

DHG PHARMACEUTICAL JOINT STOCK COMPANY

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**



DHG PHARMACEUTICAL JOINT STOCK COMPANY

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DHG PHARMACEUTICAL JOINT STOCK COMPANY

CORPORATE INFORMATION

Establishment decision	No. 2405/QD-CT.UB dated 5 August 2004 issued by the People's Committee of Can Tho City.	
Business registration certificate	No. 5703000111 dated 15 September 2004 issued by the Planning and Investment Department of Can Tho City. The Business registration certificate has been amended several times and its latest 24 th amendment dated 1 September 2017 was issued by the Planning and Investment Department of Can Tho City.	
Board of Management	Mr Hoang Nguyen Hoc	Chairman (resigned on 25 October 2017)
	Mr Nguyen Chi Thanh	Chairman (appointed on 26 October 2017)
	Mr Le Dinh Buu Tri	Vice Chairman (resigned on 25 October 2017)
	Mdm Pham Thi Viet Nga	Member
	Mr Doan Dinh Duy Khuong	Member
	Mr Tran Chi Liem	Member
	Mr Jun Kuroda	Member
	Mr Shuhei Tabata	Member (resigned on 24 March 2017)
	Ms Dang Thi Thu Ha	Member (appointed on 28 July 2017)
Board of Directors	Mdm Pham Thi Viet Nga	General Director (resigned on 1 September 2017)
	Mr Doan Dinh Duy Khuong	Acting General Director (appointed on 1 September 2017)
	Mr Le Chanh Dao	Deputy General Director
	Ms Nguyen Ngoc Diep	Deputy General Director
	Mr Tomoyuki Kawata	Deputy General Director (appointed on 25 October 2017)
Supervisory Board	Mr Tran Quoc Hung	Head of the Board
	Ms Nguyen Phuong Thao	Member
	Mr Dinh Duc Minh	Member
Legal representative	Mr Doan Dinh Duy Khuong	Acting General Director
Registered office	288 Bis Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District Can Tho City, Vietnam	
Auditor	PwC (Vietnam) Limited	

DHG PHARMACEUTICAL JOINT STOCK COMPANY

STATEMENT OF THE RESPONSIBILITY OF THE BOARD OF DIRECTORS IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors of DHG Pharmaceutical Joint Stock Company ("the Company") is responsible for preparing the consolidated financial statements of the Company and its subsidiaries (together "the Group") which give a true and fair view of the financial position of the Group as at 31 December 2017 and the results of its operations and cash flows for the year then ended. In preparing these consolidated financial statements, the Board of Directors is required to:

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

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

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements set out on pages 5 to 46 which give a true and fair view of the financial position of the Group as at 31 December 2017 and of the results of operations and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of consolidated financial statements.

On behalf of the Board of Directors



Le Chanh Dao
Deputy General Director
Authorised signatory

Can Tho City, SR Vietnam
12 March 2018



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF DHG PHARMACEUTICAL JOINT STOCK COMPANY

We have audited the accompanying consolidated financial statements of DHG Pharmaceutical Joint Stock Company ("the Company") and its subsidiaries (together "the Group") which were prepared on 31 December 2017 and approved by the Board of Directors on 12 March 2018. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2017, the consolidated income statement, the consolidated cash flow statement for the year then ended and explanatory notes to these consolidated financial statements including significant accounting policies, as set out on pages 5 to 46.

The Board of Directors' Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical standards and requirements and plan and perform the audit in order to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Group's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Auditor's Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2017, its financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on the preparation and presentation of consolidated financial statements.

Other Matters

The consolidated financial statements of the Group for the year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 20 March 2017.

As part of our audit of the 2017 consolidated financial statements, we also audited the adjustments described in Note 41 that were applied to amend the 2016 consolidated financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2016 consolidated financial statements of the Group other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2016 consolidated financial statements taken as a whole.

