



**MEKOPHAR**

**CHEMICAL PHARMACEUTICAL  
JOINT-STOCK COMPANY**

**REVIEWED  
FINANCIAL STATEMENTS**  
*For the accounting period of the first 06 months of the year 2019*

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## REPORT OF THE BOARD OF MANAGEMENT

*For the accounting period of the first 06 months of the year 2019*

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*The Board of Management has the honor of submitting this report and the reviewed financial statements for the accounting period of the first 06 months of the year 2019.*

### 1. Business highlights:

#### **Establishment:**

Mekophar Chemical Pharmaceutical Joint-Stock Company, whose business code is 0302533156, operates under Business registration certificate No. 4103000833 dated February 08, 2002 issued by the Department of Planning and Investment of Ho Chi Minh City; The eighteenth amended certificate dated May 30, 2019, the chartered capital is VND 232,490,000,000. (the chartered capital as of June 30, 2019: VND 232,490,000,000).

#### **Structure of ownership:**

Joint Stock Company.

#### **Principal activities**

The Company's principal activities: Producing, trading medicine; Trading perfume; Trading cosmetics and other cleaning products; Trading medical tools; Maintaining and testing medicine; Retailing medicine; Producing packing used in pharmaceutical industry (plastic bottle, paper box, carton box); Producing technological food (except for producing and processing fresh food); Trading functional food; processing food; Producing cosmetics (not manufacturing chemicals, soap, and detergent at the head office); Trading real estates, leasing apartment, office; Trading garments; Producing bottled pure water; Trading beverages; Trading medical machinery and equipment; Trading other chemicals (except for chemicals used in agriculture); Trading plastics in primary form; Investment consultancy (except for accounting, finance, law); Consultancy on technology transfer; Commercial introduction and promotion; Acting as brokerage agent (except for real estates).

**English name:** Mekophar Chemical Pharmaceutical Joint Stock Company.

**Short name:** Mekophar.

**Security code:** MKP - Listed on UPCOM.

**Head office:** No. 297/5 Ly Thuong Kiet Str., Dist. 11, HCMC.

The Company's branches are located at:

*Hanoi branch: B26-B28-TT17 Van Quan new residential - Yen Phuc, Phuc La ward, Ha Dong district, Ha Noi City.*

*Nghe An branch: No. 79 Ho Huu Nhan Str., Vinh Tan Ward, Vinh City, Nghe An Province.*

*Da Nang branch: No. 410 Nguyen Tri Phuong, Hai Chau District, Da Nang City.*

*Can Tho branch: No.17A Cach Mang Thang Tam Str., Binh Thuy Dist., Can Tho City.*

### 2. Financial position and results of operation:

The Company's financial position and results of operation in the year are presented in the attached financial statements.



## REPORT OF THE BOARD OF MANAGEMENT

*For the accounting period of the first 06 months of the year 2019*

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### 3. Board of Management, Board of General Directors, Board of Supervisors and Chief Accountant:

The Board of Management, Board of General Directors, Board of Supervisors and Chief Accountant holding office in the period and at the reporting date include:

#### Board of Management:

Mrs.	Huynh Thi Lan	Chairman
Mrs.	Dang Thi Kim Lan	Member
Mr.	Le Anh Phuong	Member
Mr.	Satoshi Kamamura	Member
Mr.	Nguyen Duc Thang	Member
Mrs.	Nguyen Thi Quynh Anh	Member
Mrs.	Phan Thi Lan Huong	Member

#### Board of Supervisors:

Mr.	Nguyen Viet Luan	Chairman
Mr.	Nguyen Ba Khoa	Member
Mr.	Tran Trung Ngon	Member

#### Board of General Directors and Chief Accountant:

Mrs.	Huynh Thi Lan	General Director
Mrs.	Dang Thi Kim Lan	Deputy General Director
Mr.	Le Anh Phuong	Deputy General Director
Mrs.	Phan Thi Lan Huong	Deputy General Director
Mrs.	Le Thi Thuy Hang	Chief Accountant

#### Legal representatives of the Company in the period and to the reporting date are:

Ms. Huynh Thi Lan - Chairman and General Director is the legal representative of the Company.

### 4. Auditor

Auditing and Informatic Services Limited Company (AISC) has been appointed as an independent auditor for the accounting period from January 01, 2019 to June 30, 2019.

### 5. Statement of the Responsibility of the Board of Management and Board of General Directors in respect of the Financial Statements.

The Board of Management and Board of General Directors of the Company are responsible for the preparation of the financial statements which give a true and fair view of the financial position of the Company as of June 30, 2019 as well as its results of operation and cash flows for the accounting period. In order to prepare these financial statements, the Board of Management and Board of General Directors have considered and complied with the following matters:

- Selected the appropriate accounting policies and applied them consistently;
- Made judgments and estimates that are reasonable and prudent;
- The financial statements of the Company are prepared on a going concern basis unless it is inappropriate to presume that the Company will continue in business.



## REPORT OF THE BOARD OF MANAGEMENT

*For the accounting period of the first 06 months of the year 2019*

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The Board of Management and Board of General Directors are responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the financial position of the Company and that the financial statements are prepared in compliance with the registered accounting policies stated in the Notes to the Financial Statements. The Board of Management and Board of General Directors are also responsible for safeguarding the assets of the Company and thus taking reasonable steps for the prevention and detection of fraud and other irregularities.

### 6. Approval of the Financial Statements.

In the Board of Management's opinion, the financial statements consisting of Balance Sheet as at June 30, 2019, Income Statement, Cash Flow Statement and Notes to the Financial Statements enclosed with this report give a true and fair view of the financial position of the Company as well as its operating results and cash flows for the accounting period of the first 06 months of year 2019.

The financial statements are prepared in compliance with Vietnamese Accounting Standards and the Vietnamese Accounting System.

HCMC, August 06, 2019  
**For and on behalf of the Board of Management**



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**DR. Huynh Thi Lan, PharmD.**  
Chairman





**CÔNG TY TNHH KIỂM TOÁN VÀ DỊCH VỤ TIN HỌC TP.HCM**  
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No.: B0519198-SXR/AISC-DN4

**AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION**

**To:**

**SHAREHOLDERS, BOARD OF MANAGEMENT AND BOARD OF GENERAL DIRECTORS**

**MEKOPHAR CHEMICAL PHARMACEUTICAL JOINT-STOCK COMPANY**

We have reviewed the financial statements of **Mekophar Chemical Pharmaceutical Joint-Stock Company** consisting of Balance Sheet as at June 30, 2019, Income Statement, Cash Flows Statement for the accounting period of the first 06 months of year 2019 and Notes to the Financial Statements as set out on Page 05 to Page 43, which were prepared on August 06, 2019.

**Responsibility of the Board of General Directors**

The Board of General Directors is responsible for the preparation and fair presentation of the financial statements in accordance with Vietnamese Accounting Standards, Accounting System and prevailing regulations applicable to the preparation and presentation of the financial statements and also for the internal control that the Board of General Directors considers necessary for the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Responsibilities of the Auditor**

Our responsibility is to draw our conclusion on the interim financial statements. We conducted our review in accordance with Vietnamese Auditing Standard No. 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

A review on the interim financial information covers the interviews, mainly with those in charge of accounting and finance, and analysis and other review procedures. A review engagement is substantially less intensive in scope than an audit conducted in compliance with Vietnamese Auditing Standards, so we have no assurance that we will be aware of all material issues that may be discovered by an audit. We, therefore, do not express our opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view, in all material respects, of the financial position of **Mekophar Chemical Pharmaceutical Joint-Stock Company** as at June 30, 2019 as well as the results of its operation and its cash flows for the 06 months period then ended are prepared in compliance with the prevailing Vietnamese Accounting Standards, Vietnamese Accounting System and other statutory requirements relevant to the preparation and presentation of the interim financial statements.

*HCMC, August 06, 2019*

**PP. GENERAL DIRECTOR**

**DEPUTY GENERAL DIRECTOR**



**Huỳnh Thiệu Phụng**

*Certificate of Audit Practice Registration*

*No. 1269-2018-005-I*

*Issued by the Ministry of Finance*

## BALANCE SHEET

As at June 30, 2019

Unit: VND

ASSETS	Code	Notes	June 30, 2019	Jan. 01, 2019
<b>A. CURRENT ASSETS</b>	<b>100</b>		<b>484,613,023,286</b>	<b>510,770,901,658</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>V.1</b>	<b>49,697,880,171</b>	<b>60,751,967,400</b>
1. Cash	111		39,697,880,171	30,751,967,400
2. Cash equivalents	112		10,000,000,000	30,000,000,000
<b>II. Short-term financial investments</b>	<b>120</b>	<b>V.2</b>	<b>20,946,711,100</b>	<b>10,946,711,100</b>
1. Trading securities	121		10,946,711,100	10,946,711,100
2. Provision for devaluation of trading securities	122		-	-
3. Held-to-maturity investments	123		10,000,000,000	-
<b>III. Short-term Accounts receivable</b>	<b>130</b>		<b>164,045,510,470</b>	<b>217,443,031,240</b>
1. Trade accounts receivable	131	V.3	151,627,689,227	128,807,560,435
2. Prepayments to suppliers	132	V.4	8,730,689,777	9,478,377,575
3. Intercompany receivables	133		-	-
4. Construction contract-in-progress receivables	134		-	-
5. Receivables from short-term loans	135		-	-
6. Other receivables	136	V.5	9,230,864,554	81,232,545,207
7. Provision for doubtful debts	137	V.3	(5,543,733,088)	(2,075,451,977)
8. Shortage of assets awaiting resolution	139		-	-
<b>IV. Inventories</b>	<b>140</b>	<b>V.6</b>	<b>246,395,545,785</b>	<b>219,449,592,690</b>
1. Inventories	141		246,395,545,785	219,449,592,690
2. Provision for decline in value of inventories	149		-	-
<b>V. Other current assets</b>	<b>150</b>		<b>3,527,375,760</b>	<b>2,179,599,228</b>
1. Short-term prepayments	151	V.10	1,872,153,448	1,242,213,210
2. Deductible VAT	152		-	-
3. Taxes and other receivables from the State Budget	153	V.13b	1,655,222,312	937,386,018
4. Repurchase and sale of Government's bonds	154		-	-
5. Other current assets	155		-	-

## BALANCE SHEET

As at June 30, 2019

Unit: VND

ASSETS	Code	Notes	June 30, 2019	Jan. 01, 2019
<b>B. LONG-TERM ASSETS</b>	<b>200</b>		<b>940,481,781,903</b>	<b>756,533,287,450</b>
<b>I. Long-term receivables</b>	<b>210</b>		-	-
1. Long-term trade receivables	211		-	-
2. Long-term prepayments to suppliers	212		-	-
3. Working capital from sub-units	213		-	-
4. Long-term intercompany receivables	214		-	-
5. Receivables from long-term loans	215		-	-
6. Other long-term receivables	216		-	-
7. Provision for doubtful long-term receivables	219		-	-
<b>II. Fixed assets</b>	<b>220</b>		<b>49,208,336,009</b>	<b>52,100,902,943</b>
1. Tangible fixed assets	221	V.8	41,770,184,009	44,649,417,603
- Cost	222		245,060,178,134	243,058,808,889
- Accumulated depreciation	223		(203,289,994,125)	(198,409,391,286)
2. Finance lease assets	224		-	-
- Cost	225		-	-
- Accumulated depreciation	226		-	-
3. Intangible fixed assets	227	V.9	7,438,152,000	7,451,485,340
- Cost	228		10,146,451,139	10,146,451,139
- Accumulated amortization	229		(2,708,299,139)	(2,694,965,799)
<b>III. Investment Properties</b>	<b>230</b>		-	-
- Cost	231		-	-
- Accumulated depreciation	232		-	-
<b>IV. Non-current assets in progress</b>	<b>240</b>	V.7	<b>3,360,802,000</b>	<b>3,140,802,000</b>
1. Works in progress	241		-	-
2. Capital construction in progress	242		3,360,802,000	3,140,802,000
<b>V. Long-term investments</b>	<b>250</b>	V.2	<b>887,287,090,718</b>	<b>700,345,023,638</b>
1. Investments in subsidiaries	251		900,000,000,000	700,000,000,000
2. Investments in associates, joint-ventures	252		18,510,000,000	18,510,000,000
3. Investments in equity of other entities	253		5,550,000,000	5,550,000,000
4. Provision for decline in the value of long-term investments	254		(36,772,909,282)	(23,714,976,362)
5. Held-to-maturity investments	255		-	-
<b>VI. Other long-term assets</b>	<b>260</b>		<b>625,553,176</b>	<b>946,558,869</b>
1. Long-term prepaid expenses	261	V.10	625,553,176	946,558,869
2. Deferred income tax assets	262		-	-
3. Equipment, materials, spare parts	263		-	-
4. Other long-term assets	268		-	-
<b>TOTAL ASSETS</b>	<b>270</b>		<b>1,425,094,805,189</b>	<b>1,267,304,189,108</b>



