



**MEKOPHAR**

**CHEMICAL PHARMACEUTICAL  
JOINT-STOCK COMPANY**

**REVIEWED CONSOLIDATED  
FINANCIAL STATEMENTS**

*For the accounting 6 months period ended June 30, 2017*

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	Trang
1. REPORT OF THE BOARD OF MANAGEMENT	01-03
2. AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION	04
3. CONSOLIDATED BALANCE SHEET	05-08
4. CONSOLIDATED INCOME STATEMENT	09
5. CONSOLIDATED CASH FLOW STATEMENT	10-11
6. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	12-43

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## REPORT OF THE BOARD OF MANAGEMENT

For the accounting 6 months period ended June 30, 2017

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The Board of Management has the honor of submitting this report and the reviewed financial statements for the accounting period ended June 30, 2017.

### 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 and under the seventeenth amendment on Oct 27, 2016 with the chartered capital increases to VND 151,234,130,000. (the chartered capital as of June 30, 2017: VND 194,208,130,000).

#### Structure of ownership:

Joint Stock Company.

#### The Company's 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

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

The Company's branches are located at:

*Hanoi branch: No. 95 Lang Ha Str., Dong Da Dist., Hanoi City*

*Nghe An Branch: No. 11A4 Dang Thai Than, Cua Nam 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 period are presented in the attached financial statements.

## REPORT OF THE BOARD OF MANAGEMENT

For the accounting 6 months period ended June 30, 2017

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

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

#### Board of Management:

Ms.	Huynh Thi Lan	Chairman
Ms.	Dang Thi Kim Lan	Member
Mr.	Le Anh Phuong	Member
Mr.	Kazuya Shinozawa	Member
Mr.	Nguyen Duc Thang	Member
Ms.	Nguyen Thi Quynh Anh	Member
Ms.	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:

Ms.	Huynh Thi Lan	General Director
Ms.	Dang Thi Kim Lan	Deputy General Director
Mr.	Le Anh Phuong	Deputy General Director
Ms.	Phan Thi Lan Huong	Deputy General Director
Ms.	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 06 months period ended June 30, 2017

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

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, 2017 as well as its results of operation and cash flows for the period then ended. 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 6 months period ended June 30, 2017*

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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 consolidated financial statements consisting of Consolidated Balance Sheet as at June 30, 2017, Consolidated Income Statement, Consolidated Cash Flow Statement and Notes to the Consolidated 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 fiscal period ended June 30, 2017.

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

HCMC, August 14, 2017  
For and on behalf of the Board of Management



The stamp is circular and red, containing the text: 'HCMC, August 14, 2017' at the top, 'For and on behalf of the Board of Management' in the center, and 'CƠ PHÂN HÓA - DƯỢC PHẨM MEKOPHAR' at the bottom. The outer ring of the stamp contains 'M.S.D.N.' and 'QUẬN 11 - T.P HỒ CHÍ MINH'. A blue ink signature is written over the stamp.

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**DR. Huynh Thi Lan, PharmD**

Chairman



No:05.17.201 -3/AISC-DN4

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

To

**BOARD OF MANAGEMENT AND BOARD OF GENERAL DIRECTORS**

**Mekophar Chemical Pharmaceutical Joint-Stock Company**

We have audited the consolidated financial statements of **Mekophar Chemical Pharmaceutical Joint-Stock Company** consisting of Consolidated Balance Sheet as at June 30, 2017, Consolidated Income Statement, Consolidated Cash Flow Statement for the period then ended and Notes to the Consolidated Financial Statements as set out on Page 5 to Page 43, which were prepared on August 14, 2016.

**Responsibility of the Board of General Directors**

The Board of General Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Vietnamese Accounting Standards, Accounting System Corporate 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.

**Responsibility of Auditor**

Our responsibility is to draw our conclusion on the interim consolidated 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 consolidated financial statements do not give a true and fair view, in all material respects, of the consolidated financial position of **Mekophar Chemical Pharmaceutical Joint - Stock Company** as at June 30, 2017 as well as the results of its consolidated operation and its consolidated cash flows for the 6 months period then ended. The interim consolidated financial statements 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 consolidated financial statements.

**HCMC, August 14, 2017**

**GENERAL DIRECTOR**



**Pham Van Vinh**

*Certificate of Audit Practice Registration*

*No. 0112-2013-05-1*

*Issued by the Ministry of Finance*

**CONSOLIDATED BALANCE SHEET**

As at June 30, 2017

Unit: VND

<b>ASSETS</b>	<b>Code</b>	<b>Notes</b>	<b>June 30, 2017</b>	<b>Jan. 01, 2017</b>
<b>A. CURRENT ASSETS</b>	<b>100</b>		<b>821,282,704,709</b>	<b>923,454,144,991</b>
<b>I. Cash and Cash Equivalents</b>	<b>110</b>	<b>V.1</b>	<b>234,019,606,430</b>	<b>230,410,064,538</b>
1. Cash	111		93,019,606,430	55,410,064,538
2. Cash equivalents	112		141,000,000,000	175,000,000,000
<b>II. Short-term Financial Investment</b>	<b>120</b>	<b>V.2</b>	<b>40,946,711,100</b>	<b>170,946,711,100</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		30,000,000,000	160,000,000,000
<b>III. Short-term Accounts Receivable</b>	<b>130</b>		<b>286,191,699,572</b>	<b>300,907,917,287</b>
1. Trade accounts receivable	131	V.3	168,651,381,034	150,269,075,026
2. Prepayments to suppliers	132	V.4	115,815,475,898	149,414,501,757
3. Intercompany receivables	133		-	-
4. Construction contract-in-progress receivables	134		-	-
5. Receivables from short-term loans	135		-	-
6. Others receivables	136	V.5	1,724,842,640	1,224,340,504
7. Provision for doubtful debts	137		-	-
8. Shortage of assets awaiting resolution	139		-	-
<b>IV. Inventories</b>	<b>140</b>	<b>V.6</b>	<b>224,081,047,331</b>	<b>209,547,773,156</b>
1. Inventories	141		224,081,047,331	209,547,773,156
2. Provision for decline in value of inventories	149		-	-
<b>V. Other Current Assets</b>	<b>150</b>		<b>36,043,640,276</b>	<b>11,641,678,910</b>
1. Short-term prepayments	151	V.10	1,166,152,897	1,287,896,570
2. Deductible VAT	152		32,887,648,076	9,587,129,097
3. Taxes and other receivables from the State Budget	153	V.13	1,989,839,303	766,653,243
4. Repurchase and sale of Government's bonds	154		-	-
5. Other current assets	155		-	-

**CONSOLIDATED BALANCE SHEET**

As at June 30, 2017

Unit: VND

<b>ASSETS</b>	<b>Code</b>	<b>Notes</b>	<b>June 30, 2017</b>	<b>Jan. 01, 2017</b>
<b>B. LONG-TERM ASSETS</b>	<b>200</b>		<b>378,917,921,194</b>	<b>226,199,803,342</b>
<b>I. Long-term Assets</b>	<b>210</b>		-	-
1. Long-term trade receivables	211		-	-
2. Long-term prepayments to suppliers	212		-	-
3. Working capital from sub-untis	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>64,387,467,290</b>	<b>70,598,001,405</b>
1. Tangible fixed assets	221	V.8	56,875,981,956	63,159,849,405
- Cost	222		239,403,979,920	238,838,472,817
- Accumulated depreciation	223		(182,527,997,964)	(175,678,623,412)
2. Finance lease assets	224		-	-
- Cost	225		-	-
- Accumulated depreciation	226		-	-
3. Intangible fixed assets	227	V.9	7,511,485,334	7,438,152,000
- Cost	228		10,146,451,139	10,066,451,139
- Accumulated amortization	229		(2,634,965,805)	(2,628,299,139)
<b>III. Investment Properties</b>	<b>230</b>		-	-
- Cost	231		-	-
- Accumulated depreciation	232		-	-
<b>IV. Non-current assets</b>	<b>240</b>	<b>V.7</b>	<b>264,314,007,727</b>	<b>98,111,567,308</b>
1. Works in progress	241		-	-
2. Capital construction in progress	242		264,314,007,727	98,111,567,308
<b>V. Long-term investments</b>	<b>250</b>	<b>V.2</b>	<b>48,603,354,287</b>	<b>57,490,234,629</b>
1. Investment in subsidiaries	251		-	-
2. Investment in associates, joint-ventures	252		25,092,854,287	33,979,734,629
3. Investment in equity of other entities	253		23,510,500,000	23,510,500,000
4. Provision for decline in the value of long-term investment	254		-	-
5. Held-to-maturity investments	255		-	-
<b>VI. Other Long-term Assets</b>	<b>260</b>		<b>1,613,091,890</b>	-
1. Long-term prepaid expenses	261	V.10	1,613,091,890	-
2. Deferred income tax assets	262		-	-
3. Equipment. Materials, spare parts	263		-	-
4. Other Long-term Assets	268		-	-
5. Goodwill	269		-	-
<b>TOTAL ASSETS</b>	<b>270</b>		<b>1,200,200,625,903</b>	<b>1,149,653,948,333</b>



