

DHG PHARMACEUTICAL JOINT STOCK COMPANY

SEPARATE INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017



**DHG PHARMACEUTICAL JOINT STOCK COMPANY**

**SEPARATE INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

<b>TABLE OF CONTENTS</b>	<b>PAGE</b>
Corporate information	1
Statement by the Board of Directors	2
Auditor's review report	3
Separate balance sheet (Form B 01a - DN)	5
Separate income statement (Form B 02a - DN)	7
Separate cash flow statement (Form B 03a - DN)	8
Notes to the separate interim financial statements (Form B 09a - DN)	9

## DHG PHARMACEUTICAL JOINT STOCK COMPANY

### CORPORATE INFORMATION

<b>Establishment Decision</b>	No. 2405/QD-CT.UB dated 5 August 2004 issued by the People's Committee of Can Tho City.	
<b>Business registration certificate</b>	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 23 <sup>rd</sup> amendment dated 28 July 2017 was issued by the Planning and Investment Department of Can Tho City.	
<b>Board of Management</b>	Mr Hoang Nguyen Hoc Mr Le Dinh Buu Tri Mdm Pham Thi Viet Nga Mr Doan Dinh Duy Khuong Mr Tran Chi Liem Mr Jun Kuroda Mr Shuhei Tabata  Ms Dang Thi Thu Ha	Chairman Vice Chairman Member Member Member Member Member Member (resigned on 24 March 2017) Member (appointed on 28 July 2017)
<b>Board of Directors</b>	Mdm Pham Thi Viet Nga Mr Le Chanh Dao Mr Doan Dinh Duy Khuong Ms Nguyen Ngoc Diep	General Director Deputy General Director Deputy General Director Deputy General Director
<b>Supervisory Board</b>	Mr Tran Quoc Hung Ms Nguyen Phuong Thao Mr Dinh Duc Minh	Head of the Board Member Member
<b>Legal representative</b>	Mdm Pham Thi Viet Nga	General Director
<b>Registered office</b>	288 Bis Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District Can Tho City, Vietnam	
<b>Auditor</b>	PwC (Vietnam) Limited	

## DHG PHARMACEUTICAL JOINT STOCK COMPANY

### STATEMENT OF THE RESPONSIBILITY OF THE BOARD OF DIRECTORS IN RESPECT OF THE SEPARATE INTERIM FINANCIAL STATEMENTS

The Board of Directors of DHG Pharmaceutical Joint Stock Company ("the Company") is responsible for preparing the separate interim financial statements which give a true and fair view of the financial position of the Company as at 30 June 2017 and the results of its operations and cash flows for the six-month period then ended. In preparing these separate interim financial statements, the Board of Directors is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- prepare the separate interim financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board of Directors is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and which enable the separate interim financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the separate interim financial statements. The Board of Directors is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### APPROVAL OF THE SEPARATE INTERIM FINANCIAL STATEMENTS

We hereby approve the accompanying separate interim financial statements set out on pages 5 to 44 which give a true and fair view of the financial position of the Company as at 30 June 2017, and of the results of operations and cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of interim financial statements.

Users of these separate interim financial statements of the Company should read them together with the consolidated interim financial statements of the Company and its subsidiaries ("the Group") for the six-month period ended 30 June 2017 in order to obtain full information of the financial position and results of operations and cash flows of the Group.

On behalf of the Board of Directors



Pham Thi Viet Nga  
General Director

Can Tho City, SR Vietnam  
11 August 2017



## REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE SHAREHOLDERS OF DHG PHARMACEUTICAL JOINT STOCK COMPANY

We have reviewed the accompanying separate interim financial statements of DHG Pharmaceutical Joint Stock Company ("the Company") which were prepared on 30 June 2017 and approved by the Board of Directors on 11 August 2017. These separate interim financial statements comprise the separate balance sheet as at 30 June 2017, the separate income statement, the separate cash flow statement for the six-month period then ended and explanatory notes to these separate interim financial statements including significant accounting policies, as set out on pages 5 to 44.

### **The Board of Directors' Responsibility**

The Board of Directors is responsible for the preparation and the true and fair presentation of these separate interim financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of interim financial statements and for such internal control which the Board of Directors determines is necessary to enable the preparation and fair presentation of the separate interim financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express a conclusion on these separate interim financial statements based on our review. We conducted our review in accordance with Vietnamese Standard on Review Engagements 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

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

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying separate interim financial statements do not presented fairly, in all material respects, the financial position of the Company as at 30 June 2017, its financial performance and cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of interim financial statements.



#### Other Matters

The separate financial statements of the Company for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 20 March 2017. In addition, the separate interim financial statements of the Company for the 6-month period ended 30 June 2016 were reviewed by this auditor who expressed an unmodified conclusion on those statements on 12 August 2016.

For and on behalf of PwC (Vietnam) Limited



Quach Thanh Chau  
Audit Practising Licence No. 0875-2017-006-1  
Authorised signatory

Review report number: HCM6368  
Ho Chi Minh City, 11 August 2017

As indicated in Note 2.1 to the separate interim financial statements, the accompanying separate interim 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, and furthermore their utilisation is not designed for those who are not informed about SR Vietnam's accounting principles, procedures and practices.

## DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 01a – DN

## SEPARATE BALANCE SHEET

Code	ASSETS	Note	As at 30.6.2017 VND	As at 31.12.2016 VND
<b>100</b>	<b>CURRENT ASSETS</b>		<b>2,790,399,596,778</b>	<b>2,380,779,149,339</b>
110	Cash and cash equivalents	3	690,888,348,804	310,837,861,290
111	Cash		47,388,348,804	25,209,548,477
112	Cash equivalents		643,500,000,000	285,628,312,813
120	Short-term investments	4(a)	619,000,000,000	694,000,000,000
123	Investments held-to-maturity		619,000,000,000	694,000,000,000
130	Short-term receivables		672,315,459,285	587,663,605,860
131	Short-term trade accounts receivable	5	532,360,758,243	505,395,183,923
132	Short-term prepayments to suppliers		43,579,429,390	19,450,347,218
135	Short-term lending	6(a)	83,921,644,730	46,337,054,549
136	Other short-term receivables	7	30,090,055,171	22,587,526,950
137	Provision for doubtful debts – short-term	8	(17,636,428,249)	(6,106,506,780)
140	Inventories	9	782,893,750,542	770,889,142,004
141	Inventories		786,465,607,092	772,543,765,702
149	Provision for decline in value of inventories		(3,571,856,550)	(1,654,623,698)
150	Other current assets		25,302,038,147	17,388,540,185
151	Short-term prepaid expenses	10(a)	5,896,511,942	2,637,736,253
152	Value Added Tax to be reclaimed		4,851,022,927	1,488,901,617
153	Other taxes receivable	11(a)	14,554,503,278	13,261,902,315
<b>200</b>	<b>LONG-TERM ASSETS</b>		<b>1,255,363,108,787</b>	<b>1,262,533,382,063</b>
210	Long-term receivables		13,775,715,894	2,749,472,109
215	Long-term lending	6(b)	13,775,715,894	2,749,472,109
220	Fixed assets		489,457,639,418	490,337,670,120
221	Tangible fixed assets	12(a)	283,033,191,501	284,031,671,199
222	Cost		660,530,796,510	640,015,468,670
223	Accumulated depreciation		(377,497,605,009)	(355,983,797,471)
227	Intangible fixed assets	12(b)	206,424,447,917	206,305,998,921
228	Cost		228,317,381,877	226,053,296,877
229	Accumulated amortisation		(21,892,933,960)	(19,747,297,956)
230	Investment properties	13	464,844,636	25,567,976,719
231	Cost		1,352,305,231	36,576,236,140
232	Accumulated depreciation		(887,460,595)	(11,008,259,421)
240	Long-term assets in progress	14	13,911,855,942	6,903,601,956
242	Construction in progress		13,911,855,942	6,903,601,956
250	Long-term investments	4(b)	705,890,984,156	711,488,080,200
251	Investments in subsidiaries		691,292,460,000	696,292,460,000
252	Investments in associates		3,787,450,000	3,787,450,000
253	Investments in other entities		27,908,170,200	27,908,170,200
254	Provisions for long-term investments		(17,097,096,044)	(16,500,000,000)
260	Other long-term assets		31,862,068,741	25,486,580,959
261	Long-term prepaid expenses	10(b)	22,143,258,026	16,425,962,516
262	Deferred income tax assets	15	9,718,810,715	9,060,618,443
<b>270</b>	<b>TOTAL ASSETS</b>		<b>4,045,762,705,565</b>	<b>3,643,312,531,402</b>

The notes on pages 9 to 44 are an integral part of these separate interim financial statements.