## BALANCE SHEET

As at June 30, 2019

Unit: VND

RESOURCES	Code	Notes	June 30, 2019	Jan. 01, 2019
<b>C. LIABILITIES</b>	<b>300</b>		<b>192,678,696,836</b>	<b>182,186,327,699</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>105,647,142,852</b>	<b>103,282,311,355</b>
1. Short-term trade payables	311	V.11	38,596,377,211	28,795,624,575
2. Advances from customers	312	V.12	14,417,947,656	10,766,655,120
3. Taxes and other payables to the State Budget	313	V.13a	4,175,834,877	12,365,742,112
4. Payables to employees	314		8,976,173,435	8,438,191,703
5. Short-term accrued expenses	315		-	172,000,000
6. Short-term intercompany payables	316		-	-
7. Construction contract-in-progress payables	317		-	-
8. Short-term unrealized revenue	318		-	-
9. Other short-term payables	319	V.15	18,750,384,305	17,811,236,685
10. Short-term borrowings and financial lease liabilities	320		-	-
11. Provision for short-term payables	321		-	-
12. Bonus and welfare fund	322		20,730,425,368	24,932,861,160
13. Price stabilization fund	323		-	-
14. Repurchase and sale of Government's bond	324		-	-
<b>II. Long-term liabilities</b>	<b>330</b>		<b>87,031,553,984</b>	<b>78,904,016,344</b>
1. Long-term trade payables	331		-	-
2. Long-term Advances from customers	332		-	-
3. Long-term accrued expenses	333		-	-
4. Inter-company payables for operating capital received	334		-	-
5. Long-term intercompany payables	335		-	-
6. Long-term unrealized revenue	336	V.14	80,031,553,984	71,904,016,344
7. Other long-term payables	337		-	-
8. Long-term borrowings and financial lease liabilities	338		-	-
9. Convertible bond	339		-	-
10. Preferred shares	340		-	-
11. Deferred income tax liabilities	341		-	-
12. Provision for long-term liabilities	342	V.16	7,000,000,000	7,000,000,000
13. Fund for science and technology development	343		-	-

## BALANCE SHEET

As at June 30, 2019

Unit: VND

RESOURCES	Code	Notes	June 30, 2019	Jan. 01, 2019
<b>D. OWNERS' EQUITY</b>	<b>400</b>		<b>1,232,416,108,353</b>	<b>1,085,117,861,409</b>
<b>I. Owners' equity</b>	<b>410</b>	<b>V.17</b>	<b>1,232,416,108,353</b>	<b>1,085,117,861,409</b>
1. Owners' capital	411		232,490,000,000	194,208,130,000
- Ordinary shares with voting rights	411a		232,490,000,000	194,208,130,000
- Preferred shares	411b		-	-
2. Share premium	412		409,754,114,458	295,058,504,458
3. Bond conversion option	413		-	-
4. Owners' other capital	414		-	-
5. Treasury shares	415		(14,487,151,158)	(14,487,151,158)
6. Difference upon assets revaluation	416		-	-
7. Foreign exchange differences	417		-	-
8. Investment and development fund	418		546,407,678,417	505,320,886,183
9. Fund for support of arrangement of enterprises	419		-	-
10. Other funds	420		-	-
11. Undistributed earnings	421		58,251,466,636	105,017,491,926
- Undistributed earnings accumulated to the end of prior period	421a		24,000,000,000	4,000,000,000
- Undistributed earnings in this period	421b		34,251,466,636	101,017,491,926
12. Investment reserve for basic construction	422		-	-
<b>II. Budget sources and other funds</b>	<b>430</b>		-	-
1. Budget sources	431		-	-
2. Fund to form fixed assets	432		-	-
<b>TOTAL RESOURCES</b>	<b>440</b>		<b>1,425,094,805,189</b>	<b>1,267,304,189,108</b>

PREPARED BY

  
**Le Thi Thu Huong**

CHIEF ACCOUNTANT

  
**Le Thi Thuy Hang**

HCMC, August 06, 2019

GENERAL DIRECTOR



  
**DR. Huynh Thi Lan, PharmD.**



## INCOME STATEMENT

For the accounting period of the first 06 months of the year 2019

Unit: VND

ITEMS	Code	Notes	From Jan. 01, 2019 to Jun. 30, 2019	From Jan. 01, 2018 to Jun. 30, 2018
1. Sales	01	VI.1	579,269,695,060	596,512,443,234
2. Less sales deductions	02	VI.2	498,698,160	201,246,459
3. Net sales	10	VI.3	578,770,996,900	596,311,196,775
4. Cost of sales	11	VI.4	446,749,044,621	460,338,180,513
<b>5. Gross profit</b> (20 = 10 - 11)	<b>20</b>		<b>132,021,952,279</b>	<b>135,973,016,262</b>
6. Financial income	21	VI.5	6,852,952,414	10,652,995,658
7. Financial expenses	22	VI.6	13,745,086,347	342,241,120
<i>In which: loan interest expenses</i>	23		147,343,121	-
8. Selling expenses	25	VI.7a	37,061,185,430	38,169,186,330
9. General & administration expenses	26	VI.7b	45,499,099,992	45,370,979,107
<b>10. Operating profit</b> (30 = 20 + (21 - 22) - (25 + 26))	<b>30</b>		<b>42,569,532,924</b>	<b>62,743,605,363</b>
11. Other income	31	VI.8	496,171,124	1,228,200,439
12. Other expenses	32	VI.9	175,881,731	178,046,311
<b>13. Other profit (40 = 31 - 32)</b>	<b>40</b>		<b>320,289,393</b>	<b>1,050,154,128</b>
<b>14. Net accounting profit before tax</b> (50 = 30 + 40)	<b>50</b>		<b>42,889,822,317</b>	<b>63,793,759,491</b>
15. Corporate income tax - current	51	VI.11	8,638,355,681	12,817,521,914
16. Corporate income tax - deferred	52		-	-
<b>17. Net profit after corporate income tax</b> (60 = 50 - 51 - 52)	<b>60</b>		<b>34,251,466,636</b>	<b>50,976,237,577</b>

PREPARED BY

Le Thi Thu Huong

CHIEF ACCOUNTANT

Le Thi Thuy Hang

HCMC, August 06, 2019

GENERAL DIRECTOR



DR. Huynh Thi Lan, PharmD.

## CASH FLOW STATEMENT

(Under indirect method)

For the accounting period of the first 06 months of the year 2019

Unit: VND

ITEMS	Code	Notes	From Jan. 01, 2019 to Jun. 30, 2019	From Jan. 01, 2018 to Jun. 30, 2018
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>1. Net profit before tax</b>	01		<b>42,889,822,317</b>	<b>63,793,759,491</b>
<b>2. Adjustments for :</b>				
- Depreciation of fixed assets and investment properties	02	V.8&9	5,106,145,931	5,778,091,107
- Provisions	03	V.2&3	16,526,214,031	-
- Gain/losses from foreign exchange differences upon revaluation of monetary assets denominated in foreign currencies	04	VI.5	(98,439,576)	-
- Gains/losses from investing activities	05	VI.5	(6,776,764,398)	(10,672,615,723)
- Interest expense	06	VI.6	147,343,121	-
- Other adjustments	07		-	-
<b>3. Profit from operating activities before changes in working capital</b>	<b>08</b>		<b>57,794,321,426</b>	<b>58,899,234,875</b>
- Increase (-)/ decrease (+) in receivables	09		(22,505,038,741)	1,131,727,651
- Increase (-)/ decrease (+) in inventories	10		(26,945,953,095)	(23,501,744,747)
- Increase (+)/ decrease (-) in payables (Other than payables, income tax)	11		21,036,687,768	(17,211,196,511)
- Increase (-)/ decrease (+) in prepaid expenses	12		(308,934,545)	325,482,222
- Increase (-)/ decrease (+) in trading securities	13		-	-
- Interest paid	14	VI.6	(147,343,121)	-
- Corporate income tax paid	15	V.13	(16,224,629,863)	(18,636,644,792)
- Other receipts from operating activities	16		-	-
- Other payments on operating activities	17		(16,200,768,984)	(6,094,318,548)
<b>Net cash inflows/(outflows) from operating activities</b>	<b>20</b>		<b>(3,501,659,155)</b>	<b>(5,087,459,850)</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>				
1. Purchases of fixed assets and other long-term assets	21	V.8	(2,433,578,997)	(800,875,000)
2. Proceeds from disposals of fixed assets and other long-term assets	22	VI.9	28,181,818	65,454,545
3. Loans granted, purchases of debt instruments of other entities	23		(10,000,000,000)	-
4. Collection of loans, proceeds from sales of debt instruments of other entities	24		80,000,000,000	-
5. Investments in other entities	25		(200,000,000,000)	-
6. Proceeds from divestment in other entities	26		-	22,000,000,000
7. Dividends and interest received	27	VI.5	588,582,580	6,567,661,178
<b>Net cash inflows/(outflows) from investing activities</b>	<b>30</b>		<b>(131,816,814,599)</b>	<b>27,832,240,723</b>

## CASH FLOW STATEMENT

(Under indirect method)

For the accounting period of the first 06 months of the year 2019

Unit: VND

ITEMS	Code	Notes	From Jan. 01, 2019 to Jun. 30, 2019	From Jan. 01, 2018 to Jun. 30, 2018
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>				
1. Proceeds from issue of shares and capital contribution	31	V.17a	152,977,480,000	-
2. Payments for shares returns and repurchases	32		-	-
3. Proceeds from borrowings	33	VII.1	20,944,069,110	-
4. Repayments of borrowings	34	VII.2	(20,944,069,110)	-
5. Payments for finance lease liabilities	35		-	-
6. Dividends paid	36	V.17a	(28,714,750,500)	(38,286,334,000)
<b>Net cash inflows/(outflows) from financing activities</b>	<b>40</b>		<b>124,262,729,500</b>	<b>(38,286,334,000)</b>
<b>Net cash inflows/(outflows) (50 = 20+ 30 + 40)</b>	<b>50</b>		<b>(11,055,744,254)</b>	<b>(15,541,553,127)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>60</b>		<b>60,751,967,400</b>	<b>38,520,852,910</b>
Effect of foreign exchange differences	61		1,657,025	-
<b>Cash and cash equivalents at the end of the period (70 = 50+60+61)</b>	<b>70</b>	<b>V.1</b>	<b>49,697,880,171</b>	<b>22,979,299,783</b>

PREPARED BY



Le Thi Thu Huong

CHIEF ACCOUNTANT



Le Thi Thuy Hang

August 06, 2019



GENERAL DIRECTOR

DR. Huynh Thi Lan, PharmD.



## **NOTES TO THE FINANCIAL STATEMENTS**

*For the accounting period of the first 06 months of the year 2019*

*Unit: VND*

### **I. BUSINESS HIGHLIGHTS**

#### **1. Establishment**

Mekophar Chemical Pharmaceutical Joint-Stock Company, whose business code is 0302533156, operates under Business registration certificate No. 4103000833 dated February 08, 2002 issued by the Department of Planning and Investment of Ho Chi Minh City; The eighteenth amended certificate dated May 30, 2019, the chartered capital is VND 232,490,000,000. (the chartered capital as of June 30, 2019: VND 232,490,000,000).