The independent auditor's report is prepared in Vietnamese and English. Should there be any conflict between the Vietnamese and English versions, the Vietnamese version shall take precedence.

For and on behalf of PwC (Vietnam) Limited



Quach Thanh Chau
Audit Practising Licence No. 0875-2018-006-1
Authorised signatory

Pham Thi Xuan Mai
Audit Practising Licence No. 1771-2018-006-1

Report number: HCM6637
Ho Chi Minh City, 12 March 2018

As indicated in Note 2.1 to the consolidated financial statements, the accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam, and furthermore their utilisation is not designed for those who are not informed about SR Vietnam's accounting principles, procedures and practices.

CONSOLIDATED BALANCE SHEET

Code	ASSETS	Note	As at 31 December	
			2017 VND	2016 VND (Restated - Note 41)
100	CURRENT ASSETS		2,939,184,938,924	2,746,072,800,225
110	Cash and cash equivalents	3	549,777,216,585	603,188,961,343
111	Cash		88,442,815,647	270,265,069,467
112	Cash equivalents		461,334,400,938	332,923,891,876
120	Short-term investments	4(a)	930,615,143,091	703,731,000,000
123	Investments held-to-maturity		930,615,143,091	703,731,000,000
130	Short-term receivables		799,556,214,859	692,280,925,032
131	Short-term trade accounts receivable	5	739,281,053,856	622,748,103,096
132	Short-term prepayments to suppliers		21,016,649,661	23,277,764,848
135	Short-term lending	6	16,239,970,057	34,213,970,916
136	Other short-term receivables	7	44,731,373,224	25,533,168,273
137	Provision for doubtful debts – short-term	8	(21,712,831,939)	(13,492,082,101)
140	Inventories	9	633,807,876,593	732,860,670,514
141	Inventories		636,264,032,772	734,557,083,279
149	Provision for decline in value of inventories		(2,456,156,179)	(1,696,412,765)
150	Other current assets		25,428,487,796	14,011,243,336
151	Short-term prepaid expenses	10(a)	9,715,813,993	4,212,568,934
152	Value Added Tax to be reclaimed		7,972,889,195	1,488,901,617
153	Other taxes receivable	11(a)	7,739,784,608	8,309,772,785
200	LONG-TERM ASSETS		1,148,295,051,933	1,199,269,175,705
210	Long-term receivables		3,509,997,935	5,099,472,109
215	Long-term lending	6	3,449,997,935	5,099,472,109
216	Other long-term receivables		60,000,000	-
220	Fixed assets		1,026,999,503,625	1,103,433,387,404
221	Tangible fixed assets	12(a)	785,209,377,724	841,468,707,693
222	Historical cost		1,377,975,628,774	1,356,813,642,277
223	Accumulated depreciation		(592,766,251,050)	(515,344,934,584)
227	Intangible fixed assets	12(b)	241,790,125,901	261,964,679,711
228	Historical cost		269,846,865,042	284,512,652,922
229	Accumulated amortisation		(28,056,739,141)	(22,547,973,211)
240	Long-term assets in progress	13	36,307,709,778	17,160,871,337
242	Construction in progress		36,307,709,778	17,160,871,337
250	Long-term investments	4(b)	14,537,718,549	15,744,151,251
252	Investments in associates		3,129,548,349	4,335,981,051
253	Investments in other entities		27,908,170,200	27,908,170,200
254	Provisions for long-term investments		(16,500,000,000)	(16,500,000,000)
260	Other long-term assets		66,940,122,046	57,831,293,604
261	Long-term prepaid expenses	10(b)	31,156,425,691	22,760,003,178
262	Deferred income tax assets	14	35,783,696,355	35,071,290,426
270	TOTAL ASSETS		4,087,479,990,857	3,945,341,975,930

The notes on pages 10 to 46 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
 (continued)

