



MEKOPHAR

**CHEMICAL PHARMACEUTICAL
JOINT-STOCK COMPANY**

**REVIEWED CONSOLIDATED
FINANCIAL STATEMENTS**

*For the accounting period of
the first 06 months of the year 2018*

CONTENTS

----- oOo -----

	Page
1. REPORT OF THE BOARD OF MANAGEMENT	01-03
2. AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION	04-05
3. CONSOLIDATED BALANCE SHEET	06-09
4. CONSOLIDATED INCOME STATEMENT	10
5. CONSOLIDATED CASH FLOW	11-12
6. THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	13-43



REPORT OF THE BOARD OF MANAGEMENT

For the accounting period of the first 06 months of the year 2018

The Board of Management has the honor of submitting this report and the reviewed consolidated financial statements for the accounting period for the first 06 months of the year 2018.

1. Business highlights:

Establishment:

Mekophar Chemical Pharmaceutical Joint-Stock Company, whose business code is 0302533156, operates under Business registration certificate No. 4103000833 dated February 08, 2002 issued by the Department of Planning and Investment of Ho Chi Minh City, the seventeenth amendment on October 27, 2016 the chartered capital as VND 194,208,130,000. (the chartered capital as of June 30, 2018: 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 - Listed on UPCOM.

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

The Company's branches are located at:

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

Nghe An Branch: No. 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 period of the first 06 months of the year 2018

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:

Mrs.	Huynh Thi Lan	Chairman	
Mrs.	Dang Thi Kim Lan	Member	
Mr.	Le Anh Phuong	Member	
Mr.	Satoshi Kamamura	Member	Appointed from April 14, 2018.
Mr.	Kazuya Shinozawa	Member	Resigned on April 14, 2018.
Mr.	Nguyen Duc Thang	Member	
Mrs.	Nguyen Thi Quynh Anh	Member	
Mrs.	Phan Thi Lan Huong	Member	

Board of Supervisors:

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

Board of General Directors and Chief Accountant:

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

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

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

4. Auditor

Auditing and Informatic Services Limited Company (AISC) has been appointed as an independent auditor for the accounting period ended June 30, 2018.

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

The Board of Management and Board of General Directors of the Company are responsible for the preparation of the consolidated financial statements which give a true and fair view of the financial position of the Company as at June 30, 2018 as well as its results of operation and cash flows for the accounting period ended. In order to prepare these consolidated 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 consolidated 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.



MEKOPHAR Chemical Pharmaceutical Joint Stock Company

Addr: 297/5 Ly Thuong Kiet st, Dist 11, Ho Chi Minh City, VietNam

Tel: [028] 38650 258 - 38650 363

Fax: [028] 38650 394

Email: info@mekophar.com

website: www.mekophar.com

REPORT OF THE BOARD OF MANAGEMENT

For the accounting period of the first 06 months of the year 2018

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 consolidated financial statements are prepared in compliance with the registered accounting policies stated in the Notes to the Consolidated 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, 2018, 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 consolidated financial position of the Company as well as its consolidated operating results and consolidated cash flows for the accounting period of the first 06 months of the year 2018.

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

HCMC, August 10, 2018

For and on behalf of the Board of Management



DR. Huynh Thi Lan, PharmD.

Chairman



No.: B0518124-SXHN/AISC-DN4

AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION

To:

SHAREHOLDERS, BOARD OF MANAGEMENT AND BOARD OF GENERAL DIRECTORS

MEKOPHAR CHEMICAL PHARMACEUTICAL JOINT-STOCK COMPANY

We have reviewed the consolidated financial statements of **Mekophar Chemical Pharmaceutical Joint-Stock Company** consisting of Consolidated Balance Sheet as at June 30, 2018, Consolidated Income Statement, Consolidated Cash Flow Statement for the accounting period ended and Notes to the Consolidated Financial Statements as set out on Page 06 to Page 43, which were prepared on August 10, 2018.

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 consolidated financial statements and also for the internal control that the Board of General Directors considers necessary for the preparation and fair presentation of the consolidated 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.

Basis for qualified conclusion

The financial statements of An Sinh Hospital Co., Ltd. (Associated Company) in accounting period of the first 06 months of the year 2018 have been consolidated in the consolidated financial statements of **Mekophar Chemical Pharmaceutical Joint - Stock Company** by Equity method, however, it has not been audited. We have not been able to collect sufficient other appropriate audit evidence to determine whether there is a need to adjust the Profit after tax for shareholders in the accounting period of the first 06 months of the year 2018 is VND 30.416.802.723 of associates, respectively, of the Company's interest in the associate is VND 6.691.696.599, accounting for 11% of the Company's consolidated pre-tax accounting profit.

AUDITOR'S REVIEW REPORT ON INTERIM FINANCIAL INFORMATION (cont')

Qualified conclusion

Except for the adjustments to the interim financial statements that we are probably aware of in case the situation mentioned in the paragraph "Basis for qualified conclusion" did not happen, 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, 2018 as well as the results of its consolidated operation and its consolidated cash flows for the year then ended. The 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 10, 2018

PP. GENERAL DIRECTOR

DEPUTY GENERAL DIRECTOR



Huynh Tieu Phung

Certificate of Audit Practice Registration

No. 1269-2018-005-1

Issued by the Ministry of Finance



CONSOLIDATED BALANCE SHEET

As at June 30, 2018

Unit: VND

ASSETS	Code	Notes	June 30, 2018	Jan. 01, 2018
A. CURRENT ASSETS	100		520,008,087,443	630,337,698,727
I. Cash and Cash Equivalents	110	V.1	24,257,999,150	40,032,394,890
1. Cash	111		24,257,999,150	40,032,394,890
2. Cash equivalents	112		-	-
II. Short-term Financial Investment	120	V.2	10,946,711,100	10,946,711,100
1. Trading securiteis	121		10,946,711,100	10,946,711,100
2. Provision for devaluation of trading securities	122		-	-
3. Held-to-maturity investments	123		-	-
III. Short-term Accounts Receivable	130		169,761,939,750	292,429,528,204
1. Trade accounts receivable	131	V.3	140,934,228,942	169,327,487,404
2. Prepaymnets to suppliers	132	V.4	28,028,353,527	122,232,724,080
3. Intercompany receivables	133		-	-
4. Contruction contract-in-progress receivables	134		-	-
5. Receivables from short-term loans	135		-	-
6. Others receivables	136	V.5	799,357,281	869,316,720
7. Provision for doubtful debts	137		-	-
8. Shortage of assets awaiting resolution	139		-	-
IV. Inventories	140	V.6	243,730,231,911	221,030,626,737
1. Inventories	141		243,730,231,911	221,030,626,737
2. Provision for decline in value of inventories	149		-	-
V. Other Current Assets	150		71,311,205,532	65,898,437,796
1. Short-term prepayments	151	V.10	1,085,482,031	975,385,213
2. Deductible VAT	152		67,530,807,970	64,362,137,565
3. Taxes and other receivables from the State Budget	153	V.13b	2,694,915,531	560,915,018
4. Repurchase and sale of Government's bonds	154		-	-
5. Other current assets	155		-	-