**English name:** Mekophar Chemical Pharmaceutical Joint Stock Company.

**Short name:** Mekophar.

**Security code:** MKP - Listed on UPCOM.

**Head office:** No. 297/5 Ly Thuong Kiet Str., Dist. 11, HCMC.

#### **The Company's branches are located at:**

Hanoi branch: B26-B28-TT17 Van Quan new residential - Yen Phuc, Phuc La ward, Ha Dong district, Ha Noi City.

Nghe An branch: No. 79 Ho Huu Nhan Str., Vinh Tan Ward, Vinh City, Nghe An Province.

Da Nang branch: No. 410 Nguyen Tri Phuong, Hai Chau District, Da Nang City.

Can Tho branch: No.17A Cach Mang Thang Tam Str., Binh Thuy Dist., Can Tho City.

**Structure of ownership:** Joint Stock Company.

#### **2. Business sector:** Production and trading.

#### **3. Principal activities**

**The Company's principal activities:** Producing, trading medicine; Trading perfume; Trading cosmetics and other cleaning products; Trading medical tools; Maintaining and testing medicine; Retailing medicine; Producing packing used in pharmaceutical industry (plastic bottle, paper box, carton box); Producing technological food (except for producing and processing fresh food); Trading functional food; processing food; Producing cosmetics (not manufacturing chemicals, soap, and detergent at the head office); Trading real estates, leasing apartment, office; Trading garments; Producing bottled pure water; Trading beverages; Trading medical machinery and equipment; Trading other chemicals (except for chemicals used in agriculture); Trading plastics in primary form; Investment consultancy (except for accounting, finance, law); Consultancy on technology transfer; Commercial introduction and promotion; Acting as brokerage agent (except for real estates).

#### **4. Normal operating cycle.**

Normal operating cycle of the Company lasts 12 months of the normal fiscal year beginning from January 01 and ending on December 31.

#### **5. Operations in the fiscal year affecting the financial statements:** Not applicable.

#### **6. Total employees to June 30, 2019:** 742 persons (Dec. 31, 2018: 749 persons).





## NOTES TO THE FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2019

Unit: VND

### 7. Enterprise Structure

#### 7.1. List of subsidiaries

As at June 30, 2019 the Company has one (01) directly owned company as follows:

Company's name and address	Principal activities	Percentage of shareholding	Percentage of owning	Percentage of voting right
Mekophar Co., Ltd. Head office: Lot I-9-5, D2 Street, High-Tech Park, Long Thanh My Ward, District 9, HCMC.	Producing biological products, medicine, cosmetics, functioning food and original cell	100%	100%	100%

#### 7.2. List of Joint-ventures and associates

As at June 30, 2019, the Company has one (01) associate as follows:

Company's name and address	Principal activities	Percentage of shareholding	Percentage of owning	Percentage of voting right
An Sinh Hospital 10 Tran Huy Lieu, Ward 12, Phu Nhuan, HCMC	Medically examining and treating	22%	22%	22%

#### 7.3. List of affiliated unit having no legal status and dependent cost-accounting

Name of branches and address:

*Hanoi branch: B26-B28-TT17 Van Quan new residential - Yen Phuc, Phuc La ward, Ha Dong district, Ha Noi City.*

*Nghe An branch: No. 79 Ho Huu Nhan Str., Vinh Tan Ward, Vinh City, Nghe An Province.*

*Da Nang branch: No. 410 Nguyen Tri Phuong, Hai Chau District, Da Nang City.*

*Can Tho branch: No.17A Cach Mang Thang Tam Str., Binh Thuy Dist., Can Tho City.*

### 8. Disclosure on comparability of information in the Financial Statements

The selection of figures and information need to be presented in the financial statements has been implemented on the principles of comparability among corresponding accounting periods.

## II. ACCOUNTING PERIOD AND REPORTING CURRENCY

### 1. Fiscal year

The fiscal year is begun on January 01 and ended December 31 annually.

### 2. Reporting currency

Vietnam Dong (VND) is used as a currency unit for accounting records.



## **NOTES TO THE FINANCIAL STATEMENTS**

*For the accounting period of the first 06 months of the year 2019*

*Unit: VND*

### **III. ADOPTION OF ACCOUNTING STANDARDS AND POLICIES**

#### **1. Applicable Accounting System**

The Company applies Vietnamese Corporate Accounting System issued by the Vietnam Ministry of Finance in accordance with the guidance of Circular No. 200/2014/TT-BTC dated December 22, 2014 and others replacement Circular.

#### **2. Disclosure of compliance with Vietnamese Accounting Standards and the Vietnamese Accounting System**

We conducted our accounting, preparation and presentation of the financial statements in accordance with Vietnamese Accounting Standards and other relevant statutory regulations. The financial statements give a true and fair view of the state of affairs of the Company and the results of its operations as well as its cash flows.

The selection of figures and information presented in the notes to the financial statements is complied with the material principles in Vietnamese Accounting Standard No.21 - Presentation of the financial statements.

### **IV. APPLICABLE ACCOUNTING POLICIES**

#### **1. Foreign exchange rate applicable in accounting**

The Company has translated foreign currencies into Vietnam Dong at the actual rate and book rate.

##### **Principles for determining the actual rate**

All transactions denominated in foreign currencies which arise during the period (trading foreign currencies, capital contribution or receipt of contributed capital, recording receivables and payables, purchasing assets or costs immediately paid by foreign currencies) are converted at the actual exchange rates ruling as of the transaction dates.

Closing balance of monetary items (cash, cash equivalents, payables and receivables, except for prepayments to suppliers, prepayments from customers, pre-paid expenses, deposits and unearned revenue) denominated in foreign currencies should be revaluated at the actual rate ruling as of the balance sheet date.

- The actual exchange rates upon revaluation of monetary assets denominated in foreign currencies which have been classified as assets will be the buying rate of Vietcombank - Saigon Branch. The buying rate as at June 30, 2019: 23,220 VND/USD; 26,300 VND/EUR.

- The actual exchange rates upon revaluation of monetary assets denominated in foreign currencies which have been classified as payables will be the selling rate stated by Vietcombank - Saigon Branch. The exchange rate as at June 30, 2019: 23,350 VND/USD.

Foreign exchange differences, which arise from foreign currency transactions during the period/year, shall be included in the income statement. Foreign exchange differences due to the revaluation of ending balances of the monetary items in foreign currencies after offsetting their positive differences against negative differences shall be included in the income statement.

##### **Principle for determining book rate**

When recovering receivables, deposits or payments for payables in foreign currencies, the Company uses specific identification book rate.

When making payment by foreign currencies, the Company uses moving weighted average rate.

#### **2. Principles for recording cash and cash equivalents**

Cash includes cash on hand, demand deposit and cash in transit.

**Cash equivalents** comprise term deposits and other short-term investments with an original maturity of three months or less, highly liquid, readily convertible to known amount of cash and subject to an insignificant risk of changes in value.



## **NOTES TO THE FINANCIAL STATEMENTS**

*For the accounting period of the first 06 months of the year 2019*

*Unit: VND*

### **3. Principles for accounting financial investments**

#### **Principles of accounting for trading securities**

Trading securities include shares and bonds listed on the stock exchange; Other securities and financial instruments held for trading purposes (including securities with maturity over 12 months of purchase and sale for profit).

Trading securities are recorded at cost, including: Purchase price plus (+) acquisition costs (if any), such as brokerage fees, transaction fees, information, taxes, fees and bank fees. The original cost of trading securities is determined at the fair value of the consideration at the time of the transaction. The timing of recognition of trading securities is the time when the investor has ownership rights, specifically as follows:

- Listed securities are recognized at the time of order matching (T + 0);
- Unlisted securities are recognized at the time of ownership in accordance with law.

Provision for diminution in value of trading securities is made for the amount of loss that may occur when there is firm evidence that the market value of the securities held by the Company for business purposes is impaired. Down from book value. Provision is made based on the market value of the securities at the time of the financial statements.

#### **Principles for accounting held-to-maturity investments**

Held-to-maturity investments include term deposits and other held-to-maturity investments.

The held-to-maturity investments are initially recorded at the original cost including buying price and costs attributable to the acquisition of the investments. After initial recognition, if the provision for doubtful debts has not been made as statutorily required, these investments are revaluated at the recoverable value. When firm evidence shows that a portion or the whole investments may be unrecoverable, the loss will be recorded in financial expenses in the year and recorded in decrease of the investment's value.

#### **Principles for recording financial investments in Subsidiary, Associates**

Subsidiary is a company which the Company has shareholding of more than 50% of the voting right in order govern the financial and operating policies in order to obtain economic benefits from the subsidiary's operation. When the Company ceases to control the subsidiary, the investment in the subsidiary will be written down.

Companies are considered as the Company's associates when the Company has 20% - 50% of long-term owners' equity in those companies and has considerable influence over their decision on the financial policies. Investments in associates is included in the consolidated financial statements by equity method.

Investments in Subsidiary, Joint-ventures, associates are initially stated at original cost and will not be adjusted thereafter for change in the investor's share of the investee's net assets. The original cost includes purchase price and costs attributable to the investment. In case the investment is by non-monetary assets, the investment fee should be recorded at the fair value of the non-monetary assets at the date of occurrence.

Provision for loss of investments in subsidiaries, joint-ventures, associates is made when the investee suffers from loss and thus the Company possibly loses its capital or the investments' value is devalued. Basis for making provision for loss of investments is consolidated financial statements of the investee (if it is parent company), the investee's financial statements (if it is an independent enterprise without subsidiary).

#### **Principles for recording equity investments in other entities**

Equity investment in other entities represents the Company's investment in other entities' equity instruments. However, the Company does not hold any control or joint control right and exercise significant influences over the investees either.



## **NOTES TO THE FINANCIAL STATEMENTS**

*For the accounting period of the first 06 months of the year 2019*

*Unit: VND*

The investments are stated at original cost including purchase price and costs directly attributable to the investment. In case of non-monetary assets investment, the investment fee should be recorded at the fair value of the non-monetary assets at the date of occurrence.

Regarding the investments the Company holds in a long time (not trading securities) and no significant influences are exercised on the investees, provision for loss will be made as follows:

+ If an investment in listed shares or the fair value of the investment is determined reliably, the allowance shall be made according to the market values of the shares.

+ If it is impossible to determine the investments' fair value at the reporting date, the provision will be made on the basis the loss that investee suffers. Basis for making provision for loss of investments is consolidated financial statements of the investee (if it is parent company), the investee's financial statements (if it is an independent enterprise without subsidiary).

#### **4. Principles for recording trade receivables and other receivables:**

**Principle for recording receivables:** At original cost less provision for doubtful debts.

The classifying of the receivables as trade receivables, inter-company receivables and other receivables depends on the nature of the transaction or relationship between the company and debtor.

**Method of making provision for doubtful debts:** Provision for doubtful debts is estimated for the loss value of the receivables, other held-to-maturity investments similar to doubtful debts that are overdue and undue, but are likely to become possibly irrecoverable due to insolvency of debtors who go bankruptcy, making procedures for dissolution, go missing or run away....

#### **5. Principles for recording inventories:**

**Principles adopted in recording inventory:** Inventories are stated at original cost less (-) the provision for the decline in value of obsolete and deteriorated inventories.

**Original costs are determined as follows:**

- The original cost of materials, merchandises consists of costs of purchase, costs of transportation and other costs incurred in bringing the inventories to their present location and condition.

- Finished goods: costs of materials, direct labor and manufacturing overheads which are allocated on the basis of major materials costs/normal operation level/costs of land use right and relevant overall costs incurred in the duration of building properties.

- Work in progress: costs of raw materials, labor and other directly costs for producing inventories incurred in the duration of building works in progress...

**Method of calculating inventories' value:** Weighted average method.

**Method of accounting for the inventories:** Perpetual method.

**Method of making provision for decline in value of inventories:** Provision for decline in value of inventories is made when the net realisable value of inventories is lower than their original cost. Net realisable value is the estimated selling price less the estimated costs of completion and selling expenses. Provision for decline in value of inventories is the difference between the cost of inventories greater than their net realisable value. Provision for decline in value of inventories is made for each inventory with the cost greater than the net realisable value.



