



KPMG'S COPY

**Danapha Pharmaceutical
Joint Stock Company**

Interim Financial Statements for the
six-month period ended 30 June 2017

**Danapha Pharmaceutical Joint Stock Company
Corporate Information**

**Business Registration
Certificate No.**

3203001246	20 December 2006
0400102091	14 September 2010
0400102091	17 May 2011
0400102091	6 November 2013
0400102091	8 May 2015

**Enterprise Registration
Certificate No.**

0400102091	25 August 2015
0400102091	9 May 2017

The Business Registration Certificate and the Enterprise Registration Certificate and its updates were issued by Da Nang Department of Planning and Investment.

Board of Management

Mr. Nguyen Quang Tri	Chairman
Mr. Mai Dang Dau	Member
Mr. Pham Khac Ha	Member
Ms. Nguyen Thi Van Tho	Member
Ms. Nguyen Thi Lien Hoa	Member
Mr. Lai Tien Manh	Member
Mr. Nguyen Duc Son	Member
Mr. Truong Cong Tri	Member

Board of Directors

Mr. Nguyen Quang Tri	General Director
Mr. Mai Dang Dau	Deputy General Director
Mr. Duong Chi Toan	Deputy General Director

Registered Office

253 Dung Si Thanh Khe
Thanh Khe District
Da Nang City
Vietnam

Auditor

KPMG Limited
Vietnam

**Danapha Pharmaceutical Joint Stock Company
Statement of the Board of Directors**

The Board of Directors of Danapha Pharmaceutical Joint Stock Company (“the Company”) presents this statement and the accompanying interim financial statements of the Company for the six-month period ended 30 June 2017.

The Company’s Board of Directors is responsible for the preparation and fair presentation of the interim financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to interim financial reporting. In the opinion of the Board of Directors:

- (a) the interim financial statements set out on pages 5 to 37 give a true and fair view of the financial position of the Company as at 30 June 2017, and of the results of operations and the cash flows of the Company for the six-month period then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to interim financial reporting; and
- (b) at the date of this statement, there are no reasons to believe that the Company will not be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised the accompanying interim financial statements for issue.



On behalf of the Board of Directors

Nguyen Quang Tri
General Director

Da Nang City, 14 August 2017



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INTERIM FINANCIAL STATEMENTS REVIEW REPORT

To the Shareholders Danapha Pharmaceutical Joint Stock Company

We have reviewed the accompanying interim financial statements of Danapha Pharmaceutical Joint Stock Company ("the Company"), which comprise the balance sheet as 30 June 2017, the statements of income and cash flows for the six-month period then ended and the explanatory notes thereto which were authorised for issue by the Company's Board of Directors on 14 August 2017, as set out on pages 5 to 37.

Management's Responsibility

The Company's Board of Directors is responsible for the preparation and fair presentation of these interim financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to interim financial reporting, and for such internal control as the Board of Directors determines is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on these interim financial statements based on our review. We conducted our review in accordance with Vietnamese Standard on Review engagements 2410 - *Review of interim financial information performed by the independent auditor of the entity*.

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



Auditor's Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not give a true and fair view, in all material respects, of the financial position of Danapha Pharmaceutical Joint Stock Company as at 30 June 2017 and of its results of operations and its cash flows for the six-month period then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to interim financial reporting.

Other Matter

We draw attention to the fact that the statements of income and cash flows for the six-month period ended 30 June 2016 and the related explanatory information in notes were not reviewed by us and accordingly, we do not express a conclusion on them.

KPMG Limited's Branch in Ho Chi Minh City
Vietnam

Review Report No.: 17-01-269



Trương Vinh Phúc
Practicing Auditor Registration
Certificate No. 1901-2013-007-1
Deputy General Director

Ho Chi Minh City, 14 August 2017

Danapha Pharmaceutical Joint Stock Company
Balance sheet as at 30 June 2017

Form B 01a – DN
*(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	30/6/2017 VND	1/1/2017 VND
ASSETS				
Current assets (100 = 110 + 130 + 140 + 150)	100		460,863,495,747	453,539,467,112
Cash and cash equivalents	110	5	17,120,834,112	58,607,172,757
Cash	111		15,816,020,501	28,607,172,757
Cash equivalents	112		1,304,813,611	30,000,000,000
Accounts receivable – short-term	130		304,141,624,890	282,274,861,379
Accounts receivable from customers	131	6	257,478,054,323	255,452,359,793
Prepayments to suppliers	132		49,299,140,359	31,522,680,312
Other receivables	136	7	3,441,866,634	1,377,257,700
Allowance for doubtful debts	137	8	(6,077,436,426)	(6,077,436,426)
Inventories	140	9	127,004,535,043	105,865,575,682
Inventories	141		128,893,430,400	107,754,471,039
Allowance for inventories	149		(1,888,895,357)	(1,888,895,357)
Other current assets	150		12,596,501,702	6,791,857,294
Deductible value added tax	152		12,240,001,033	6,435,695,459
Taxes receivable from State Treasury	153		356,500,669	356,161,835

The accompanying notes are an integral part of these interim financial statements

Danapha Pharmaceutical Joint Stock Company
Balance sheet as at 30 June 2017 (continued)

Form B 01a – DN

*(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

	Code	Note	30/6/2017 VND	1/1/2017 VND
Long-term assets (200 = 210 + 220 + 240 + 250 + 260)	200		195,804,239,546	180,578,339,210
Accounts receivable – long-term	210		6,500,000,000	6,500,000,000
Other long-term receivables	216		6,500,000,000	6,500,000,000
Fixed assets	220		155,162,275,438	117,802,101,009
Tangible fixed assets	221	10	112,612,023,905	75,764,849,476
Cost	222		250,403,415,602	206,507,953,155
Accumulated depreciation	223		(137,791,391,697)	(130,743,103,679)
Intangible fixed assets	227	11	42,550,251,533	42,037,251,533
Cost	228		42,550,251,533	42,037,251,533
Accumulated amortisation	229		-	-
Long-term work in progress	240		1,555,007,221	23,916,227,781
Construction in progress	242	12	1,555,007,221	23,916,227,781
Long-term financial investments	250	13	14,668,750,260	16,243,750,260
Investments in associates	252		8,820,000,000	8,820,000,000
Equity investments in other entities	253		6,800,000,000	8,375,000,000
Allowance for diminution in the value of long-term financial investments	254		(951,249,740)	(951,249,740)
Other long-term assets	260		17,918,206,627	16,116,260,160
Long-term prepaid expenses	261	14	17,918,206,627	16,116,260,160
TOTAL ASSETS (270 = 100 + 200)	270		656,667,735,293	634,117,806,322