CONSOLIDATED BALANCE SHEET

As at June 30, 2018

Unit: VND

ASSETS	Code	Notes	June 30, 2018	Jan. 01, 2018
B. LONG-TERM ASSETS	200		753,935,253,606	670,280,283,371
I. Long-term Assets	210		-	-
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		-	-
II. Fixed Assets	220		55,608,128,081	60,780,344,188
1. Tangible fixed assets	221	V.8	48,136,642,743	53,288,858,852
- Cost	222		241,453,425,566	242,284,527,702
- Accumulated depreciation	223		(193,316,782,823)	(188,995,668,850)
2. Finance lease assets	224		-	-
- Cost	225		-	-
- Accumulated depreciation	226		-	-
3. Intangible fixed assets	227	V.9	7,471,485,338	7,491,485,336
- Cost	228		10,146,451,139	10,146,451,139
- Accumulated amortization	229		(2,674,965,801)	(2,654,965,803)
III. Investment Properties	230		-	-
- Cost	231		-	-
- Accumulated depreciation	232		-	-
IV. Non-current assets	240	V.7	662,141,477,419	557,197,627,409
1. Works in progress	241		-	-
2. Capital construction in progress	242		662,141,477,419	557,197,627,409
V. Long-term investments	250	V.2	31,521,518,245	48,306,991,380
1. Investment in subsidiaries	251		-	-
2. Investment in associates, joint-ventures	252		25,971,518,245	24,796,491,380
3. Investment in equity of other entities	253		5,550,000,000	23,510,500,000
4. Provision for decline in the value of long-term investment	254		-	-
5. Held-to-maturity investments	255		-	-
VI. Other Long-term Assets	260		4,664,129,861	3,995,320,394
1. Long-term prepaid expenses	261	V.10	4,664,129,861	3,995,320,394
2. Deferred income tax assets	262		-	-
3. Equiment. Materials, spare parts	263		-	-
4. Other Long-term Assets	268		-	-
5. Goodwill	269		-	-
TOTAL ASSETS	270		1,273,943,341,049	1,300,617,982,098

CONSOLIDATED BALANCE SHEET

As at June 30, 2018

Unit: VND

RESOURCES	Code	Notes	June 30, 2018	Jan. 01, 2018
C. LIABILITIES	300		242,342,250,740	259,145,991,519
I. Current Liabilities	310		131,699,645,263	153,769,658,847
1. Short-term trade payables	311	V.11	44,222,987,889	58,136,416,053
2. Advances from customers	312	V.12	12,106,827,577	11,830,010,281
3. Taxes and other payables to the State Budget	313	V.13a	6,804,790,754	14,344,364,170
4. Payables to employees	314		8,174,497,266	15,518,560,759
5. Short-term accrued expenses	315	V.18	23,000,000,000	23,277,800,000
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	9,342,792,753	7,292,235,728
10. Short-term borrowings and financial lease liabilities	320		-	-
11. Provision for short-term payables	321		-	-
12. Bouns and welfare fund	322		28,047,749,024	23,370,271,856
13. Price stabilization fund	323		-	-
14. Repurchase and sale of Government's bonds	324		-	-
II. Long-term Liabilities	330		110,642,605,477	105,376,332,672
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	60,642,605,477	55,376,332,672
7. Other long-term payables	337		-	-
8. Long-term borrowings and financial lease liabilities	338	V.17	20,000,000,000	20,000,000,000
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, 2018

Unit: VND

RESOURCES	Code	Notes	June 30, 2018	Jan. 01, 2018
D. OWNER'S EQUITY	400		1,031,601,090,309	1,041,471,990,579
I. Owner's Equity	410	V.19	1,031,601,090,309	1,041,471,990,579
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		505,320,886,183	448,083,058,734
9. Fund for support of arrangement of enterprises	419		-	-
10. Other funds	420		-	-
11. Undistributed earnings	421		51,500,720,826	118,609,448,545
- Undistributed earnings accumulated to the end of the period	421a		4,769,821,646	4,050,162,024
- Undistributed earnings in this period	421b		46,730,899,180	114,559,286,521
12. Investment reserve for basic construction	422		-	-
13. Benefits of non- control shareholder	429		-	-
II. Budget Sources and Other Funds	430		-	-
1. Budget sources	431	V.20	-	-
2. Fund to from fixed assets	432		-	-
TOTAL RESOURCES	440		1,273,943,341,049	1,300,617,982,098

PREPARED BY

Le Thi Thu Huong

CHIEF ACCOUNTANT

Le Thi Thuy Hang

HCMC, August 10, 2018

GENERAL DIRECTOR



DR. Huynh Thi Lan, PharmD.



CONSOLIDATED INCOME STATEMENT

For the accounting period of the first 06 months of the year 2018

Unit: VND

ITEMS	Code	Notes	From Jan. 01, 2018 to Jun. 30, 2018	From Jan. 01, 2017 to Jun. 30, 2017
1. Sales	01	VI.1	596,512,443,234	661,457,200,377
2. Less sales deductions	02	VI.2	201,246,459	176,340,162
3. Net sales	10	VI.3	596,311,196,775	661,280,860,215
4. Cost of sales	11	VI.4	460,338,180,513	523,671,389,977
5. Gross profit (20 = 10 - 11)	20		135,973,016,262	137,609,470,238
6. Financial income	21	VI.5	10,656,189,208	15,109,395,570
7. Financial expenses	22	VI.6	1,278,422,123	604,394,506
<i>In which: loans interest expenses</i>	23		849,333,333	-
8. Gain/losses from Joint venture, associated Company	25		6,691,696,599	6,582,854,287
9. Selling expenses	25	VI.7	38,169,186,330	32,689,174,470
10. General & administration expenses	26	VI.7	55,375,026,650	39,471,532,166
11. Operating profit (30 = 20 + (21 - 22) - (25 + 26))	30		58,498,266,966	86,536,618,953
12. Other income	31	VI.8	1,228,200,439	558,975,068
13. Other expenses	32	VI.9	178,046,311	1,007,401
14. Other profit (40 = 31 - 32)	40		1,050,154,128	557,967,667
15. Net accounting profit before tax (50 = 30 + 40)	50		59,548,421,094	87,094,586,620
16. Corporate income tax- current	51	VI.11	12,817,521,914	16,102,346,466
17. Corporate income tax- deferred	52		-	-
18. Net profit after corporate income tax (60 = 50 - 51 - 52)	60		46,730,899,180	70,992,240,154
19. Earnings per share	70	VI.12	2,441	3,708
20. Diluted earnings per share	71	VI.12	2,441	3,708

PREPARED BY

Le Thi Thu Huong

CHIEF ACCOUNTANT

Le Thi Thuy Hang

HCMC, August 10, 2018

GENERAL DIRECTOR



DR. Huynh Thi Lan, PharmD.