## **NOTES TO THE FINANCIAL STATEMENTS**

*For the accounting period of the first 06 months of the year 2019*

*Unit: VND*

### **6. Principles for recording fixed assets:**

#### **6.1 Principles for recording tangible fixed assets:**

Tangible fixed assets are stated at original cost less accumulated depreciation. The initial cost of a tangible fixed asset comprises all expenditures of bringing the asset to its working condition and location for its intended use. The expenditures incurred beyond their originally assessed standard of performance are capitalised as an additional cost of tangible fixed assets when they have resulted in an increase in the future economic benefits expected to be obtained from the use of those tangible fixed assets. The expenditures which do not meet the above conditions are charged to the expenses in the year.

When the assets are sold or disposed, their original costs and the accumulated depreciation which have been written off and any gain or loss from disposal of assets are recorded in the income statement.

Determination of original costs of tangible fixed assets:

##### *Tangible fixed assets purchased*

The original cost of purchased tangible fixed assets shall consist of the actual purchase price less (-) trade discounts or reduction plus (+) taxes (excluding taxes to be refunded) and relevant expenses calculated to the time when such fixed assets are put into operation such as fees for installation and trial operation of fixed assets; specialists and other direct costs.

The original cost of a tangible fixed asset formed from capital construction under the mode of tendering shall be the finalisation price of the construction project, other relevant fees plus (+) registration fee (if any).

Fixed assets which are buildings, structures attached to land use right, the value of land use right is computed separately and recorded as intangible fixed assets.

#### **6.2 Principles for recording intangible fixed assets:**

**Intangible fixed assets** are stated at cost less accumulated amortization. The original cost of a intangible fixed asset comprises all costs of owning the asset to the date it is put into operation as expected.

Principles for recording intangible fixed assets:

##### *Purchase of separate intangible fixed assets*

The original cost of purchased intangible fixed assets shall consist of the actual purchase price payable less (-) trade discounts or reduction plus (+) taxes (excluding taxes to be refunded) and relevant expenses calculated to the time when such fixed assets are put into operation. The land use rights which are purchased together with buildings, structures will be determined separately and recorded as intangible fixed assets.

If an intangible fixed asset is formed from the exchange involving payment accompanied with vouchers related to the capital ownership of the establishment, its original cost is the reasonable value of vouchers issued in relation to capital ownership.

##### *Land use right*

The original cost of an intangible fixed asset which is the land use right shall be the payment made to obtain the lawful land use right plus (+) compensatory payments for clearance of site, expenses for levelling the ground, registration

##### *Computer software*

The original cost of a in tangible fixed asset which is the computer software shall be the total of actual expenses incurred by the Company to obtain the computer software.



## **NOTES TO THE FINANCIAL STATEMENTS**

*For the accounting period of the first 06 months of the year 2019*

*Unit: VND*

### **6.3 Method of depreciating and amortizing fixed assets**

Depreciation is charged to write off the cost of fixed assets on a straight line basis over their estimated useful lives. Useful life means the duration in which the tangible fixed assets produce their effect on production and business.

*The estimated useful life for assets is as follows:*

<i>Buildings and structures</i>	<i>5 - 25 years</i>
<i>Machinery and equipment</i>	<i>3 - 12 years</i>
<i>Transportation and facilities</i>	<i>5 - 8 years</i>
<i>Office equipment</i>	<i>4 - 10 years</i>
<i>Land use right</i>	<i>25 years</i>
<i>Right to use original cells</i>	<i>3 years</i>

### **7. Principles for recording construction in progress:**

Construction in progress is stated at original cost. These are all necessary costs for purchasing fixed assets.

These costs are capitalised as an additional cost of asset when the works have been completed. After the works have been finalized, the asset will be handed over and put into use.

### **8. Principles for recording liabilities**

Liabilities are recorded at original cost and not lower than the payment obligation.

Liabilities shall be classified into trade payables, inter-company payables and other payables depending on the nature of transactions and relationship between the Company and debtors.

Liabilities must be kept records in detail according to payment schedule, creditor, type of original currency (including revaluation of liabilities payable which satisfying the definition of monetary assets denominated in foreign currencies) and other factors according to requirements of the enterprise.

At the reporting date, if it is evident that there is an unavoidable loss, an amount payable shall be recorded according to cautious rules.

### **9. Principles for recording provision liabilities:**

**Provisions are recognized when the following conditions are satisfied:** the Company has a present (legal or constructive) obligations 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.

**Value of provision liability being recorded:** The value which is estimated to be the most reasonable for settling the present obligation at the balance sheet date.

Provision for payables includes the expenditures for doing scientific research. The provision value depends on the Company's operating results of each year.

### **10. Principles for recoding unearned revenue**

Unrealized revenue is the amount the customers prepaid for one or several accounting periods

Unearned revenue include amounts of customers paid in advance for one or many accounting periods for the revenue in correspondence with the value of goods, services.

Method of allocating unearned revenue is on the principle of conformity with obligations that the Company will perform in next one or several accounting periods.





## **NOTES TO THE FINANCIAL STATEMENTS**

*For the accounting period of the first 06 months of the year 2019*

*Unit: VND*

### **11. Principles for recording owner's Equity**

#### **Principles for recording owner's Equity**

The owners' equity is the amount that is contributed by members and supplemented from the profit after tax. The owners' equity will be recorded at the actual contributed capital by cash or assets in the early establishment period or additional mobilization to expand operation.

#### **Principles for recording share premium, convertible bond option and other capitals**

**Share premium** is the difference between the cost over and above the nominal value of the first issued or additionally issued share and the differences (increase or decrease) of the actual receiving amount against the repurchase price when treasury share is reissued. In case where shares are repurchased to cancel immediately at the purchase date, shares' value recorded decrease the business capital source at purchase date is the actual repurchase price and the business resource should be written down according to the par value and share premium of the repurchased shares.

#### **Principles for recognising undistributed profit:**

The undistributed profit is recorded at the profit (loss) from the Company's result of operation after deducting the current year corporate income tax and the adjusted items due to the retroactive application of changes in accounting policy and adjustments for material misstatement of the previous year.

The distributing of profit is based on the charter of the Company approved by the annual shareholder meeting.

### **12. Principles for recording treasury shares**

The owners' equity instruments acquired by the Company (treasury share) are recorded at original cost and deducted into the owners' equity. The Company does not record gain (loss) when purchasing, selling, issuing or cancelling its equity instruments.

### **13. Principles for recording revenues**

#### **Revenue from goods sold**

Revenue from the sale of good should be recognised when all the five (5) following conditions have been satisfied: 1) The enterprise has transferred to buyer the significant risks and rewards of ownership of the goods; 2) The enterprise retains neither continuing managerial involvement as an owner nor effective control over the goods sold; 3) The amount of revenue can be measured reliably; When the contract specifies that buyers are entitled to return products, goods they have bought under specific conditions, the enterprise will record the revenue only when those conditions no longer exist and the buyers do not have right to return products, goods (except for changing to other goods, services) 4) The economic benefits associated with the transaction has flown or will flow to the enterprise; 5) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Revenue from service rendered**

Revenue from services rendered is recorded when the result of the supply of services is determined reliably. In case where the services are rendered in several periods, the revenue will recorded by the part of completed works at the balance sheet. Revenue from services rendered is determined when the following four conditions have been satisfied: 1. The revenue is determined firmly; When the contract specifies that buyers are entitled to return the service they have bought under specific conditions, the enterprise will record the revenue only when those conditions no longer exist and the buyers do not have right to return service; 2. The economic benefits associated with the transaction has flown or will flow from the supply of the provided service; 3. Part of completed works can be determined at the balance sheet date; 4. The costs incurred or to be incurred in respect of the transaction can be measured reliably.

If the contract's results can not be determined firmly, the revenue will be recorded at the recoverable level of expenses recorded.



## **NOTES TO THE FINANCIAL STATEMENTS**

*For the accounting period of the first 06 months of the year 2019*

*Unit: VND*

### **Principles and method of recording revenue from asset lease**

Revenue from asset lease is recorded on the principle of allocating advanced lease amount in conformity with lease term.

### **Principles for recording financial income**

Financial incomes include interests, royalties, distributed dividends and profits and income from other financing activities (sale and purchase of securities, liquidation of capital in joint-ventures, investment in associates, subsidiaries, other investments; Foreign exchange gains).

Income arising from interests, royalties, distributed dividends and profits of the enterprises shall be recognized if they simultaneously satisfy the two (2) conditions below 1. It is possible to obtain economic benefits from the concerned transactions; 2. Income is determined with relative certainty.

- Interests recognized on the basis of the actual time and interest rates in each period;
- Distributed dividends and profits shall be recognized when shareholders are entitled to receive dividends or the capital-contributing parties are entitled to receive profits from the capital contribution.

When an amount which has been recorded as an income becomes irrecoverable, such irrecoverable or uncertainly recoverable amount must be accounted as expense incurred in the period, but not recorded as income decrease.

### **14. Principles and method of recording cost of goods sold**

Cost of goods sold are the cost of products, goods, services; expenses related to trading the investment properties and other expenses recorded in the cost of goods sold or recorded a decrease in the cost of goods sold in reporting period. The cost of goods sold is recorded at the date the transaction incurs or likely to incur in the future regardless payment has been made or not. The cost of goods sold and revenue shall be recorded simultaneously on conformity principles. Expenses exceeding normal consumption level are recorded immediately to the cost of goods sold on prudent principle.

### **15. Principles and method of recording financial expenses**

**Financial expenses** include expenses or loss related to the financial investment, borrowing cost and capital borrowing, contribution in joint-venture, associate, provision for devaluation of financial investment, loss from sale of foreign

Financial expenses are recorded in details by their content and determined reliably when there are sufficient evidences on these expenses.

### **16. Principles and methods of recording current taxes and deferred taxes**

Corporate income tax includes current corporate income tax and deferred corporate income tax incurred in the year and set basis for determining operating result after tax in current fiscal year.

Current tax: is the tax payable on the taxable income and tax rate enacted in current year in accordance with the law on corporate income tax.

The tax amounts payable to the State budget will be finalized with the tax office. Differences between the tax amounts payable specified in the book and the tax amounts under finalization will be adjusted when the tax finalization has been issued by the tax office.

Tax policies the Company should comply with are as follows:

The Company pays tax at 20%.

The Company has been finalized by the Tax Department for the fiscal year ended December 31, 2018.



## **NOTES TO THE FINANCIAL STATEMENTS**

*For the accounting period of the first 06 months of the year 2019*

*Unit: VND*

### **17. Principles for recording earnings per share**

Basic earnings per share is calculated by dividing net income available to common shareholders before appropriating to Bonus and Welfare Fund by the weighted-average number of common shares outstanding during the period.

Diluted EPS is calculated by dividing net income available to common shareholders (after adjusting dividends of preferred convertible shares) by the weighted-average number of common share outstanding and the weighted-average number to be issued in case where all dilutive potential common are converted into common shares.

According to Circular 200/2014/TT-BTC, the financial statements do not present earnings per share item in which will be presented in the consolidated financial statements of the company.

### **18. Financial instruments:**

#### **Initial recognition**

##### **Financial assets**

According to Circular No. 210/2009/TT-BTC dated November 06, 2009 (Circular No. 210), financial assets are classified properly, for the purpose of presentation in the financial statements, into the financial assets which are stated at fair value through the Income Statement, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The Company decides to classify these assets at the date of initial recognition.

At the date of initial recognition, the financial assets are recognized at cost plus transaction cost that are directly attributable to the acquisition of the financial assets.

Financial assets of the Company comprise cash, short-term deposits, trade accounts receivables and other receivables.

##### **Financial liabilities**

According to Circular 210, financial assets are classified properly, for the purpose of presentation in the financial statements, into the financial liabilities which are stated at fair value through the Income Statement, financial liabilities determined on amortised cost basis. The Company decides to classify these liabilities at the date of initial recognition.

At the date of initial recognition, the financial liabilities are recognized at cost plus transaction cost that are directly attributable to the acquisition of the financial liabilities.

Financial liabilities of the Company comprise trade payables, other payables, borrowings and liabilities.

#### **Re-measurements after initial recognition**

Currently, there are no requirements for the re-measurement of the financial instruments after initial recognition.