The accompanying notes are an integral part of these interim financial statements

Danapha Pharmaceutical Joint Stock Company
Balance sheet as at 30 June 2017 (continued)

Form B 01a – DN
(Issued under Circular No. 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

	Code	Note	30/6/2017 VND	1/1/2017 VND
RESOURCES				
LIABILITIES (300 = 310 + 330)	300		292,183,975,996	341,154,021,309
Current liabilities	310		276,322,720,986	314,865,749,178
Accounts payable to suppliers	311	15	30,340,571,926	32,397,238,866
Advances from customers	312		3,745,860,647	10,266,677,153
Taxes payable to State Treasury	313	16	3,419,342,034	1,082,535,991
Payables to employees	314		6,104,136,504	23,879,286,615
Accrued expenses	315	17	9,932,876,857	12,265,860,151
Other payables	319	18	15,871,247,822	68,926,929,155
Short-term borrowings	320	19(a)	204,746,802,384	157,834,338,298
Bonus and welfare fund	322	20	2,161,882,812	8,212,882,949
Long-term liabilities	330		15,861,255,010	26,288,272,131
Long-term borrowings	338	19(b)	15,861,255,010	26,288,272,131
EQUITY (400 = 410 + 430)	400		364,483,759,297	292,963,785,013
Owners' equity	410	21	363,811,744,084	291,954,353,632
Share capital	411	22	130,200,000,000	97,650,000,000
- Ordinary shares with voting rights	411a		130,200,000,000	97,650,000,000
Share premium	412		87,632,500,000	81,232,500,000
Investment and development fund	418	23	113,071,853,632	113,071,853,632
Retained profits	421		32,907,390,452	-
- Retained profit for the current period/year	421a		32,907,390,452	-
Non-business expenditure fund and other funds	430	21	672,015,213	1,009,431,381
Non-business expenditure fund	431		492,290,750	806,270,600
Non-business expenditure fund invested in fixed assets	432		179,724,463	203,160,781
TOTAL RESOURCES (440 = 300 + 400)	440		656,667,735,293	634,117,806,322

14 August 2017

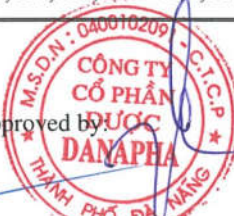
Prepared by:

Traong Thi Dieu Huyen
 Accounting Manager

Approved by:

Nguyen Thi Van Tho
 Chief Accountant

Nguyen Quang Tri
 General Director



The accompanying notes are an integral part of these interim financial statements

Danapha Pharmaceutical Joint Stock Company
Statement of income for the six-month period ended 30 June 2017

Form B 02a – DN
(Issued under Circular No. 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

	Code	Note	Six-month period ended	
			30/6/2017 VND	30/6/2016 VND (Unreviewed)
Revenue from sales of goods	01	25	219,279,764,333	210,691,842,233
Revenue deductions	02	25	1,838,397,661	1,114,947,182
Net revenue (10 = 01 - 02)	10	25	217,441,366,672	209,576,895,051
Cost of sales	11	26	115,814,260,565	115,219,238,895
Gross profit (20 = 10 - 11)	20		101,627,106,107	94,357,656,156
Financial income	21	27	1,322,548,421	1,286,332,146
Financial expenses	22	28	6,441,688,534	4,761,530,512
<i>In which: Interest expense</i>	23		6,399,979,544	4,640,198,565
Selling expenses	25	29	32,059,583,227	35,033,879,295
General and administration expenses	26	30	23,715,053,792	20,587,936,117
Net operating profit {30 = 20 + (21 - 22) - (25 + 26)}	30		40,733,328,975	35,260,642,378
Other income	31		410,909,091	16,026,716
Other expenses	32		10,000,000	12,134,386
Results of other activities (40 = 31 - 32)	40		400,909,091	3,892,330
Accounting profit before tax (50 = 30 + 40)	50		41,134,238,066	35,264,534,708
Income tax expense – current	51	32	8,226,847,614	5,994,970,900
Net profit after tax (60 = 50 - 51)	60		32,907,390,452	29,269,563,808
Basic earnings per share	70	33	2,370	2,615

14 August 2017

Prepared by:  Approved by: 

Trương Thị Diệu Huyền
Accounting Manager

Nguyễn Thị Văn Tho
Chief Accountant

Nguyễn Quang Tri
General Director



The accompanying notes are an integral part of these interim financial statements

Danapha Pharmaceutical Joint Stock Company
Statement of cash flows for the six-month period ended 30 June 2017
(Indirect method)

Form B 03a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

	Code	Six-month period ended	
		30/6/2017 VND	30/6/2016 VND (Unreviewed)
CASH FLOWS FROM OPERATING ACTIVITIES			
Accounting profit before tax	01	41,134,238,066	35,264,534,708
Adjustments for			
Depreciation and amortisation	02	7,977,069,654	9,023,864,220
Interest income	05	(989,565,057)	(1,173,692,320)
Gains on disposals of fixed assets	05	(410,909,091)	-
Gains on disposal of long-term investments	05	(175,000,000)	-
Interest expense	06	6,399,979,544	4,640,198,565
Operating profit before changes in working capital	08	53,935,813,116	47,754,905,173
Change in receivables and other assets	09	(27,671,407,919)	(57,976,233,581)
Change in inventories	10	(21,138,959,361)	(12,242,598,812)
Change in payables and other liabilities	11	(77,986,757,795)	(1,273,033,351)
Change in prepaid expenses	12	(1,801,946,467)	952,444,320
		(74,663,258,426)	(22,784,516,251)
Interest paid	14	(7,452,206,930)	(6,950,000,000)
Income tax paid	15	(5,566,707,489)	(5,215,268,036)
Other payments for operating activities	17	(6,388,416,305)	(6,849,530,454)
Net cash flows from operating activities	20	(94,070,589,150)	(41,799,314,741)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for additions to fixed assets and other long-term assets	21	(22,498,865,608)	(10,291,702,676)
Proceeds from disposal of fixed assets	22	(410,909,091)	-
Payments for investments in other entities	25	-	(1,575,000,000)
Collections on investments in other entities	26	1,750,000,000	-
Receipts of interests and dividends	27	989,565,057	1,173,692,320
Net cash flows from investing activities	30	(19,348,391,460)	(10,693,010,356)