**CONSOLIDATED CASH FLOW**

(Under indirect method)

*For the accounting period of the first 06 months of the year 2018**Unit: VND*

ITEMS	Code	Notes	From Jan. 01, 2018 to Jun. 30, 2018	From Jan. 01, 2017 to Jun. 30, 2017
I. CASH FLOWS FROM OPERATING ACTIVITIES				
1. Net income before tax	01		59,548,421,094	87,094,586,620
2. Adjustments for :				
- Depreciation of fixed assets and investment properties	02	V.8&9	5,797,966,107	6,997,839,070
- Provision	03		-	-
- Gain/losses from foreign exchange differences upon revaluation of monetary assets denominated in foreign currencies	04		86,847,670	-
- Gain/losses from investing activities	05		(17,367,505,872)	(21,331,747,642)
- Interest expenses	06		849,333,333	-
- Other adjustments	07		-	-
3. Profit from operating activities before changes in working capital	08		48,915,062,332	72,760,678,048
- Increase (-)/decrease (+) in receivables	09		117,186,917,536	(9,615,487,324)
- Increase (-)/decrease (+) in inventories	10		(22,699,605,174)	(14,533,274,175)
- Increase (-)/decrease (+) in payables (Other than payables, income tax)	11		(96,525,840,605)	16,865,452,932
- Increase (-)/decrease (+) in prepaid	12		(2,542,274,285)	(1,491,348,217)
- Increase (-)/decrease (+) in trading securities	13		-	-
- Interest paid	14		(849,333,333)	-
- Corporate income tax paid	15	V.13	(18,636,644,792)	(10,068,582,083)
- Other receipts from operating activities	16		-	-
- Other payments on operating activities	17		(6,094,318,548)	(5,780,928,170)
Net cash inflows/(outflows) from operating activities	20		18,753,963,131	48,136,511,011
II. CASH FLOWS FROM INVESTING ACTIVITIES				
1. Purchases of fixed assets and other long-term assets	21		(24,878,334,144)	(166,989,745,374)
2. Proceeds from disposals of fixed assets and other long-term	22	VI.9	65,454,545	27,272,727
3. Loans granted, purchases of debt instruments of other entities	23		-	(30,000,000,000)
4. Collection of loans, purchase of debt instruments of other entities	24		-	160,000,000,000
5. Investments in other entities	25		-	-
6. Proceeds from divestment in other entities	26		22,000,000,000	-
7. Dividends and interest received	27	VI.5	6,570,854,728	14,721,620,628
Net cash inflows/(outflows) from investing activities	30		3,757,975,129	(22,240,852,019)

**CONSOLIDATED CASH FLOW**

(Under indirect method)

*For the accounting period of the first 06 months of the year 2018**Unit: VND*

ITEMS	Code	Notes	From Jan. 01, 2018 to Jun. 30, 2018	From Jan. 01, 2017 to Jun. 30, 2017
III. CASH FLOWS FROM FINANCIAL ACTIVITIES				
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		(38,286,334,000)	(22,286,117,100)
Net cash inflows/(outflows) from financing activities	40		(38,286,334,000)	(22,286,117,100)
Net cash inflows/(outflows) (50 = 20 + 30 + 40)	50		(15,774,395,740)	3,609,541,892
Cash and cash equivalents at the beginning of the period	60		40,032,394,890	230,410,064,538
Effect of foreign exchange differences	61		-	-
Cash and cash equivalents at the end of the period (70 = 50 +60 +61)	70	V.1	24,257,999,150	234,019,606,430

PREPARED BY

Le Thi Thu Huong

CHIEF ACCOUNTANT

Le Thi Thuy Hang

HCMC, August 10, 2018

GENERAL DIRECTOR



DR. Huynh Thi Lan, PharmD.

THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

I. BUSINESS HIGHLIGHTS

1. Establishment

Mekophar Chemical Pharmaceutical Joint-Stock Company, whose business code is 0302533156, operates under Business registration certificate No. 4103000833 dated February 08, 2002 issued by the Department of Planning and Investment of Ho Chi Minh City, the seventeenth amendment on October 27, 2016 the chartered capital as VND 194,208,130,000. (the chartered capital as of June 30, 2018: VND 194,208,130,000).

English name: Mekophar Chemical Pharmaceutical Joint Stock Company.

Short name: Mekophar.

Security code: MKP - Listed on UPCOM.

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

The Company's branches are located at:

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

Nghe An Branch: No. 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.

Structure of ownership: Joint Stock Company.

2. Business sector: Production and trading.

3. Principal activities

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

4. Normal operating cycle

Normal operating cycle of the Company lasts 12 months of the normal fiscal year beginning from January 01 and ending on December31.

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

6. Total employees to June 30, 2018: 764 persons (Dec. 31, 2017: 779 persons).



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

7. Enterprise Structure

7.1. List of subsidiaries

As at June 30, 2018 the Company has one (01) directly owned company as follows:

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

7.2. The list of significant associates is reflected in the consolidated financial statements using the Equity method:

As at June 30, 2018, the Company has one (01) associate as follows:

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

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

Name of branches and address:

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

Nghe An Branch: No. 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.

8. Disclosure on comparability of information in the Financial Statements

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

II. ACCOUNTING PERIOD AND REPORTING CURRENCY

1. Fiscal year

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

2. Reporting currency

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



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

III. ADOPTION OF ACCOUNTING STANDARDS AND POLICIES

1. Applicable Accounting System

The Company applies Vietnamese Corporate Accounting System issued by the Vietnam Ministry of Finance in accordance with the guidance of Circular No. 200/2014/TT-BTC dated December 22, 2014 replacing the corporate accounting system issued under Decision No. 15/2006/QĐ-BTC of the Minister of Finance dated March 20, 2006 and Circular No. 244/2009/TT-BTC dated December 31, 2009 of the Ministry of Finance.

The Company applied Circular No. 202/2014/TT-BTC ("Circular 202") issued by the Vietnam Ministry dated December 22, 2014 guiding the preparation and methods Consolidated Financial Statements. Circular 202 replaces the guide before in the part XIII of Circular No. 161/2007/TT-BTC dated December 31, 2007 of Minister of Finance.

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 consolidated financial statements is complied with the material principles 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 ended June 30, 2018.

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

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.

THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

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.

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 Vietcombank. The buying rate as at June 30, 2018: 22.920 VND/USD; 26.645 VND/EUR.

- The actual exchange rates upon revaluation of monetary assets denominated in foreign currencies which have been classified as payables will be the selling rate stated by Vietcombank. The exchange rate as at June 30, 2018: 22.990 VND/USD.