Code	RESOURCES	Note	As at 31 December	
			2017 VND	2016 VND (Restated – Note 41)
300	LIABILITIES		1,328,385,577,037	1,075,559,068,116
310	Short-term liabilities		1,264,936,829,442	1,017,958,653,484
311	Short-term trade accounts payable	15	262,986,735,355	291,703,470,691
312	Short-term advances from customers		10,627,043,023	17,652,215,300
313	Tax and other payables to the State Budget	11(b)	23,613,683,701	47,454,390,698
314	Payable to employees		170,969,066,081	170,798,955,402
315	Short-term accrued expenses	16	50,418,119,261	29,959,680,555
318	Short-term unearned revenue	17	9,479,895,138	31,687,812,617
319	Other short-term payables	18	204,083,490,483	6,558,475,458
320	Short-term borrowings	19	469,800,000,000	354,765,428,463
322	Bonus and welfare funds	20	62,958,796,400	67,378,224,300
330	Long-term liabilities		63,448,747,595	57,600,414,632
342	Provision for long-term liabilities	22	38,386,466,419	33,379,107,808
343	Science and technology development funds	21	25,062,281,176	24,221,306,824
400	OWNERS' EQUITY		2,759,094,413,820	2,869,782,907,814
410	Capital and reserves		2,759,094,413,820	2,869,782,907,814
411	Owners' capital	23, 24	1,307,460,710,000	871,643,300,000
411a	- Ordinary shares with voting rights		1,307,460,710,000	871,643,300,000
412	Share premium	23, 24	6,778,948,000	6,778,948,000
418	Investment and development fund	24	1,112,177,317,110	1,220,561,708,767
421	Undistributed earnings	24	321,006,296,742	736,638,702,184
421a	- Undistributed post-tax profits of previous years		21,204,089,359	50,993,468,583
421b	- Post-tax profit of current year		299,802,207,383	685,645,233,601
429	Non-controlling interests	26	11,671,141,968	34,160,248,863
440	TOTAL RESOURCES		4,087,479,990,857	3,945,341,975,930



 Tran Ngoc Hien
 Preparer



 Ho Bui Huan
 Chief Accountant




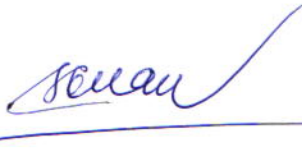
 Le Chanh Dao
 Deputy General Director
 Authorised signatory
 12 March 2018


The notes on pages 10 to 46 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

Code	Note	Year ended 31 December	
		2017 VND	2016 VND (Restated - Note 41)
01	Sales	4,569,014,010,206	4,153,858,990,854
02	Less deductions	(506,260,545,711)	(370,814,214,454)
10	Net sales	4,062,753,464,495	3,783,044,776,400
11	Cost of sales	(2,279,637,916,449)	(2,070,058,537,405)
20	Gross profit	1,783,115,548,046	1,712,986,238,995
21	Financial income	88,779,692,278	57,818,264,184
22	Financial expenses	(97,684,683,909)	(84,755,578,873)
23	- Including: Interest expenses	(24,541,141,037)	(12,492,351,845)
24	Loss sharing from investments in associates	(1,206,432,702)	(187,904,291)
25	Selling expenses	(732,085,284,498)	(631,639,529,721)
26	General and administration expenses	(318,385,523,755)	(297,318,503,446)
30	Net operating profit	722,533,315,460	756,902,986,848
31	Other income	6,756,814,138	15,121,096,000
32	Other expenses	(10,041,010,203)	(15,367,068,235)
40	Net other expenses	(3,284,196,065)	(245,972,235)
50	Net accounting profit before tax	719,249,119,395	756,657,014,613
51	Business income tax - current	(77,572,213,560)	(89,002,442,744)
52	Business income tax - deferred	712,405,929	20,986,730,153
60	Net profit after tax	642,389,311,764	688,641,302,022
Attributable to:			
61	Owners of the parent company	642,407,977,142	685,645,233,601
62	Non-controlling interests	(18,665,378)	2,996,068,421
70	Earnings per share	4,367	4,485
71	Diluted earnings per share	4,367	4,485


