DHG Packaging and Printing has an obligation to pay the government corporate income tax at the rate of 25% of taxable profits. The provisions of DHG Packaging and Printing’s Investment Licence allow it to be exempted from income tax from 2009 to 2010 and receive a 50% reduction in income tax from 2011 to 2012.

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

Under the terms of its Investment Licence, HT Pharma has an obligation to pay the government corporate income tax at the rate of 20% of taxable profits from 2009 to 2018 and 25% thereafter. The provisions of HT Pharma’s Investment Licence allow it to be exempted from income tax from 2009 to 2010 and receive a 50% reduction in income tax from 2011 to 2016.

DHG Nature One Member Limited Company (“DHG Nature”)

Under the terms of its Investment Licence, DHG Nature has an obligation to pay the government corporate income tax at the rate of 20% of taxable profits from 2009 to 2018 and 25% thereafter. The provisions of DHG Nature’s Investment Licence allow it to be exempted from income tax from 2009 to 2010 and receive a 50% reduction in income tax from 2011 to 2013.

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

Under the terms of its Investment Licence, ST Pharma has an obligation to pay the government corporate income tax at the rate of 20% of taxable profits from 2009 to 2018 and 25% thereafter. The provisions of ST Pharma’s Investment Licence allow it to be exempted from income tax from 2009 to 2010 and receive a 50% reduction in income tax from 2011 to 2014.

Song Hau Pharmaceutical Joint Stock Company (“SH Pharma JSC”)

Under the terms of its Investment Licence, SH Pharma JSC has an obligation to pay the government corporate income tax at the rate of 15% of taxable profits from 2008 to 2019 and 25% thereafter. The provisions of SH Pharma JSC’s Investment Licence allow it to be exempted from income tax from 2008 to 2009 and receive a 50% reduction in income tax from 2011 to 2014.

30. Basic earnings per share

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

The calculation of basic earnings per share at 30 June 2012 was based on the profit attributable to ordinary shareholders and an average number of ordinary shares being circulated, and calculated as follows:

Net profit attributable to ordinary shareholders

	Period of 3 months ended on		Period of 6 months ended on	
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
	VND	VND	VND	VND
Net profit attributable to ordinary shareholders	158,567,121,786	120,689,148,440	260,768,462,951	208,447,551,538

Weighted average number of ordinary shares

	Period of 3 months ended on		Period of 6 months ended on	
	30/6/2012	30/6/2011	30/6/2012	30/6/2011
Issued ordinary shares at the beginning of the year	65,166,299	26,902,832	65,166,299	26,902,832
Effect of ordinary share issued in April, 2011	-	250,000	-	125,000
Effect of ordinary share issued in April, 2012	135,556	-	67,778	-
Weighted average number of ordinary shares at the end of the period.	65,301,855	27,152,832	65,234,077	27,027,832

31. Dividends

According to the resolution number 004/NQ.HDQT of Board of Directors on 21 May 2012 on dividing dividends by cash period 2/2011, in accordance with the resolution of General Meeting of Shareholders of the year 2011 on 29 April 2012, the number is VND 65,166 million (10% of par value of shares in circulation on 12 June 2012).

32. Significant transactions with related parties

Related parties

The Group has related party relationship with associates, shareholders, directors and executive officers.

Significant transactions with associates

In additions to balances with associates disclosed in other notes to these financial statements, during

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

the period there were the following significant transactions with associates:

	From 1/1/2012 to 30/6/2012 VND	From 1/1/2011 to 30/6/2011 VND
Vinh Tuong High-Tech Packaging Corporation		
Purchase of raw material	-	410,535,500
Vinh Hao Algae Processing Joint Stock Company		
Purchase of raw material	6,270,000,000	5,395,000,000
Dividend income	564,450,000	150,520,000

Transactions with key management personnel

Total remuneration and business allowances to key management personnel were as follows:

	From 1/1/2012 to 30/6/2012 VND	From 1/1/2011 to 30/6/2011 VND
Wages and salary	7,473,094,903	4,306,001,658
Remuneration	2,835,581,022	4,120,000,000
	10,308,675,925	8,426,001,658

33. Commitments

Capital expenditure

On 30 June 2012, the Group has approved capital expenditure, but not provided for in the balance sheet:

	30/6/2012 VND	31/12/2011 VND
Approved but not contracted	716,806,528,846	698,955,443,787
Approved and contracted	20,107,462,881	17,697,277,500
	736,913,991,727	716,652,721,287

DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

34. (Liabilities)/net assets in foreign currency

On 30 June 2012, the Group has liabilities/net assets in foreign currency as follows:

	USD	EUR
Cash and cash equivalence	276,006	195,414
Receivable – trade accounts	272,519	46,016
Payable – trade accounts	(3,488,687)	(137,675)
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	(2,940,162)	103,755
	<hr/>	<hr/>

The followings were the significant exchange rates applied by the Group:

	Exchange rate as on 30/6/2012 VND
USD 1	20,920
EUR 1	26,471
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Below is an analysis of the possible impact on the net profit of the Group as at 30 June 2012 after taking into account the current level of exchange rates and the historical volatility as well as market expectations as at 30 June 2012:

	Effect to net profit as on 30/6/2012 VND
USD (8% strengthening) – reduction of net profit	(4,428,589,611)
EUR (8% strengthening) – increase in net profit	197,747,900
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DHG Pharmaceutical Joint-Stock Company and its subsidiaries
Notes to the consolidated interim financial statements for the six-month period ended
30 June 2012 (continued)

35. Production and business costs by element

	From 1/1/2012 to 30/6/2012 VND	From 1/1/2011 to 30/6/2011 VND
Raw material costs in production costs	656,639,363,461	591,857,334,735
Labour costs and staff	304,073,441,672	278,736,651,859
Depreciation and amortisation	29,614,980,143	23,231,336,590
Outside serDeputys	105,080,006,200	143,052,770,351
Other expenses	46,009,023,653	38,490,082,383
	1,141,416,815,129	1,075,368,175,918

Reported by:

Approved by:

Dang Pham Huyen Nhung
Chief Accountant

Le Chanh Dao
Deputy General Director

24 July 2012