**CONSOLIDATED BALANCE SHEET**

As at June 30, 2017

Unit: VND

<b>RESOURCES</b>	<b>Code</b>	<b>Notes</b>	<b>June 30, 2017</b>	<b>Jan. 01, 2017</b>
<b>C. LIABILITIES</b>	<b>300</b>		<b>202,168,761,401</b>	<b>170,720,777,860</b>
<b>I. Current Liabilities</b>	<b>310</b>		<b>128,983,414,773</b>	<b>102,348,100,994</b>
1. Short-term trade payables	311	V.11	58,879,451,331	45,027,181,129
2. Advances from customers	312	V.12	14,282,582,806	9,276,664,445
3. Taxes and other payables to the State Budget	313	V.13	9,725,583,369	4,152,194,663
4. Payables to employees	314		7,601,323,641	13,980,991,904
5. Short-term accrued expenses	315		-	-
6. Short-term intercompany payables	316		-	-
7. Contruction contract-in-progress paybales	317		-	-
8. Short-term unrealized revenue	318		-	-
9. Other short-term payables	319	V.15	11,458,717,286	7,482,078,739
10 Short-term borrowings and financial lease liabilitie	320		-	-
11 Provision for short-term payables	321		-	-
12 Bouns and welfare fund	322		27,035,756,340	22,428,990,114
13 Price stabilization fund	323		-	-
14 Repurchase and sale of Grovernment's bonds	324		-	-
<b>II. Long-term Liabilities</b>	<b>330</b>		<b>73,185,346,628</b>	<b>68,372,676,866</b>
1. Long-term trade payables	331		-	-
2. Long-term advances from customers	332		-	-
3. Long-term accrued expenses	333		-	-
4. Intercompany payables for operating capital receivables	334		-	-
5. Long-term intercompany payables	335		-	-
6. Long-term unrealized revenue	336	V.14	43,185,346,628	38,372,676,866
7. Other long-term payables	337		-	-
8. Long-term borrowings and financial lease liabilitie	338		-	-
9. Convertible bond	339		-	-
10 Preferred shares	340		-	-
11 Deferred income tax liabilities	341		-	-
12 Provision for long-term liabilities	342	V.16	30,000,000,000	30,000,000,000
13 Fund for science and technology development	343		-	-

## CONSOLIDATED BALANCE SHEET

As at June 30, 2017

Unit: VND

RESOURCES	Code	Notes	June 30, 2017	Jan. 01, 2017
<b>D. OWNER'S EQUITY</b>	<b>400</b>		<b>998,031,864,502</b>	<b>978,933,170,473</b>
<b>I. Owner's Equity</b>	<b>410</b>	<b>V.17</b>	<b>997,924,944,212</b>	<b>978,805,250,183</b>
1. Owner's equity	411		194,208,130,000	194,208,130,000
- Ordinary shares with voting rights	411a		194,208,130,000	194,208,130,000
- Preferred shares	411b		-	-
2. Share premium	412		295,058,504,458	295,058,504,458
3. Bond conversion option	413		-	-
4. Owner's 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		448,083,058,734	403,510,093,275
9. Fund for support of arrangement of enterprises	419		-	-
10. Other funds	420		-	-
11. Undistributed earnings	421		75,062,402,178	100,515,673,608
- Undistributed earnings accumulated to the end of prior period	421a		4,070,162,024	-
- Undistributed earnings in this period	421b		70,992,240,154	100,515,673,608
12. Investment reserve for basic construction	422		-	-
13. Non-controlling interest	429		-	-
<b>II. Budget Sources and Other Funds</b>	<b>430</b>		<b>106,920,290</b>	<b>127,920,290</b>
1. Budget sources	431	V.18	106,920,290	127,920,290
2. Fund to from fixed assets	432		-	-
<b>TOTAL RESOURCES</b>	<b>440</b>		<b>1,200,200,625,903</b>	<b>1,149,653,948,333</b>

PREPARED BY

Le Thị Thuy Hang

CHIEF ACCOUNTANT

Le Thị Thuy Hang

HCMC, August 14, 2017

GENERAL DIRECTOR

DR. Huynh Thi Lan, PharmD



**CONSOLIDATED INCOME STATEMENT**

For the accounting 6 months period ended June 30, 2017

Unit: VND

ITEMS	Code	Notes	From Jan. 01, 2017 to Jun. 30, 2017	From Jan. 01, 2016 to Jun. 30, 2016
1. Sales	01	VI.1	661,457,200,377	619,631,888,973
2. Less sales deductions	02	VI.2	176,340,162	174,503,959
3. Net sales	10	VI.3	661,280,860,215	619,457,385,014
4. Cost of sales	11	VI.4	523,671,389,977	489,407,900,416
<b>5. Gross profit</b> (20 = 10 - 11)	<b>20</b>		<b>137,609,470,238</b>	<b>130,049,484,598</b>
6. Financial income	21	VI.5	15,109,395,570	16,205,721,393
7. Financial expenses	22	VI.6	604,394,506	404,283,363
<i>In which: loans interest expenses</i>	23		-	-
8. Gain/losses from Joint venture, associated Company	25		6,582,854,287	-
9. Selling expenses	25	VI.7	32,689,174,470	29,002,712,560
10. General & administration expenses	26	VI.7	39,471,532,166	40,026,141,161
<b>11. Operating profit</b> (30 = 20 + (21 - 22) - (25 + 26))	<b>30</b>		<b>86,536,618,953</b>	<b>76,822,068,907</b>
12. Other income	31	VI.8	558,975,068	139,777,799
13. Other expenses	32	VI.9	1,007,401	-
<b>14. Other profit (40 = 31 - 32)</b>	<b>40</b>		<b>557,967,667</b>	<b>139,777,799</b>
<b>15. Net accounting profit before tax</b> (50 = 30 + 40)	<b>50</b>		<b>87,094,586,620</b>	<b>76,961,846,706</b>
16. Corporate income tax- current	51	VI.11	16,102,346,466	15,513,076,082
17. Corporate income tax- deferred	52		-	-
<b>18. Net profit after corporate income tax</b> (60 = 50 - 51 - 52)	<b>60</b>		<b>70,992,240,154</b>	<b>61,448,770,624</b>
The parent's Shareholder	61		70,992,240,154	61,448,770,624
Minority	62		-	-
<b>19. Earnings per share</b>	<b>70</b>	<b>VI.12</b>	<b>3,708</b>	<b>4,139</b>
<b>20. Diluted earnings per share</b>	<b>71</b>	<b>VI.12</b>	<b>3,708</b>	<b>4,139</b>

PREPARED BY



Le Thi Thu Huong

CHIEF ACCOUNTANT

Le Thi Thuy Hang

HCMC, August 14, 2017

GENERAL DIRECTOR



DR. Huynh Thi Lan, PharmD

**CONSOLIDATED CASH FLOW STATEMENT**

(Under indirect method)