SEPARATE BALANCE SHEET  
(continued)

Code	RESOURCES	Note	As at 30.6.2017 VND	As at 31.12.2016 VND
<b>300</b>	<b>LIABILITIES</b>		<b>1,526,387,123,741</b>	<b>1,305,150,066,414</b>
<b>310</b>	<b>Short-term liabilities</b>		<b>1,471,932,130,640</b>	<b>1,255,347,985,823</b>
311	Short-term trade accounts payable	16	403,104,182,423	645,867,894,117
312	Short-term advances from customers		11,248,518,697	13,737,632,713
313	Tax and other payables to the State Budget	11(b)	6,754,765,433	7,607,250,329
314	Payable to employees		91,863,681,938	113,184,224,509
315	Short-term accrued expenses	17	38,325,131,806	27,426,200,327
318	Short-term unearned revenue	18	28,519,102,824	26,361,586,191
319	Other short-term payables	19	80,038,852,557	5,208,187,098
320	Short-term borrowings	20	691,600,000,000	354,765,428,463
322	Bonus and welfare funds	21	120,477,894,962	61,189,582,076
<b>330</b>	<b>Long-term liabilities</b>		<b>54,454,993,101</b>	<b>49,802,080,591</b>
342	Provision for long-term liabilities	23	31,496,957,530	28,803,092,215
343	Science and technology development funds	22	22,958,035,571	20,998,988,376
<b>400</b>	<b>OWNERS' EQUITY</b>		<b>2,519,375,581,824</b>	<b>2,338,162,464,988</b>
<b>410</b>	<b>Capital and reserves</b>		<b>2,519,375,581,824</b>	<b>2,338,162,464,988</b>
411	Owners' capital	24, 25	1,307,460,710,000	871,643,300,000
411a	- Ordinary shares with voting rights		1,307,460,710,000	871,643,300,000
412	Share premium	24, 25	6,778,948,000	6,778,948,000
418	Investment and development fund	25	1,077,345,255,193	1,204,418,584,654
421	Undistributed earnings	25	127,790,668,631	255,321,632,334
421a	- Undistributed post-tax profits of the previous years		-	-
421b	- Post-tax profit of current period/year		127,790,668,631	255,321,632,334
<b>440</b>	<b>TOTAL RESOURCES</b>		<b>4,045,762,705,565</b>	<b>3,643,312,531,402</b>


Tran Ngoc Hien  
Preparer

Ho Bui Huan  
Chief Accountant

Pham Thi Viet Nga  
General Director  
11 August 2017



## SEPARATE INCOME STATEMENT

Code	Note	For the six-month period ended	
		30.6.2017 VND	30.6.2016 VND
01	Sales	2,274,950,250,357	1,792,364,227,635
02	Less deductions	(170,101,596,555)	(96,019,138,425)
10	Net sales	2,104,848,653,802	1,696,345,089,210
11	Cost of sales	(1,683,417,474,123)	(1,253,115,880,976)
20	Gross profit	421,431,179,679	443,229,208,234
21	Financial income	645,847,987,877	128,777,141,586
22	Financial expenses	(44,081,642,166)	(31,063,032,157)
23	- Including: Interest expenses	(10,652,258,756)	(5,598,598,698)
25	Selling expenses	(288,261,468,819)	(244,232,734,550)
26	General and administration expenses	(151,872,673,820)	(93,507,498,808)
30	Net operating profit	583,063,382,751	203,203,084,305
31	Other income	2,465,598,342	25,026,207,306
32	Other expenses	(1,863,181,138)	(8,732,200,009)
40	Net other income	602,417,204	16,294,007,297
50	Net accounting profit before tax	583,665,799,955	219,497,091,602
51	Business income tax - current	(2,293,047,949)	(27,758,481,754)
52	Business income tax - deferred	658,192,272	-
60	Net profit after tax	582,030,944,278	191,738,609,848



Tran Ngoc Hien  
Preparer



Ho Bui Huan  
Chief Accountant





Pham Thi Viet Nga  
General Director  
11 August 2017


SEPARATE CASH FLOW STATEMENT  
(Indirect method)

Code	Note	For the six-month period ended	
		30.6.2017 VND	30.6.2016 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
01		<b>583,665,799,955</b>	<b>219,497,091,602</b>
		<b>Net profit before tax</b>	
		Adjustments for:	
02		25,205,454,115	27,407,001,379
03		11,995,973,534	502,974,873
04		(149,692,834)	-
05		(633,988,159)	(4,890,758,830)
05	28(b)	(643,912,159,823)	(126,881,193,487)
06	30	10,652,258,756	5,598,598,698
07			
		7,000,000,000	-
08	22	<b>(6,176,354,456)</b>	<b>121,233,714,235</b>
		<b>Operating (loss)/profit before changes in working capital</b>	
09		94,615,148,818	389,367,512,955
10		(13,921,841,390)	(52,320,884,760)
11		198,563,118,938	(58,108,514,845)
12		(8,983,524,952)	(2,261,437,386)
14		(10,757,849,398)	(5,395,198,556)
15		-	(18,326,098,389)
16		1,600,000,000	-
17		(41,121,035,256)	(21,281,703,056)
20		<b>213,817,662,304</b>	<b>352,907,390,198</b>
		<b>Net cash inflows from operating activities</b>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21		(13,464,629,896)	(30,785,739,669)
22		3,865,035,313	7,696,809,375
23		(671,348,802,045)	(827,295,830,504)
24		719,242,379,918	477,923,923,619
27		66,848,508,065	37,457,604,473
30		<b>105,142,491,355</b>	<b>(335,003,232,706)</b>
		<b>Net cash inflows/(outflows) from investing activities</b>	
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
33		1,383,813,007,336	633,486,276,089
34		(1,017,643,696,928)	(517,685,776,712)
36		(305,075,155,000)	(304,296,825,000)
40	25	<b>61,094,155,408</b>	<b>(188,496,325,623)</b>
		<b>Net cash inflows/(outflows) from financing activities</b>	
50		<b>380,054,309,067</b>	<b>(170,592,168,131)</b>
		<b>Net increase/(decrease) in cash and cash equivalents</b>	
60		<b>310,837,861,290</b>	<b>329,246,389,813</b>
61	3	(3,821,553)	-
70	3	<b>690,898,348,804</b>	<b>158,654,221,682</b>
		<b>Cash and cash equivalents at end of period</b>	

Major non-cash transactions in the period were disclosed in Note 38.

  
Tran Ngoc Hien  
Preparer

  
Ho Bui Huan  
Chief Accountant

  
Pham Thi Viet Nga  
General Director  
11 August 2017



**NOTES TO THE SEPARATE INTERIM FINANCIAL STATEMENTS  
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2017**

**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 2017, the Company increased the share capital to VND1,307,460,710,000 by issuing bonus shares to existing shareholders at ratio 2:1. The Company was granted the 23<sup>rd</sup> amended Business registration certificate dated 28 July 2017 for the increase in share capital.

The principal activities of the Company are to produce and trade in pharmaceutical products.

The Company's normal business cycle is within 12 months.

As at 30 June 2017, the Company had 2,184 employees (as at 31 December 2016: 1,738 employees).

The Company's interest in subsidiaries and an associate are as listed below:

Name	Principal activities	Business registration certificate	% of ownership and voting rights	
			2017	2016
<b>Subsidiaries:</b>				
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%
SH Pharmaceutical Joint Stock Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 6403000044 issued by the Planning and Investment Department of Hau Giang province on 20 July 2007	51%	51%
DHG Pharmaceutical One Member Limited Company	Manufacture and trade pharmaceuticals, dietary supplements and pharmaceutical cosmetics	No. 642041000005 issued by the Management Board of Hau Giang Industrial Zone on 16 August 2010	100%	100%
DHG Packaging and Printing 1 One Member Limited Company	Manufacture and trade packaging, plastic, aluminum, paper for pharmaceutical industry; provide printing services	No. 642041000007 issued by the Management Board of Hau Giang Industrial Zone on 28 September 2012	100%	100%
Fuji Medic Limited Liability Company	Activities of polyclinics, specialty and dental clinics	No. 1801472944 issued by the Planning and Investment Department of Can Tho City on 27 July 2016	51%	51%
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 PHARMACEUTICAL JOINT STOCK COMPANY

Form B 09a – DN

1 GENERAL INFORMATION (continued)

Name	Principal activities	Business registration certificate	% of ownership and voting rights	
			2017	2016
HT Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 5604000048 issued by the Planning and Investment Department of Kien Giang province on 16 May 2008	100%	100%
CM Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 6104000035 issued by the Planning and Investment Department of Ca Mau province on 8 April 2008	100%	100%
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%
TG Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 1200975943 issued by the Planning and Investment Department of Tien Giang province on 25 February 2009	100%	100%
Bali Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical equipment and dietary supplements and pharmaceutical cosmetics	No. 1900455594 issued by the Planning and Investment Department of Bac Lieu province on 29 March 2011	100%	100%
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%
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%
<b>Associate:</b> 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%

**1 GENERAL INFORMATION (continued)**

(\*) On 3 October 2016, the Board of Management of the Company approved the transformation of subsidiaries into branches as below:

- Approved the dissolution of subsidiaries.
- Approved the establishment of branches under the parent company to continue the entire operation of the subsidiaries after the dissolution.
- The conversion date is 31 December 2016. From 1 January 2017, these subsidiaries operate as branches under the parent company.

At the approval date of these separate interim financial statements, the dissolution procedures for A&G Pharmaceutical One Member Limited Company have been completed and dissolution procedures for remaining subsidiaries are still in process.

(\*\*) On 19 June 2017, the Board of Management of the Company approved to change the policy for dissolution to the policy on transfer of the whole charter capital of TOT Pharmaceutical One Member Limited Company through an open bidding (Note 40).