Tran Ngoc Hien
Preparer


Ho Buu Huan
Chief Accountant


Le Chanh Dao
Deputy General Director
Authorised signatory
12 March 2018



The notes on pages 10 to 46 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
 (Indirect method)


Code	Note	Year ended 31 December	
		2017 VND	2016 VND (Restated – Note 41)
CASH FLOWS FROM OPERATING ACTIVITIES			
01	Net profit before tax	719,249,119,395	756,657,014,613
	Adjustments for:		
02	Depreciation and amortisation	92,010,389,406	93,720,931,417
03	Provisions	16,053,758,031	6,788,343,273
04	Unrealised foreign exchange (gains)/losses	(464,083,555)	467,459,783
05	Gains from disposal of fixed assets	(2,081,319,802)	(6,892,268,341)
05	Interest and dividend income	28(b) (81,590,212,108)	(54,963,916,458)
05	Gains from disposal of investment in subsidiaries	28(b) (3,992,308,108)	-
05	Loss sharing from investments in associates	4(b) 1,206,432,702	187,904,291
06	Interest expenses	30 24,541,141,037	12,492,351,845
07	Appropriation to science and technology development funds	21 8,705,231,445	-
08	Operating profit before changes in working capital	773,638,148,443	808,457,820,423
09	Increase in receivables	(126,642,627,881)	(49,383,172,892)
10	Decrease/(increase) in inventories	98,293,050,507	(91,499,661,090)
11	(Decrease)/increase in payables	(46,446,885,927)	148,508,813,932
12	Increase in prepaid expenses	(11,597,356,933)	(1,466,899,682)
14	Interest paid	(24,677,425,925)	(12,355,359,094)
15	Business income tax paid	11 (95,788,362,968)	(64,844,697,715)
17	Other payments on operating activities	(106,470,431,383)	(92,225,802,806)
20	Net cash inflows from operating activities	460,308,107,933	645,191,041,076
CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchases of fixed assets and other long-term assets	(63,484,311,476)	(136,172,500,824)
22	Proceeds from disposals of fixed assets	20,184,454,559	10,271,648,184
23	Loans granted and term deposits at bank	(1,523,238,571,667)	(1,439,479,585,457)
24	Collection of loans granted and term deposits at bank	1,315,098,077,111	1,241,729,070,545
25	Investments in other entities	(19,440,000,000)	-
26	Proceeds from disposals of investments in subsidiaries	9,000,000,000	-
27	Dividends and interest received	69,676,354,237	46,066,915,316
30	Net cash outflows from investing activities	(192,203,997,236)	(277,584,452,236)


The notes on pages 10 to 46 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT (continued)
(Indirect method)

Code	Note	Year ended 31 December	
		2017 VND	2016 VND (Restated – Note 41)
CASH FLOWS FROM FINANCING ACTIVITIES			
31	Proceeds from capital contributed by non-controlling shareholders and reissues of treasury shares	-	36,104,098,020
33	Proceeds from borrowings	19 2,516,213,007,337	1,561,815,329,559
34	Repayments of borrowings	19 (2,401,178,435,800)	(1,477,761,107,833)
36	Dividends paid	25, 26 (436,556,226,000)	(305,521,825,000)
40	Net cash outflows from financing activities	(321,521,654,463)	(185,363,505,254)
50	Net (decrease)/increase in cash and cash equivalents	(53,417,543,766)	182,243,083,586
60	Cash and cash equivalents at beginning of year	3 603,188,961,343	420,712,811,918
61	Effect of foreign exchange differences	5,799,008	233,065,839
70	Cash and cash equivalents at end of year	3 549,777,216,585	603,188,961,343

Major non-cash transactions in the year were disclosed in Note 39.