#### **Offsetting**

Financial assets and financial liabilities are offset and the net amount reported in the report on financial position if, and only if, there is a currently enforceable legal right to offset the financial assets against financial liabilities or vice-versa and there is an intention to settle on a net basis or to realize the assets and settle the liability simultaneously.



## NOTES TO THE FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2019

Unit: VND

### 19. Related parties

Related parties include: 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. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

### 20. Principles for presenting assets, revenue and operating results by segment

A reportable segment includes business segment or a geographical segment.

A business segment is a distinguishable component of an enterprise that is engaged in providing an individual product or service or a group of related products or services and that is subject to risks and returns that are different from those of other business segments.

A geographical segment is a distinguishable component of an enterprise that is engaged in providing products or services within a particular economic environment and that is subject to risks and returns that are different from those of components operating in other economic environments.

## V. ADDITIONAL INFORMATION FOR ITEMS SHOWN IN THE BALANCE SHEET

1. Cash and cash equivalents	June 30, 2019	Jan. 01, 2019
<b>Cash</b>	<b>39,697,880,171</b>	<b>30,751,967,400</b>
Cash on hand	2,053,186,424	2,522,694,482
Demand deposits	37,644,693,747	28,229,272,918
VND	37,555,006,354	27,438,902,301
USD	65,514,991	766,052,516
EUR	24,172,402	24,318,101
<b>Cash equilulant</b>	<b>10,000,000,000</b>	<b>30,000,000,000</b>
Deposits with less than 3 months term	10,000,000,000	30,000,000,000
<b>Total</b>	<b>49,697,880,171</b>	<b>60,751,967,400</b>

### 2. Financial investments (for more details see page 38 to 40)

3. Trade receivables	June 30, 2019		Jan. 01, 2019	
	Amount	Provision	Amount	Provision
<b>a. Short-term</b>	<b>151,627,689,227</b>	<b>(5,543,733,088)</b>	<b>128,807,560,435</b>	<b>(2,075,451,977)</b>
Local customers	118,113,956,723	-	95,857,523,267	-
Coduphar				
Pharmaceutical J.S.C	2,168,457,342	-	734,354,489	
Ha Noi branch of Mekophar J.S.C	27,714,369,872	-	22,166,312,126	
An Sinh Hospital	2,592,549,452	-	819,585,581	-
Branch of Zuellig at Tan Tao Park	23,521,451,348	-	18,309,387,052	-
Others customers	62,117,128,709	-	53,827,884,019	-



## NOTES TO THE FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2019

Unit: VND

### 3. Trade receivables (Cont.)

	June 30, 2019		Jan. 01, 2019	
	Amount	Provision	Amount	Provision
Foreign customers	33,513,732,504	(5,543,733,088)	32,950,037,168	(2,075,451,977)
<i>Neros Pharmaceuticals Ltd.</i>	31,861,682,910	(5,543,733,088)	31,571,782,043	(2,075,451,977)
<i>Danson-BG Eood</i>	1,190,698,380	-	1,186,852,455	-
<i>Others customers</i>	461,351,214	-	191,402,670	-
<b>Total</b>	<b>151,627,689,227</b>	<b>(5,543,733,088)</b>	<b>128,807,560,435</b>	<b>(2,075,451,977)</b>

### b. Related parties

<i>An Sinh Hospital</i>	2,592,549,452	-	819,585,581	-
<b>Cộng</b>	<b>2,592,549,452</b>	<b>-</b>	<b>819,585,581</b>	<b>-</b>

### 4. Prepayments to suppliers

	June 30, 2019		Jan. 01, 2019	
	Amount	Provision	Amount	Provision
<b>Short-term</b>	<b>8,730,689,777</b>	<b>-</b>	<b>9,478,377,575</b>	<b>-</b>
Local supplieres	2,691,404,611	-	906,008,592	-
<i>Biogroup VN Co., Ltd.</i>	762,908,850	-	-	-
<i>Unified Medical Equipment JSC</i>	998,000,000	-	-	-
<i>Others customers</i>	930,495,761	-	906,008,592	-
Foreign suppliers	6,039,285,166	-	8,572,368,983	-
<i>Sanofi SPA</i>	-	-	3,146,651,523	-
<i>Zhuhai United Laboratorie</i>	2,245,718,361	-	-	-
<i>KHS Synchemice Corp.</i>	1,703,966,000	-	-	-
<i>Jamboo Ltd.</i>	743,321,040	-	811,710,000	-
<i>Others customers</i>	1,346,279,765	-	4,614,007,460	-
<b>Total</b>	<b>8,730,689,777</b>	<b>-</b>	<b>9,478,377,575</b>	<b>-</b>

### 5. Other receivables

	June 30, 2019		Jan. 01, 2019	
	Amount	Provision	Amount	Provision
<b>Short-term</b>	<b>9,230,864,554</b>	<b>-</b>	<b>81,232,545,207</b>	<b>-</b>
Collateral deposit	2,020,384,000	-	-	-
Advances	7,436,834	-	5,647,657	-



## NOTES TO THE FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2019

Unit: VND

5. Other receivables (Cont.)	June 30, 2019		Jan. 01, 2019	
	Amount	Provision	Amount	Provision
Other receivables	7,203,043,720	-	81,226,897,550	-
Health, social insurance, trade union fee	629,752,060	-	546,605,890	-
Consideration for the members of the Board of Management not holding direct management	168,000,000	-	326,000,000	-
Lending to Mekophar Co., Ltd	-	-	80,000,000,000	-
Dividend of An Sinh Hospital for year 2018	6,160,000,000	-	-	-
Other receivables	245,291,660	-	354,291,660	-
<b>Total</b>	<b>9,230,864,554</b>	<b>-</b>	<b>81,232,545,207</b>	<b>-</b>

6. Inventories	June 30, 2019		Jan. 01, 2019	
	Original cost	Provision	Original cost	Provision
Raw materials	156,576,745,222	-	153,592,240,263	-
Tools & supplies	1,706,285,246	-	1,338,489,800	-
Works in progress	20,023,455,844	-	10,525,836,944	-
Finished goods	68,082,989,205	-	53,987,054,507	-
Merchandise inventory	6,070,268	-	5,971,176	-
<b>Total</b>	<b>246,395,545,785</b>	<b>-</b>	<b>219,449,592,690</b>	<b>-</b>

- Value of inactive, deteriorated inventories which are not possibly consumed at the period end: None.

- Causes and resolutions for inactive, deteriorated inventories;

+ Circumstances or events that led to the addition or reversal of provision for decline in value of inventories: For testing process inventory, items related to drugs which company manage under the expiry date. If the inventory items have expired, the company will cancel the standard implementation of the Department of Health. Therefore, there is not inventory damaged, outdated, lost of quality. The company have no provision for decline in value of inventories.

- The carrying amount of inventories pledged as security for liabilities: None.

7. Long-term assets in progress	June 30, 2019		Jan. 01, 2019	
	Amount	Provision	Amount	Provision
Works in progress	3,360,802,000	-	3,140,802,000	-
Accounting software	3,360,802,000	-	3,140,802,000	-
<b>Total</b>	<b>3,360,802,000</b>	<b>-</b>	<b>3,140,802,000</b>	<b>-</b>

(\*) Reason for incompleteness in one circle of production, doing business: the Company is building the accounting software but to June 30, 2019, the software has not been completed.





## NOTES TO THE FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2019

Unit: VND

### 8. Tangible fixed assets (for more details see page 41)

### 9. Intangible fixed assets

	Land use rights	Patents, copyrights	Total
<b>Original cost</b>			
Opening balance	7,438,152,000	2,708,299,139	<b>10,146,451,139</b>
Closing balance	7,438,152,000	2,708,299,139	<b>10,146,451,139</b>
<b>Accumulated amortization</b>			
Opening balance	-	2,694,965,799	<b>2,694,965,799</b>
Charge for the period	-	13,333,340	<b>13,333,340</b>
Closing balance	-	2,708,299,139	<b>2,708,299,139</b>
<b>Net book value</b>			
As at the beginning of the period	7,438,152,000	13,333,340	<b>7,451,485,340</b>
As at the end of the period	7,438,152,000	-	<b>7,438,152,000</b>

\*Land use rights at 17A CMT8, Can Tho city; No.410 Nguyen Tri Phuong, Da Nang city; B26-B28-TT17 Van Quan new residential - Yen Phuc, Ha Noi city.

\* Ending carrying value of intangible fixed assets pledged/mortgaged as loan security: None.

\* Ending original costs of intangible fixed assets—fully depreciated but still in use: VND 2,708,299,139.

\* Commitments on tangible fixed assets acquisitions, sales of large value in the future: None.

\* Other changes in intangible fixed assets: None.

\* Notes on figures and other explanations: None.

10. Prepaid expenses	June 30, 2019	Jan. 01, 2019
<b>Short-term prepaid expenses</b>	<b>1,872,153,448</b>	<b>1,242,213,210</b>
Office leasing fee	25,000,000	176,066,278
Fire & Explosion insurance	76,848,750	307,395,000
Repair of fixed assets	1,770,304,698	758,751,932
<b>Long-term prepaid expenses</b>	<b>625,553,176</b>	<b>946,558,869</b>
Repair of fixed assets	330,727,462	474,837,735
Shelves	294,825,714	471,721,134
<b>Total</b>	<b>2,497,706,624</b>	<b>2,188,772,079</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2019

Unit: VND

### 11. Trade payables

	June 30, 2019		Jan. 01, 2019	
	Amount	Debt Service Coverage	Amount	Debt Service Coverage
<b>Short-term</b>	<b>38,596,377,211</b>	<b>38,596,377,211</b>	<b>28,795,624,575</b>	<b>28,795,624,575</b>
Local suppliers	33,004,269,366	33,004,269,366	24,032,449,575	24,032,449,575
<i>Phytopharma VN JSC (PHYTO)</i>	<i>4,151,999,564</i>	<i>4,151,999,564</i>	<i>3,288,101,387</i>	<i>3,288,101,387</i>
<i>Le Hoang Co., Ltd.</i>	<i>1,576,898,400</i>	<i>1,576,898,400</i>	<i>418,704,000</i>	<i>418,704,000</i>
<i>Branch Zuellig Pharma Vietnam</i>	<i>11,658,408,546</i>	<i>11,658,408,546</i>	<i>8,635,827,659</i>	<i>8,635,827,659</i>
<i>Other suppliers</i>	<i>15,616,962,856</i>	<i>15,616,962,856</i>	<i>11,689,816,529</i>	<i>11,689,816,529</i>
Foregin suppliers	5,592,107,845	5,592,107,845	4,763,175,000	4,763,175,000
<i>Khs Synchemical Corp</i>	<i>461,162,500</i>	<i>461,162,500</i>	<i>4,484,355,000</i>	<i>4,484,355,000</i>
<i>APC Pharma &amp; Chemical</i>	<i>3,391,370,345</i>	<i>3,391,370,345</i>	-	-
<i>Wockhardt Ltd.</i>	<i>1,459,375,000</i>	<i>1,459,375,000</i>	-	-
<i>Other suppliers</i>	<i>280,200,000</i>	<i>280,200,000</i>	<i>278,820,000</i>	<i>278,820,000</i>
<b>Total</b>	<b>38,596,377,211</b>	<b>38,596,377,211</b>	<b>28,795,624,575</b>	<b>28,795,624,575</b>

### 12. Prepayments from customers

	June 30, 2019	Jan. 01, 2019
<b>Short-term</b>	<b>14,417,947,656</b>	<b>10,766,655,120</b>
Local customers	13,614,640,026	10,363,372,354
<i>Original cell bank</i>	<i>11,293,799,103</i>	<i>9,817,192,124</i>
<i>Samedco J.S.C</i>	<i>770,548,286</i>	<i>136,284,000</i>
<i>Tan Huynh Phat Pharmaceutical Co., Ltd.</i>	<i>300,000,000</i>	-
<i>Other customers</i>	<i>1,250,292,637</i>	<i>409,896,230</i>
Foregin customers	803,307,630	403,282,766
<b>Total</b>	<b>14,417,947,656</b>	<b>10,766,655,120</b>