**2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES****2.1 Basis of preparation of separate interim financial statements**

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

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

Separately, the Company has also prepared consolidated interim financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of consolidated financial statements for the Company and its subsidiaries (together, "the Group"). In the consolidated interim financial statements, subsidiary undertakings – which are those companies over which the Group has the power to govern the financial and operating policies – have been fully consolidated. Users of these separate interim financial statements of the Company should read them together with the consolidated interim financial statements of the Group for the six-month period ended 30 June 2017 in order to obtain full information of the financial position and results of operations and cash flows of the Group.

**2.2 Fiscal year**

The Company's fiscal year is from 1 January to 31 December.

**2.3 Use of estimates**

The preparation of the financial statements in conformity with Vietnamese Accounting Standards requires the Board of Directors 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 Directors' best knowledge of current events and actions, actual results may differ from those estimates.

**2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.4 Currency**

The separate interim financial statements are measured and presented in Vietnamese Dong ("VND").

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 respectively translated at the buying and selling exchange rates at the balance sheet date of the commercial bank where the Company regularly trades. Foreign currencies deposited in bank at the balance sheet date are translated at the buying exchange rate of the commercial bank where the Company opens the foreign currency accounts. Foreign exchange differences arising from these translations are recognised in the income statement.

**2.5 Cash and cash equivalents**

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

**2.6 Trade receivables**

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

**2.7 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.

**2.8 Investments****(a) Investments held-to-maturity**

Investments held-to-maturity are investments which the Company's management has positive intention and ability to hold until maturity.

Investments held-to-maturity include term deposits for interest earning. Those investments are accounted for at cost less provision.

Provision for diminution in value of investments held-to-maturity is made when there is evidence that part or the whole of the investment is uncollectible.

**2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.8 Investments (continued)****(b) Investments in subsidiaries**

Subsidiaries are all entities over which the Company 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 Company controls another entity.

Investments in subsidiaries are accounted for at cost less provision for diminution in value. Provision for diminution in value is made when there is an impairment of the investments.

**(c) Investments in associates**

Associates are investments that the Company has significant influence but not control and would generally have from 20% to under 50% voting shares of the investee.

Investments in associates are accounted for at cost less provision for diminution in value. Provision for diminution in value is made when there is a reduction in value of the investments.

**(d) Investments in equity of other entities**

Investments in equity of other entities are investments in equity instruments of other entities without controlling rights or co-controlling rights, or without significant influence over the investee. These investments are initially recorded at cost. Provision for diminution in value of these investments is made when the entities make losses, except when the loss was anticipated in their business plan before the date of investment.

**2.9 Fixed assets***Tangible and intangible fixed assets*

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

*Depreciation and amortisation*

Fixed assets are depreciated and amortised using the straight-line method so as to write off the cost of the assets 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 with definite terms are amortised using the straight-line method over the terms indicated in the land use right certificates. Land use rights with indefinite useful life are recorded at historical cost and are not depreciated.

*Disposals*

Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are recognised as income or expense in the income statement.

**2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.9 Fixed assets (continued)***Construction in progress*

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost. Cost includes professional fees and, for qualifying assets, borrowing costs dealt with in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other fixed assets, commences when the assets are ready for their intended use.

**2.10 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.

**2.11 Investment properties**

As at 30 June 2017, the Company's investment properties are held for lease.

Investment properties held for lease are stated at historical cost less accumulated depreciation. Cost of an investment property means the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire the investment property at the time of its acquisition or completion of construction.

*Depreciation*

Investment properties held for lease are depreciated on the straight-line method to write off the cost of the assets over their estimated useful lives of 10-16 years.

*Disposals*

Gains or losses on disposals are determined by comparing net disposal proceeds with the net book value and are recognised as income or expense in the income statement.

**2.12 Prepaid expenses**

Prepaid expenses include short-term and long-term prepayments on the balance sheet. Prepaid expenses are recorded at historical cost and allocated using the straight line method over estimated useful lives.

**2.13 Payables**

Classifications of payables are based on their nature as follows:

- Trade accounts payable are trade payables arising from purchase of goods and services.
- Other payables including non-trade payables, and not relating to purchase of goods and services.

Payables are classified into long-term and short-term payables on the balance sheet based on remaining period from the balance sheet date to the maturity date.



**2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.14 Accrued expenses**

Accrued expenses include liabilities for goods and services received in the period but not yet paid for due to pending invoice or insufficient records and documents. Accrued expenses are recorded as expenses in the reporting period.

**2.15 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.

**2.16 Provisions**

Provisions are recognised when: the Company 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. Provision is 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, provision will be measured at the 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 an interest expense.

**2.17 Provision for severance allowances**

In accordance with Vietnamese labour laws, employees of the Company who have worked regularly for full 12 months or longer, are entitled to a severance allowance. The working period used for the calculation of severance allowance is the period during which the employee actually works for the Company less the period during which the employee participates in the unemployment insurance scheme in accordance with the labour regulations and the working period for which the employee has received severance allowance from the Company.

The severance allowance is accrued at the end of the reporting period on the basis that each employee is entitled half of an average monthly salary for each working year. The average monthly salary used for calculating the severance allowance is the employee's average salary for the six-month period prior to the balance sheet date.

This allowance will be paid as a lump sum when the employees terminate their labour contracts in according with current regulations.

**2.18 Provision for dismantling and restoration costs**

According to Circular 200, since 1 January 2015, the Company is required to provide for dismantling and restoration costs of the Company's leased premises and lands. This provision is determined based on the estimated dismantling and restoration costs incurred at the time of returning the premises and lands in future and recognised on a straight-line basis over the period from 1 January 2015 to the time of returning the premises and lands.

**2.19 Unearned revenue**

Unearned revenue represents the fair value of goods and services provided to customers for free or at discount in the customer loyalty programs. The Company records unearned revenue for the future obligations that the Company has to conduct.

**2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.20 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 with which the Socialist Republic of Vietnam has not signed any double taxation 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 profits at the current year tax rates. Current and deferred tax should be recognised as an income or an expense and included in the profit or loss of the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, directly in equity.

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

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**2.21 Share capital**

Contributed capital of the shareholders is recorded according to actual amount contributed. Contributions from owners are recorded according to par value of the share.

Share premium is the difference between the par value and the issue price of shares and the difference between the repurchase price and re-issuing price of treasury shares.

Undistributed earnings record the Company's results (profit, loss) after business income tax at the reporting date.

**2.22 Funds**

The Company's funds are as below:

**(a) Development and investment fund**

Development and investment fund is appropriated from net profit of the Company and approved by shareholders at the Company's Annual General Meeting.

**(b) Bonus and welfare fund**

Bonus and welfare fund is appropriated from the net profit of the Company and approved by shareholders at the Company's Annual General Meeting.

**2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.23 Dividend distribution**

The Company's net profit after tax could be distributed to shareholders after approval by shareholders at the Company's Annual General Meeting, and after appropriation to other funds in accordance with the Company's charter and Vietnamese regulations.

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

Appropriation of the Company's net profit after tax of the year 2016 was approved by shareholders at the Company's Annual General Meeting as follows:

- Dividends declared for year 2016: 35% of par value.
- Appropriation to the bonus and welfare fund: 12% of net consolidated profit after tax.
- Remuneration payment for Board of Management, sub-committees under Board of Management and Board of Management secretary: VND5 billion.
- Bonus for Board of Management, Supervisory Board, sub-committees under Board of Management and Board of Management secretary, Board of Directors and key management personnel: 5% of the increase in net consolidated profit after tax.
- Remaining net consolidated profit after tax was appropriated to the investment and development fund.

**2.24 Revenue recognition****(a) Sales of goods**

Revenue from the sale of goods is recognised in the income statement when all five (5) following conditions are satisfied:

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

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods.

Revenue is recognised based on principle of "substance over form" and allocated to each sales obligation. In case that the Company gives promotional goods to customers associated with customers' purchase, the Company allocates total consideration received for goods sold and promotional goods. Cost of promotional goods is recognised as cost of sales in the income statement.

**(b) Rendering of services**

Revenue from rendering of services is recognised in the income statement when the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenue from the sale of services is only recognised when all four (4) following conditions are satisfied:

- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Company;
- The percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

**2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.24 Revenue recognition (continued)****(c) Interest income**

Interest income is recognised on an earned basis.

**(d) Dividend income**

Income from dividend is recognised when the Company has established the receiving right from investees.

**2.25 Sales deductions**

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

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

**2.26 Customer loyalty programs**

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

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

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

**2.27 Cost of sales**

Cost of goods sold or cost of services are cost of finished goods, merchandises, materials sold or services provided during the period, and recorded on the basis of matching with revenue and on prudent concept.

**2.28 Financial expenses**

Finance expenses are expenses incurred in the period for financial activities including expenses or losses relating to financial investment activity, expenses of lending and borrowing, provision for diminution in value of investments in other entities, losses incurred when selling foreign currencies, losses from foreign exchange differences and payment discounts.

**2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)****2.29 Selling expenses**

Selling expenses represent expenses that are incurred in the process of selling products, goods, and providing services, which mainly include salary expenses for salesman, publicity expenses, goods display and introduction expenses, advertising expenses, sales commission, maintenance charges, costs of packing and transportation.