 Tran Ngoc Hien
 Preparer


 Ho Buu Huan
 Chief Accountant




 Le Chanh Dao
 Deputy General Director
 Authorised signatory
 12 March 2018

The notes on pages 10 to 46 are an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

1 GENERAL INFORMATION

On 2 September 2004, DHG Pharmaceutical Joint Stock Company ("the Company") was equitised from Hau Giang Pharmaceutical United Factory in accordance with Decision No.2405/QD-CT.UB dated 5 August 2004 issued by the People's Committee of Can Tho City. The Company was officially incorporated as a joint stock company according to the Business registration certificate No.5703000111 dated 15 September 2004 issued by the Planning and Investment Department of Can Tho City with the initial charter capital of VND80,000,000,000.

The Company's shares are listed on the Ho Chi Minh Stock Exchange.

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

The principal activities of the Company and its subsidiaries are to produce, trade in pharmaceutical products, providing domestic travelling services and general clinic.

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

As at 31 December 2017, the Group had 3,205 employees (as at 31 December 2016: 2,944 employees).

The consolidated financial statements for the year ended 31 December 2017 comprise of the financial statements of the Company and its subsidiaries (together the "Group") and the Group's interest in an associate as listed below:

Name	Principal activities	Business registration certificate	% of ownership and voting rights	
			2017	2016
Subsidiaries:				
SH Pharmaceutical Joint Stock Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 6403000044 issued by the Planning and Investment Department of Hau Giang province on 20 July 2007	99.6%	51%
DHG Pharmaceutical One Member Limited Company	Manufacture and trade pharmaceuticals, dietary supplements and pharmaceutical cosmetics	No. 6300124430 issued by the Planning and Investment Department of Hau Giang province on 16 August 2010	100%	100%
DHG Packaging and Printing 1 One Member Limited Company	Manufacture and trade packaging, plastic, aluminum, paper for pharmaceutical industry; provide printing services	No. 6300215818 issued by the Planning and Investment Department of Hau Giang province on 28 September 2012	100%	100%
Fuji Medic Limited Liability Company	Activities of polyclinics, specialty and dental clinics	No. 1801472944 issued by the Planning and Investment Department of Can Tho City on 27 July 2016	51%	51%
B&T Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical equipment and dietary supplements and pharmaceutical cosmetics	No. 1300917335 issued by the Planning and Investment Department of Ben Tre province on 5 October 2012	100%	100%
DT Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 5104000057 issued by the Planning and Investment Department of Dong Thap province on 28 August 2008	-	100%

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 09 – DN/HN

1 GENERAL INFORMATION (continued)

Name	Principal activities	Business registration certificate	% of ownership and voting rights	
			2017	2016
HT Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 5604000048 issued by the Planning and Investment Department of Kien Giang province on 16 May 2008	-	100%
CM Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 6104000035 issued by the Planning and Investment Department of Ca Mau province on 8 April 2008	-	100%
A&G Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 1601171629 issued by the Planning and Investment Department of An Giang province on 17 June 2009	-	100%
ST Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 5904000064 issued by the Planning and Investment Department of Soc Trang province on 11 April 2008	-	100%
TG Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 1200975943 issued by the Planning and Investment Department of Tien Giang province on 25 February 2009	-	100%
Bali Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical equipment and dietary supplements and pharmaceutical cosmetics	No. 1900455594 issued by the Planning and Investment Department of Bac Lieu province on 29 March 2011	-	100%
TVP Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical equipment and dietary supplements and pharmaceutical cosmetics	No. 2100510569 issued by the Planning and Investment Department of Tra Vinh province on 19 October 2012	-	100%
VL Pharmaceutical One Member Limited Company (*)	Trade pharmaceuticals, medical equipment and dietary supplements and pharmaceutical cosmetics	No. 1500971019 issued by the Planning and Investment Department of Vinh Long province on 19 December 2012	-	100%
TOT Pharmaceutical One Member Limited Company (**)	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 1801113085 issued by the Planning and Investment Department of Can Tho City on 25 February 2009	-	100%
DHG Travel One Member Limited Company (***)	Domestic travel services	No. 5704000134 issued by the Planning and Investment Department of Can Tho City on 26 December 2007	100%	100%
Associate: Vinh Hao Algae Processing Joint Stock Company	Manufacture and trade spirulina algae	No. 4803000150 issued by the Planning and Investment Department of Binh Thuan province on 4 February 2008	31.36%	31.36%