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

Principle for determining book rate

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

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

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 of accounting for trading securities

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

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

- Listed securities are recognized at the time of order matching (T + 0);

- Unlisted securities are recognized at the time of ownership in accordance with law.



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

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

Principles for accounting held-to-maturity investments

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

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

Principles for recording financial investments in Subsidiary, Associates

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 financial statements of Associate 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.

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 the investee's financial statements.

THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

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...

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 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

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.

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...

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>4 - 10 years</i>
<i>Land use rights</i>	<i>25 years</i>
<i>Right to use original cells</i>	<i>3 years</i>

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.

THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

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 cautious rules.

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.

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 Paid-in Capital

The owners' paid-in capital is the amount that is initially contributed or supplemented by shareholders. The owners' paid-in 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

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 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

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.

Revenue from service rendered

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

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

Principles and method of recording revenue from asset lease

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

Principles for recording financial income

Financial incomes include interests, 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, 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.



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

16. Principles and method of recording cost of goods sold

Cost of goods sold are the cost of products, goods, services sold in the period; 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.

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 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%.

The Company has been finalized by the Tax Department for the fiscal year ended December 31, 2017.

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.

THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

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

Financial assets of the Company comprise cash, short-term deposits, trade accounts receivables and other receivables, held to maturity investment and available for sale financial assets.

Financial liabilities

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

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

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

Re-measurements after initial recognition

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

Offsetting

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

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.

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

1. Cash and cash equivalents	June 30, 2018	Jan. 01, 2018
Cash	24,257,999,150	40,032,394,890
Cash on hand	4,914,364,909	4,051,012,332
Demand deposits	19,343,634,241	35,981,382,558
Total	24,257,999,150	40,032,394,890



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

2. Financial investment (for more details see page 39 to 40)

3. Trade receivables

	June 30, 2018		Jan. 01, 2018	
	Amount	Provision	Amount	Provision
a. Short-term	140,934,228,942	-	169,327,487,404	-
Local customers	98,859,702,032	-	126,827,124,259	-
<i>Coduphar Pharmaceutical J.S.C</i>	2,289,495,535	-	34,003,785,764	-
<i>Ha Noi branch of Mekophar</i>	21,362,601,254	-	23,593,252,940	-
<i>An Sinh Hospital Co., Ltd.</i>	1,040,366,126	-	353,244,087	-
<i>Others customers</i>	74,167,239,117	-	68,876,841,468	-
Foreign customers	42,074,526,910	-	42,500,363,145	-
<i>Neros Pharmaceuticals Ltd (1.497.402,7 USD)</i>	33,953,723,027	-	35,818,363,038	-
<i>Others customers</i>	8,120,803,883	-	6,682,000,107	-
Total	140,934,228,942	-	169,327,487,404	-
b. Related parties				
<i>An Sinh Hospital Co., Ltd.</i>	1,040,366,126	-	353,244,087	-
Total	1,040,366,126	-	353,244,087	-

4. Prepayments to suppliers

	June 30, 2018		Jan. 01, 2018	
	Amount	Provision	Amount	Provision
Short-term	28,028,353,527	-	122,232,724,080	-
Local suppliers	15,820,606,724	-	36,802,352,127	-
<i>Branch of Zuellig Pharma Vietnam</i>	10,110,579,751	-	22,716,858,334	-
<i>OS Commercial & Technology services Co., Ltd.</i>	2,105,541,732	-	2,105,541,732	-
<i>Others suppliers</i>	3,604,485,241	-	11,979,952,061	-
Foreign suppliers	12,207,746,803	-	85,430,371,953	-
<i>Taisei Corporation</i>	10,079,499,430	-	10,079,499,430	-
<i>Others suppliers</i>	2,128,247,373	-	75,350,872,523	-
Total	28,028,353,527	-	122,232,724,080	-



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

5. Other receivables

	June 30, 2018		Jan. 01, 2018	
	Amount	Provision	Amount	Provision
Short-term	799,357,281	-	869,316,720	-
Advances	82,540,461	-	255,967	-
Other receivables	716,816,820	-	869,060,753	-
Health, social insurance, trade union fee	549,010,120	-	522,935,378	-
Remuneration for board of management not directly management	158,000,000	-	336,000,000	-
Other receivables	9,806,700	-	10,125,375	-
Total	799,357,281	-	869,316,720	-

6. Inventories

	June 30, 2018		Jan. 01, 2018	
	Original cost	Provision	Original cost	Provision
Raw materials	151,301,290,868	-	134,206,667,365	-
Tools & supplies	2,790,038,075	-	2,592,662,732	-
Works in progress	18,717,474,989	-	21,361,928,311	-
Finished goods	70,873,592,137	-	62,839,098,391	-
Merchandise inventory	47,835,842	-	30,269,938	-
Total	243,730,231,911	-	221,030,626,737	-

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

- Causes and resolutions for inactive, deteriorated inventories:

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

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

7. Long-term assets in progress

	June 30, 2018		Jan. 01, 2018	
	Amount	Provision	Amount	Provision
Works in progress	662,141,477,419	-	557,197,627,409	-
Project of Investing in Development Research and Producing Biological and Pharmaceutical Products.	455,650,394,761	-	452,421,959,407	-
Designing the Accounting program	3,000,702,000	-	2,825,577,000	-
Purchasing assets	203,490,380,658	-	101,950,091,002	-
Total	662,141,477,419	-	557,197,627,409	-



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

(*) Reason for incompleteness in one circle of production, doing business: the Company is building the accounting software and the facilities of the Project of Investing in Development Research and Producing Biological and Pharmaceutical Products has not finished yet in June 30, 2018.

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

9. Intangible fixed assets

	Land use rights	Patents, copyrights	Total
Original cost			
Opening balance	7,438,152,000	2,708,299,139	10,146,451,139
Closing balance	7,438,152,000	2,708,299,139	10,146,451,139
Accumulated amortization			
Opening balance	-	2,654,965,803	2,654,965,803
Charge for the period	-	19,999,998	19,999,998
Closing balance	-	2,674,965,801	2,674,965,801
Net book value			
As at the beginning of the year	7,438,152,000	53,333,336	7,491,485,336
As at the end of the year	7,438,152,000	33,333,338	7,471,485,338

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

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

* Ending original costs of intangible fixed assets—fully depreciated but still in use: VND 2.628.299.139.

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

* Other changes in intangible fixed assets: None.

* Notes on figures and other explanations: None.