**2.30 General and administration expenses**

General and administration expenses represent expenses for administrative purposes which mainly include salary expenses for administrative staff (salaries, wages, allowances...); social insurance, medical insurance, labour union fees, unemployment insurance of administrative staff, expenses of office materials, tools and supplies, depreciation of fixed assets used for administration, land rental, licence tax, provision for bad debts, outside services and other cash expenses.

**2.31 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 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 the related party relationship, the Company considers the substance of the relationship not merely the legal form.

**2.32 Segment reporting**

A segment is a component which can be separated by the Company engaged in providing products or services (business segment), or providing products or services within a particular economic environment (geographical segment). Each segment is subject to risks and returns that are different from those of other segments. A reportable segment is the Company's business segment.

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

## 3 CASH AND CASH EQUIVALENTS

	30.6.2017 VND	31.12.2016 VND
Cash on hand	14,502,236,716	10,996,396,256
Cash at bank	32,886,112,088	14,213,152,221
Cash equivalents (*)	643,500,000,000	285,628,312,813
	<u>690,888,348,804</u>	<u>310,837,861,290</u>

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

## 4 INVESTMENTS

## (a) Short-term investments

## Investments held-to-maturity

	30.6.2017		31.12.2016	
	Cost VND	Book value VND	Cost VND	Book value VND
Term deposits	<u>619,000,000,000</u>	<u>619,000,000,000</u>	<u>694,000,000,000</u>	<u>694,000,000,000</u>

As at 30 June 2017, investments held-to-maturity of VND446 billion were used as collateral assets for short-term loans from bank (Note 20).

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 09a – DN

4 INVESTMENTS (continued)

(b) Long-term investments

	30.6.2017		31.12.2016	
	Cost VND	Provision VND	Cost VND	Provision VND
Investments in subsidiaries (*)	691,292,460,000	-	696,292,460,000	-
Investments in associates (**)	3,787,450,000	(597,096,044)	3,787,450,000	-
Other long-term investments (***)	27,908,170,200	(16,500,000,000)	27,908,170,200	(16,500,000,000)
	<u>722,988,080,200</u>	<u>(17,097,096,044)</u>	<u>727,988,080,200</u>	<u>(16,500,000,000)</u>

As at 30 June 2017 and 31 December 2016, fair values of long-term investments in other entities were not available as these entities' shares are not publicly traded, except for Cuu Long Pharmaceutical Joint Stock Company as this entity's shares are listed on Ho Chi Minh Stock Exchange since 2008. Fair values of this investment as at 30 June 2017 and 31 December 2016 were VND149,587,200 and VND165,110,400, respectively.

(\*) Percentages of ownership and voting rights in subsidiaries are presented in Note 1. Details of investments in subsidiaries are as follow:

	30.6.2017 VND	31.12.2016 VND
DHG Pharmaceutical One Member Limited Company	540,000,000,000	540,000,000,000
DHG Packaging and Printing 1 One Member Limited Company	80,000,000,000	80,000,000,000
Fuji Medic Limited Liability Company	13,742,460,000	13,742,460,000
DT Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
DHG Travel One Member Limited Company	5,000,000,000	5,000,000,000
HT Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
CM Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
ST Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
TOT Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
TG Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
Bali Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
B&T Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
VL Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
TVP Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
SH Pharmaceutical Joint Stock Company	2,550,000,000	2,550,000,000
A&G Pharmaceutical One Member Limited Company	-	5,000,000,000
	<u>691,292,460,000</u>	<u>696,292,460,000</u>

## 4 INVESTMENTS (continued)

## (b) Long-term investments (continued)

(\*\*) Percentages of ownership and voting rights in associates are presented in Note 1. Details of investments in associates are as follow:

	30.6.2017 VND	31.12.2016 VND
Vinh Hao Algae Processing Joint Stock Company	3,787,450,000	3,787,450,000

(\*\*\*) Details of other long-term investments as at 30 June 2017 and 31 December 2016 are as follow:

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

## 5 SHORT-TERM TRADE ACCOUNTS RECEIVABLE

	30.6.2017 VND	31.12.2016 VND
Third parties (*)	523,052,748,086	394,922,980,979
Related parties (Note 36(b)(i))	9,308,010,157	110,472,202,944
	<u>532,360,758,243</u>	<u>505,395,183,923</u>

(\*) As at 30 June 2017 and 31 December 2016, there was no short-term trade account receivable from third parties accounting for 10% or more of total short-term trade accounts receivable balance.

## 6 LENDING

## (a) Short-term

	30.6.2017 VND	31.12.2016 VND
Lending to subsidiaries (Note 36(b)(ii))	44,822,938,865	31,950,415,700
Lending to customers	39,098,705,865	14,386,638,849
	<u>83,921,644,730</u>	<u>46,337,054,549</u>

## (b) Long-term

	30.6.2017 VND	31.12.2016 VND
Lending to customers	13,775,715,894	2,749,472,109



## 7 OTHER SHORT-TERM RECEIVABLES

	30.6.2017		31.12.2016	
	Value VND	Provision VND	Value VND	Provision VND
Interest income receivable	16,284,830,560	-	15,585,033,271	-
Receivables from employees	8,490,815,801	-	1,403,269,689	-
Prepaid trade discounts	253,366,514	-	183,850,237	-
Other receivables	5,061,042,296	-	5,415,373,753	-
	<u>30,090,055,171</u>	<u>-</u>	<u>22,587,526,950</u>	<u>-</u>

## 8 DOUBTFUL DEBTS

	30.6.2017		
	Cost VND	Recoverable amount VND	Provision VND
Total amount of receivables past due	<u>207,229,861,683</u>	<u>189,593,433,434</u>	<u>(17,636,428,249)</u>
	31.12.2016		
	Cost VND	Recoverable amount VND	Provision VND
Total amount of receivables past due	<u>125,032,943,616</u>	<u>118,926,436,836</u>	<u>(6,106,506,780)</u>

As at 30 June 2017 and 31 December 2016, there was no receivable that was not past due but doubtful.

As at 30 June 2017 and 31 December 2016, there was no receivable accounting for 10% or more of total past due receivable amount.

Movements in provision for doubtful debts in the period/year were as follows:

	Six-month period ended 30.06.2017 VND	Year ended 31.12.2016 VND
Beginning of period/year	6,106,506,780	5,777,715,142
Increase	5,407,959,572	328,791,638
Transfers from subsidiaries	6,121,961,897	-
End of period/year	<u>17,636,428,249</u>	<u>6,106,506,780</u>

## 9 INVENTORIES

	30.6.2017		31.12.2016	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	87,077,559,043	-	60,597,811,325	-
Raw materials	162,741,032,632	-	174,559,432,461	-
Work in progress	12,985,011,337	-	9,884,664,619	-
Finished goods	84,876,306,777	(1,329,865,193)	120,444,958,431	(1,028,460,903)
Merchandises	438,785,697,303	(2,241,991,357)	407,056,898,866	(626,162,795)
	<u>786,465,607,092</u>	<u>(3,571,856,550)</u>	<u>772,543,765,702</u>	<u>(1,654,623,698)</u>

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

	Six-month period ended 30.6.2017 VND	Year ended 31.12.2016 VND
Beginning of period/year	1,654,623,698	2,360,634,730
Increase	1,917,232,852	-
Reversal	-	(706,011,032)
End of period/year	<u>3,571,856,550</u>	<u>1,654,623,698</u>

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

As at 30 June 2017 and 31 December 2016, the Company did not have any slow moving, damaged or sub-standard inventories.

## 10 PREPAID EXPENSES

## (a) Short-term prepaid expenses

	30.6.2017 VND	31.12.2016 VND
Operating lease	2,962,504,951	30,818,180
Others	2,934,006,991	2,606,918,073
	<u>5,896,511,942</u>	<u>2,637,736,253</u>

Short-term prepaid expenses are allocated within 12 months or a normal business cycle since the time of prepayment.

## 10 PREPAID EXPENSES (continued)

## (b) Long-term prepaid expenses

	30.6.2017 VND	31.12.2016 VND
Prepaid land rental fees	10,886,040,348	11,059,114,850
Tools and supplies	8,370,017,156	3,722,025,943
Leasehold improvements	95,406,168	111,109,236
Others	2,791,794,354	1,533,712,487
	<u>22,143,258,026</u>	<u>16,425,962,516</u>

Long-term prepaid expenses are allocated in a period of more than 12 months or a normal business cycle since the time of prepayment.