1 GENERAL INFORMATION (continued)

- (*) On 3 October 2016, the Board of Management of the Company approved the conversion of subsidiaries into branches as below:
- Approved the dissolution of subsidiaries.
 - Approved the establishment of branches under the parent company to continue the entire operation of the subsidiaries after the dissolution.
 - The conversion date is 31 December 2016. From 1 January 2017, these subsidiaries operate as branches under the parent company.

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

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

On 31 July 2017, the Company transferred all rights and obligations associated with the equity holding of the Company at TOT Pharmaceutical One Member Limited Company to the transferee.

- (***) On 14 July 2017, the Board of Management of the Company approved the dissolution of DHG Travel One Member Limited Company. The dissolution date is 31 December 2017. At the approval date of these consolidated financial statements, the dissolution procedures for DHG Travel One Member Limited Company are still in process.

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

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

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

2.2 Fiscal year

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

2.3 Basis of consolidation

The Group prepared its consolidated financial statements in accordance with Circular 202/2014/TT-BTC - Guidance on the preparation and presentation of consolidated financial statements issued by the Ministry of Finance on 22 December 2014.

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3 Basis of consolidation (continued)*****Subsidiaries (continued)***

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling transactions and interests

The Group applies a policy for transactions with non-controlling interests as transactions with external parties to the Group.

Non-controlling interests ("NCI") are measured at their proportionate share of the acquiree's identifiable net assets at date of acquisition.

Increases in a parent's ownership interest after control is obtained are accounted for as equity transactions. Any difference between the carrying amount of net assets of the subsidiary and the consideration paid is recorded directly in the equity (no additional goodwill is recorded). In this case, the parent company will not revalue and recognise the net assets of the subsidiary at fair value as when the control is obtained.

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Use of estimates

The preparation of the financial statements in conformity with Vietnamese Accounting Standards requires the Board of Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of financial statements and the amounts of revenues and expenses during the year. Although these estimates are based on the Board of Directors' best knowledge of current events and actions, actual results may differ from those estimates.

2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.5 Currency**

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

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognised in the income statement.

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

2.6 Cash and cash equivalents

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

2.7 Trade receivables

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

2.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on normal levels of operating activity. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses. Provision is made, where necessary, for obsolete, slow-moving and defective inventory items.

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

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

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

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

2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.9 Investments (continued)****(b) Investments in associates**

Investments in associates are accounted using the equity method when preparing the consolidated financial statements (Note 2.3).

(c) Investments in equity of other entities

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

2.10 Fixed assets*Tangible and intangible fixed assets*

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

Depreciation and amortisation

Fixed assets are depreciated and amortised using the straight-line method so as to write off the cost of the assets over their estimated useful lives or over the term of the project if shorter. The estimated useful lives of the assets are as follows:

Building and structures	3 – 50 years
Machinery and equipment	3 – 20 years
Motor vehicles	3 – 10 years
Office equipment	3 – 10 years
Software	3 – 8 years

Land use rights with definite terms are amortised using the straight-line method over the terms indicated in the land use right certificates. Land use rights with indefinite useful life are recorded at historical cost and are not amortised.

Disposals

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

Construction in progress

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

2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.11 Leased assets**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

2.12 Prepaid expenses

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

2.13 Payables

Classifications of payables are based on their nature as follows:

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

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

2.14 Accrued expenses

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

2.15 Borrowing costs

Borrowing costs that are directly attributable to the construction or production of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in the income statement when incurred.