The accompanying notes are an integral part of these interim financial statements

Danapha Pharmaceutical Joint Stock Company
Statement of cash flows for the six-month period ended 30 June 2017
(Indirect method - continued)

Form B 03a – DN
(Issued under Circular No. 200/2014/TT-BTC dated 22 December 2014 of the Ministry of Finance)

	Code	Six-month period ended	
		30/6/2017 VND	30/6/2016 VND (Unreviewed)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from equity issued	31	38,950,000,000	-
Proceeds from borrowings	33	162,534,652,186	106,103,161,194
Payments to settle loan principals	34	(126,049,205,221)	(68,845,401,863)
Payments of dividends	36	(3,502,805,000)	(4,051,605,000)
Net cash flows from financing activities	40	71,932,641,965	33,206,154,331
Net cash flows during the period (50 = 20 + 30 + 40)	50	(41,486,338,645)	(19,286,170,766)
Cash and cash equivalents at the beginning of the period	60	58,607,172,757	48,156,130,533
Cash and cash equivalents at the end of the period (70 = 50 + 60 + 61) (Note 5)	70	17,120,834,112	28,869,959,767

14 August 2017

Prepared by: 
Truong Thi Dieu Huyen
Accounting Manager

Approved by: 
Nguyen Thi Van Tho
Chief Accountant


Nguyen Quang Tri
General Director

The accompanying notes are an integral part of these interim financial statements

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

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

1. Reporting Entity

(a) Ownership structure

Danapha Pharmaceutical Joint Stock Company (“the Company”) is incorporated as a joint-stock company under Business Registration Certificate No. 3203001246 issued by Da Nang Department of Planning and Investment on 20 December 2006 from the equitisation of the former Vietnam Pharmaceutical Company Number 5.

(b) Principal activities

The principal activities of the Company are to manufacture and trade medicine, pharmaceutical chemistry and medicinal chemistry.

(c) Normal operating cycle

The normal operating cycle of the Company is generally within 12 months.

(d) Company structure

As at 30 June 2017, the Company had 435 employees (1/1/2017: 427 employees).

2. Basis of preparation

(a) Statement of compliance

The interim financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Accounting System for enterprises and the relevant statutory requirements applicable to interim financial reporting.

(b) Basis of measurement

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

(c) Annual accounting period

The annual accounting period of the Company is from 1 January to 31 December. These interim financial statements are prepared for the six-month period ended 30 June 2017.

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
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(d) Accounting and presentation currency

The Company's accounting currency is Vietnam Dong ("VND"), which is also the currency used for financial statement presentation purpose.

3. Summary of significant accounting policies

The following significant accounting policies have been adopted by the Company in the preparation of these interim financial statements. The accounting policies that have been adopted by the Company in the preparation of these interim financial statements are consistent with those adopted in the preparation of the latest annual financial statements.

(a) Foreign currency transactions

Transactions in currencies other than VND during the period have been translated into VND at rates approximating actual rates of exchange ruling at the transaction dates.

Monetary assets and liabilities denominated in currencies other than VND are translated into VND at the account transfer buying rate and account transfer selling rate, respectively, at the end of the annual accounting period quoted by the commercial bank where the Company most frequently conducts transactions.

All foreign exchange differences are recorded in the statement of income.

(b) Cash and cash equivalents

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

(c) Investments

(i) Investments in associates

Investments in associates are initially recognised at cost which includes purchase price plus any directly attributable transaction costs. Subsequent to initial recognition, these investments are stated at cost less allowance for diminution in value. An allowance is made for diminution in investment value if the investee has suffered a loss, except where such a loss was anticipated by the Company's management before making the investment. The allowance is reversed if the investee subsequently made a profit that offsets the previous loss for which the allowance had been made. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined if no allowance had been recognised.

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN

*(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

(ii) Investments in equity instruments of other entities

Investments in equity instruments of other entities are initially recognised at cost which include purchase price plus any directly attributable transaction costs. Subsequent to initial recognition, these investment are stated at cost less allowance for diminution in value. An allowance is made for diminution in investment values if the investee has suffered a loss, except where such a loss was anticipated by the Company's management before making the investment. The allowance is reversed if the investee subsequently made a profit that offsets the previous loss for which the allowance had been made. An allowance is reversed only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined if no allowance had been recognised.

(d) Accounts receivable

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

(e) Inventories

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

The Company applies the perpetual method of accounting for inventories.

(f) Tangible fixed assets

(i) Cost

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

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
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(ii) Depreciation

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

▪ buildings	5 – 25 years
▪ machinery and equipment	3 – 10 years
▪ motor vehicles	3 – 6 years

(g) Intangible fixed assets

Land use rights

Land use rights comprise:

- those granted by the State for which land use payments are collected;
- those acquired in a legitimate transfer; and
- rights to use leased land obtained before the effective date of Land Law (2003) for which payments have been made in advance for more than 5 years and supported by land use rights certificate issued by competent authority.

Land use rights with indefinite period of use are stated at cost and not amortised. The initial cost of land use rights comprise its purchase price and any directly attributable costs incurred in conjunction with securing the land use rights.

(h) Construction in progress

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

(i) Long term prepaid expenses

(i) *Prepaid land costs*

Prepaid land costs comprise prepaid land lease rentals, including those for which the Company obtained land use right certificates but are not qualified as intangible fixed assets under Circular No. 45/2013/TT-BTC dated 25 April 2013 of the Ministry of Finance providing guidance on management, use and depreciation of fixed assets, and other costs incurred in conjunction with securing the use of leased land. These costs are recognised in the statement of income on a straight-line basis over the term of the lease of 35 years.