### 13. Taxes and payables to the State Budget

	Jan. 01, 2019	Payable amount	Paid amount	June 30, 2019
<b>a. Payables</b>				
V.A.T payables	617,111,845	30,710,032,388	30,173,062,632	80,142,089
Import – Export duties	584,391,622	7,246,229,562	7,179,566,265	517,728,325
Corporate income tax	11,164,238,645	16,224,629,863	8,638,355,681	3,577,964,463
Foreign Contractor tax	-	174,663,389	174,663,389	-
Other taxes	-	144,744,091	144,744,091	-
<b>Total</b>	<b>12,365,742,112</b>	<b>54,500,299,293</b>	<b>46,310,392,058</b>	<b>4,175,834,877</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2019

Unit: VND

### 13. Taxes and payables to the State Budget (Cont.)

	Jan. 01, 2019	Payable amount	Paid amount	June 30, 2019
<b>b. Receivables</b>				
VAT on import	584,391,622	7,179,566,265	7,246,229,562	517,728,325
Import - export tax	54,640,905	494,337,349	498,655,048	50,323,206
Overpaid personal income tax	298,353,491	3,539,943,239	3,165,139,476	673,157,254
Land and housing taxes, land rentals	-	4,014,013,527	3,600,000,000	414,013,527
<b>Total</b>	<b>937,386,018</b>	<b>15,227,860,380</b>	<b>14,510,024,086</b>	<b>1,655,222,312</b>

### 14. Unrealized revenue

#### Long-term

	June 30, 2019	Jan. 01, 2019
Unrealized revenue of MekoStem	80,031,553,984	70,527,326,665
Unrealized revenue from finished goods	-	1,376,689,679
<b>Total</b>	<b>80,031,553,984</b>	<b>71,904,016,344</b>

### 15. Other payables

#### Short-term

	June 30, 2019	Jan. 01, 2019
Social insurance, health insurance, trade union & Communist party fee	161,289,727	259,142,107
Board of Management	1,349,000,000	437,000,000
Other payables	17,240,094,578	17,115,094,578
Corporate income tax (XN 24)	91,299,513	91,299,513
Soviet's antibiotic	118,181,818	118,181,818
Expenses for issuing new share	125,000,000	-
Project 45 Vo Thi Sau	6,800,000,000	6,800,000,000
Happy House Investment J.S.C	10,000,000,000	10,000,000,000
Other payables	105,613,247	105,613,247
<b>Total</b>	<b>18,750,384,305</b>	<b>17,811,236,685</b>

### 16. Provision liability

#### Long-term

	June 30, 2019	Jan. 01, 2019
Provision for research projects	7,000,000,000	7,000,000,000
<b>Total</b>	<b>7,000,000,000</b>	<b>7,000,000,000</b>

### 17. Owners' equity

#### a. Comparison schedule for changes in Owner's Equity (for more details see page 42)



## NOTES TO THE FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2019

Unit: VND

### 17. Owners' equity (Cont.)

<b>b. Details of owners' shareholding</b>	<b>% of shareholding</b>	<b>June 30, 2019</b>	<b>Jan. 01, 2019</b>
Shareholding by the State	18.20%	42,304,320,000	35,283,600,000
Shareholding by other investors	81.80%	190,185,680,000	158,924,530,000
Share premium		409,754,114,458	295,058,504,458
Treasury share		(14,487,151,158)	(14,487,151,158)
<b>Total</b>	<b>100.00%</b>	<b>627,756,963,300</b>	<b>474,779,483,300</b>

\* Number of treasury shares: 277,646 equivalent to VND 14,487,151,158.

<b>c. Capital transactions with owners and distribution of dividends, profits</b>	<b>From Jan. 01, 2019 to Jun. 30, 2019</b>	<b>Year 2018</b>
Owners' equity	<b>232,490,000,000</b>	<b>194,208,130,000</b>
At the beginning of the period	194,208,130,000	194,208,130,000
Increase in the period	38,281,870,000	-
Decrease in the period	-	-
At the end of the period	232,490,000,000	194,208,130,000
Dividends paid	28,714,750,500	38,286,334,000

<b>d. Dividends</b>	<b>From Jan. 01, 2019 to Jun. 30, 2019</b>	<b>Year 2018</b>
Dividends declared after the balance sheet date		
Dividends on ordinary shares	Not announced yet	15%
Unrecognised accumulated dividends of preference shares	-	-

<b>e. Shares</b>	<b>June 30, 2019</b>	<b>Jan. 01, 2019</b>
Number of shares registered to be issued	23,249,000	19,420,813
Number of shares sold out to the public	23,249,000	19,420,813
Ordinary share	23,249,000	19,420,813
Number of shares repurchased	277,646	277,646
Ordinary share	277,646	277,646
Number of existing shares in issue	22,971,354	19,143,167
Ordinary share	22,971,354	19,143,167
Par value: VND/share.	10,000	10,000

<b>f. Funds</b>	<b>June 30, 2019</b>	<b>Jan. 01, 2019</b>
Investment and development fund	546,407,678,417	505,320,886,183
<b>Total</b>	<b>546,407,678,417</b>	<b>505,320,886,183</b>

\* Purpose of appropriating and using funds

Investment and development fund is established from the profit after tax of the enterprise and used for expanding the operating scale or investing further in the enterprise .



## NOTES TO THE FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2019

Unit: VND

### 18. Off balance sheet items

Foreign currencies	June 30, 2019		Jan. 01, 2019	
	Quantity	Converted to VND	Quantity	Converted to VND
USD	2,821.76	65,514,991	33,097.97	766,052,516
EUR	918.48	24,172,402	923.94	24,318,101
<b>Total</b>		<b>89,687,393</b>		<b>790,370,617</b>

### VI. ADDITIONAL INFORMATION FOR ITEMS IN THE INCOME STATEMENT

	From Jan. 01, 2019 to Jun. 30, 2019	From Jan. 01, 2018 to Jun. 30, 2018
<b>1. Sales</b>		
<b>a. Revenue</b>		
Revenue from finished goods sold	298,743,379,010	304,351,734,048
Revenue from merchandises sold	243,828,197,413	253,177,953,739
Revenue from services of original cells bank	27,477,812,181	29,351,889,121
Revenue from sale of materials	4,741,856,958	5,286,139,054
Revenue from office lease	4,478,449,498	4,344,727,272
<b>Total</b>	<b>579,269,695,060</b>	<b>596,512,443,234</b>
<b>b. Revenue from related party</b>		
An Sinh Hospital	4,636,553,024	4,679,772,494
<b>Total</b>	<b>4,636,553,024</b>	<b>4,679,772,494</b>
<b>2. Sales deductions</b>		
Sales returns	498,698,160	195,051,221
Discount	-	6,195,238
<b>Total</b>	<b>498,698,160</b>	<b>201,246,459</b>
<b>3. Net sales</b>		
Revenue from finished goods sold	298,245,652,150	304,167,210,297
Revenue from merchandises sold	243,827,226,113	253,166,731,031
Revenue from exchange of services	27,477,812,181	29,346,389,121
Revenue from construction contract	4,741,856,958	5,286,139,054
Revenue from trading investment properties	4,478,449,498	4,344,727,272
<b>Total</b>	<b>578,770,996,900</b>	<b>596,311,196,775</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2019

Unit: VND

	From Jan. 01, 2019 to Jun. 30, 2019	From Jan. 01, 2018 to Jun. 30, 2018
<b>4. Cost of sales</b>		
Cost of finished goods sold	191,492,805,894	196,441,787,398
Cost of merchandises sold	242,455,659,604	251,767,915,791
Cost of service of original cells bank	8,766,518,510	8,141,619,931
Cost of materials, services rendered	4,034,060,613	3,986,857,393
<b>Total</b>	<b>446,749,044,621</b>	<b>460,338,180,513</b>
<b>5. Financial income</b>		
Interest income from deposits, loans	209,401,580	51,441,724
Dividends, profit paid	6,539,181,000	6,516,219,454
<i>An Sinh Hospital</i>	<i>6,160,000,000</i>	<i>5,516,669,734</i>
<i>VIDIPHAR Pharmaceutical JSC</i>	<i>360,000,000</i>	<i>215,928,720</i>
<i>Pharmaceutical Packaging JSC</i>	-	<i>764,440,000</i>
<i>OPC Pharmaceutical JSC</i>	<i>19,181,000</i>	<i>19,181,000</i>
Realised foreign exchange gains	5,930,258	45,834,480
Unrealised foreign exchange gains	98,439,576	-
Receive from the sale of shares in Areco Co., Ltd.	-	4,039,500,000
<b>Total</b>	<b>6,852,952,414</b>	<b>10,652,995,658</b>
<b>6. Financial expenses</b>		
Interest expenses	147,343,121	-
Realised foreign exchange losses	539,810,306	342,241,120
Provision/reversal of investment losses in subsidiary	13,057,932,920	-
<b>Total</b>	<b>13,745,086,347</b>	<b>342,241,120</b>
<b>7. Selling expenses and General and administration expenses</b>		
<b>a. Selling expenses</b>		
Salaries	12,368,857,883	12,258,177,441
Depreciation	86,805,570	206,582,187
Services bought from outsiders	9,731,226,333	10,425,820,647
Commission	11,191,602,959	11,019,010,832
Transportation	3,574,425,485	4,125,237,114
Other sundry expenses by cash	108,267,200	134,358,109
<b>Total</b>	<b>37,061,185,430</b>	<b>38,169,186,330</b>





## NOTES TO THE FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2019

Unit: VND

### 7. Selling expenses and General and administration expenses (Cont.)

#### b. General and administration expenses

	From Jan. 01, 2019 to Jun. 30, 2019	From Jan. 01, 2018 to Jun. 30, 2018
Salaries	21,457,990,931	19,695,845,074
Materials and packaging	4,047,016,167	6,297,709,596
Depreciation	1,789,257,148	1,869,557,704
Taxes, fees and duties	3,919,952,507	5,094,101,490
Provision for doubtful debt	3,468,281,111	-
Services bought from outsiders	1,213,752,158	737,800,673
Other sundry expenses by cash	9,602,849,970	11,675,964,570
<b>Total</b>	<b>45,499,099,992</b>	<b>45,370,979,107</b>

### 8. Other income

	From Jan. 01, 2019 to Jun. 30, 2019	From Jan. 01, 2018 to Jun. 30, 2018
Disposal and sale of fixed assets (*)	28,181,818	65,454,545
Other income (Treatment to surplus amount upon the counting)	395,989,306	1,087,542,832
Difference upon revaluation of land use rights	72,000,000	75,203,062
<b>Total</b>	<b>496,171,124</b>	<b>1,228,200,439</b>

### 9. Other expenses

	From Jan. 01, 2019 to Jun. 30, 2019	From Jan. 01, 2018 to Jun. 30, 2018
Administrative fines	126,894,091	122,396,969
Other expenses (Treatment to deficient amount upon the counting)	48,987,640	55,649,342
<b>Total</b>	<b>175,881,731</b>	<b>178,046,311</b>

#### (\*) Notes on disposal, sale of fixed assets

	From Jan. 01, 2019 to Jun. 30, 2019	From Jan. 01, 2018 to Jun. 30, 2018
Disposal, sale of fixed assets	28,181,818	65,454,545
Net book value of fixed assets and disposal, sale of fixed assets	-	-
<b>Gain/(loss) from disposal, sale of fixed assets</b>	<b>28,181,818</b>	<b>65,454,545</b>

### 10. Costs of production and doing business by factors

	From Jan. 01, 2019 to Jun. 30, 2019	From Jan. 01, 2018 to Jun. 30, 2018
Raw materials	195,350,420,240	194,864,446,970
Labour cost	56,665,438,232	55,126,884,511
Depreciation and amortization	5,106,145,931	5,778,091,107
Services bought	22,007,282,537	23,016,330,444
Other sundry cash expense	30,505,256,311	30,601,351,712
<b>Total</b>	<b>309,634,543,251</b>	<b>309,387,104,744</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2019

Unit: VND

	From Jan. 01, 2019 to Jun. 30, 2019	From Jan. 01, 2018 to Jun. 30, 2018
<b>11. Current corporate income tax</b>		
1. Total accounting profit before tax	42,889,822,317	63,793,759,491
2. Adjustments to increase (decrease) accounting profit to determine taxable income:	-	-
3. Total taxable income ( 1+2)	42,889,822,317	63,793,759,491
Taxable income in the current year (20%)	42,889,822,317	63,793,759,491
4. Tax rate	20%	20%
5. Current corporate income tax	8,577,964,463	12,758,751,898
Payable corporation income tax	8,577,964,463	12,758,751,898
6. Adjustments of corporate income tax of prior years to the current year	60,391,218	58,770,016
7. Total current corporate income tax	<b>8,638,355,681</b>	<b>12,817,521,914</b>

## 12. Objectives and financial risks management policies

Major risks of financial instruments include market risk, credit risk and liquidity risk.