10. Prepaid expenses	June 30, 2018	Jan. 01, 2018
Short-term prepaid expenses	1,085,482,031	975,385,213
Rent server	-	17,050,000
Expenses of giving consultancy for Kinh Duong Vuong Project	90,000,000	90,000,000
Repair of fixed assets	252,206,732	277,457,274
Fire & Explosion insurance	77,096,255	308,385,029
Office leasing fee	40,000,000	196,610,910
Removing electric poles	42,941,002	85,882,000
Land rent fee for year 2018	566,148,500	-
Other expenses	17,089,542	-



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

10. Prepaid expenses (cont')	June 30, 2018	Jan. 01, 2018
Long-term prepaid expenses	4,664,129,861	3,995,320,394
Developing SATO printer software	-	1,420,000,000
Cost of consultant	681,818,181	909,090,909
Un-amortization expenses	2,533,597,003	-
Others installing expenses	38,185,188	343,368,000
Repair of fixed assets	761,912,935	497,349,511
Shevles	648,616,554	825,511,974
Cộng	5,749,611,892	4,970,705,607

11. Trade payables	June 30, 2018		Jan. 01, 2018	
	Amount	Debt Service Coverage	Amount	Debt Service Coverage
Short-term	44,222,987,889	44,222,987,889	58,136,416,053	58,136,416,053
Local suppliers	38,517,050,938	38,517,050,938	48,200,986,738	48,200,986,738
<i>Phytopharma VN (PHYTO)</i>	20,537,843,680	20,537,843,680	27,865,784,188	27,865,784,188
<i>Van Hung Co., Ltd.</i>	2,110,245,246	2,110,245,246	1,783,532,135	1,783,532,135
<i>Sang Pharmaceutical Co., Ltd.</i>	1,851,670,062	1,851,670,062	2,642,947,026	2,642,947,026
<i>Le Hoang Co., Ltd.</i>	1,152,251,100	1,152,251,100	1,585,768,800	1,585,768,800
<i>Vinata International Co., Ltd - HCMC branch</i>	-	-	742,888,925	742,888,925
<i>Others suppliers</i>	12,865,040,850	12,865,040,850	13,580,065,664	13,580,065,664
Foreign suppliers	5,705,936,951	5,705,936,951	9,935,429,315	9,935,429,315
<i>Nipro Pharma Corporation</i>	2,873,256,235	2,873,256,235	2,786,408,565	2,786,408,565
<i>Khs Synchemical Corp</i>	-	-	562,691,250	562,691,250
<i>Lupin Limited</i>	-	-	5,092,640,000	5,092,640,000
<i>Apc Pharma & Chemical</i>	1,135,180,800	1,135,180,800	-	-
<i>Lando Pharmaceutical PTE</i>	1,117,217,416	1,117,217,416	-	-
<i>Others suppliers</i>	580,282,500	580,282,500	1,493,689,500	1,493,689,500
Total	44,222,987,889	44,222,987,889	58,136,416,053	58,136,416,053



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

12. Prepayments from customers	June 30, 2018	Jan. 01, 2018
Short-term	12,106,827,577	11,830,010,281
Local customers	11,085,709,247	11,664,425,457
<i>MekoStem</i>	10,189,235,493	11,054,794,805
<i>Thien Luan Co., Ltd.</i>	293,182,454	12,468,629
<i>Santa Vietnam Co., Ltd.</i>	181,080,000	86,800,001
<i>Other customers</i>	422,211,300	510,362,022
Foreign customers	1,021,118,330	165,584,824
<i>Other customers</i>	1,021,118,330	165,584,824
Total	12,106,827,577	11,830,010,281

13. Taxes and payables to State budget

	Jan. 01, 2018	Payable amount	Paid amount	June 30, 2018
a. Payables				
V.A.T payables	1,387,266,791	31,549,698,256	30,162,431,465	-
Import – Export duties	379,222,603	6,867,873,871	6,534,690,124	46,038,856
Corporate income tax	12,577,874,776	18,636,644,792	12,817,521,914	6,758,751,898
Foreign Contractor tax	-	394,986,623	394,986,623	-
Other taxes	-	1,050,444,969	1,050,444,969	-
Other fees, duties and obligations	-	46,806,715	46,806,715	-
Total	14,344,364,170	58,546,455,226	51,006,881,810	6,804,790,754
b. Receivables				
V.A.T receivables	-	124,236,174	-	124,236,174
Overpaid VAT on import	379,222,603	6,534,690,124	6,867,873,871	46,038,856
Import – Export duties	94,194,634	728,130,076	822,324,710	-
Overpaid personal income tax	77,503,135	3,670,825,758	2,778,119,870	970,209,023
Land and housing taxes, land rentals	9,994,646	6,344,436,832	4,800,000,000	1,554,431,478
Cộng	560,915,018	17,402,318,964	15,268,318,451	2,694,915,531

14. Unrealized revenue	June 30, 2018	Jan. 01, 2018
Long-term		
Unrealized revenue of MekoStem	60,642,605,477	52,054,693,098
Unrealized revenue from finished goods	-	3,321,639,574
Total	60,642,605,477	55,376,332,672



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

15. Other payables	June 30, 2018	Jan. 01, 2018
Short-term		
Social insurance, health insurance, trade union & Communist party fee	355,698,175	154,141,150
Board of Management	1,872,000,000	23,000,000
Other payables	7,115,094,578	7,115,094,578
<i>Project 45 Vo Thi Sau</i>	6,800,000,000	6,800,000,000
<i>Corporate income tax (XN 24)</i>	91,299,513	91,299,513
<i>Soviet's antibiotic</i>	118,181,818	118,181,818
<i>Other payables</i>	105,613,247	105,613,247
Total	9,342,792,753	7,292,235,728

16. Provision liability	June 30, 2018	Jan. 01, 2018
Long-term		
Provision for research projects	30,000,000,000	30,000,000,000
Total	30,000,000,000	30,000,000,000

17. Borrowings and financial lease liabilities

	June 30, 2018		Jan. 01, 2018	
	Amount	Debt Service Coverage Ratio	Amount	Debt Service Coverage Ratio
Long- term	20,000,000,000	20,000,000,000	20,000,000,000	20,000,000,000
Vietcombank - Sai Gon Branch	20,000,000,000	20,000,000,000	20,000,000,000	20,000,000,000
Total	20,000,000,000	20,000,000,000	20,000,000,000	20,000,000,000

Notes on borrowings from banks

Long-term borrowings from Vietcombank - Sai Gon branch is in accordance with the following contract:

Contract No.	Maturity	Interest rate	Closing balance	Form of security
0026/SGN.KHDN/CD17	<i>From February 22, 2017 to February 22, 2024.</i>	8.4%/ year	20,000,000,000	<i>Assets from borrowing liabilities</i>

18. Accrued expenses	June 30, 2018	Jan. 01, 2018
Short-term		
Accrued expenses of operation without documents	23,000,000,000	23,277,800,000
Other Accrued expenses	-	277,800,000
Total	23,000,000,000	23,277,800,000