Movements in long-term prepaid expenses in the period/year are as follows:

	Six-month period ended 30.6.2017 VND	Year ended 31.12.2016 VND
Beginning of period/year	16,425,962,516	14,621,653,241
Increase	8,168,418,539	4,756,380,827
Allocation in the period/year	(2,451,123,029)	(2,952,071,552)
	<u>22,143,258,026</u>	<u>16,425,962,516</u>

## 11 TAX AND OTHER RECEIVABLES FROM/PAYABLES TO THE STATE BUDGET

	As at 1.1.2017 VND	Payable/ receivable in the period VND	Paid in the period VND	As at 30.6.2017 VND
<b>a. Receivables</b>				
VAT receivables	6,821,963,746	(22,573,430,899)	23,031,884,267	7,280,417,114
Business income tax	5,743,754,917	(2,293,047,949)	-	3,450,706,968
Personal income tax	-	(29,123,959,586)	31,330,608,893	2,206,649,307
Import/export duties	696,183,652	(6,243,114,525)	7,163,660,762	1,616,729,889
	<u>13,261,902,315</u>	<u>(60,233,552,959)</u>	<u>61,526,153,922</u>	<u>14,554,503,278</u>
<b>b. Payables</b>				
Output VAT	5,342,035,766	20,370,292,704	(21,598,251,047)	4,114,077,423
Personal income tax	2,265,214,563	-	(2,265,214,563)	-
Land tax, land use tax	-	5,578,214,735	(2,937,526,725)	2,640,688,010
Other taxes	-	129,894,560	(129,894,560)	-
	<u>7,607,250,329</u>	<u>26,078,401,999</u>	<u>(26,930,886,895)</u>	<u>6,754,765,433</u>

## 12 FIXED ASSETS

## (a) Tangible fixed assets

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
<b>Historical cost</b>					
As at 1 January 2017	233,895,975,591	214,148,457,109	117,449,597,439	74,521,438,531	640,015,468,670
Transfers from construction in progress (Note 14)	97,376,543	2,087,137,273	1,121,411,105	411,365,989	3,717,290,910
Transfers from investment properties (Note 13)	35,223,930,909	-	-	-	35,223,930,909
Disposals	-	(11,794,431,609)	(353,666,647)	(6,277,795,723)	(18,425,893,979)
As at 30 June 2017	269,217,283,043	204,441,162,773	118,217,341,897	68,655,008,797	660,530,796,510
<b>Accumulated depreciation</b>					
As at 1 January 2017	95,750,794,071	125,495,766,885	79,998,597,658	54,738,638,857	355,983,797,471
Charge for the period	10,113,152,217	8,358,264,281	5,468,220,621	3,081,463,445	27,021,100,564
Transfers from investment properties (Note 13)	10,162,553,799	-	-	-	10,162,553,799
Disposals	-	(9,715,131,267)	(353,666,647)	(5,601,048,911)	(15,669,846,825)
As at 30 June 2017	116,026,500,087	124,138,899,899	85,113,151,632	52,219,053,391	377,497,605,009
<b>Net book value</b>					
As at 1 January 2017	138,145,181,520	88,652,690,224	37,450,999,781	19,782,799,674	284,031,671,199
As at 30 June 2017	153,190,782,956	80,302,262,874	33,104,190,265	16,435,955,406	283,033,191,501

Cost of fully depreciated tangible fixed assets but still in use as at 30 June 2017 was VND153,364 million (31 December 2016: VND148,975 million).

## 12 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
<b>Historical cost</b>				
As at 1 January 2017	110,288,939,361	102,821,579,711	12,942,777,805	226,053,296,877
Transfers from construction in progress (Note 14)	-	-	2,264,085,000	2,264,085,000
As at 30 June 2017	<u>110,288,939,361</u>	<u>102,821,579,711</u>	<u>15,206,862,805</u>	<u>228,317,381,877</u>
<b>Accumulated amortisation</b>				
As at 1 January 2017	-	12,710,844,439	7,036,453,517	19,747,297,956
Charge for the period	-	1,051,881,708	1,093,754,296	2,145,636,004
As at 30 June 2017	<u>-</u>	<u>13,762,726,147</u>	<u>8,130,207,813</u>	<u>21,892,933,960</u>
<b>Net book value</b>				
As at 1 January 2017	<u>110,288,939,361</u>	<u>90,110,735,272</u>	<u>5,906,324,288</u>	<u>206,305,998,921</u>
As at 30 June 2017	<u>110,288,939,361</u>	<u>89,058,853,564</u>	<u>7,076,654,992</u>	<u>206,424,447,917</u>

Cost of fully amortised intangible fixed assets but still in use as at 30 June 2017 and 31 December 2016 was VND2,917,000,000.

## 13 INVESTMENT PROPERTIES

	Buildings VND
<b>Historical cost</b>	
As at 1 January 2017	36,576,236,140
Transfers to tangible fixed assets (Note 12(a))	(35,223,930,909)
As at 30 June 2017	<u>1,352,305,231</u>
<b>Accumulated depreciation</b>	
As at 1 January 2017	11,008,259,421
Charge for the period	41,754,973
Transfers to tangible fixed assets (Note 12(a))	(10,162,553,799)
As at 30 June 2017	<u>887,460,595</u>
<b>Net book value</b>	
As at 1 January 2017	<u>25,567,976,719</u>
As at 30 June 2017	<u>464,844,636</u>

Cost of fully depreciated investment properties but still in use as at 30 June 2017 was VND47,567,069 (31 December 2016: VND612,933,335).

## 14 LONG-TERM ASSETS IN PROGRESS

## Construction in progress

	30.6.2017 VND	31.12.2016 VND
Effervescent tablet production factory	12,761,869,885	6,267,835,000
Gia Lai office	623,948,774	623,948,774
Head office	526,037,283	-
Thai Nguyen office	-	11,818,182
	<u>13,911,855,942</u>	<u>6,903,601,956</u>

Movements in construction in progress during the period/year were as follows:

	Six-month period ended 30.6.2017 VND	Year ended 31.12.2016 VND
Beginning of period/year	6,903,601,956	13,094,070,465
Additions	13,464,629,896	92,473,008,537
Transfers to tangible fixed assets (Note 12(a))	(3,717,290,910)	(84,930,323,433)
Transfers to intangible fixed assets (Note 12(b))	(2,264,085,000)	(6,205,435,000)
Transfers to investment properties	-	(136,483,613)
Transfers to tools, supplies	-	(496,913,970)
Disposals	(475,000,000)	(6,894,321,030)
End of period/year	<u>13,911,855,942</u>	<u>6,903,601,956</u>

## 15 DEFERRED INCOME TAX ASSETS

The deferred income tax assets mainly arise from deductible temporary differences of provisions.

	30.6.2017 VND	31.12.2016 VND
Business income tax rate used for determining deferred income tax assets	20%	20%
Deductible temporary differences	48,594,053,574	45,303,092,215
Deferred income tax assets	<u>9,718,810,715</u>	<u>9,060,618,443</u>

## 16 SHORT-TERM TRADE ACCOUNTS PAYABLE

	30.6.2017		31.12.2016	
	Value VND	Able-to-pay amount VND	Value VND	Able-to-pay amount VND
Third parties (*)	215,838,123,609	215,838,123,609	275,063,545,976	275,063,545,976
Related parties (Note 36(b)(v))	187,266,058,814	187,266,058,814	370,804,348,141	370,804,348,141
	<u>403,104,182,423</u>	<u>403,104,182,423</u>	<u>645,867,894,117</u>	<u>645,867,894,117</u>

(\*) Suppliers accounting for 10% or more of total trade accounts payable balance are as follows:

	30.6.2017 VND	31.12.2016 VND
Nomura Trading Co., Ltd	33,745,140,000	46,661,401,500
Develing Trade B.V.	28,429,954,839	23,703,336,181
Sang Trading and Pharmaceutical Limited Company	24,480,453,123	22,629,327,315
Mega Lifesciences (Viet Nam) Limited Company	21,623,267,484	26,633,640,634
Truong Tin Pharmaceutical Limited Company	9,633,198,762	56,484,958,549

As at 30 June 2017 and 31 December 2016, there was no short-term trade account payable that was past due.

## 17 SHORT-TERM ACCRUED EXPENSES

	30.6.2017 VND	31.12.2016 VND
Marketing and customer care expenses	13,867,038,712	2,984,753,722
Seminar expenses	3,280,000,000	12,058,228
Interest expenses	483,544,107	589,134,749
Others	20,694,548,987	23,840,253,628
	<u>38,325,131,806</u>	<u>27,426,200,327</u>

## 18 SHORT-TERM UNEARNED REVENUE

	30.6.2017 VND	31.12.2016 VND
Unearned revenue for customer loyalty programs (Note 2.19 and 2.26)	28,519,102,824	26,361,586,191

## 19 OTHER SHORT-TERM PAYABLES

	30.6.2017 VND	31.12.2016 VND
Payables to subsidiaries (Note 36(b)(vi))	43,516,601,627	-
Payables to employees (Note 20)	29,334,738,871	-
Union fee	462,775,796	700,902,630
Other payables	6,724,736,263	4,507,284,468
	<u>80,038,852,557</u>	<u>5,208,187,098</u>

## 20 SHORT-TERM BORROWINGS

	30.6.2017		31.12.2016	
	Value VND	Able-to-pay amount VND	Value VND	Able-to-pay amount VND
Loans from banks (*)	691,600,000,000	691,600,000,000	323,700,000,000	323,700,000,000
Loans from the Company's employees (**)	-	-	31,065,428,463	31,065,428,463
	<u>691,600,000,000</u>	<u>691,600,000,000</u>	<u>354,765,428,463</u>	<u>354,765,428,463</u>

The movements of short-term borrowings during the period were as follows:

	As at 1.1.2017 VND	Increase VND	Decrease (***) VND	As at 30.6.2017 VND
Loans from banks	323,700,000,000	1,379,900,000,000	(1,012,000,000,000)	691,600,000,000
Loans from the Company's employees	31,065,428,463	3,913,007,336	(34,978,435,799)	-
	<u>354,765,428,463</u>	<u>1,383,813,007,336</u>	<u>(1,046,978,435,799)</u>	<u>691,600,000,000</u>

(\*) These loans are secured by term deposits at bank (Note 4(a)) and bear interest at 0.32% to 0.42% per month (2016: from 0.32% to 0.38% per month).