(ii) *Factory renovations*

Factory renovations are recorded at cost and amortised on a straight-line basis over 2 years.

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN

*(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

(j) Trade and other payables

Trade and other payables are stated at their cost.

(k) Provision

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

(l) Taxation

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

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the accounting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities using tax rates enacted at the end of the accounting period.

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

(m) Share capital

(i) Ordinary shares

Ordinary shares are stated at par value. Incremental costs directly attributable to the issue of shares, net of tax effects, are recognised as a deduction from share premium.

(ii) Share premium

When received capital from the shareholders, the difference between issue price and par value of shares is recognised in share premium account in equity.

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN

*(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)*

(n) Equity funds

Allocations from the retained profits to equity funds are made annually based on the percentage decided by the shareholders in annual general shareholder meeting.

(o) Revenue and other income

(i) Goods sold

Revenue from the sales of goods is recognised in the statement of income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods. Revenue on sales of goods is recognised at the net amount after deducting sales discounts stated on the invoice.

(ii) Interest income

Interest income is recognised on a time proportion basis with reference to the principal outstanding and the applicable interest rate.

(iii) Dividend income

Dividend income is recognised when the right to receive dividend is established. Share dividends are not recognised as income. Dividends received which are attributable to the period before investment acquisition date are deducted from the carrying amount of the investment.

(p) Operating lease payments

Payments made under operating leases are recognised in the statement of income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of income as an integral part of the total lease expense.

(q) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred, except where the borrowing costs relate to borrowings in respect of the construction of qualifying assets, in which case the borrowing costs incurred during the period of construction are capitalised as part of the cost of the assets concerned.

(r) Earnings per share

The Company presents basic earnings per share ("EPS") for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to the ordinary shareholders (after deducting any amounts appropriated to bonus and welfare funds for the accounting period) of the Company by the weighted average number of ordinary shares outstanding during the period.

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

(s) Segment reporting

A segment is a distinguishable component of the Company that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Company has only one business segment, which is to manufacture and trade medicine. The Company's primary format for segment reporting is based on geographical segments (Vietnam and overseas).

(t) Related parties

Parties are considered to be related to the Company if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions, or where the Company and the other parties are subject to common control or significant influence. Related parties may be individuals or corporate entities and include close family members of any individual considered to be a related party.

4. Segment reporting

Geographical segments

	Vietnam		Overseas		Total	
	Six-month period ended 30/6/2017 VND	30/6/2016 VND (Unreviewed)	Six-month period ended 30/6/2017 VND	30/6/2016 VND (Unreviewed)	Six-month period ended 30/6/2017 VND	30/6/2016 VND (Unreviewed)
External revenue	139,375,925,273	147,232,023,915	79,903,839,060	63,459,818,318	219,279,764,333	210,691,842,233
Capital expenditure	17,607,242,917	8,594,647,371	4,891,622,691	1,697,055,305	22,498,865,608	10,291,702,676

	Vietnam		Overseas		Total	
	30/6/2017 VND	1/1/2017 VND	30/6/2017 VND	1/1/2017 VND	30/6/2017 VND	1/1/2017 VND
Segment assets	656,667,735,293	634,117,806,322	-	-	656,667,735,293	634,117,806,322

5. Cash and cash equivalents

	30/6/2017 VND	1/1/2017 VND
Cash on hand	1,141,470,920	1,454,606,733
Cash in banks	14,674,549,581	27,152,566,024
Cash equivalents	1,304,813,611	30,000,000,000
Cash and cash equivalents in the statement of cash flows	17,120,834,112	58,607,172,757

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

6. Accounts receivable from customers – short-term

(a) Accounts receivable from customers detailed by significant customer

	30/6/2017	1/1/2017
	VND	VND
Danson – BG EOOD	146,765,837,666	125,840,992,183
Kim Do Pharmaceutical Company Limited	16,729,491,429	20,502,703,165
Other customers	93,982,725,228	109,108,664,445
	<hr/>	<hr/>
	257,478,054,323	255,452,359,793
	<hr/>	<hr/>

(b) Accounts receivable from customers who are related parties

	30/6/2017	1/1/2017
	VND	VND
Da Nang Pharmaceutical – Medical Equipment Joint Stock Company	2,409,814,572	3,669,317,735
Danapha – Nanosome Pharmaceutical Joint Stock Company	214,614,007	104,791,238
	<hr/>	<hr/>

The trade related amounts due from related companies were unsecured, interest free and are receivable on demand.

7. Other receivables

	30/6/2017	1/1/2017
	VND	VND
Advances	2,989,592,852	981,001,693
Short-term deposits	122,564,449	145,140,407
Others	329,709,333	251,115,600
	<hr/>	<hr/>
	3,441,866,634	1,377,257,700
	<hr/>	<hr/>

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended 30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

	Overdue days	30/6/2017			1/1/2017			
		Cost VND	Allowance VND	Recoverable amount VND	Cost VND	Allowance VND	Recoverable amount VND	
Overdue debts								
Danson - BG EOOD	1 – 335	51,969,331,311	(2,793,612,409)	49,175,718,902	1 – 321	10,260,332,620	(2,793,612,409)	7,466,720,211
Bai Tu Long Pharmaceutical Company Limited	1,849 – 1,876	200,000,000	(200,000,000)	-	1,668 – 1,695	200,000,000	(200,000,000)	-
Hung Yen Pharmaceutical JSC - Khoai Chau Branch	1,918	148,985,733	(148,985,733)	-	1,737	148,985,733	(148,985,733)	-
Tien Giang Mental Hospital	1,860 – 1,918	136,922,982	(136,922,982)	-	1,679 – 1,737	136,922,982	(136,922,982)	-
Quang Ngai Pharmaceutical State One Member Company Limited	1,918	109,122,583	(109,122,583)	-	1,737	109,122,583	(109,122,583)	-
Others	182 – 920	4,759,637,666	(2,688,792,719)	2,070,844,947	181 – 1,827	18,556,981,162	(2,688,792,719)	15,868,188,443
		57,324,000,275	(6,077,436,426)	51,246,563,849		29,412,345,080	(6,077,436,426)	23,334,908,654