For the accounting 6 months period ended June 30, 2017

Unit: VND

ITEMS	Code Notes	From Jan. 01, 2017 to Jun. 30, 2017	From Jan. 01, 2016 to Jun. 30, 2016
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>1. Net income before tax</b>	01	<b>87,094,586,620</b>	<b>76,961,846,706</b>
<b>2. Adjustments for :</b>			
- Depreciation of fixed assets and investment properties	02 V.8-9	6,997,839,070	7,015,145,361
- Provision	03	-	-
- Gain/losses from foreign exchange differences upon revaluation of monetary assets denominated in foreign currencies	04	-	-
- Gain/losses from investing activities	05	(21,331,747,642)	(16,018,535,198)
- Interest expenses	06	-	-
- Other adjustments	07	-	-
<b>3. Profit from operating activities before changes in working capital</b>	<b>08</b>	<b>72,760,678,048</b>	<b>67,958,456,869</b>
- Increase (-)/decrease (+) in receivables	09	(9,615,487,324)	(6,715,791,076)
- Increase (-)/decrease (+) in inventories	10	(14,533,274,175)	13,397,937,954
- Increase (-)/decrease (+) in payables (Other than payables, income tax)	11	16,865,452,932	(8,770,213,402)
- Increase (-)/decrease (+) in prepaid	12	(1,491,348,217)	(784,762,697)
- Increase (-)/decrease (+) in trading securities	13	-	-
- Interest paid	14	-	-
- Corporate income tax paid	15 V.13	(10,068,582,083)	(8,257,870,929)
- Other receipts from operating activities	16	-	-
- Other payments on operating activities	17	(5,780,928,170)	(4,837,370,097)
<b>Net cash inflows/(outflows) from operating activities</b>	<b>20</b>	<b>48,136,511,011</b>	<b>51,990,386,622</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Purchases of fixed assets and other long-term assets	21	(166,989,745,374)	(7,017,736,719)
2. Proceeds from disposals of fixed assets and other long-term assets	22	27,272,727	-
3. Loans granted, purchases of debt instruments of other entities	23	(30,000,000,000)	(170,000,000,000)
4. Collection of loans, purchase of debt instruments of other entities	24	160,000,000,000	160,000,000,000
5. Investments in other entities	25	-	-
6. Proceeds from divestment in other entities	26	-	-
7. Dividends and interest received	27 VI.5	14,721,620,628	16,018,535,198
<b>Net cash inflows/(outflows) from investing activities</b>	<b>30</b>	<b>(22,240,852,019)</b>	<b>(999,201,521)</b>

**CONSOLIDATED CASH FLOW STATEMENT**

(Under indirect method)

For the accounting 6 months period ended June 30, 2017

Unit: VND

ITEMS	Code Notes	From Jan. 01, 2017 to Jun. 30, 2017	From Jan. 01, 2016 to Jun. 30, 2016
<b>III. CASH FLOWS FROM FINANCIAL ACTIVITIES</b>			
1. Proceeds from issue of shares and capital contribution	31	-	-
2. Payment for shares returns and repurchases	32	-	-
3. Proceeds from borrowings	33	-	-
4. Repayments of borrowings	34	-	-
5. Payment for finance lease liabilities	35	-	-
6. Dividends paid	36	(22,286,117,100)	(29,691,534,000)
<b>Net cash inflows/(outflows) from financing activities</b>	<b>40</b>	<b>(22,286,117,100)</b>	<b>(29,691,534,000)</b>
<b>Net cash inflows/(outflows) (50 = 20 + 30 + 40)</b>	<b>50</b>	<b>3,609,541,892</b>	<b>21,299,651,101</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>60</b>	<b>230,410,064,538</b>	<b>92,788,491,782</b>
Effect of foreign exchange differences	61	-	-
<b>Cash and cash equivalents at the end of the period (70 = 50 +60 +61)</b>	<b>70 V.1</b>	<b>234,019,606,430</b>	<b>114,088,142,883</b>

PREPARED BY



Le Thi Thu Huong

CHIEF ACCOUNTANT



Le Thi Thuy Hang

HCMC, August 14, 2017

GENERAL DIRECTOR



DR. Huynh Thi Lan, PharmD

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the accounting 6 months period ended June 30, 2017**Unit: VND*

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**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 and under the seventeenth amendment on Oct 27, 2016 with the chartered capital increases to VND 151,234,130,000. (the chartered capital as of June 30, 2017: VND 194,208,130,000).

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

**Short name:** Mekophar

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

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

Hanoi branch: No. 95 Lang Ha Str., Dong Da Dist., Hanoi City

Nghe An Branch: No. 11A4 Dang Thai Than, Cua Nam 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. Structure of ownership:** Joint Stock Company.

**3. Business sector:** Production and trading.

**4. 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).

**5. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the accounting 6 months period ended June 30, 2017

Unit: VND

**6. Operations in the fiscal period affecting the consolidated financial statements:** Not applicable.

**7. Total employees to Jun. 30, 2017:** 770 persons (Dec. 31, 2016: 754 persons).

**8. Enterprise Structure**

## 8.1 Subsidiary company

- The number of consolidated subsidiaries: one subsidiary company.

## 8.2 List of subsidiaries:

As at June 30, 2017, 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 cells bank.	100%	100%	100%

## 8.3 List of associated companies does not apply the equity method when preparing the consolidated financial statements:

As at June 30, 2017, the Company has two (02) 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%

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

Name of branches and address:

*Hanoi branch: No. 95 Lang Ha Str., Dong Da Dist., Hanoi City*

*Nghe An Branch: No. 11A4 Dang Thai Than, Cua Nam 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*

**9. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the accounting 6 months period ended June 30, 2017**Unit: VND*

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**II. ACCOUNTING PERIOD AND REPORTING CURRENCY****1. Fiscal year**

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

**2. Reporting currency**

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

**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.

The Company applies Vietnamese Corporate Accounting System issued by the Vietnam Ministry of Finance in accordance with the guidance of Circular No. 202/2014/TT-BTC issued at the same day by the Ministry of Finance guiding for the suitable preparation and presentation Financial Statement.

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

We conducted our accounting, preparation and presentation of the consolidated financial statements in accordance with Vietnamese Accounting Standards and other relevant statutory regulations. The consolidated 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 principle in Vietnamese Accounting Standard No.21 - Presentation of the financial statements.

**IV. APPLICABLE ACCOUNTING POLICIES****1. Accounting estimates**

The preparing of consolidated financial statements complies with Vietnamese Accounting Standards. Vietnamese Accounting System and other regulations on accounting in Vietnam requires the Board of General Directors to give estimates and assumptions for the recording of the value of assets, liabilities and the presenting of contingent assets and liabilities at the reporting date as well as revenue and expenses.

**2. Basis for preparing consolidated financial statements:**

The consolidated financial statements comprise of the statements of Mekophar Chemical Pharmaceutical Joint Stock Company and its subsidiaries's Companies for the accounting period from Jan. 01, 2017 to Jun. 30, 2017.

The financial statements of the subsidiary are consolidated from the purchase date when the Company starts control to the date it ceases the control.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the accounting 6 months period ended June 30, 2017**Unit: VND*

The subsidiaries' financial statements are prepared for the same accounting period as Mekophar Chemical Pharmaceutical Joint Stock Company's under the accounting policies in consistency with Mekophar Chemical Pharmaceutical Joint Stock Company's. The adjustments for any different accounting policies are implemented to ensure the consistency between the Subsidiaries and Mekophar Chemical Pharmaceutical Joint Stock Company.

All inter-"Companies" balances and revenue, income, expenses incurred from transactions of "Companies", including unrealized gains incurred from inter"Companies" transactions in the assets' value are completely eliminated.

Unrealized loss incurred from intra-group transaction recorded in the assets' value are eliminated when the expenses resulting in the loss are unrecoverable.

Interest of uncontrolled shareholders presents the portion in gain or loss and net assets of the subsidiaries that are not held by the Company and presented separately in the consolidated Income Statement and from shareholders' equity of "Companies" in the owner's equity in the consolidated Balance Sheet.