The Board of General Directors considers the application of management policies for the above risks as follows:

### 12.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to the changes in market prices. There are three market risks: interest rate risk, foreign exchange risk and other price risks, for example risk of stock price. Financial instruments affected by the market risks include: borrowings and liabilities, deposits, available-for-sale investments.

The following sensibility analysis relates to the financial position of the Company as at June 30, 2019 and June 30, 2018.

The sensitivity analysis has been prepared on the basis that the amount of net debt, the ratio of fixed to floating interest rates of the debt and the proportion of financial instruments in foreign currencies are all constant.

When calculating the sensibility analysis, the Board of General Directors assumes that the sensibility of available-for-sale liability in the balance sheet and related items in the income statement is affected by changes in the assumption of corresponding market risks. This analysis is based on the financial assets and liabilities that the Company held as at June 30, 2019 and June 30, 2018.

### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in market prices. Market risks due to change in interest rate of the Company mainly relate to: borrowings and liabilities, cash and short-term deposits.

The Company manages the interest rate risk by analyzing the competition status in the market in order to apply the interest rate that brings benefits to the Company and still in the limit of its risk management.

### Sensibility to interest rate

The sensibility of (borrowings and liabilities, cash and short-term deposits) of the Company to changes that may occur at reasonable level in the interest rate is illustrated as follows.



## NOTES TO THE FINANCIAL STATEMENTS

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Assuming that other variables remain constant, the fluctuation in the interest rate of (borrowings) with floating interest rate makes impact on the Company's profit before tax as follows:

	<i>Increase/Decrease of basic points</i>	<i>Influences on profit before tax</i>
<b>The first 06 months of the year 2019</b>		
VND	+100	596,978,802
VND	-100	(596,978,802)
<b>The first 06 months of the year 2018</b>		
VND	+200	459,585,996
VND	-200	(459,585,996)

Increase/decrease of basic points being used to analyze the sensibility to the interest rate is assumed on the basis of observable conditions of current market. These conditions show that the fluctuation is insignificantly greater than prior periods.

### **Foreign exchange risk**

Foreign exchange risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to the changes in exchange rate. The Company bears risks due to changes in the exchange rate of the currencies other than VND related directly to the Company's business.

The Company manages foreign exchange risk by considering current and expected market status when it outlines plans for future transactions in foreign currencies. The Company does not use any derivative instruments to prevent foreign exchange risks.

### **Sensibility to foreign currencies**

The sensibility of borrowings and liabilities, cash in bank and short-term deposits of the Company to changes that may occur at reasonable level in the foreign currencies is illustrated as follows.

Assuming that other variables remain constant, the following table shows the sensibility of the Company's profit before tax (due to the changes in the fair value of assets and liabilities) to changes that may occur at reasonable level of the exchange rate of USD. Risks due to changes in the exchange rates of other foreign currencies of the Company are insignificant.

	<i>Changes in exchange rate USD</i>	<i>Influences on profit before tax</i>
The first 06 months of the year 2019	+ 1%	280,113,121
	- 1%	(280,113,121)
The first 06 months of the year 2018	+ 2%	786,766,105
	- 2%	(786,766,105)

### **Stock price risk**

Listed and unlisted stocks held by the Company are affected by market risks resulted from the uncertainty of future value of investment stock. The Company manages risks of stock price by setting up investment limit. The Company's Board of Management considers and approves decisions on stock investment.

At the reporting date, the fair value of investments in listed stock of the Company is VND 11,624,019,900 (December 31, 2018: VND 11,656,627,600). If the price of these stocks decreases 10%, the profit before tax will decrease approximately VND 1,162,401,990.



## NOTES TO THE FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2019

Unit: VND

### 12.2 Credit risk

Credit risk is the risk due to the uncertainty in a counterparty's ability to meet its obligations causing the financial loss. The Company bears credit risks from production and doing business activities (mainly trade receivables) and from its financial activities including deposits, foreign exchange transactions and other financial instruments.

#### Trade receivables

The Company minimizes the credit risk by only doing business with entities who have good financial capacity and closely keeping track of the liabilities to speed up the recovery of debts. On the basis of this method and receivables related to different customers, the credit risk does not concentrate on a certain customer.

#### Deposit

The Company mainly maintains deposits in big and prestigious banks in Vietnam. The Company realized that the concentration level of credit exposure to deposits is low.

The Board of General Directors of the Company has assessed that most financial assets are not overdue and impaired since these financial assets relate to prestigious customers who have good liquidity capacity except for overdue and/or impaired debts presented as follows:

Trade receivables	Not overdue		Overdue	
	Not impaired	Impaired	Not impaired	Impaired
<b>June 30, 2019</b>				
Under 90 days	-	-	-	-
91-180 days	118,113,956,723	-	-	-
>181 days	25,594,113,807	-	-	7,919,618,697
<b>Total net value</b>	<b>143,708,070,530</b>	-	-	<b>7,919,618,697</b>
Provision for devaluation	-	-	-	(5,543,733,088)
<b>Net value</b>	<b>143,708,070,530</b>	-	-	<b>2,375,885,609</b>
<b>December 31, 2018</b>				
Under 90 days	-	-	-	-
91-180 days	95,857,523,267	-	-	-
>181 days	12,195,517,395	-	-	20,754,519,773
<b>Total net value</b>	<b>108,053,040,662</b>	-	-	<b>20,754,519,773</b>
Provision for devaluation	-	-	-	(2,075,451,977)
<b>Net value</b>	<b>108,053,040,662</b>	-	-	<b>18,679,067,796</b>

### 12.3 Liquidity risk

Liquidity risk is the risk that arises from the difficulty in fulfilling financial obligations due to lack of capital. The liquidity risk of the Company mainly arises from difference of maturity of the financial assets and liabilities.

The Company supervises liquidity risk by maintaining an amount of cash, cash equivalents and borrowings from banks at the level that the Board of General Directors considers as sufficient to satisfy the Company's activities and minimize influences of changes in cash flows.



## NOTES TO THE FINANCIAL STATEMENTS

*For the accounting period of the first 06 months of the year 2019*

*Unit: VND*

The following table summarizes liquidity deadline of the Company's financial liabilities on the basis of estimated payments in accordance with contract which are not discounted:

<b>June 30, 2019</b>	<i>Under 1 year</i>	<i>From 1-5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Trade payables	38,596,377,211	-	-	38,596,377,211
Other short-term payables and other accrued expenses	10,000,000,000	-	-	10,000,000,000
<b>Total</b>	<b>48,596,377,211</b>	<b>-</b>	<b>-</b>	<b>48,596,377,211</b>
<b>Dec. 31, 2018</b>				
Trade payables	28,795,624,575	-	-	28,795,624,575
Other short-term payables and other accrued expenses	10,000,000,000	-	-	10,000,000,000
<b>Total</b>	<b>38,795,624,575</b>	<b>-</b>	<b>-</b>	<b>38,795,624,575</b>

The Company believes that liquidity risk is low. The Company is able to access capital sources and controls net cash flow from operating activities so as to settle due debts.

### **Secured assets**

The Company does not hold any secured assets of the third party as at June 30, 2019 and December 31, 2018.

### **13. Financial assets and liabilities** (for more details see page 43)

The fair value of financial assets and financial liabilities is stated at the value that the financial instruments are convertible in present transaction among partners, except for compulsory sale or disposal.

The Company uses the following methods and assumptions to estimate the fair value:

The fair value of cash on hand and short-term deposits, trade receivables, trade payables and other short-term liabilities is equivalent to the book value of these items because these instruments are in short-term.

The fair value of securities and listed financial liabilities is determined at market value.

As to unlisted securities investments but under regular transactions, the fair value is the average price provided by three independent securities company at the accounting period end.

The fair value of securities and financial investments whose fair value can not be firmly determined since there exists no high-liquid market for securities, financial investments will be stated at book value.

Except for the above-mentioned items, the fair value of financial assets and financial liabilities has not been valuated and determined officially as at June 30, 2019 and December 31, 2018. However, the Board of General Directors has assessed that the fair value of financial assets and liabilities is not significantly different from the book value at the accounting period end.



## NOTES TO THE FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2019

Unit: VND

### VII. ADDITIONAL INFORMATION FOR ITEMS IN THE CASH FLOW STATEMENT

	From Jan. 01, 2019 to Jun. 30, 2019	From Jan. 01, 2018 to Jun. 30, 2018
<b>1. Borrowing amount in the period</b>		
- Proceeds from the borrowing under normal agreement	20,944,069,110	-
<b>2. Payment for principal debts</b>		
- Payment for principal debts under normal agreement	(20,944,069,110)	-

### VIII. OTHER INFORMATION

#### 1. Subsequent events

There are no significant events since the accounting period ended that need to be adjusted or noted in the financial statements.

#### 2. Contingent liabilities, commitments and other information

There are no contingent liabilities, commitments occurred since the accounting period ended that need to be adjusted or noted in the financial statements.

#### 3. Related party transactions

Key transactions and balances with related parties:

Related parties	Relationship	Transactions	Movement	Amount
An Sinh Hospital	Associate	Sale of goods	Opening balance	819,585,581
			Sale of goods	5,045,432,950
			Proceeds	3,272,469,079
			Closing balance	2,592,549,452

Income of the Board of Management and Board of General Directors	From Jan. 01, 2019 to Jun. 30, 2019	From Jan. 01, 2018 to Jun. 30, 2018
Board of Management and Board of General Directors.	Salary, Bonus, consideration	
	3,066,379,802	3,094,038,508
<b>Total</b>	<b>3,066,379,802</b>	<b>3,094,038,508</b>

#### 4. Presentation of segment asset, revenue and operating result

The Board of General Directors of the Company defines that the issuing managerial decisions of the Company mainly bases on types of products, services that the Company provides, not on the geographical region where the Company provides its products, services. Therefore, the major report is by business sector.



## NOTES TO THE FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2019

Unit: VND

### 4.1 Major segment reporting: by business sector

#### a. Segment report by business sector in the accounting period of the first 06 months of the year 2019:

Items	Net revenue	Cost of goods sold	Gross profit
Finished goods	298,245,652,150	191,492,805,894	106,752,846,256
Merchandise	243,827,226,113	242,455,659,604	1,371,566,509
Original cells bank	27,477,812,181	8,766,518,510	18,711,293,671
Materials	4,741,856,958	4,034,060,613	707,796,345
Premise lease	4,478,449,498	-	4,478,449,498
<b>Total</b>	<b>578,770,996,900</b>	<b>446,749,044,621</b>	<b>132,021,952,279</b>

#### b. Segment report by business sector in the accounting period of the first 06 months of the year 2018:

Items	Net revenue	Cost of goods sold	Gross profit
Finished goods	304,167,210,297	196,441,787,398	107,725,422,899
Merchandise	253,166,731,031	251,767,915,791	1,398,815,240
Original cells bank	29,346,389,121	8,141,619,931	21,204,769,190
Materials	5,286,139,054	3,986,857,393	1,299,281,661
Premise lease	4,344,727,272	-	4,344,727,272
<b>Total</b>	<b>596,311,196,775</b>	<b>460,338,180,513</b>	<b>135,973,016,262</b>

### 4.2 Minor segment reporting: by geographical region

The Company's branches operate in the same place, so there are no differences of operations in geographical region and thus there is no segment report either.

### 5. Information on going-concern operation: The Company will continue its operation in the future.

PREPARED BY

Le Thi Thu Huong

CHIEF ACCOUNTANT

Le Thi Thuy Hang

HCMC, August 06, 2019

GENERAL DIRECTOR



DR. Huynh Thi Lan, PharmD.