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

9. Inventories

	30/6/2017		1/1/2017	
	Cost VND	Allowance VND	Cost VND	Allowance VND
Raw materials	67,309,583,331	(725,580,393)	62,941,153,453	(725,580,393)
Tools and supplies	143,001,588	-	60,176,847	-
Work in progress	9,191,980,783	-	7,182,164,119	-
Finished goods	51,777,258,106	(1,163,314,964)	36,917,615,417	(1,163,314,964)
Merchandise inventories	471,606,592	-	653,361,203	-
	<u>128,893,430,400</u>	<u>(1,888,895,357)</u>	<u>107,754,471,039</u>	<u>(1,888,895,357)</u>

Included in inventories at 30 June 2017 was VND1,889 million (1/1/2017: VND1,889 million) of inventories carried at net realisable value.

At 30 June 2017, inventories with a carrying value of VND128,893 million (1/1/2017: Nil) were pledged with banks as security for loans granted to the Company (Note 19(b)).

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

	Six-month period ended	
	30/6/2017 VND	30/6/2016 VND (Unreviewed)
Opening balance	1,888,895,357	1,378,244,659
Allowance utilised during the period	-	(6,366,559)
Closing balance	<u>1,888,895,357</u>	<u>1,371,878,100</u>

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

10. Tangible fixed assets

	Six-month period ended 30 June 2017			
	Buildings VND	Machinery and equipment VND	Motor vehicles VND	Total VND
Cost				
Opening balance	77,768,852,586	118,628,778,454	10,110,322,115	206,507,953,155
Additions	6,312,655,209	6,581,973,615	1,153,990,909	14,048,619,733
Transfer from construction in progress	30,775,624,350	-	-	30,775,624,350
Disposals	-	-	(928,781,636)	(928,781,636)
Closing balance	114,857,132,145	125,210,752,069	10,335,531,388	250,403,415,602
Accumulated depreciation				
Opening balance	41,341,385,897	84,043,281,760	5,358,436,022	130,743,103,679
Charge for the period	2,595,785,483	4,783,648,804	597,635,367	7,977,069,654
Disposals	-	-	(928,781,636)	(928,781,636)
Closing balance	43,937,171,380	88,826,930,564	5,027,289,753	137,791,391,697
Net book value				
Opening balance	36,427,466,689	34,585,496,694	4,751,886,093	75,764,849,476
Closing balance	70,919,960,765	36,383,821,505	5,308,241,635	112,612,023,905

Included in tangible fixed assets were assets costing VND109,093 million which were fully depreciated as of 30 June 2017 (1/1/2017: VND73,795 million), but which are still in active use.

As at 30 June 2017, tangible fixed assets with carrying value of VND40,360 million (1/1/2017: VND11,554 million) were pledged with banks as security for loans granted to the Company (Note 19).

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

11. Intangible fixed assets

	Six-month period ended 30 June 2017 Land use rights VND
Cost	
Opening balance	42,037,251,533
Additions	513,000,000
	42,550,251,533
Closing balance	
	42,550,251,533
Net book value	
Opening balance	42,037,251,533
Closing balance	42,550,251,533

12. Construction in progress

	Six-month period ended 30/6/2017 VND	30/6/2016 VND (Unreviewed)
Opening balance	23,916,227,781	2,751,641,842
Additions during the period	8,414,403,790	4,771,935,871
Transfer to tangible fixed assets	(30,775,624,350)	(4,120,408,534)
	1,555,007,221	3,403,169,179

Major constructions in progress were as follows:

	30/6/2017 VND	1/1/2017 VND
Geologic survey and initial installment costs for the new factory at Tan Tao Industrial Zone – Ho Chi Minh City	-	22,918,456,872
Others	1,555,007,221	997,770,909
	1,555,007,221	23,916,227,781

As at 1 January 2017, construction in progress with a carrying value of VND22,918 million was pledged with banks as security for loans granted to the Company (Note 19(b)).

During the period, borrowing costs capitalised into construction in progress amounted to VND477,157,915 (six-month period ended 30/6/2016: Nil).

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended 30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

13. Long-term financial investments

	Address	Quantity	% of equity owned	% of voting rights	30/6/2017		1/1/2017			
					Cost VND	Allowance for diminution in the value VND	Cost VND	Allowance for diminution in the value VND		
Equity investments in:										
Associates										
Danapha – Nanosome Pharmaceutical Joint Stock Company (*)	Danang, Vietnam	882,000	49%	49%	8,820,000,000	(951,249,740)	882,000	49%	8,820,000,000	(951,249,740)
Other entities										
Da Nang Pharmaceutical – Medical Equipment Joint Stock Company	Danang, Vietnam	630,000	7%	7%	6,800,000,000	-	630,000	7%	6,800,000,000	-
Pharmaceutical Corporation – Joint Stock Company	Danang, Vietnam	-	-	-	-	-	100,000	0.04%	1,575,000,000	-
					15,620,000,000	(951,249,740)			17,195,000,000	(951,249,740)

(*) Danapha – Nanosome Pharmaceutical Joint Stock Company is incorporated as a joint stock company under the Investment Certificate No. 321032000092 issued by the People’s Committee of Da Nang City on 28 October 2009. The principal activities are to manufacture and trade pharmaceutical chemistry, medicinal chemistry, cosmetics and functional foods; research and develop scientific application for pharmaceutical products.

(**) The Company has not determined fair values of these equity investments for disclosure in the interim financial statements because information about their market prices is not available and there is currently no guidance on determination of fair value using valuation techniques under the Vietnamese Accounting Standards or the Vietnamese Accounting System for enterprises. The fair values of these equity investments may differ from their carrying amounts.