Loss incurred in the subsidiary are allocated in the correspondence with the uncontrolled shareholders' portion of ownership, including the case where those losses are greater than the uncontrolled shareholders' portion of ownership into the subsidiary's net assets.

Good-will (or gain from bargain purchase) arising from purchase of an interest in the subsidiary is the difference between cost of acquisition and fair value of the identifiable net assets of the subsidiary at the date of acquisition. The good-will will be allocated gradually and slowly in the estimated maximum useful life not exceeding ten years. Periodically, the Company Group evaluates loss of good-will. In case where evidence shows that the loss of good-will is greater than allocated amount, allocation will be made by the lost good-will right in the period of occurrence,

**3. 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 Viettinbank. The buying rate as at June 30, 2017: 22,700VND/USD; 25,800 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 Viettinbank. The exchange rate as at June 30, 2017: 22,770 VND/USD; 26,030 VND/EUR.

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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the accounting 6 months period ended June 30, 2017**Unit: VND*

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**4. 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.

**5. Principles for accounting financial investments****Principles for accounting held-to-maturity investments**

Held-to-maturity investments include term deposits (including treasury bill, bill of exchange), bonds, loans, preferred share that the issuer is required to re-buy them in a certain time in the future and held-to-maturity loans for the purpose of periodic interest receiving 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, Joint-ventures, Associates**

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.

The equity method: is the method which the investment is recorded initially at cost and will be adjusted whenever there is a change of the investor's ownership in the assets of the associate. The consolidated Income Statements reflects the Company's portion in associate's operating results as a separate item after the investment date.

The good-will arising from the investment in the Associate, Joint-venture will be reflected in the residual value of the investment. The Company does not allocate this good-will, but evaluate annually to see whether the good-will is devaluated or not.

The financial statements of Associate, Joint-venture are prepared at the same accounting period as the Company's and consistent accounting policies are applied. The appropriate adjustments have been conducted in order to ensure the accounting policies are applied in consistency with the Company's when necessary.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the accounting 6 months period ended June 30, 2017**Unit: VND*

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**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 investor either.

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).

**6. 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....

**7. 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.
- Work in progress: costs of raw materials, labor and other directly costs for producing inventories incurred in the duration of building works in progress...

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the accounting 6 months period ended June 30, 2017**Unit: VND*

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**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.

**8. Principles for recording fixed assets:****8.1 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.

**8.2 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the accounting 6 months period ended June 30, 2017**Unit: VND**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 fee., (or right to use land as capital contribution in joint-venture).

*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.

**8.3 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>3 - 10 years</i>
<i>Right to use original cells</i>	<i>3 years</i>

*Land use rights indefinitely recorded at cost and is not amortized .*

**9. 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.

**10. 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 prudent rule.

**11. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the accounting 6 months period ended June 30, 2017**Unit: VND*

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**12. 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.

**13. Principles for recording owner's Equity****Principles for recording owner's Capital**

The owners' capital is the amount that is initially contributed or supplemented by shareholders. The owners' capital will be recorded at the actual contributed capital by cash or assets calculated according to the par value of issued shares 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.

**14. 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.

**15. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the accounting 6 months period ended June 30, 2017**Unit: VND*

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**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 be 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 flowed 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.

**Principles and method of recording revenue from asset 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.

**16. Principles and method of recording cost of goods sold**

Cost of goods sold are the cost of products, goods, services 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the accounting 6 months period ended June 30, 2017**Unit: VND*

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**17. 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 currencies, loss from foreign exchange loss and other financial expenses.

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

**18. 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%.

**19. 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.

**20. 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, other receivables and available for sale financial assets.



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the accounting 6 months period ended June 30, 2017**Unit: VND*

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**Financial liabilities**

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.

**21. 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.

**22. 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the accounting 6 months period ended June 30, 2017

Unit: VND

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

<b>1. Cash and cash equivalents</b>	<b>June 30, 2017</b>	<b>Jan. 01, 2017</b>
<b>Cash</b>	<b>93,019,606,430</b>	<b>55,410,064,538</b>
Cash on hand	2,833,458,299	5,732,245,701
Demand deposits	90,186,148,131	49,677,818,837
<b>Cash Equivalents</b>	<b>141,000,000,000</b>	<b>175,000,000,000</b>
Deposits with the term of 3 months (or less)	141,000,000,000	175,000,000,000
<b>Total</b>	<b>234,019,606,430</b>	<b>230,410,064,538</b>

**2. Financial investment** (See Page 39 to 40)

<b>3. Trade receivables</b>	<b>June 30, 2017</b>		<b>Jan. 01, 2017</b>	
	<b>Amount</b>	<b>Provision</b>	<b>Amount</b>	<b>Provision</b>
<b>a. Short-term</b>	<b>168,651,381,034</b>	-	<b>150,269,075,026</b>	-
Local customers	137,660,560,842	-	103,701,894,371	-
Foreign customers	30,990,820,192	-	46,567,180,655	-
<b>Total</b>	<b>168,651,381,034</b>	-	<b>150,269,075,026</b>	-
<b>b. Related parties</b>				
<i>An Sinh Hospital</i>	740,860,138	-	625,569,478	-
<b>Total</b>	<b>740,860,138</b>	-	<b>625,569,478</b>	-

<b>4. Prepayments to suppliers</b>	<b>June 30, 2017</b>		<b>Jan. 01, 2017</b>	
	<b>Amount</b>	<b>Provision</b>	<b>Amount</b>	<b>Provision</b>
<b>Short-term</b>	<b>115,815,475,898</b>	-	<b>149,414,501,757</b>	-
Local suppliers	14,248,362,057	-	100,747,663,401	-
<i>Branch of Zuellig Pharma Vietnam</i>	-	-	7,607,038,034	-
<i>Branch VINACONEX - TAISEI Co.,Ltd</i>	-	-	90,652,207,800	-
<i>OSEC., Ltd</i>	1,707,037,006	-	654,266,140	-
<i>Other suppliers</i>	12,541,325,051	-	1,834,151,427	-
Foreign suppliers	101,567,113,841	-	48,666,838,356	-
<i>Ima Industria Machine Automatiche Spa</i>	60,902,146,998	-	20,801,717,856	-
<i>CKD Corporation</i>	18,266,962,500	-	18,266,962,500	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting 6 months period ended June 30, 2017

Unit: VND

**Prepayments to suppliers (cont)**

TAISEI Corporation	10,079,499,430	-	6,377,070,700	-
Kyungdong Pharm. Co. Ltd.	-	-	818,820,000	-
Khs Synchemmica Corp	-	-	1,835,100,200	-
Other suppliers	12,318,504,913	-	567,167,100	-
<b>Total</b>	<b>115,815,475,898</b>	<b>-</b>	<b>149,414,501,757</b>	<b>-</b>

**5. Other receivables**

	June 30, 2017		Jan. 01, 2017	
	Amount	Provision	Amount	Provision
<b>Short-term</b>	<b>1,724,842,640</b>	<b>-</b>	<b>1,224,340,504</b>	<b>-</b>
Advances	1,013,308,604	-	29,108,305	-
Other receivables insurance, trade union fee	711,534,036	-	1,195,232,199	-
board of management not directly	525,712,036	-	829,271,199	-
Other receivables	138,000,000	-	330,000,000	-
	47,822,000	-	35,961,000	-
<b>Total</b>	<b>1,724,842,640</b>	<b>-</b>	<b>1,224,340,504</b>	<b>-</b>

**6. Inventories**

	June 30, 2017		Jan. 01, 2017	
	Original cost	Provision	Original cost	Provision
Raw materials	137,402,625,100	-	133,722,533,959	-
Tools & supplies	1,645,406,072	-	1,839,884,708	-
Works in progress	25,247,116,355	-	18,428,015,539	-
Finished goods	59,675,700,062	-	55,346,644,104	-
Merchandise inventory	110,199,742	-	210,694,846	-
<b>Total</b>	<b>224,081,047,331</b>	<b>-</b>	<b>209,547,773,156</b>	<b>-</b>

- Value of inactive, deteriorated inventories which are not possibly consumed at the period end: Not applicable.
- 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: Not applicable.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the accounting 6 months period ended June 30, 2017

Unit: VND

7. Long-term assets in progress	June 30, 2017		Jan. 01, 2017	
	Amount	Provision	Amount	Provision
<b>Works in progress</b>	<b>264,314,007,727</b>	<b>-</b>	<b>98,111,567,308</b>	<b>-</b>
Designing the Accounting program in progress for Mekophar Chemical Pharmaceutical JTC	2,825,577,000	-	2,685,477,000	-
Construction in progress	261,488,430,727	-	95,426,090,308	-
<i>Purchase fixed assets</i>	<i>59,437,274</i>			
<i>Development Research and Producing Biological and Pharmaticeual Products.</i>	<i>261,428,993,453</i>	<i>-</i>	<i>95,426,090,308</i>	<i>-</i>
<b>Total</b>	<b>264,314,007,727</b>	<b>-</b>	<b>98,111,567,308</b>	<b>-</b>

(\*) Reason for incompleteness in one circle of production, doing business: the Company is building the accounting software but to June 30, 2017, the software has not been completed.