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

19. Owners' equity

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

b. Details of owners' shareholding

	% of shareholding	June 30, 2018	Jan. 01, 2018
Shareholding by the State	18.17%	35,283,600,000	35,283,600,000
Shareholding by other investors	81.83%	158,924,530,000	158,924,530,000
Share premium		295,058,504,458	295,058,504,458
Treasury share		(14,487,151,158)	(14,487,151,158)
Total	100.00%	474,779,483,300	474,779,483,300

* Number of treasury shares: 277.646 equivalent to VND 14.487.151.158.

c. Capital transactions with owners and distribution of dividends, profits

	From Jan. 01, 2018 to Jun. 30, 2018	From Jan. 01, 2017 to Jun. 30, 2017
Owners' equity	194,208,130,000	194,208,130,000
<i>At the beginning of the period</i>	194,208,130,000	194,208,130,000
<i>Capital increase during the period</i>	-	-
<i>Capital decrease during the period</i>	-	-
<i>At the end of the period</i>	194,208,130,000	194,208,130,000
Dividends paid	38,286,334,000	24,886,117,100

d. Dividends

	From Jan. 01, 2018 to Jun. 30, 2018	Năm 2017
Dividends declared after the balance sheet date		
<i>Dividends on ordinary shares</i>	Not announced yet	20%
Unrecognised accumulated dividends of preference shares	-	-

e. Shares

	June 30, 2018	Jan. 01, 2018
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>	19,420,813	19,420,813
Number of shares repurchased	277,646	277,646
<i>Ordinary share</i>	277,646	277,646
Number of existing shares in issue	19,143,167	19,143,167
<i>Ordinary share</i>	19,143,167	19,143,167
<i>Par value: VND/share.</i>	10,000	10,000

f. Funds

	June 30, 2018	Jan. 01, 2018
Investment and development fund	505,320,886,183	448,083,058,734
Total	505,320,886,183	448,083,058,734

* 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 .



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

20. Source for non-business expenditures	From Jan. 01, 2018 to Jun. 30, 2018	Năm 2017
Opening balance	-	127,920,290
Closing balance	-	-

21. Off balance sheet items

Foreign currencies

	June 30, 2018		Jan. 01, 2018	
	Quantity	Converted to VND	Quantity	Converted to VND
USD	3,825.61	87,093,706	2,959.24	67,071,174
EUR	346.97	9,365,369	394.99	10,665,915
Total		96,459,075		77,737,089

VI. ADDITIONAL INFORMATION FOR ITEMS IN THE INCOME STATEMENT

1. Sales	From Jan. 01, 2018 to Jun. 30, 2018	From Jan. 01, 2017 to Jun. 30, 2017
a. Revenue		
Revenue from finished goods sold	304,351,734,048	324,058,349,830
Revenue from merchandises sold	253,177,953,739	305,504,161,528
Revenue from services of original cells bank	29,351,889,121	23,957,551,018
Revenue from sale of materials	5,286,139,054	4,384,410,729
Revenue from office lease	4,344,727,272	3,552,727,272
Total	596,512,443,234	661,457,200,377
b. Revenue from related party	From Jan. 01, 2018 to Jun. 30, 2018	From Jan. 01, 2017 to Jun. 30, 2017
An Sinh Hospital Co., Ltd.	4,679,772,494	5,001,423,134
Total	4,679,772,494	5,001,423,134
2. Sales deductions	From Jan. 01, 2018 to Jun. 30, 2018	From Jan. 01, 2017 to Jun. 30, 2017
Sales returns	195,051,221	161,940,162
Discount	6,195,238	14,400,000
Total	201,246,459	176,340,162
3. Net sales	From Jan. 01, 2018 to Jun. 30, 2018	From Jan. 01, 2017 to Jun. 30, 2017
Revenue from finished goods sold	304,167,210,297	323,897,857,058
Revenue from merchandises sold	253,166,731,031	305,502,714,138
Revenue from exchange of services	29,346,389,121	23,943,151,018
Revenue from construction contract	5,286,139,054	4,384,410,729
Revenue from trading investment properties	4,344,727,272	3,552,727,272
Total	596,311,196,775	661,280,860,215



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

	From Jan. 01, 2018 to Jun. 30, 2018	From Jan. 01, 2017 to Jun. 30, 2017
4. Cost of sales		
Cost of finished goods sold	196,441,787,398	210,036,416,312
Cost of merchandises sold	251,767,915,791	303,400,512,696
Cost of service of original cells bank	8,141,619,931	7,086,126,075
Cost of materials, services rendered	3,986,857,393	3,148,334,894
Total	460,338,180,513	523,671,389,977
5. Financial income		
Interest income from deposits, loans	54,635,274	12,142,461,628
Dividends, profit paid	6,516,219,454	2,579,159,000
<i>An Sinh Hospital</i>	5,516,669,734	2,200,000,000
<i>VIDIPHAR Pharmaceutical JSC</i>	215,928,720	359,978,000
<i>Pharmaceutical Packaging JSC</i>	764,440,000	-
<i>OPC Pharmaceutical JSC</i>	19,181,000	19,181,000
Realised foreign exchange gains	45,834,480	387,774,942
Receive from the sale of shares in Areco Co., Ltd.	4,039,500,000	-
Total	10,656,189,208	15,109,395,570
6. Financial expenses		
Loans interest expenses	849,333,333	-
Realised foreign exchange losses	342,241,120	604,394,506
Unrealised foreign exchange losses	86,847,670	-
Total	1,278,422,123	604,394,506
7. Selling expenses and General and administration expenses		
a. Selling expenses		
Salaries	12,258,177,441	11,721,713,153
Depreciation	206,582,187	268,637,310
Services bought from outsiders	10,425,820,647	8,036,903,171
Commission	11,019,010,832	9,646,101,885
Transportation	4,125,237,114	2,737,962,415
Other sundry expenses by cash	134,358,109	277,856,536
Total	38,169,186,330	32,689,174,470
b. General and administration expenses		
Salaries	19,695,845,074	16,321,590,376
Materials & Packing	7,135,368,287	2,942,286,652
Depreciation of fixed assets	1,889,432,704	2,141,029,649
Taxes, fees and duties	6,312,191,493	6,077,954,976
Services bought from outsiders	5,719,956,919	2,299,721,114
Other sundry expenses by cash	14,622,232,173	9,688,949,399
Total	55,375,026,650	39,471,532,166