(\*\*) These loans are unsecured and bear interest at 0.375% to 0.57% per month (2016: from 0.375% to 0.57% per month).

(\*\*\*) Included in total decrease amount, the amount of VND5,643,696,928 was fully paid to employees, the remaining amount of VND29,334,738,871 has not yet been paid and is recognised as other short-term payables as at 30 June 2017.

As at 30 June 2017 and 31 December 2016, there was no short-term borrowing that was past due.



**21 BONUS AND WELFARE FUNDS**

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

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

	Bonus and welfare fund VND	Bonus fund for Board of Management VND	Welfare fund in form of assets VND	Total VND
As at 1.1.2017	23,284,835,838	6,822,310,000	31,082,436,238	61,189,582,076
Appropriation to the funds (Note 25)	85,212,171,380	11,070,021,247	-	96,282,192,627
Transfers from a subsidiary	1,712,874,138	32,655,428	-	1,745,529,566
Transfers from welfare fund in form of assets	7,519,442,000	-	(7,519,442,000)	-
Depreciation of assets formed from funds	-	-	(1,646,760,132)	(1,646,760,132)
Transfers to a subsidiary	(5,600,000,000)	-	-	(5,600,000,000)
Utilisation	(25,513,811,474)	(5,978,837,701)	-	(31,492,649,175)
As at 30.6.2017	<u>86,615,511,882</u>	<u>11,946,148,974</u>	<u>21,916,234,106</u>	<u>120,477,894,962</u>

**22 SCIENCE AND TECHNOLOGY DEVELOPMENT FUNDS**

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

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

	Science and technology development fund VND	Science and technology development fund in form of assets VND	Total VND
As at 1.1.2017	(5,308,384,662)	26,307,373,038	20,998,988,376
Appropriation to the funds (Note 32)	7,000,000,000	-	7,000,000,000
Transfers to a subsidiary	(1,827,793,048)	-	(1,827,793,048)
Utilisation	(856,882,463)	-	(856,882,463)
Assets formed from science and technology development fund	(1,863,636,364)	1,863,636,364	-
Depreciation of assets formed from science and technology development fund	-	(2,356,277,294)	(2,356,277,294)
Disposals of assets formed from science and technology development funds	1,640,441,347	(1,640,441,347)	-
As at 30.6.2017	<u>(1,216,255,190)</u>	<u>24,174,290,761</u>	<u>22,958,035,571</u>

## 23 PROVISIONS FOR LONG-TERM LIABILITIES

	Provision for dismantling and restoration costs of the Company's leased premises or lands VND	Provision for severance allowances VND	Total VND
As at 1.1.2017	3,055,713,715	25,747,378,500	28,803,092,215
Provision	850,997,964	3,222,687,102	4,073,685,066
Utilisation	-	(1,379,819,751)	(1,379,819,751)
As at 30.6.2017	<u>3,906,711,679</u>	<u>27,590,245,851</u>	<u>31,496,957,530</u>

## 24 OWNERS' CAPITAL

## (a) Number of shares

	30.6.2017 Ordinary shares	31.12.2016 Ordinary shares
Number of shares issued	130,746,071	87,164,330
Number of existing shares in circulation	<u>130,746,071</u>	<u>87,164,330</u>

## (b) Details of owners' shareholding

	30.6.2017		31.12.2016	
	Ordinary shares	%	Ordinary shares	%
Shareholding owned by the State	56,626,237	43.31	37,750,825	43.31
Shareholding owned by other owners	74,119,834	56.69	49,413,505	56.69
Number of shares	<u>130,746,071</u>	<u>100</u>	<u>87,164,330</u>	<u>100</u>

## (c) Movement of share capital

	30.6.2017		31.12.2016	
	Number of shares	VND	Number of shares	VND
Beginning of period/year	87,164,330	871,643,300,000	86,941,950	855,522,270,000
Bonus shares issued	43,581,741	435,817,410,000	-	-
Treasury shares re-issued	-	-	222,380	16,121,030,000
Ending of period/year	<u>130,746,071</u>	<u>1,307,460,710,000</u>	<u>87,164,330</u>	<u>871,643,300,000</u>

## 25 MOVEMENTS IN OWNERS' EQUITY

	Owners' capital VND	Share premium VND	Treasury shares VND	Investment and development fund VND	Undistributed earnings VND	Total VND
As at 1 January 2016	871,643,300,000	-	(16,121,030,000)	1,025,023,272,831	542,991,263,137	2,423,536,805,968
Profit for the year	-	-	-	-	255,321,632,334	255,321,632,334
Dividends paid	-	-	-	-	(304,296,825,000)	(304,296,825,000)
Appropriation to reserves	-	-	-	179,395,311,823	(179,395,311,823)	-
Appropriation to bonus and welfare fund	-	-	-	-	(54,299,126,314)	(54,299,126,314)
Appropriation to bonus fund for Board of Management	-	-	-	-	(5,000,000,000)	(5,000,000,000)
Treasury shares re-issued	-	6,778,948,000	16,121,030,000	-	-	22,899,978,000
As at 31 December 2016	871,643,300,000	6,778,948,000	-	1,204,418,584,654	255,321,632,334	2,338,162,464,988
Bonus shares issued (*)	435,817,410,000	-	-	(435,817,410,000)	-	-
Profit for the period	-	-	-	-	582,030,944,278	582,030,944,278
Transfers from a subsidiary	-	-	-	-	539,520,185	539,520,185
Dividends declared for the year 2016	-	-	-	-	(305,075,155,000)	(305,075,155,000)
Appropriation to reserves	-	-	-	308,744,080,539	(308,744,080,539)	-
Appropriation to bonus and welfare fund (Note 21)	-	-	-	-	(85,212,171,380)	(85,212,171,380)
Appropriation to bonus fund for Board of Management (Note 21)	-	-	-	-	(11,070,021,247)	(11,070,021,247)
As at 30 June 2017	1,307,460,710,000	6,778,948,000	-	1,077,345,255,193	127,790,668,631	2,519,375,581,824

(\*) In April 2017, the Company declared the bonus share issuance to existing shareholders at ratio 2:1 to increase the share capital from the owners' equity and the share capital increase was completed in June 2017.

## 26 DIVIDENDS

In 2017, the Company has declared dividends of 35% in cash for the year 2016, equivalent to VND305,075,155,000 which were paid on 17 May 2017.

## 27 OFF BALANCE SHEET ITEMS

## a) Operating lease commitment

Minimum lease payments in the future under non-cancellable operating leases are as follows:

	30.6.2017 VND	31.12.2016 VND
Within 1 year	2,711,014,189	5,481,993,358
Between 1 and 5 years	21,688,113,512	21,927,973,432
Over 5 years	118,502,981,141	122,558,946,522
	<u>142,902,108,842</u>	<u>149,968,913,312</u>

## b) Foreign currencies

Included in cash and cash equivalents are balances held in foreign currencies as follows:

	30.6.2017	31.12.2016
USD	647,747	52,290
EUR	2,291	2,086
MOP	-	20
	<u>        </u>	<u>        </u>

## 28 REVENUE

## (a) Net sales

	<u>For the six-month period ended</u>	
	30.6.2017 VND	30.6.2016 VND
<b>Sales</b>		
Sales of finished goods	401,588,755,484	852,152,304,375
Sales of merchandises	1,855,738,413,973	938,733,073,885
Others	17,623,080,900	1,478,849,375
	<u>2,274,950,250,357</u>	<u>1,792,364,227,635</u>
<b>Sales deductions</b>		
Trade discounts	164,875,598,422	85,242,806,500
Sales returns	5,225,998,133	10,776,331,925
	<u>170,101,596,555</u>	<u>96,019,138,425</u>
<b>Net sales</b>	<u>2,104,848,653,802</u>	<u>1,696,345,089,210</u>
<b>In which:</b>		
Sales of finished goods	367,365,955,460	795,860,163,838
Sales of merchandises	1,719,859,617,442	899,006,075,997
Others	17,623,080,900	1,478,849,375
	<u>2,104,848,653,802</u>	<u>1,696,345,089,210</u>

## 28 REVENUE (continued)

## (b) Financial income

	For the six-month period ended	
	30.6.2017 VND	30.6.2016 VND
Dividend income (*)	612,056,954,126	90,236,308,449
Interest income from deposits at bank	30,984,292,053	24,205,624,898
Foreign exchange gains	1,935,828,054	1,646,195,531
Interest income from lending	870,913,644	12,439,260,140
Others	-	249,752,568
	<u>645,847,987,877</u>	<u>128,777,141,586</u>

(\*) Dividend income for the six-month period ended 30.6.2017 includes dividends for the year 2016 from subsidiaries of VND612,003,688,962. Dividend income for the six-month period ended 30.6.2016 includes final dividends for the year 2015 from subsidiaries of VND90,080,720,029.