**8. Tangible fixed assets** (See page 41)**9. Intangible fixed assets**

	Land use right	Patents, copyrights	Total
<b>Original cost</b>			
Opening balance	7,438,152,000	2,628,299,139	<b>10,066,451,139</b>
<i>New purchase</i>	-	80,000,000	<b>80,000,000</b>
Closing balance	7,438,152,000	2,708,299,139	<b>10,146,451,139</b>
<b>Accumulated amortization</b>			
Opening balance	-	2,628,299,139	<b>2,628,299,139</b>
<i>Charge for the period</i>	-	6,666,666	<b>6,666,666</b>
Closing balance	-	2,634,965,805	<b>2,634,965,805</b>
<b>Net book value</b>			
As at the beginning of the period	7,438,152,000	-	<b>7,438,152,000</b>
As at the end of the period	7,438,152,000	73,333,334	<b>7,511,485,334</b>

\* Ending carrying value of intangible fixed assets pledged/mortgaged as loan security: Not applicable.

\* Ending original costs of intangible fixed assets—fully depreciated but still in use: VND 2,628,299,139.

\* Commitments on tangible fixed assets acquisitions, sales of large value in the future: Not applicable.

\* Other changes in intangible fixed assets: Not applicable.

\* Notes on figures and other explanations: Not applicable.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the accounting 6 months period ended June 30, 2017

Unit: VND

<b>10. Prepaid expenses</b>	<b>June 30, 2017</b>	<b>Jan. 01, 2017</b>
<b>Short-term prepaid expenses</b>	<b>1,166,152,897</b>	<b>1,287,896,570</b>
Rent server	34,100,000	17,049,998
Consultant cost of Kinh Duong Vuong project	90,000,000	90,000,000
Rent office Nghe An branch	96,000,000	-
Repair of fixed assets	379,904,397	1,180,846,572
Rent land	566,148,500	-
<b>Long-term prepaid expenses</b>	<b>1,613,091,890</b>	<b>-</b>
Tools & supplies	1,413,567,394	-
Repair of fixed assets	199,524,496	-
<b>Total</b>	<b>2,779,244,787</b>	<b>1,287,896,570</b>

<b>11. Trade payables</b>	<b>June 30, 2017</b>		<b>Jan. 01, 2017</b>	
	<b>Amount</b>	<b>Debt Service Coverage</b>	<b>Amount</b>	<b>Debt Service Coverage</b>
<b>Short-term</b>	<b>58,879,451,331</b>	<b>58,879,451,331</b>	<b>45,027,181,129</b>	<b>45,027,181,129</b>
Local suppliers	54,666,069,184	54,666,069,184	41,220,845,923	41,220,845,923
<i>National Phytopharma Joint Stock company</i>	19,382,990,737	19,382,990,737	19,355,784,729	19,355,784,729
<i>Sang Pharmaceutical JSC</i>	2,643,532,552	2,643,532,552	2,749,902,137	2,749,902,137
<i>ZUELLIG PHARMA Viet Nam Branch</i>	7,441,313,760	7,441,313,760	-	-
<i>Le Hoang Co.,Ltd</i>	1,418,734,350	1,418,734,350	1,682,412,600	1,682,412,600
<i>Branch of VINACONEX - TAISEI Co., Ltd.</i>	742,888,925	742,888,925	4,483,108,336	4,483,108,336
<i>Pharimexco</i>	1,436,818,900	1,436,818,900	-	-
<i>Other suppliers</i>	21,599,789,960	21,599,789,960	12,949,638,121	12,949,638,121
Foreign suppliers	4,213,382,147	4,213,382,147	3,806,335,206	3,806,335,206
<i>Aceto Pte.Ltd</i>	181,520,000	181,520,000	112,240,750	112,240,750
<i>Apc Pharma &amp; Chemical Company</i>	-	-	1,175,243,836	-
<i>Khs Synchemical Corp</i>	-	-	227,900,000	-
<i>Lando Pharmaceutical Pte</i>	1,797,273,448	1,797,273,448	-	-
<i>CT C.MELCHERS GMBH CO</i>	964,631,442	964,631,442	-	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the accounting 6 months period ended June 30, 2017

Unit: VND

**Trade payables ( Cont)**

Roquette Freres

Company

- - 417,384,720 417,384,720

Ishan International

PVT Company

- - 623,534,400 623,534,400

Pharmaceuticals Co

.,Ltd

398,816,000 398,816,000 802,208,000 802,208,000

Other suppliers

871,141,257 871,141,257 447,823,500 447,823,500

**Total****58,879,451,331 58,879,451,331 45,027,181,129 45,027,181,129****12. Prepayments from customers****June 30, 2017****Jan. 01, 2017****a. Short-term****14,282,582,806 9,276,664,445**

Local customers

10,397,107,904 9,148,136,818

MekoStem

9,268,935,139 8,192,150,903

Other customers

1,128,172,765 955,985,915

Foreign customers

3,885,474,902 128,527,627

DANSON-BG EOOD

2,234,298,831 -

Other customers

1,651,176,071 128,527,627

**Total****14,282,582,806 9,276,664,445****13. Taxes and payables to State budget****Jan. 01, 2017****Payable amount****Paid amount****June 30, 2017****a. Payables**

VAT on import

84,522,363 6,235,410,576 6,317,066,647 2,866,292

VAT output

999,090,217 33,550,056,981 33,928,776,587 620,370,611

Corporate income tax

3,068,582,083 16,102,346,466 10,068,582,083 9,102,346,466

Other taxes

- 100,313,607 100,313,607 -

**Total****4,152,194,663 55,988,127,630 50,414,738,924 9,725,583,369****Jan. 01, 2017****Payable amount****Paid amount****June 30, 2017****b. Receivables**

import

84,522,363 6,317,066,647 6,235,410,576 2,866,292

Import - Export

11,541,443 947,112,259 937,814,403 2,243,587

Personal income tax

56,672,405 1,787,128,551 2,533,730,604 803,274,458

Other fees, duties and obligations

613,917,032 5,776,917,200 6,344,455,134 1,181,454,966

**Total****766,653,243 14,828,224,657 16,051,410,717 1,989,839,303**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the accounting 6 months period ended June 30, 2017

Unit: VND

<b>14. Unrealized revenue</b>	<b>June 30, 2017</b>	<b>Jan. 01, 2017</b>
<b>Long-term</b>		
Unrealized revenue of Mekostem	43,019,632,342	36,002,294,360
Unearned revenue of the finished product	165,714,286	2,370,382,506
<b>Total</b>	<b>43,185,346,628</b>	<b>38,372,676,866</b>
<b>15. Other payables</b>	<b>June 30, 2017</b>	<b>Jan. 01, 2017</b>
<b>Short-term</b>		
party membership fee	172,777,639	143,389,092
Costs of Mekosten project	177,595,069	177,595,069
Payable dividends, profit	1,388,000,000	-
Board of Management	2,600,000,000	46,000,000
Other payables	7,120,344,578	7,115,094,578
<b>Total</b>	<b>11,458,717,286</b>	<b>7,482,078,739</b>
<b>16. Provision liabilities</b>	<b>June 30, 2017</b>	<b>Jan. 01, 2017</b>
<b>Long-term</b>		
Provision for research projects	30,000,000,000	30,000,000,000
<b>Total</b>	<b>30,000,000,000</b>	<b>30,000,000,000</b>

**17. Owners' equity****a. Comparison schedule for changes in Owner's Equity: (See Page 42)****b. Details of owners' shareholding**

	<b>Percentage of shareholding</b>	<b>June 30, 2017</b>	<b>Jan. 01, 2017</b>
Shareholding by the State	17.91%	35,283,600,000	35,283,600,000
Shareholding by other investors	80.68%	158,924,530,000	158,924,530,000
Treasury share	1.41%	2,776,460,000	2,776,460,000
<b>Total</b>	<b>100.00%</b>	<b>196,984,590,000</b>	<b>196,984,590,000</b>

\* Number of treasury shares: 277,646, equivalent to VND14,487,151,158.