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

	From Jan. 01, 2018 to Jun. 30, 2018	From Jan. 01, 2017 to Jun. 30, 2017
8. Other income		
Disposal and sale of fixed assets (*)	65,454,545	27,272,727
Other income (Treatment to surplus amount upon the counting)	1,087,542,832	481,702,341
Other income	75,203,062	50,000,000
Total	1,228,200,439	558,975,068
9. Other expenses	From Jan. 01, 2018 to Jun. 30, 2018	From Jan. 01, 2017 to Jun. 30, 2017
Administrative fines	122,396,969	-
Other expenses (Treatment to deficient amount upon the counting)	55,649,342	1,007,401
Total	178,046,311	1,007,401
<i>(*) Notes on disposal, sale of fixed assets</i>	From Jan. 01, 2018 to Jun. 30, 2018	From Jan. 01, 2017 to Jun. 30, 2017
<i>Disposal, sale of fixed assets</i>	65,454,545	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>	65,454,545	27,272,727
10. Costs of production and doing business by factors	From Jan. 01, 2018 to Jun. 30, 2018	From Jan. 01, 2017 to Jun. 30, 2017
Raw materials	194,864,446,970	218,363,074,615
Labour cost	55,126,884,511	49,531,008,096
Depreciation and amortization	5,797,966,107	6,997,839,070
Services bought	27,998,486,690	17,899,505,766
Other sundry cash expense	35,603,368,009	30,502,975,402
Total	319,391,152,287	323,294,402,949
11. Current corporate income tax	From Jan. 01, 2018 to Jun. 30, 2018	From Jan. 01, 2017 to Jun. 30, 2017
1. Current corporate income tax accounted on the total accounting profit before tax this period:		
<i>Parent Company</i>	12,758,751,898	16,102,346,466
<i>Subsidiary Company</i>	12,758,751,898	15,714,133,588
<i>Subsidiary Company</i>	-	388,212,878
2. Adjustments of corporate income tax expenses of previous years into corporate income tax expenses this period:		
<i>Parent Company</i>	58,770,016	-
<i>Parent Company</i>	58,770,016	-
<i>Subsidiary Company</i>	-	-
3. Total taxable income (1+2)	12,817,521,914	16,102,346,466



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

	From Jan. 01, 2018 to Jun. 30, 2018	From Jan. 01, 2017 to Jun. 30, 2017
12. Earnings/Diluted earnings per share		
Accounting profit after corporate income tax	46,730,899,180	70,992,240,154
Increase or decrease of accounting profit	-	-
- Decrease adjustment	-	-
Profit or loss attributable to ordinary equity holders	46,730,899,180	70,992,240,154
Average ordinary shares outstanding during the year	19,143,167	19,143,167
Earnings per share	2,441	3,708
Diluted earnings per share	2,441	3,708

As at June 30, 2018, 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, 2018 and June 30, 2017.

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, 2018 and June 30, 2017.

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:



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

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>
The first 06 months of the year 2018		
VND	+200	85,159,983
VND	-200	(85,159,983)
The first 06 months of the year 2017		
VND	+200	5,499,326,351
VND	-200	(5,499,326,351)

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>
The first 06 months of the year 2018	+ 2%	729,300,981
The first 06 months of the year 2017	+ 1%	269,517,503

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.

THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

At the reporting date, the fair value of investments in listed stock of the Company is VND 11,673,890,500 (December 31, 2017: VND 11,856,110,000). If the price of these stocks decreases 10%, the profit before tax will decrease approximately VND 1,167,389,050.

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.

Deposit

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

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

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

June 30, 2018	<i>Under 1 year</i>	<i>From 1-5 years</i>	<i>Over 5 years</i>	<i>Total</i>
Borrowing and financial liabilities	-	-	20,000,000,000	20,000,000,000
Trade payables	44,222,987,889	-	-	44,222,987,889
Cộng	44,222,987,889	-	20,000,000,000	64,222,987,889
Dec. 31, 2017				
Borrowing and financial liabilities	-	-	20,000,000,000	20,000,000,000
Trade payables	58,136,416,053	-	-	58,136,416,053
Total	58,136,416,053	-	20,000,000,000	78,136,416,053

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.



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

Secured assets

The Company does not hold any secured assets of the third party as at June 30, 2018 and December 31, 2017.

14. Financial assets and liabilities (for more details see page 43)

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

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

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

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

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

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

Except for the above-mentioned items, the fair value of financial assets and financial liabilities has not been valued and determined officially as at June 30, 2018 and December 31, 2017. However, the Board of General Directors has assessed that the fair value of financial assets and liabilities is not significantly different from the book value at the accounting period of first 06 months of the year 2018.

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. Contingent liabilities, commitments and other information

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

3. Related party transactions

Key transactions and balances with related parties:

Related parties	Relationship	Transactions	Movement	Amount
			Opening balance (receivables)	353,244,087
An Sinh Hospital Co., Ltd.	Associate	Sale of goods	Sale of goods	5,090,488,394
			Proceeds	4,403,366,355
			Closing balance (receivables)	1,040,366,126



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

Income of the Board of Management and Board of General Directors		From Jan. 01, 2018 to Jun. 30, 2018	From Jan. 01, 2017 to Jun. 30, 2017
Board of Management and Board of General Directors.	Salary, Bonus, consideration	3,094,038,508	3,005,003,032
Total		3,094,038,508	3,005,003,032

4. Presentation of segment asset, revenue and operating result

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

4.1 Major segment reporting: by business sector

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

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

b. Segment report by business sector in the accounting period of the first 06 months of the year 2017:

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

4.2 Minor segment reporting: by geographical region

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

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

PREPARED BY

Le Thi Thu Huong

CHIEF ACCOUNTANT

Le Thi Thuy Hang

HCMC, August 10, 2018

GENERAL DIRECTOR



DR. Huynh Thi Lan, PharmD.



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

V.2. Financial investments

	June 30, 2018			Jan. 01, 2018		
	Original value	Provision	Fair value	Original value	Provision	Fair value
a. Trading securities	10,946,711,100	-	11,673,890,500	10,946,711,100	-	11,856,110,000
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	-	968,640,500	241,461,100	-	1,150,860,000
Pharmaceutical Packaging JSC	6,635,250,000	-	6,635,250,000	6,635,250,000	-	6,635,250,000
Total	10,946,711,100	-	11,673,890,500	10,946,711,100	-	11,856,110,000
b. Equity investments in other entities	June 30, 2018			Jan. 01, 2018		
	Original value	Provision	Fair value	Original value	Provision	Fair value
Investment in joint-ventures, associates	18,510,000,000	-	25,971,518,245	18,510,000,000	-	24,796,491,380
An Sinh Hospital - Percentage of contribution: 22%	18,510,000,000	-	25,971,518,245	18,510,000,000	-	24,796,491,380
Other long-term investments	5,550,000,000	-	5,550,000,000	23,510,500,000	-	23,510,500,000
Orchids Co., Ltd. - Percentage of contribution: 15%	5,550,000,000	-	5,550,000,000	5,550,000,000	-	5,550,000,000
ARECO Real Estates Co., Ltd. - Percentage of contribution: 5%	-	-	-	17,960,500,000	-	17,960,500,000
Total	24,060,000,000	-	31,521,518,245	42,020,500,000	-	48,306,991,380

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

Notes on investments in associates - An Sinh Hospital:



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

According to Investment Certificate No. 0302774433 dated November 25, 2002 issued by the Department of Planning and Investment, the Company registers to invest in An Sinh Hospital with the amount of VND 14,900,000,000, equivalent to 22% of the chartered capital. In the period, Mekophar Chemical Pharmaceutical Joint-Stock Company does not invest more. As at June 30, 2018, 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). The business operation of the An Sinh Hospital is stabilizing throughout the operating years and the Company has received dividends paid from the hospital in this period. As at June 30, 2018, the Company has received the non-audited interim financial statements of An Sinh Hospital.