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

14. Long-term prepaid expenses

For the six-month period ended 30 June 2017

	Prepaid land costs VND	Advertising costs VND	Factory renovations VND	Total VND
Opening balance	16,116,260,160	-	-	16,116,260,160
Addition	356,400,000	920,000,000	1,333,171,800	2,609,571,800
Amortisation for the period	(322,572,891)	(262,857,142)	(222,195,300)	(807,625,333)
Closing balance	16,150,087,269	657,142,858	1,110,976,500	17,918,206,627

15. Accounts payables to suppliers – short-term

Accounts payable to suppliers detailed by significant supplier

	30/6/2017		1/1/2017	
	Cost VND	Amount within payment capacity VND	Cost VND	Amount within payment capacity VND
An Duc Advertising and Packaging Company Limited	7,000,519,724	7,000,519,724	7,573,905,984	7,573,905,984
Hung Think Company Limited	7,368,540,000	7,368,540,000	5,204,320,000	5,204,320,000
Aceto Pte Company Limited	3,101,508,300	3,101,508,300	1,157,478,000	1,157,478,000
Other suppliers	12,870,003,902	12,870,003,902	18,461,534,882	18,461,534,882
	30,340,571,926	30,340,571,926	32,397,238,866	32,397,238,866

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

16. Taxes payable to State Treasury

	1/1/2017 VND	Incurred VND	Paid/Net-off VND	30/6/2017 VND
Corporate income tax	566,707,489	8,226,847,614	(5,566,707,489)	3,226,847,614
Personal income tax	515,828,502	2,500,492,898	(2,823,826,980)	192,494,420
Value added tax	-	9,146,058,093	(9,146,058,093)	-
	<u>1,082,535,991</u>	<u>19,873,398,605</u>	<u>(17,536,592,562)</u>	<u>3,419,342,034</u>

17. Accrued expenses

	30/6/2017 VND	1/1/2017 VND
Commission for agents and distributors	8,903,757,517	11,186,354,134
Professional fees	320,000,000	204,436,546
Interest expense	300,000,000	875,069,471
Marketing expense	409,119,340	-
	<u>9,932,876,857</u>	<u>12,265,860,151</u>

18. Other payables

	30/6/2017 VND	1/1/2017 VND
Advance from a shareholder for a Business Cooperation Contract (*)	-	50,000,000,000
Dividends payable	15,303,760,000	18,806,565,000
Trade union fee	109,068,640	98,009,600
Social insurance fee	418,558,393	-
Others	39,860,789	22,354,555
	<u>15,871,247,822</u>	<u>68,926,929,155</u>

(*) This balance represents advance from a shareholder for a Business Cooperation Contract of manufacturing and selling certain pharmaceutical products. This advance bears a cost which is determined based on the financial performance of the Business Cooperation Contract during the period.

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

19. Borrowings

(a) Short-term borrowings

	1/1/2017		Movements during the period		30/6/2017	
	Carrying amount VND	Amount within repayment capacity VND	Increase VND	Decrease VND	Carrying amount VND	Amount within repayment capacity VND
Short-term borrowings	151,214,338,298	151,214,338,298	149,589,554,676	(98,077,090,590)	202,726,802,384	202,726,802,384
Current portion of long-term borrowings (b)	6,620,000,000	6,620,000,000	1,010,000,000	(5,610,000,000)	2,020,000,000	2,020,000,000
	<u>157,834,338,298</u>	<u>157,834,338,298</u>	<u>150,599,554,676</u>	<u>(103,687,090,590)</u>	<u>204,746,802,384</u>	<u>204,746,802,384</u>

Terms and conditions of short-term borrowings were as follows:

	Currency	Annual interest rate	30/6/2017 VND	1/1/2017 VND
Vietnam Joint Stock Commercial Bank for Industry and Trade – Da Nang Branch	VND	5.3% - 7.3%	134,841,294,128	52,108,504,315
Joint Stock Commercial Bank for Foreign Trade of Vietnam – Da Nang Branch	VND	5.3% - 7.3%	67,885,508,256	99,105,833,983
			<u>202,726,802,384</u>	<u>151,214,338,298</u>

The bank loans are secured by tangible fixed assets with carrying value of VND9,584 million as at 30 June 2017 (1/1/2017: VND11,554 million) (Note 10).

(b) Long-term borrowings

	30/6/2017 VND	1/1/2017 VND
Long-term borrowings	17,881,255,010	32,908,272,131
Repayable within twelve months	(2,020,000,000)	(6,620,000,000)
Repayable after twelve months	<u>15,861,255,010</u>	<u>26,288,272,131</u>

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

Terms and conditions of long-term borrowing were as follows:

	Currency	Annual interest rate	Year of maturity	30/6/2017 VND	1/1/2017 VND
Vietnam Joint Stock Commercial Bank for Industry and Trade – Da Nang Branch (*) Joint Stock	VND	7.2%	2022	11,035,796,510	-
Commercial Bank for Foreign Trade of Vietnam – Da Nang Branch (**) Joint Stock	VND	7.4% - 9.3%	2022	5,197,757,500	32,908,272,131
Commercial Bank for Investment and Development of Vietnam – Da Nang Branch (***)	VND	9.9%	2020	1,647,701,000	-
				17,881,255,010	32,908,272,131

(*) This bank loan is secured by all of the Company's inventories amounting to VND128,893 million (Note 9).

(**) This bank loan is secured by tangible fixed assets with carrying amount of VND30,776 million as at 30 June 2017 (Note 10) (1/1/2017: construction in progress with carrying amount of VND22,918 million) (Note 12).

(***) This bank loan is secured by the assets formed in the future of Da Nang Office Building Project.