<b>c. Capital transactions with owners and distribution of dividends, profits</b>	<b>From Jan. 01, 2017 to Jun. 30, 2017</b>	<b>Year 2016</b>
<b>Owners' equity</b>	<b>194,208,130,000</b>	<b>194,208,130,000</b>
At the beginning of the period	194,208,130,000	151,234,130,000
Capital increase during the period	-	42,974,000,000
At the end of the period	194,208,130,000	194,208,130,000
<b>Dividends paid</b>	<b>24,886,117,100</b>	<b>19,143,167,000</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting 6 months period ended June 30, 2017

Unit: VND

	From Jan. 01, 2017 to Jun. 30, 2017	Year 2016
<b>d. Dividends</b>		
Dividends declared after the balance sheet date		
<i>Dividends on ordinary shares</i>	<i>Unpublished</i>	23%
<i>Dividends on preferred shares</i>	-	-
Unrecognised accumulated dividends of preference shares	-	-
	<b>June 30, 2017</b>	<b>Jan. 01, 2017</b>
<b>e. Shares</b>		
Number of shares registered to be issued	19,420,813	19,420,813
Number of shares sold out to the public	19,420,813	19,420,813
<i>Ordinary share</i>	<i>19,420,813</i>	<i>19,420,813</i>
Number of shares repurchased	277,646	277,646
<i>Ordinary share</i>	<i>277,646</i>	<i>277,646</i>
Number of existing shares in issue	19,143,167	19,143,167
<i>Ordinary share</i>	<i>19,143,167</i>	<i>19,143,167</i>
<i>Preferred share</i>	-	-
<i>Par value: VND/share.</i>	<i>10,000</i>	<i>10,000</i>

	June 30, 2017	Jan. 01, 2017
<b>f. Funds</b>		
Investment and development fund	448,083,058,734	403,510,093,275
<b>Total</b>	<b>448,083,058,734</b>	<b>403,510,093,275</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 .*

	From Jan. 01, 2017 to Jun. 30, 2017	Year 2016
<b>18. Source for non-business expenditures</b>		
Opening balance	127,920,290	127,920,290
Addition	-	-
Disbursement	21,000,000	-
Closing balance	106,920,290	127,920,290

	Jan. 01, 2017	Non-business expenditures	Source for non- business expenditures	June 30, 2017
<b>a. Non-business expenditures</b>				
Non-business expenditures	304,079,710	-	21,000,000	325,079,710
<b>b. Source for non-business expenditures</b>				
Source for non-business expenditures	432,000,000	-	-	432,000,000



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the accounting 6 months period ended June 30, 2017

Unit: VND

**19. Off balance sheet items**

Foreign currencies	June 30, 2017		Jan. 01, 2017	
	Quantity	Amount (Converted to VND)	Quantity	Amount (Converted to VND)
USD	64,925.38	1,473,805,741	27,063.39	614,338,953
EUR	400.45	9,543,905	405.91	9,679,736
<b>Total</b>		<b>1,483,349,646</b>		<b>624,018,689</b>

**VI. ADDITIONAL INFORMATION FOR ITEMS IN THE CONSOLIDATED INCOME STATEMENT**

	From Jan. 01, 2017 to Jun. 30, 2017	From Jan. 01, 2016 to Jun. 30, 2016
<b>1. Sales</b>		
<b>a. Revenue</b>		
Revenue from finished goods sold	324,058,349,830	314,824,572,215
Revenue from merchandises sold	305,504,161,528	271,078,890,553
Revenue from services of original cells bank	23,957,551,018	28,271,614,708
Revenue from sale of materials	4,384,410,729	3,813,175,133
Revenue from office lease	3,552,727,272	1,643,636,364
<b>Total</b>	<b>661,457,200,377</b>	<b>619,631,888,973</b>
<b>b. Revenue from related parties</b>		
Mekong Pharmaceutical JSC	-	7,285,340,810
An Sinh Hospital	5,001,423,134	2,666,449,058
<b>Total</b>	<b>5,001,423,134</b>	<b>9,951,789,868</b>
<b>2. Sales deductions</b>		
Sales returns	161,940,162	174,503,959
Sales allowances	14,400,000	-
<b>Total</b>	<b>176,340,162</b>	<b>174,503,959</b>
<b>3. Net sales</b>		
Revenue from finished goods sold	323,897,857,058	314,650,068,256
Revenue from merchandises sold	305,502,714,138	271,078,890,553
Revenue from exchange of services	23,943,151,018	28,271,614,708
Revenue from construction contract	4,384,410,729	3,813,175,133
Revenue from trading investment properties	3,552,727,272	1,643,636,364
<b>Total</b>	<b>661,280,860,215</b>	<b>619,457,385,014</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the accounting 6 months period ended June 30, 2017

Unit: VND

	<b>From Jan. 01, 2017 to Jun. 30, 2017</b>	<b>From Jan. 01, 2016 to Jun. 30, 2016</b>
<b>4. Cost of sales</b>		
Cost of finished goods sold	210,036,416,312	213,784,097,066
Cost of merchandises sold	303,400,512,696	268,741,952,279
Cost of service of original cells bank	7,086,126,075	4,518,619,898
Cost of materials, services rendered	3,148,334,894	2,363,231,173
<b>Total</b>	<b>523,671,389,977</b>	<b>489,407,900,416</b>
<b>5. Financial income</b>		
Interest income from deposits, loans	12,142,461,628	11,292,176,198
Dividends, profit paid	2,579,159,000	4,726,359,000
Realised foreign exchange gains	387,774,942	187,186,195
<b>Total</b>	<b>15,109,395,570</b>	<b>16,205,721,393</b>
<b>6. Financial expenses</b>		
Realised foreign exchange losses	604,394,506	404,283,363
<b>Total</b>	<b>604,394,506</b>	<b>404,283,363</b>
<b>7. Selling expenses and General and administration expenses</b>		
<b>a. Selling expenses</b>		
Salaries	11,721,713,153	10,708,877,607
Depreciation	268,637,310	322,246,361
Services bought from outsiders	8,036,903,171	8,072,043,398
Commission	9,646,101,885	7,393,725,961
Transportation	2,737,962,415	2,206,753,051
Other sundry expenses by cash	277,856,536	299,066,182
<b>Total</b>	<b>32,689,174,470</b>	<b>29,002,712,560</b>
<b>b. General and administration expenses</b>		
Salaries	16,321,590,376	15,292,482,413
Materials & Packing	2,942,286,652	2,826,800,579
Depreciation	2,141,029,649	2,219,243,687
Taxes, fees and duties	6,077,954,976	7,977,743,727
Services bought from outsiders	2,299,721,114	1,281,193,546
Other sundry expenses by cash	9,688,949,399	10,428,677,209
<b>Total</b>	<b>39,471,532,166</b>	<b>40,026,141,161</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the accounting 6 months period ended June 30, 2017