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 June 30, 2018, the Company has paid in VND 5,550,000,000 as committed (first installment is upon the progress of the contract). The project is still in the state of basic construction.

Notes on other investments - ARECO Real Estates One-Member Co., Ltd.

According to the Board of Managements' Resolution No. 01/NQ-HDQT dated February 05, 2018 and the transfer contract between Mekophar Chemical Pharmaceutical Joint-Stock Company and Thai Binh Investment Joint Stock Company ("TBS") about the transferring of 5% of the charter capital which owned by Mekophar Chemical Pharmaceutical Joint-Stock Company at ARECO Real Estate One Member Limited Company, equivalent to VND 17,960,500,000, with the total amount of VND 22,000,000,000.

(*) Fair value as at June 30, 2018 for all the investments:

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

The fair value of the investment in An Sinh Hospital Co., Ltd. is determined using Equity method as at the accounting period ended.

The fair value of other investments in the Subsidiary and others companies has not been recalculated officially as at June 30, 2018 and December 31, 2017 due to the fact that these Company has not been listed in any stock exchange market so that there are no reliable reference. However, the Board of General Directors has agree to temporarily accounted the fair value using the original value of these investments and added the note on the operation shorted of these investments.



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

V.8. Tangible fixed assets

Items	Buildings & Structures	Machinery & Equipment	Transportation & Facilities	Others	Total
Original cost					
Opening balance	53,610,571,336	124,399,953,925	16,492,054,233	47,781,948,208	242,284,527,702
<i>New purchases</i>	-	208,450,000	-	417,300,000	625,750,000
<i>Disposal, sale</i>	-	(80,000,000)	(410,000,000)	(966,852,136)	(1,456,852,136)
Closing balance	53,610,571,336	124,528,403,925	16,082,054,233	47,232,396,072	241,453,425,566
Accumulated depreciation					
Opening balance	34,482,213,341	101,055,157,242	12,620,101,102	40,838,197,165	188,995,668,850
<i>Charge for the period</i>	969,224,328	2,952,278,976	450,968,427	1,405,494,378	5,777,966,109
<i>Disposal, sale</i>	-	(80,000,000)	(410,000,000)	(966,852,136)	(1,456,852,136)
Closing balance	35,451,437,669	103,927,436,218	12,661,069,529	41,276,839,407	193,316,782,823
Net book value					
As at beginning of the period	19,128,357,995	23,344,796,683	3,871,953,131	6,943,751,043	53,288,858,852
As at the end of the period	18,159,133,667	20,600,967,707	3,420,984,704	5,955,556,665	48,136,642,743

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

* Ending original costs of tangible fixed assets—fully depreciated but still in use: VND 121,914,054,544.

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

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

* Other changes in tangible fixed assets: None.



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

Unit: VND

V.19. Owners' Equity

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

Items	Paid-in capital	Share premium	Treasury share	Investment and Development Fund	Undistributed earnings	Total
Prior year opening balance	194,208,130,000	295,058,504,458	(14,487,151,158)	403,510,093,275	100,515,673,608.00	978,805,250,183
Profit of year 2017	-	-	-	-	114,559,286,521	114,559,286,521
Appropriation to the Board of Management expenses fund of 2016	-	-	-	-	(330,000,000)	181,902,800,000
Appropriation to the Board of Management bonus fund of 2016	-	-	-	-	(1,342,000,000)	(1,342,000,000)
Appropriation to funds from profit of 2016	-	-	-	44,572,965,459	(44,572,965,459)	-
Dividends paid to shareholders in 2016	-	-	-	-	(24,886,117,100)	(24,886,117,100)
Appropriation to bonus and welfare fund of year 2016	-	-	-	-	(9,844,694,396)	(9,844,694,396)
Others payments using profit of 2016	-	-	-	-	(20,000,000)	(20,000,000)
Decease of dividends received from associated Company in prior years.	-	-	-	-	(15,469,734,629)	(15,469,734,629)
Prior year closing balance	194,208,130,000	295,058,504,458	(14,487,151,158)	448,083,058,734	118,609,448,545	1,041,471,990,579
Current period opening balance	194,208,130,000	295,058,504,458	(14,487,151,158)	448,083,058,734	118,609,448,545	1,041,471,990,579
Profit of this period	-	-	-	-	46,730,899,180	46,730,899,180
Appropriation to the Board of Management expenses fund of 2017	-	-	-	-	(336,000,000)	(336,000,000)
Appropriation to the Board of Management bonus fund of 2017	-	-	-	-	(1,849,000,000)	(1,849,000,000)
Appropriation to funds from profit of 2017	-	-	-	57,237,827,449	(57,237,827,449)	-
Dividends paid to shareholders in 2017	-	-	-	-	(38,286,334,000)	(38,286,334,000)
Appropriation to bonus and welfare fund of year 2017	-	-	-	-	(10,613,795,716)	(10,613,795,716)
Decease of dividends received from associated Company in prior years.	-	-	-	-	(5,516,669,734)	(5,516,669,734)
Current period closing balance	194,208,130,000	295,058,504,458	(14,487,151,158)	505,320,886,183	51,500,720,826	1,031,601,090,309



THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the accounting period of the first 06 months of the year 2018

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	
	June 30, 2018		Dec. 31. 2017		June 30, 2018	Dec. 31. 2017
	Amount	Provision	Amount	Provision	Amount	Amount
Financial asests						
- Available-for-sale financial assets	10,946,711,100	-	10,946,711,100	-	11,673,890,500	11,856,110,000
- Trade receivables	140,934,228,942	-	169,327,487,404	-	140,934,228,942	169,327,487,404
- Other receivables	9,806,700	-	10,125,375	-	9,806,700	10,125,375
- Cash and cash equivalents	24,257,999,150	-	40,032,394,890	-	24,257,999,150	40,032,394,890
TOTAL	176,148,745,892	-	220,316,718,769	-	176,875,925,292	221,226,117,669
Financial liabilities						
- Borrowing and financial liabilities	20,000,000,000	-	20,000,000,000	-	20,000,000,000	20,000,000,000
- Trade payables	44,222,987,889	-	58,136,416,053	-	44,222,987,889	58,136,416,053
TOTAL	64,222,987,889	-	78,136,416,053	-	64,222,987,889	78,136,416,053