## NOTES TO THE FINANCIAL STATEMENTS

*For the accounting period of the first 06 months of the year 2019*

*Unit: VND*

### V.2. Financial investments

#### a. Trading securities

	June 30, 2019			Jan. 01, 2019		
	Original value	Provision	Fair value	Original value	Provision	Fair value
<b>Total value of equity securities</b>	<b>10,946,711,100</b>	-	<b>11,624,019,900</b>	<b>10,946,711,100</b>	-	<b>11,656,627,600</b>
VIDIPHAR Pharmaceutical JSC	4,070,000,000	-	4,070,000,000	4,070,000,000	-	4,070,000,000
OPC Pharmaceutical JSC (*)	241,461,100	-	918,769,900	241,461,100	-	951,377,600
Pharmaceutical Packaging JSC	6,635,250,000	-	6,635,250,000	6,635,250,000	-	6,635,250,000
<b>Total</b>	<b>10,946,711,100</b>	-	<b>11,624,019,900</b>	<b>10,946,711,100</b>	-	<b>11,656,627,600</b>

#### b. Held-to-maturity investments

	June 30, 2019		Jan. 01, 2019	
	Original value	Fair value	Original value	Fair value
<b>Short-term</b>	<b>10,000,000,000</b>	<b>10,000,000,000</b>	-	-
- Term deposits	10,000,000,000	10,000,000,000	-	-
<b>Total</b>	<b>10,000,000,000</b>	<b>10,000,000,000</b>	-	-

#### c. Equity investments in other entities

	June 30, 2019			Jan. 01, 2019		
	Original value	Provision	Fair value	Original value	Provision	Fair value
<b>Investment in subsidiaries</b>	<b>900,000,000,000</b>	<b>(36,772,909,282)</b>	<b>863,227,090,718</b>	<b>700,000,000,000</b>	<b>(23,714,976,362)</b>	<b>676,285,023,638</b>
Mekophar Co., Ltd.	900,000,000,000	(36,772,909,282)	863,227,090,718	700,000,000,000	(23,714,976,362)	676,285,023,638



## NOTES TO THE FINANCIAL STATEMENTS

*For the accounting period of the first 06 months of the year 2019*

*Unit: VND*

### c. Equity investments in other entities (Cont.)

	June 30, 2019			Jan. 01, 2019		
	Original value	Provision	Fair value	Original value	Provision	Fair value
<b>Investment in joint-ventures, associates</b>	<b>18,510,000,000</b>	-	<b>18,510,000,000</b>	<b>18,510,000,000</b>	-	<b>18,510,000,000</b>
An Sinh Hospital - Percentage of contribution: 22%	18,510,000,000	-	18,510,000,000	18,510,000,000	-	18,510,000,000
<b>Other long-term investments</b>	<b>5,550,000,000</b>	-	<b>5,550,000,000</b>	<b>5,550,000,000</b>	-	<b>5,550,000,000</b>
Orchids Co., Ltd. - Percentage of contribution: 15%	5,550,000,000	-	5,550,000,000	5,550,000,000	-	5,550,000,000
<b>Total</b>	<b>924,060,000,000</b>	<b>(36,772,909,282)</b>	<b>887,287,090,718</b>	<b>724,060,000,000</b>	<b>(23,714,976,362)</b>	<b>700,345,023,638</b>

### Operating status of subsidiaries, associates and material transactions with related parties:

#### Notes on investments in subsidiaries - Mekophar Co., Ltd.

According to Investment Certificate No. 413041000084 dated January 26, 2015 issued by High-Tech Park Authorities and the Business registration certificate No. 0313141915 dated January 26, 2015, the seventh amendment certificate dated June 05, 2019 issued the Department of Planning and Investment of HCMC, Mekophar Chemical Pharmaceutical Joint-Stock Company registers to invest in Mekophar Co., Ltd with the amount of VND 900,000,000,000, equivalent to 100% of the chartered capital. For the first 06 months of year 2019, the subsidiary's loss is VND 13,057,932,920, the accumulation losses as at June 30, 2019 is VND 36.772.909.282. Mekophar Chemical Pharamceutical J.S.C accounted the devaluation provision for this investment.

#### Notes on investments in associates - An Sinh Hospital

According to Investment Certificate No. 0302774433 dated November 25, 2002 issued by the Department of Planning and Investment, the Company registers to invest in An Sinh Hospital with the amount of VND 14,900,000,000, equivalent to 22% of the chartered capital. In the period, Mekophar Chemical Pharmaceutical Joint-Stock Company does not invest more. As at June 30, 2019, the Company invested VND 18,510,000,000, equivalent to 22% of the chartered capital (the amount at the beginning of the period VND is 18,510,000,000 equivalent to 22% of the chartered capital). The business operation of the An Sinh Hospital is stabilizing throughout the operating years and the Company will received dividends paid from the hospital in this year.



## **NOTES TO THE FINANCIAL STATEMENTS**

*For the accounting period of the first 06 months of the year 2019*

*Unit: VND*

### **Status of other investments:**

#### **Notes on other investments - Orchids Co., Ltd.**

According to provisions in Business Co-operation Contract (No. 108/HDHTKD/MKP-OR/2015) signed with Orchids Co., Ltd. for the purpose of building and exploiting the tower at No. 192 Pasteur Street, Ward 6, District 3, HCMC, the project is set up with total estimated paid-in capital of VND 65,000,000,000. As at June 30, 2019, the Company has paid in VND 5,550,000,000 as committed. The project has just began to operate.

#### **(\*) Fair value as at June 30, 2019 for all the investments**

The fair value of the investment in OPC Pharmaceutical J.S.C is determined using the price stated in the HOSE stock market and the amount of stocks which the Company is currently holding as at the accounting period end.

The fair value of other investments in the Subsidiary and others companies has not been recaculated offically as at June 30, 2019 and December 31, 2018 due to the fact that these Company has not been listed in any stock exchange market so that there are no reliable reference. However, the Board of General Directors has agree to temporarily accounted the fair value using the orginal value of these investments and added the note on the operation shorted of these investments.

## NOTES TO THE FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2019

Unit: VND

### V.8. Tangible fixed assets

Items	Buildings & Structures	Machinery & Equipment	Transportation & Facilities	Others	Total
<b>Original cost</b>					
Opening balance	53,610,571,336	124,270,837,248	16,082,054,233	49,095,346,072	<b>243,058,808,889</b>
<i>New purchases</i>	-	1,793,381,499	-	420,197,498	<b>2,213,578,997</b>
<i>Disposal, sale</i>	-	(36,428,800)	(175,780,952)	-	<b>(212,209,752)</b>
Closing balance	53,610,571,336	126,027,789,947	15,906,273,281	49,515,543,570	<b>245,060,178,134</b>
<b>Accumulated depreciation</b>					
Opening balance	36,384,901,499	106,313,037,543	13,061,977,214	42,649,475,030	<b>198,409,391,286</b>
<i>Charge for the period</i>	928,663,830	2,739,791,329	331,191,810	1,093,165,622	<b>5,092,812,591</b>
<i>Disposal, sale</i>	-	(36,428,800)	(175,780,952)	-	<b>(212,209,752)</b>
Closing balance	37,313,565,329	109,016,400,072	13,217,388,072	43,742,640,652	<b>203,289,994,125</b>
<b>Net book value</b>					
As at beginning of the period	17,225,669,837	17,957,799,705	3,020,077,019	6,445,871,042	<b>44,649,417,603</b>
As at the end of the period	16,297,006,007	17,011,389,875	2,688,885,209	5,772,902,918	<b>41,770,184,009</b>

\* Ending net book value of tangible fixed assets pledged/mortgaged as loan security: None.

\* Ending original costs of tangible fixed assets—fully depreciated but still in use: VND 134,360,032,097.

\* Ending original costs of tangible fixed assets—waiting to be disposed: None.

\* Commitments on tangible fixed assets acquisitions, sales of large value : None.

\* Other changes in tangible fixed assets: None.



## NOTES TO THE FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2019

Unit: VND

### V.17. Owners' Equity

#### a. Comparison schedule for changes in Owner's Equity :

Items	Paid-in capital	Share premium	Treasury share	Investment and Development Fund	Undistributed earnings	Total
<b>Prior year opening balance</b>	<b>194,208,130,000</b>	<b>295,058,504,458</b>	<b>(14,487,151,158)</b>	<b>448,083,058,734</b>	<b>112,322,957,165</b>	<b>1,035,185,499,199</b>
Profit of prior year	-	-	-	-	101,017,491,926	101,017,491,926
Appropriation to the Board of Management expenses fund of 2017	-	-	-	-	(336,000,000)	(336,000,000)
Appropriation to the Board of Management bonus fund of 2017	-	-	-	-	(1,849,000,000)	(1,849,000,000)
Appropriation to funds from profit of 2017	-	-	-	57,237,827,449	(57,237,827,449)	-
Dividends paid to shareholders in 2017	-	-	-	-	(38,286,334,000)	(38,286,334,000)
Appropriation to bonus and welfare fund of 2017	-	-	-	-	(10,613,795,716)	(10,613,795,716)
<b>Prior year closing balance</b>	<b>194,208,130,000</b>	<b>295,058,504,458</b>	<b>(14,487,151,158)</b>	<b>505,320,886,183</b>	<b>105,017,491,926</b>	<b>1,085,117,861,409</b>
<b>Current period opening balance</b>	<b>194,208,130,000</b>	<b>295,058,504,458</b>	<b>(14,487,151,158)</b>	<b>505,320,886,183</b>	<b>105,017,491,926</b>	<b>1,085,117,861,409</b>
Profit of this period	-	-	-	-	34,251,466,636	34,251,466,636
Increase capital	38,281,870,000	114,695,610,000	-	-	-	152,977,480,000
Appropriation to the Board of Management expenses fund of 2018	-	-	-	-	(326,000,000)	(326,000,000)
Appropriation to the Board of Management bonus fund of 2018	-	-	-	-	(912,000,000)	(912,000,000)
Appropriation to funds from profit of 2018	-	-	-	41,086,792,234	(41,086,792,234)	-
Dividends paid to shareholders in 2018	-	-	-	-	(28,714,750,500)	(28,714,750,500)
Appropriation to bonus and welfare fund of 2018	-	-	-	-	(9,977,949,192)	(9,977,949,192)
<b>Current period closing balance</b>	<b>232,490,000,000</b>	<b>409,754,114,458</b>	<b>(14,487,151,158)</b>	<b>546,407,678,417</b>	<b>58,251,466,636</b>	<b>1,232,416,108,353</b>



## NOTES TO THE FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2019

Unit: VND

### VI.13 Financial assets and financial liabilities:

The following table specifies book value and fair value of the financial instruments presented in the financial statements.

	Book value				Fair value	
	June 30, 2019		31/12/2018		June 30, 2019	31/12/2018
	Amount	Provision	Amount	Provision	Amount	Amount
<b>Financial asests</b>						
- Available-for-sale financial assets	10,946,711,100	-	10,946,711,100	-	11,624,019,900	11,656,627,600
- Trade receivables	151,627,689,227	(5,543,733,088)	128,807,560,435	(2,075,451,977)	146,083,956,139	126,732,108,458
- Other receivables	245,291,660	-	80,255,291,660	-	245,291,660	80,255,291,660
- Cash and cash equivalents	49,697,880,171	-	60,751,967,400	-	49,697,880,171	60,751,967,400
<b>TOTAL</b>	<b>222,517,572,158</b>	<b>(5,543,733,088)</b>	<b>280,761,530,595</b>	<b>(2,075,451,977)</b>	<b>217,651,147,870</b>	<b>279,395,995,118</b>
<b>Financial liabilities</b>						
- Trade payables	38,596,377,211	-	28,795,624,575	-	38,596,377,211	28,795,624,575
- Other payables	10,000,000,000	-	10,000,000,000	-	10,000,000,000	10,000,000,000
<b>TOTAL</b>	<b>48,596,377,211</b>	<b>-</b>	<b>38,795,624,575</b>	<b>-</b>	<b>48,596,377,211</b>	<b>38,795,624,575</b>