Unit: VND

	From Jan. 01, 2017 to Jun. 30, 2017	From Jan. 01, 2016 to Jun. 30, 2016
<b>8. Other income</b>		
Disposal and sale of fixed assets (*)	27,272,727	-
Other income (Treatment to surplus amount upon the counting)	481,702,341	138,412,274
Other income	50,000,000	1,365,525
<b>Total</b>	<b>558,975,068</b>	<b>139,777,799</b>
<b>9. Other expenses</b>		
Other expenses	1,007,401	-
<b>Total</b>	<b>1,007,401</b>	<b>-</b>
<i>(*) Notes on disposal, sale of fixed assets</i>		
<i>Disposal, sale of fixed assets</i>	27,272,727	-
<i>Net book value of fixed assets and disposal, sale of fixed assets</i>	-	-
<i>Gain/(loss) from disposal, sale of fixed assets</i>	27,272,727	-
<b>10. Costs of production and doing business by factors</b>		
Raw materials	218,363,074,615	184,587,169,333
Labour cost	49,531,008,096	45,143,577,660
Depreciation and amortization	6,997,839,070	7,015,145,361
Services bought	17,899,505,766	16,568,466,932
Other sundry cash expense	30,502,975,402	32,973,601,452
<b>Total</b>	<b>323,294,402,949</b>	<b>286,287,960,738</b>
<b>11. Current corporate income tax</b>		
<b>1. Total accounting profit before tax</b>	<b>87,094,586,620</b>	<b>76,961,846,706</b>
<b>2. Adjustments to increase (decrease) accounting profit to determine taxable income</b>	<b>(6,582,854,287)</b>	<b>-</b>
Adjustments to decrease	(6,582,854,287)	-
+ Gain from Joint venture, associated company	(6,582,854,287)	-
<b>3. Total taxable income ( 1+2)</b>	<b>80,511,732,333</b>	<b>76,961,846,706</b>
Parent Company	78,570,667,941	77,565,380,408
Subsidiary Company	1,941,064,392	(603,533,702)
<b>4. Current corporate income tax</b>	<b>20%</b>	<b>20%</b>
Tax rate	20%	20%
<b>5. Current corporate income tax</b>	<b>16,102,346,466</b>	<b>15,513,076,082</b>
Parent Company	15,714,133,588	15,513,076,082
Subsidiary Company	388,212,878	-
<b>6. Total current corporate income tax</b>	<b>16,102,346,466</b>	<b>15,513,076,082</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the accounting 6 months period ended June 30, 2017

Unit: VND

	From Jan. 01, 2017 to Jun. 30, 2017	From Jan. 01, 2016 to Jun. 30, 2016
<b>12. Earnings per share</b>		
Accounting profit after corporate income tax	70,992,240,154	61,448,770,624
Increase or decrease of accounting profit	-	-
<b>Profit or loss attributable to ordinary equity holders</b>	<b>70,992,240,154</b>	<b>61,448,770,624</b>
Average ordinary shares outstanding during the year	19,143,167	14,845,767
<b>Earnings per share</b>	<b>3,708</b>	<b>4,139</b>

As at June 30, 2017, there is none of the holding stocks has the potential of declining earnings per share.

**13. 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:

**13.1 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, 2017 and June 30, 2016

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, 2017 and June 30, 2016.

**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:

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>From Jan. 01, 2017 to Jun. 30, 2017</b>		
VND	+200	5,499,326,351
VND	-200	(5,499,326,351)

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the accounting 6 months period ended June 30, 2017

Unit: VND

*Sensibility to interest rate (cont.)*

	<i>Increase/Decrease of basic points</i>	<i>Influences on profit before tax</i>
<b>From Jan. 01, 2016 to Jun. 30, 2016</b>		
VND	+100	4,415,126,040
VND	-100	(4,415,126,040)

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, 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>
From Jan. 01, 2017 to Jun. 30, 2017	+ 1%	269,517,503
	-1%	(269,517,503)
From Jan. 01, 2016 to Jun. 30, 2016	+ 1%	332,054,805
	-1%	(332,054,805)

***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 10,946,711,100 (Dec 31, 2016: VND 10,946,711,100). If the price of these stocks decreases 10%, the profit before tax will decrease approximately VND 1,094,671,110.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the accounting 6 months period ended June 30, 2017**Unit: VND***13.2 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.

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 Directors of the Company assumed that most of the financial assets are still in the term and will not be impaired because these financial assets are related to the prestigious customer and good solvency.

**13.3 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 the 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.

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

<b>Jun. 30, 2017</b>	<i>Under 1 year</i>	<i>From 1 to 5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Trade payables	58,879,451,331	-	-	58,879,451,331
<b>Total</b>	<b>58,879,451,331</b>	<b>-</b>	<b>-</b>	<b>58,879,451,331</b>
<b>Dec. 31, 2016</b>				
Trade payables	45,027,181,129	-	-	45,027,181,129
<b>Total</b>	<b>45,027,181,129</b>	<b>-</b>	<b>-</b>	<b>45,027,181,129</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, 2017 and December 31, 2016.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the accounting 6 months period ended June 30, 2017**Unit: VND***14. Financial assets and liabilities** (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 fiscal year 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.

**VIII. OTHER INFORMATION****1. Subsequent events**

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

**2. Related party transactions**

Key transactions and balances with related parties:

<b>Related parties</b>	<b>Relationship</b>	<b>Transactions</b>	<b>Movement</b>	<b>Amount</b>
An Sinh Hospital	Associate	Sale of goods	<b>Opening balance</b>	<b>625,569,478</b>
			Sale of goods	5,001,423,134
			Proceeds	4,886,132,474
			<b>Closing balance</b>	<b>740,860,138</b>

<b>Income of the Board of Management and Board of General Directors</b>	<b>From Jan. 01, 2017 to Jun. 30, 2017</b>	<b>From Jan. 01, 2016 to Jun. 30, 2016</b>
Board of Management and Board of General Directors	Salary, Bonus, consideration	
	3,005,003,032	2,631,653,335
<b>Total</b>	<b>3,005,003,032</b>	<b>2,631,653,335</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the accounting 6 months period ended June 30, 2017

Unit: VND

**3. Presentation of segment assets, revenue and operating result**

The Board of General Directors of the Company defines that the issuing management 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.

**3.1 Major segment reporting: by business result****a. Segment report by business sector in the accounting period from Jan. 01, 2017 to Jun. 30, 2017**

Items	Net revenue	Cost of goods sold	Gross profit
Finished goods	323,897,857,058	210,036,416,312	113,861,440,746
Merchandise	305,502,714,138	303,400,512,696	2,102,201,442
Original cell bank	23,943,151,018	7,086,126,075	16,857,024,943
Materials	4,384,410,729	3,148,334,894	1,236,075,835
Premise lease	3,552,727,272	-	3,552,727,272
<b>Total</b>	<b>661,280,860,215</b>	<b>523,671,389,977</b>	<b>137,609,470,238</b>

**b. Segment report by business sector in the accounting period from Jan 01, 2016 to Jun. 30, 2016**

Items	Net revenue	Cost of goods sold	Gross profit
Finished goods	314,650,068,256	213,784,097,066	100,865,971,190
Merchandise	271,078,890,553	268,741,952,279	2,336,938,274
Original cell bank	28,271,614,708	4,518,619,898	23,752,994,810
Materials	3,813,175,133	2,363,231,173	1,449,943,960
Premise lease	1,643,636,364	-	1,643,636,364
<b>Total</b>	<b>619,457,385,014</b>	<b>489,407,900,416</b>	<b>130,049,484,598</b>

**3.2 Minor segment reporting: by geographical region**

The Company's branches operate in the same place, so there are no differences of risk and economic benefits among segments operating in geographical regions and thus there is no segment report either.