2.16 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provision is not recognised for future operating losses.

Provisions are measured at the expenditures expected to be required to settle the obligation. If the time value of money is material, provision will be measured at the present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as an interest expense.

2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.17 Provision for severance allowances**

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

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

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

2.18 Provision for dismantling and restoration costs

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

2.19 Unearned revenue

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

2.20 Current and deferred income tax

Income taxes include all income taxes which are based on taxable profits including profits generated from production and trading activities in other countries with which the Socialist Republic of Vietnam has not signed any double taxation agreement. Income tax expense comprises current tax expense and deferred tax expense.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profits at the current year tax rates. Current and deferred tax should be recognised as an income or an expense and included in the profit or loss of the period, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, directly in equity.

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

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

2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.21 Owners' capital**

Contributed capital of the shareholders is recorded according to actual amount contributed and is recorded according to par value of the share.

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

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

2.22 Funds

The Group's funds are as below:

(a) Development and investment fund

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

(b) Bonus and welfare funds

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

2.23 Dividend distribution

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

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

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

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

2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.24 Revenue recognition****(a) Sales of goods**

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

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

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

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

(b) Rendering of services

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

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

(c) Interest income

Interest income is recognised on an earned basis.

(d) Dividend income

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

2.25 Sales deductions

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

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

2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.26 Customer loyalty programs**

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

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

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

2.27 Cost of sales

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

2.28 Financial expenses

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

2.29 Selling expenses

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

2.30 General and administration expenses

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

2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.31 Related parties**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are under common control with, the Group, including holding companies and fellow subsidiaries are related parties of the Group. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Group that gives them significant influence over the enterprise, key management personnel, including directors of the Group and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

The State Capital Investment Corporation holds the largest shareholding in the Company and accordingly is regarded as a related party. However, enterprises which are controlled or significantly influenced by the State Capital Investment Corporation are not considered as related parties of the Group for the purposes of disclosure since they do not influence, or are not influenced by, the Group.

In considering the related party relationship, the Group considers the substance of the relationship not merely the legal form.

2.32 Segment reporting

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

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

3 CASH AND CASH EQUIVALENTS

	2017	2016
	VND	VND
Cash on hand	20,721,551,877	17,132,249,688
Cash at bank	67,721,263,770	253,132,819,779
Cash equivalents (*)	461,334,400,938	332,923,891,876
	<u>549,777,216,585</u>	<u>603,188,961,343</u>

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

4 INVESTMENTS**(a) Short-term investments****Investments held-to-maturity**

	2017		2016	
	Cost VND	Book value VND	Cost VND	Book value VND
Term deposits	930,615,143,091	930,615,143,091	703,731,000,000	703,731,000,000

As at 31 December 2017, investments held-to-maturity of VND246 billion were used as collateral assets for short-term loans from bank (Note 19).

(b) Long-term investments

	2017		2016	
	Cost VND	Provision VND	Cost VND	Provision VND
Investments in associates (*)	3,129,548,349	-	4,335,981,051	-
Investments in other entities (**)	27,908,170,200	(16,500,000,000)	27,908,170,200	(16,500,000,000)
	31,037,718,549	(16,500,000,000)	32,244,151,251	(16,500,000,000)

As at 31 December 2017 and 31 December 2016, fair values of long-term investments in other entities were not available as these entities' shares are not publicly traded, except for Cuu Long Pharmaceutical Joint Stock Company as this entity's shares are listed on Ho Chi Minh Stock Exchange since 2008. Fair values of this investment as at 31 December 2017 and 31 December 2016 were VND162,288,000 and VND165,110,400 respectively.