## 29 COST OF SALES

	For the six-month period ended	
	30.6.2017 VND	30.6.2016 VND
Cost of finished goods sold	216,824,109,429	421,341,637,116
Cost of merchandises sold	1,464,513,449,966	831,520,244,435
Cost of services provided	162,681,876	1,257,646,308
Provision for decline in value of inventories	1,917,232,852	(1,003,646,883)
	<u>1,683,417,474,123</u>	<u>1,253,115,880,976</u>

## 30 FINANCIAL EXPENSES

	For the six-month period ended	
	30.6.2017 VND	30.6.2016 VND
Payment discounts	30,390,536,453	23,507,203,887
Interest expenses	10,652,258,756	5,598,598,698
Foreign exchange losses	2,363,017,454	1,897,965,904
Provision for long-term investments	597,096,044	-
Other expenses	78,733,459	59,263,668
	<u>44,081,642,166</u>	<u>31,063,032,157</u>

## 31 SELLING EXPENSES

	For the six-month period ended	
	30.6.2017 VND	30.6.2016 VND
Staff costs	148,073,059,550	75,433,665,199
Advertising expenses	51,494,332,013	106,696,775,590
Transportation for goods sold	15,157,076,250	11,269,823,494
Depreciation expenses	10,060,881,956	7,467,459,055
Seminar expenses	8,634,031,600	4,877,002,689
Material expenses	5,573,660,878	6,109,065
Tools and supplies expenses	3,203,485,293	2,845,459,620
Other expenses	46,064,941,279	35,636,439,838
	<u>288,261,468,819</u>	<u>244,232,734,550</u>

## 32 GENERAL AND ADMINISTRATION EXPENSES

	For the six-month period ended	
	30.6.2017 VND	30.6.2016 VND
Staff costs	120,056,836,060	74,633,814,001
Appropriation to science and technology development funds	7,000,000,000	-
Outside service expenses	5,599,885,926	5,257,448,863
Provisions for doubtful debts	5,407,959,572	246,862,492
Depreciation expenses	3,584,399,577	4,053,764,396
Material expenses	1,174,544,369	8,600,000
Provision for dismantling and restoration costs	850,997,964	850,997,964
Tools and supplies expenses	577,866,722	748,203,952
Fees and duties	209,485,630	213,670,258
Other expenses	7,410,698,000	7,494,136,882
	<u>151,872,673,820</u>	<u>93,507,498,808</u>

## 33 OTHER INCOME AND EXPENSES

	For the six-month period ended	
	30.6.2017 VND	30.6.2016 VND
<b>Other income</b>		
Gains from disposals of fixed assets	633,988,159	4,641,006,262
Commission income	-	14,983,963,390
Revenue from provision of rental services	-	920,909,090
Sundry income	1,831,610,183	4,480,328,564
	<u>2,465,598,342</u>	<u>25,026,207,306</u>
<b>Other expenses</b>		
Losses of inventories	-	8,295,694,967
Sundry expenses	1,863,181,138	436,505,042
	<u>1,863,181,138</u>	<u>8,732,200,009</u>

## 34 COST OF OPERATIONS BY FACTOR

	For the six-month period ended	
	30.6.2017 VND	30.6.2016 VND
Raw materials	1,588,748,900,471	1,149,176,535,909
Labour costs	316,525,852,034	223,751,881,200
Depreciation expenses	24,949,504,762	27,150,545,441
Outside service expenses	67,360,727,905	165,206,845,829
Other expenses	96,546,762,820	34,648,903,431
	<u>2,094,131,747,992</u>	<u>1,599,934,711,810</u>

## 35 BUSINESS INCOME TAX

According to the Decision No. 3044/QĐ-UBND of the 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 2013 and 22% for the following years. According to Circular 78/2014/TT-BTC, the standard business income tax decreased to 22% since 1 January 2014 and 20% since 1 January 2016. Accordingly, the Company applied the BIT rate of 20% for the year 2017.

The tax on the Company'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 the six-month period ended	
	30.6.2017 VND	30.6.2016 VND
Net accounting profit before tax	583,665,799,955	219,497,091,602
Tax calculated at the normal tax rate of 20%	116,733,159,991	43,899,418,320
Effect of:		
Income not subject to tax	(122,411,390,825)	(18,047,261,690)
Expenses not deductible for tax purposes	1,634,855,677	1,906,325,124
Tax losses for which no deferred income tax asset was recognised	5,678,230,834	-
Business income tax charge (*)	<u>1,634,855,677</u>	<u>27,758,481,754</u>
Charged/(credited) to income statement:		
Business income tax - current	2,293,047,949	27,758,481,754
Business income tax - deferred	(658,192,272)	-
	<u>1,634,855,677</u>	<u>27,758,481,754</u>

(\*) The Company's business income tax charge for the period is based on estimated taxable income and is subject to review and possible adjustment by the respective local tax authorities.

## 36 RELATED PARTY DISCLOSURES

The largest shareholder of the Company is the State Capital Investment Corporation ("SCIC") which owns 43.31% of the Company's share capital. The SCIC is controlled by the Government of SR Vietnam.

## (a) Related party transactions

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

	For the six-month period ended	
	30.6.2017 VND	30.6.2016 VND
<i>i) Sales of goods and services</i>		
<b>Subsidiaries</b>		
DHG Pharmaceutical One Member Limited Company	337,391,230,795	169,855,676,724
SH Pharmaceutical Joint Stock Company	36,348,492,405	33,911,683,252
DHG Travel One Member Limited Company	982,007,094	1,064,296,756
DHG Packaging and Printing 1 One Member Limited Company	265,731,509	316,240,431
TOT Pharmaceutical One Member Limited Company	-	71,200,449,421
A&G Pharmaceutical One Member Limited Company	-	47,067,998,218
ST Pharmaceutical One Member Limited Company	-	27,093,862,284
HT Pharmaceutical One Member Limited Company	-	24,435,446,100
VL Pharmaceutical One Member Limited Company	-	20,236,878,161
Bali Pharmaceutical One Member Limited Company	-	20,015,768,866
CM Pharmaceutical One Member Limited Company	-	19,720,096,790
B&T Pharmaceutical One Member Limited Company	-	19,407,699,359
DT Pharmaceutical One Member Limited Company	-	16,156,791,433
TG Pharmaceutical One Member Limited Company	-	13,250,437,599
TVP Pharmaceutical One Member Limited Company	-	10,192,145,448
	<u>374,987,461,803</u>	<u>493,925,470,842</u>
<i>ii) Purchases of goods and services</i>		
<b>Subsidiaries</b>		
DHG Pharmaceutical One Member Limited Company	870,476,877,428	464,561,501,313
DHG Packaging and Printing 1 One Member Limited Company	16,467,656,885	46,209,394,055
DHG Travel One Member Limited Company	14,648,275,498	14,077,666,364
TOT Pharmaceutical One Member Limited Company	-	224,673,304
<b>Associate</b>		
Vinh Hao Algae Processing Joint Stock Company	1,132,250,000	717,050,000
	<u>902,725,059,811</u>	<u>525,790,285,036</u>



## 36 RELATED PARTY DISCLOSURES (continued)

## (a) Related party transactions (continued)

	For the six-month period ended	
	30.6.2017 VND	30.6.2016 VND
<i>iii) Sales of fixed assets</i>		
<b>Subsidiaries</b>		
DHG Pharmaceutical One Member Limited Company	3,396,004,997	-
<i>iv) Dividend income</i>		
<b>Subsidiaries</b>		
DHG Pharmaceutical One Member Limited Company	497,405,232,363	68,214,526,669
DHG Packaging and Printing 1 One Member Limited Company	36,075,222,427	8,556,365,201
TOT Pharmaceutical One Member Limited Company	28,569,221,931	2,210,827,450
A&G Pharmaceutical One Member Limited Company	11,274,561,340	1,538,343,416
ST Pharmaceutical One Member Limited Company	6,892,286,367	853,786,842
HT Pharmaceutical One Member Limited Company	6,548,577,233	1,939,298,020
Bali Pharmaceutical One Member Limited Company	6,435,232,133	990,249,704
CM Pharmaceutical One Member Limited Company	6,353,700,178	1,018,960,957
B&T Pharmaceutical One Member Limited Company	3,396,890,325	959,981,576
VL Pharmaceutical One Member Limited Company	3,386,544,475	1,018,037,728
TG Pharmaceutical One Member Limited Company	2,285,345,720	693,817,933
DT Pharmaceutical One Member Limited Company	1,616,676,596	654,886,490
SH Pharmaceutical Joint Stock Company	765,000,000	1,275,000,000
TVP Pharmaceutical One Member Limited Company	563,672,164	87,450,668
DHG Travel One Member Limited Company	435,525,710	69,187,375
	<u>612,003,688,962</u>	<u>90,080,720,029</u>
<i>v) Short-term lending to subsidiaries</i>		
<b>Loans granted for investment capital</b>		
DHG Pharmaceutical One Member Limited Company	10,872,523,165	26,484,328,789
<b>Loans granted for working capital</b>		
DHG Travel One Member Limited Company	2,000,000,000	-
ST Pharmaceutical One Member Limited Company	-	3,878,438,285
	<u>2,000,000,000</u>	<u>3,878,438,285</u>
<b>Collections of loans to subsidiaries</b>		
HT Pharmaceutical One Member Limited Company	-	2,000,000,000
ST Pharmaceutical One Member Limited Company	-	3,878,438,285
DHG Pharmaceutical One Member Limited Company	-	218,718,743,786
TVP Pharmaceutical One Member Limited Company	-	2,829,000,000
		<u>- 227,426,182,071</u>