**4. 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 14, 2017

GENERAL DIRECTOR



DR. Huynh Thi Lan, PharmD



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting 6 months period ended June 30, 2017

Unit: VND

## V.2 Financial investment

## a. Trading securities

	30/06/2017			01/01/2017		
	Original value	Fair value	Provision	Original value	Fair value	Provision
	<b>10,946,711,100</b>	<b>10,946,711,100</b>	-	<b>10,946,711,100</b>	<b>10,946,711,100</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	241,461,100	-	241,461,100	241,461,100	-
Pharmaceutical Packing 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>10,946,711,100</b>	-	<b>10,946,711,100</b>	<b>10,946,711,100</b>	-

## b. Held-to-maturity investment

	30/06/2017		01/01/2017	
	Original value	Book value	Original value	Book value
<b>Short-term</b>	<b>30,000,000,000</b>	<b>30,000,000,000</b>	<b>160,000,000,000</b>	<b>160,000,000,000</b>
- Term deposits	30,000,000,000	30,000,000,000	160,000,000,000	160,000,000,000
<b>Total</b>	<b>30,000,000,000</b>	<b>30,000,000,000</b>	<b>160,000,000,000</b>	<b>160,000,000,000</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the accounting 6 months period ended June 30, 2017

Unit: VND

**V.2 Financial investment****c. Equity investment in other entities**

	30/06/2017		01/01/2017	
	Quantity	Original value	Quantity	Original value
<b>- Investment in joint ventures.</b>				
<b>Associates</b>	<b>2,464,000</b>	<b>25,092,854,287</b>	<b>2,464,000</b>	<b>33,979,734,629</b>
An Sinh Hospital - Percentage of contribution: 22% (*)	2,464,000	25,092,854,287	2,464,000	33,979,734,629
<b>- Other long-term investment</b>	<b>-</b>	<b>23,510,500,000</b>	<b>-</b>	<b>23,510,500,000</b>
Orchids Co., Ltd- Percentage of contribution: 15% (**)	-	5,550,000,000	-	5,550,000,000
Areco realty Co.,Ltd- Percentage of contribution 5% (***)	-	17,960,500,000	-	17,960,500,000
<b>Total</b>	<b>2,464,000</b>	<b>48,603,354,287</b>	<b>2,464,000</b>	<b>57,490,234,629</b>

**Operating status of associates and material transactions with related parties:****Note to investment in 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. As at June 30, 2017, the Company invested VND 18,510,000,000, equivalent to 22% of the chartered capital (the amount at the beginning of the year VND is 18,510,000,000 equivalent to 22% of the chartered capital).

**Status of other investments:****Notes on other investments - Orchids Co.,Ltd**

(\*\*) According to provisions in Business Co-operation Contract (No. 108/HĐHTKD/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, by two installments (First installment: total paid-in capital: VND 37,000,000,000, second installment: VND 28,000,000,000). The Company commits to pay in 15% of total invested capital of this project with the amount of VND 9,750,000,000. As at Jun 30, 2017, the Company has paid in VND 5,550,000,000 as committed (first installment is upon the progress of the contract).

**Notes on other investments - ARECO Real Estate Co.,Ltd**

(\*\*\*)According to the Business Registration Certificate No. 0312696199 registered for the first change on 16 June 2014 by the Department of Planning and Investment of Ho Chi Minh City, the company registered to invest in ARECO Real Estate Limited Company is VND 17,960,500,000, equivalent to 5% of charter capital.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the accounting 6 months period ended June 30, 2017

Unit: VND

**V.8. Tangible fixed assets**

Items	Bludings & Structures	Machinery & Equipment	Transportation & Facilities	Others	Total
<b>Original cost</b>					
Opening balance	53,610,571,336	123,343,172,425	15,143,538,903	46,741,190,153	<b>238,838,472,817</b>
<i>New purchase</i>	-	428,975,000	-	278,329,955	<b>707,304,955</b>
<i>Disposal, sale</i>	-	-	(141,797,852)	-	<b>(141,797,852)</b>
Closing balance	53,610,571,336	123,772,147,425	15,001,741,051	47,019,520,108	<b>239,403,979,920</b>
<b>Accumulated depreciation</b>					
Opening balance	32,104,879,657	94,374,658,718	11,854,428,938	37,344,656,099	<b>175,678,623,412</b>
<i>Charge for the period</i>	1,297,313,932	3,404,529,577	450,076,013	1,839,252,882	<b>6,991,172,404</b>
<i>Disposal, sale</i>	-	-	(141,797,852)	-	<b>(141,797,852)</b>
Closing balance	33,402,193,589	97,779,188,295	12,162,707,099	39,183,908,981	<b>182,527,997,964</b>
<b>Net book value</b>					
Opening balance	21,505,691,679	28,968,513,707	3,289,109,965	9,396,534,054	<b>63,159,849,405</b>
Closing balance	20,208,377,747	25,992,959,130	2,839,033,952	7,835,611,127	<b>56,875,981,956</b>

\* Ending net book value of tangible fixed assets pledged/mortgaged as loan security: Not applicable.

\* Ending original costs of tangible fixed assets–fully depreciated but still in use: VND 105,663,515,337.

\* Ending original costs of tangible fixed assets–waiting to be disposed: Not applicable.

\* Commitments on tangible fixed assets acquisitions, sales of large value : Not applicable.

\* Other changes in tangible fixed assets: Not applicable.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting 6 months period ended June 30, 2017

Unit: VND

## V.17 Owner's 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>151,234,130,000</b>	<b>156,129,704,458</b>	<b>(14,487,151,158)</b>	<b>403,510,093,275</b>	-	<b>696,386,776,575</b>
Capital increase from owner's equity	42,974,000,000	138,928,800,000	-	-	-	<b>181,902,800,000</b>
Profit of year 2016	-	-	-	-	119,658,840,608	<b>119,658,840,608</b>
Dividends paid to shareholders in 2016	-	-	-	-	(19,143,167,000)	<b>(19,143,167,000)</b>
<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>403,510,093,275</b>	<b>100,515,673,608</b>	<b>978,805,250,183</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>403,510,093,275</b>	<b>100,515,673,608</b>	<b>978,805,250,183</b>
Profit of current period	-	-	-	-	70,992,240,154	<b>70,992,240,154</b>
Gain/losses from Joint venture, associated Company	-	-	-	-	(15,469,734,629)	<b>(15,469,734,629)</b>
Payment for Board of Management from profit after tax	-	-	-	-	(330,000,000)	<b>(330,000,000)</b>
Bonus for the Board of Management in 2016	-	-	-	-	(1,342,000,000)	<b>(1,342,000,000)</b>
Appropriation to funds from profit of 2016	-	-	-	44,572,965,459	(44,572,965,459)	-
Appropriation to bonus and welfare fund from profit in 2016	-	-	-	-	(9,844,694,396)	<b>(9,844,694,396)</b>
Dividends paid to shareholders in 2016	-	-	-	-	(24,886,117,100)	<b>(24,886,117,100)</b>
<b>Current period closing 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>75,062,402,178</b>	<b>997,924,944,212</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS***For the accounting 6 months period ended June 30, 2017**Unit: VND***VI.14 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	
	6/30/2017		12/31/2016		6/30/2017	12/31/2016
	Amount	Provision	Amount	Provision	Amount	Amount
<b>Financial assets</b>						
- Held-to-maturity investments	30,000,000,000	-	160,000,000,000	-	30,000,000,000	160,000,000,000
- Available-for-sale financial assets	10,946,711,100	-	10,946,711,100	-	10,946,711,100	10,946,711,100
- Trade receivables	168,651,381,034	-	150,269,075,026	-	168,651,381,034	150,269,075,026
- Other receivables	47,822,000	-	35,961,000	-	47,822,000	35,961,000
- Cash and cash equivalents	234,019,606,430	-	230,410,064,538	-	234,019,606,430	230,410,064,538
<b>TOTAL</b>	<b>443,665,520,564</b>	<b>-</b>	<b>551,661,811,664</b>	<b>-</b>	<b>443,665,520,564</b>	<b>551,661,811,664</b>
<b>Financial liabilities</b>						
- Trade payables	58,879,451,331	-	45,027,181,129	-	58,879,451,331	45,027,181,129
<b>TOTAL</b>	<b>58,879,451,331</b>	<b>-</b>	<b>45,027,181,129</b>	<b>-</b>	<b>58,879,451,331</b>	<b>45,027,181,129</b>