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

20. Bonus and welfare fund

This fund is appropriated from the retained profits in accordance with the Resolution of General Meeting of Shareholders. This fund is used to pay bonus and welfare to the Company's employees in accordance with the Company's bonus and welfare policies. Movements of bonus and welfare fund during the period were as follows:

	Six-month period ended	
	30/6/2017	30/6/2016
	VND	VND
		(Unreviewed)
Opening balance	8,212,882,949	6,965,257,230
Utilisation of bonus and welfare fund	(6,051,000,137)	(6,410,975,246)
Closing balance	<u>2,161,882,812</u>	<u>554,281,984</u>

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended 30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

21. Changes in owners' equity

	Share capital VND	Share premium VND	Investment and development fund VND	Retained profits VND	Total owners' equity VND	Non-business expenditure fund and other funds VND	Total VND
Balance at 1 January 2017	97,650,000,000	81,232,500,000	113,071,853,632	-	291,954,353,632	1,009,431,381	292,963,785,013
Share capital issued (i)	32,550,000,000	6,400,000,000	-	-	38,950,000,000	-	38,950,000,000
Net profit for the period	-	-	-	32,907,390,452	32,907,390,452	-	32,907,390,452
Utilisation of funds	-	-	-	-	-	(337,416,168)	(337,416,168)
Balance at 30 June 2017	130,200,000,000	87,632,500,000	113,071,853,632	32,907,390,452	363,811,744,084	672,015,213	364,483,759,297
Balance at 1 January 2016	97,650,000,000	81,232,500,000	78,070,684,040	-	256,953,184,040	665,152,307	257,618,336,347
Net profit for the period (unreviewed)	-	-	-	29,269,563,808	29,269,563,808	-	29,269,563,808
Utilisation of funds (unreviewed)	-	-	-	-	-	(438,555,208)	(438,555,208)
Balance at 30 June 2016 (unreviewed)	97,650,000,000	81,232,500,000	78,070,684,040	29,269,563,808	286,222,747,848	226,597,099	286,449,344,947

(i) Share premium incurred during the period comprises:

	VND
Total share premium arising from the difference between the issue price and par value	6,510,000,000
Costs directly attributable to the issuance of shares	(110,000,000)
	<u>6,400,000,000</u>

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

22. Share capital

The Company's authorised and issued share capital are:

	30/6/2017		1/1/2017	
	Number of shares	VND	Number of shares	VND
Authorised share capital	13,020,000	130,200,000,000	9,765,000	97,650,000,000
Issued share capital				
Ordinary shares	13,020,000	130,200,000,000	9,765,000	97,650,000,000
Shares currently in circulation				
Ordinary shares	13,020,000	130,200,000,000	9,765,000	97,650,000,000

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at meetings of the Company. Shareholders are entitled to receive dividend as declared from time to time. All ordinary shares are ranked equally with regard to the Company's residual assets.

At reporting date, the Company's shareholders are as follows:

	30/6/2017		1/1/2017	
	Number of shares	%	Number of shares	%
Vietnam Pharmaceutical Corporation	3,888,166	29.86%	2,916,125	29.86%
Mr. Nguyen Quoc Thang	3,563,426	27.37%	2,672,570	27.37%
Ms. Nguyen Thi Minh Phuong	791,666	6.08%	593,750	6.08%
Others	4,776,742	36.69%	3,582,555	36.69%
	13,020,000	100.00%	9,765,000	100.00%

Movements in share capital during the period were as follows:

	Six-month period ended			
	30/6/2017		30/6/2016	
	Number of shares	Cost VND	Number of shares (Unreviewed)	Cost VND (Unreviewed)
Balance at the beginning of the period	9,765,000	97,650,000,000	9,765,000	97,650,000,000
Shares issued during the period	3,255,000	32,550,000,000	-	-
Balance at the end of the period	13,020,000	130,200,000,000	9,765,000	97,650,000,000

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

23. Investment and development fund

Investment and development fund was appropriated from the retained profits in accordance with the Resolution of General Meeting of Shareholders. The fund was established for the purpose of future business expansion.

24. Off balance sheet items

(a) Leases

The future minimum lease payments under non-cancellable operating leases were:

	30/6/2017	1/1/2017
	VND	VND
Within one year	1,399,343,300	1,176,209,405
From two to five years	4,636,560,900	3,414,608,879
More than five years	20,297,454,992	3,947,215,325
	<hr/>	<hr/>
	26,333,359,192	8,538,033,609
	<hr/>	<hr/>

(b) Foreign currencies

	30/6/2017		1/1/2017	
	Original currency	VND equivalent	Original currency	VND equivalent
USD	274,625	6,249,584,381	431,491	9,788,026,519
		<hr/>		<hr/>

(c) Capital expenditure commitments

At the reporting date, the Company has the following outstanding capital commitments approved but not provided for in the balance sheet:

	30/6/2017	1/1/2017
	VND	VND
Approved and contracted	2,854,325,663	23,918,349,240
Approved but not contracted	-	46,893,287,400
	<hr/>	<hr/>
	2,854,325,663	70,811,636,640
	<hr/>	<hr/>

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

25. Revenue from sales of goods

Total revenue represented the gross invoiced value of goods sold exclusive of value added tax.

Net revenue comprised:

	Six-month period ended	
	30/6/2017	30/6/2016
	VND	VND
	(Unreviewed)	
Total revenue		
▪ Sales	219,279,764,333	210,691,842,233
Less revenue deductions		
▪ Sales returns	(1,838,397,661)	(1,114,947,182)
Net revenue	217,441,366,672	209,576,895,051

26. Cost of sales

	Six-month period ended	
	30/6/2017	30/6/2016
	VND	VND
	(Unreviewed)	
Total cost of sales:		
▪ Finished goods sold	115,720,158,454	115,136,383,956
▪ Merchandise goods sold	94,102,111	82,854,939
	115,814,260,565	115,219,238,895

27. Financial income

	Six-month period ended	
	30/6/2017	30/6/2016
	VND	VND
	(Unreviewed)	
Interest income	989,565,057	1,173,692,320
Gains from disposal of equity investments in other entities	175,000,000	-
Realised foreign exchange gains	157,983,364	112,639,826
	1,322,548,421	1,286,332,146

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

28. Financial expenses

	Six-month period ended	
	30/6/2017	30/6/2016
	VND	VND
		(Unreviewed)
Interest expense	5,120,579,544	3,168,267,058
Interest expense on a Business Cooperation Contract	1,279,400,000	1,471,931,507
Realised foreign exchange losses	41,708,990	121,331,947
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	6,441,688,534	4,761,530,512