## 36 RELATED PARTY DISCLOSURES (continued)

## (a) Related party transactions (continued)

	For the six-month period ended	
	30.6.2017 VND	30.6.2016 VND
<b><i>vj) Withdrawal of contributed capital</i></b>		
A&G Pharmaceutical One Member Limited Company	5,000,000,000	-
<b><i>vij) Dividend paid</i></b>		
The State Capital Investment Corporation ("SCIC")	132,127,887,500	132,127,887,500
Taisho Pharmaceutical Co., Ltd	74,564,224,000	-
Franklin Templeton Investment Funds-Templeton Frontier Markets Fund	26,415,175,500	28,788,735,500
Portal Global Limited	-	21,974,155,000
<b><i>viii) Remuneration of key management</i></b>		
Gross salaries and other benefits	9,911,906,264	6,084,280,428
<b>(b) Period/year end balances with related parties</b>		
	<b>30.6.2017 VND</b>	<b>31.12.2016 VND</b>
<b>i) Trade accounts receivable (Note 5)</b>		
<b>Subsidiaries</b>		
SH Pharmaceutical Joint Stock Company	9,307,290,157	8,256,820,378
DHG Packaging and Printing 1 One Member Limited Company	720,000	720,000
DHG Travel One Member Limited Company	-	1,841,860
DT Pharmaceutical One Member Limited Company	-	8,042,060,515
HT Pharmaceutical One Member Limited Company	-	8,650,030,666
CM Pharmaceutical One Member Limited Company	-	12,867,061,125
A&G Pharmaceutical One Member Limited Company	-	15,233,812,633
ST Pharmaceutical One Member Limited Company	-	13,113,970,433
TOT Pharmaceutical One Member Limited Company	-	10,337,468,553
TG Pharmaceutical One Member Limited Company	-	6,095,572,073
Bali Pharmaceutical One Member Limited Company	-	8,579,349,638
B&T Pharmaceutical One Member Limited Company	-	658,526,143
TVP Pharmaceutical One Member Limited Company	-	2,310,029,324
VL Pharmaceutical One Member Limited Company	-	11,625,139,603
Fuji Medic Limited Liability Company	-	4,699,800,000
	<u>9,308,010,157</u>	<u>110,472,202,944</u>

## 36 RELATED PARTY DISCLOSURES (continued)

## (b) Period/year end balances with related parties (continued)

	30.6.2017 VND	31.12.2016 VND
<b>ii) Short-term loans receivable (Note 6(a))</b>		
<b>Subsidiaries</b>		
DHG Packaging and Printing 1 One Member Limited Company	22,919,711,037	22,919,711,037
DHG Pharmaceutical One Member Limited Company	19,903,227,828	9,030,704,663
DHG Travel One Member Limited Company	2,000,000,000	-
	<u>44,822,938,865</u>	<u>31,950,415,700</u>
<b>iii) Other short-term receivables</b>		
<b>Subsidiaries</b>		
SH Pharmaceutical Joint Stock Company	765,000,000	-
	<u>765,000,000</u>	<u>-</u>
<b>iv) Short-term prepayments to suppliers</b>		
<b>Subsidiaries</b>		
Fuji Medic Limited Liability Company	404,737,800	-
	<u>404,737,800</u>	<u>-</u>
<b>v) Short-term trade accounts payable (Note 16)</b>		
<b>Subsidiaries</b>		
DHG Pharmaceutical One Member Limited Company	179,498,847,997	362,912,166,262
DHG Packaging and Printing 1 One Member Limited Company	4,804,278,317	7,577,591,879
DHG Travel One Member Limited Company	2,716,432,500	103,390,000
<b>Associate</b>		
Vinh Hao Algae Processing Joint Stock Company	246,500,000	211,200,000
	<u>187,266,058,814</u>	<u>370,804,348,141</u>
<b>vi) Other short-term payables (Note 19)</b>		
<b>Subsidiaries</b>		
Bali Pharmaceutical One Member Limited Company	5,221,674,772	-
B&T Pharmaceutical One Member Limited Company	4,432,681,911	-
CM Pharmaceutical One Member Limited Company	4,324,457,663	-
DT Pharmaceutical One Member Limited Company	4,574,937,538	-
HT Pharmaceutical One Member Limited Company	5,118,466,943	-
ST Pharmaceutical One Member Limited Company	4,644,676,536	-
TG Pharmaceutical One Member Limited Company	710,363,036	-
TOT Pharmaceutical One Member Limited Company	3,539,301,164	-
TVP Pharmaceutical One Member Limited Company	4,761,166,102	-
VL Pharmaceutical One Member Limited Company	4,588,875,962	-
DHG Pharmaceutical One Member Limited Company	1,600,000,000	-
	<u>43,516,601,627</u>	<u>-</u>

## 37 SEGMENT REPORTING

Segment information is presented in respect of the Company's business segment. The primary format, business segment, is based on the Company's management and internal reporting structure.

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

*Business segments*

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

	<b>For the six-month period ended</b>	
	<b>30.6.2017</b>	<b>30.6.2016</b>
	<b>VND</b>	<b>VND</b>
<b>Net sales</b>		
Pharmaceutical products	1,267,280,679,974	1,189,812,927,012
Functional foods	266,943,713,008	210,620,014,743
Others	570,624,260,820	295,912,147,455
	<u>2,104,848,653,802</u>	<u>1,696,345,089,210</u>
<b>Cost of sales</b>		
Pharmaceutical products	(942,104,168,306)	(832,161,812,423)
Functional foods	(175,595,696,272)	(137,982,875,385)
Others	(565,717,609,545)	(282,971,193,168)
	<u>(1,683,417,474,123)</u>	<u>(1,253,115,880,976)</u>
<b>Gross profit</b>		
Pharmaceutical products	325,176,511,668	357,651,114,589
Functional foods	91,348,016,736	72,637,139,358
Others	4,906,651,275	12,940,954,287
	<u>421,431,179,679</u>	<u>443,229,208,234</u>

## 38 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	For the six-month period ended	
	30.6.2017 VND	30.6.2016 VND
<b>a. Non-cash transactions affecting cash flow statement</b>		
Appropriation to reserves	405,026,273,166	238,694,438,137
Issuance of bonus shares from investment and development fund	435,817,410,000	-
Net off payables and receivables for dividend income	574,727,940,825	78,384,389,781
Net off payables and receivables for lending collection	-	218,718,743,786
Net off payables and receivables for loans granted	-	3,878,438,285
Net off payables and receivables for capital withdrawal at A&G Pharmaceutical One Member Limited Company	5,000,000,000	-
Remaining balances of the liquidated subsidiary are recorded in the financial statements of the Company as follows:		
- Accounts receivable and other receivables	30,615,932,401	-
- Provision for doubtful debts	393,965,222	-
- Lending	4,567,605,270	-
- Payables to suppliers and other payables	2,660,734,457	-
- Payables to employees	3,449,361,528	-
- Bonus and welfare funds	4,828,504	-
- Undistributed earnings	539,520,185	-
Balances of subsidiaries that are in liquidation process are transferred to the Company by offsetting receivables and payables as follows:		
- Accounts receivable and other receivables	147,831,859,884	-
- Provision for doubtful debts	5,727,996,675	-
- Lending	16,936,806,569	-
- Payables to suppliers and other payables	14,492,153,312	-
- Payables to employees	22,967,400,366	-
- Accrued expenses	1,330,586,153	-
- Bonus and welfare funds	112,045,634	-
	<hr/>	<hr/>
<b>b. Proceeds from borrowings</b>		
Proceeds from borrowings under normal contracts	1,383,813,007,336	633,486,276,089
	<hr/>	<hr/>
<b>c. Repayments of borrowings</b>		
Repayments of borrowings under normal contracts	1,017,643,696,928	517,685,776,712
	<hr/>	<hr/>

## 39 COMMITMENTS

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

	30.6.2017 VND	31.12.2016 VND
Approved but not contracted	10,650,179,069	20,957,976,618
Approved and contracted but not implemented	16,005,998,657	16,355,560,493
	<u>26,656,177,726</u>	<u>37,313,537,111</u>

## 40 SUBSEQUENT EVENTS

On 13 July 2017, the Company has transferred all rights and obligations associated with the equity holding of the Company at TOT Pharmaceutical One Member Limited Company and the transferee has completed the payment on this date.

## 41 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with this year's presentation.

The separate interim financial statements were approved by the Board of Directors on 11 August 2017.



Tran Ngoc Hien  
Preparer



Ho Bui Huan  
Chief Accountant




Pham Thi Viet Nga  
General Director