29. Selling expenses

	Six-month period ended	
	30/6/2017	30/6/2016
	VND	VND
		(Unreviewed)
Salary and related expenses	10,086,325,301	9,161,912,014
Material expenses	1,498,265,534	982,461,884
Tools and supplies	2,765,500	3,949,091
Depreciation expenses	536,984,074	414,765,732
Bank guarantee fee	341,604,971	353,575,028
Transportation costs and loading costs	2,242,263,571	2,149,013,311
Marketing and advertising expenses	4,298,572,954	5,999,428,094
Commission	12,453,507,877	15,337,078,218
Other expenses	599,293,445	631,695,923
	<hr/>	<hr/>
	32,059,583,227	35,033,879,295

30. General and administration expenses

	Six-month period ended	
	30/6/2017	30/6/2016
	VND	VND
		(Unreviewed)
Salary and related expenses	12,383,201,335	11,257,022,752
Material expenses	3,021,101,438	1,701,038,881
Tools and supplies	56,065,900	22,664,547
Depreciation expenses	2,764,438,864	2,574,295,632
Bank charges	144,099,497	124,877,613
Outside services	4,026,003,039	2,633,484,731
Other expenses	1,320,143,719	2,274,551,961
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	23,715,053,792	20,587,936,117

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

31. Production and business costs by element

	Six-month period ended	
	30/6/2017	30/6/2016
	VND	VND
		(Unreviewed)
Raw material costs included in production costs	99,658,232,757	97,989,324,095
Labour costs and staff costs	32,960,036,850	29,738,964,412
Depreciation and amortisation	7,977,069,654	9,023,864,220
Outside services	13,121,870,813	12,544,702,678
Other expenses	17,871,687,510	21,567,635,220

32. Income tax

(a) Recognised in statement of income

	Six-month period ended	
	30/6/2017	30/6/2016
	VND	VND
		(Unreviewed)
Current income tax expense		
Current period	8,226,847,614	5,994,970,900

(b) Reconciliation of effective tax rate

	Six-month period ended	
	30/6/2017	30/6/2016
	VND	VND
		(Unreviewed)
Accounting profit before tax	41,134,238,066	35,264,534,708
Tax at the Company's tax rate	8,226,847,614	5,994,970,900
Income tax expense	8,226,847,614	5,994,970,900

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

(c) Applicable tax rates

Under the terms of Business Registration Certificate, the Company has an obligation to pay income tax at the usual tax rate. Effective 1 January 2009, the Company's income tax rate is reduced from 28% to 20% and to 17% in 2016. Effective 1 January 2017, the Company's income tax rate is the usual tax rate of 20%.

33. Basic earnings per share

The calculation of basic earnings per share for the six-month period ended 30 June 2017 was based on the profit attributable to ordinary shareholders after deducting the amounts appropriated to bonus and welfare fund of VND28,711,698,169 (six-month period ended 30/6/2016: VND25,537,694,422), and a weighted average number of ordinary shares outstanding of 12,115,833 (six-month period ended 30/6/2016: 9,765,000), calculated as follows:

(i) Net profit attributable to ordinary shareholders

	Six-month period ended	
	30/6/2017	30/6/2016
	VND	VND
		(Unreviewed)
Net profit after tax	32,907,390,452	29,269,563,808
Appropriation to bonus and welfare fund (i)	(4,195,692,283)	(3,731,869,386)
	28,711,698,169	25,537,694,422

- (i) Appropriation to bonus and welfare fund is estimated at the rate of 12.75% of profit after tax for the period and this appropriation rate is based on the forecast plan of distribution of profit after tax in 2017 and the actual appropriation rate in the most recent annual accounting period.

(ii) Weighted average number of ordinary shares

	Six-month period ended	
	30/6/2017	30/6/2016
	Shares	Shares
		(Unreviewed)
Issued ordinary shares at the beginning of the period	9,765,000	9,765,000
Effect of shares issued during the period	2,350,833	-
	12,115,833	9,765,000

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

(iii) *Basic earnings per share*

	Six-month period ended	
	30/6/2017	30/6/2016
	VND	VND
	(Unreviewed)	
Basic earnings per share	2,370	2,615

34. Significant transactions with related parties

In addition to related party balances disclosed in other notes to these interim financial statements, the Company had the following transactions with related parties during the period:

	Transaction value	
	Six-month period ended	
	30/6/2017	30/6/2016
	VND	VND
	(Unreviewed)	
Vietnam Pharmaceutical Corporation – a major shareholder		
Interest payable for Business Cooperation Contract	1,279,400,000	1,471,931,507
Purchases of shares	-	1,575,000,000
Sales of shares	11,664,504,000	-
Da Nang Pharmaceutical – Medical Equipment Joint Stock Company		
Sales of goods	3,565,349,613	2,947,788,767
Danapha – Nanosome Pharmaceutical Joint Stock Company		
Sales of goods	195,103,643	59,096,951
Members of Board of Directors, Board of Management and Board of Supervisors		
Remunerations and business allowances	1,509,861,837	1,103,238,092

Danapha Pharmaceutical Joint Stock Company
Notes to the interim financial statements for the six-month period ended
30 June 2017 (continued)

Form B 09a – DN
(Issued under Circular No. 200/2014/TT-BTC
dated 22 December 2014 of the Ministry of Finance)

35. Seasonality or cyclical factors

The Company's interim financial statements were not affected by the seasonality or cyclical factors, except for these following items:

(a) Employees' bonus

The Company temporarily accrued for employees' bonus based on the Company's financial budget for 2017 in these interim financial statements. However, this bonus amount is subject to the Company's actual profit before tax for the year ending 31 December 2017.

(b) Income tax

In accordance with the prevailing tax regulations, corporate income tax is computed and finalised at the end of the annual accounting period. The corporate income tax for the interim period is calculated by applying the tax rate of 20% to the profit before tax for the period ended 30 June 2017.

36. Changes in accounting estimates

The accounting estimates applied by the Company in preparing these interim financial statements are consistent with those applied in preparing the most recent annual financial statements.

37. Unusual items

There were no significant unusual items for the six-month period ended 30 June 2017.

38. Changes in the structure of the Company

There were no significant changes in the structure of the Company for the six-month period ended 30 June 2017.

Prepared by:  14 August 2017

Approved by:  

Trương Thị Diệu Huyền
Accounting Manager

Nguyễn Thị Vân Thơ
Chief Accountant

Nguyễn Quang Trí
General Director

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