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

	2017 VND	2016 VND
Vinh Hao Algae Processing Joint Stock Company	3,129,548,349	4,335,981,051

Movements in investments in associates in the year were as follows:

	2017 VND	2016 VND
Beginning of year	4,335,981,051	4,523,885,342
Loss sharing	(1,206,432,702)	(187,904,291)
Ending of year	3,129,548,349	4,335,981,051

4 INVESTMENTS (continued)**(b) Long-term investments (continued)**

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

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

5 SHORT-TERM TRADE ACCOUNTS RECEIVABLE

	2017 VND	2016 VND
Third parties	<u>739,281,053,856</u>	<u>622,748,103,096</u>

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

6 LENDING

The balances of short-term lending and long-term lending as at 31 December 2017 and 31 December 2016 represent interest free loans granted to customers in accordance with the Group's capital support scheme.

7 OTHER SHORT-TERM RECEIVABLES

	2017		2016	
	Value VND	Provision VND	Value VND	Provision VND
Interest income receivable	27,502,424,293	-	15,588,566,422	-
Receivables from employees	7,443,741,219	-	1,837,560,698	-
Prepaid trade discounts	243,590,918	-	197,969,103	-
Other receivables	9,541,616,794	-	7,909,072,050	-
	<u>44,731,373,224</u>	<u>-</u>	<u>25,533,168,273</u>	<u>-</u>

8 DOUBTFUL DEBTS

	2017		
	Historical cost VND	Recoverable amount VND	Provision VND
Total amount of receivables past due	195,352,900,453	173,640,068,514	(21,712,831,939)
	2016		
	Historical cost VND	Recoverable amount VND	Provision VND
Total amount of receivables past due	157,309,867,394	143,817,785,293	(13,492,082,101)

As at 31 December 2017 and 31 December 2016, there was no balance of receivables that was not past due but doubtful.

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

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

	2017 VND	2016 VND
Beginning of year	13,492,082,101	10,987,369,519
Increase	8,220,749,838	2,695,803,165
Reversal	-	(191,090,583)
End of year	21,712,831,939	13,492,082,101

9 INVENTORIES

	2017		2016	
	Historical cost VND	Provision VND	Historical cost VND	Provision VND
Goods in transit	41,560,218,649	-	60,597,811,325	-
Raw materials	285,333,766,326	(1,320,277,628)	235,989,641,851	-
Work in progress	54,916,072,790	-	32,650,192,227	-
Finished goods	209,547,370,635	(1,135,878,551)	259,215,081,061	(1,348,938,937)
Merchandises	44,906,604,372	-	146,104,356,815	(347,473,828)
	636,264,032,772	(2,456,156,179)	734,557,083,279	(1,696,412,765)

Movements in the provision for decline in value of inventories during the year were as follows:

	2017 VND	2016 VND
Beginning of year	1,696,412,765	3,011,372,184
Increase/(reversal)	759,743,414	(1,314,959,419)
End of year	2,456,156,179	1,696,412,765

9 INVENTORIES (continued)

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

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

10 PREPAID EXPENSES**(a) Short-term prepaid expenses**

	2017 VND	2016 VND
Operating leases	39,409,097	30,818,180
Others	9,676,404,896	4,181,750,754
	<u>9,715,813,993</u>	<u>4,212,568,934</u>

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

(b) Long-term prepaid expenses

	2017 VND	2016 VND
Tools and supplies	12,535,021,407	6,810,300,852
Prepaid land rental fees	10,713,316,530	11,059,114,850
Leasehold improvements	167,682,780	111,109,236
Others	7,740,404,974	4,779,478,240
	<u>31,156,425,691</u>	<u>22,760,003,178</u>

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

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

	2017 VND	2016 VND
Beginning of year	22,760,003,178	28,312,322,417
Increase	18,636,482,446	10,064,079,501
Allocation	(10,240,059,933)	(15,547,138,374)
Disposal	-	(69,260,366)
End of year	<u>31,156,425,691</u>	<u>22,760,003,178</u>

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

	As at 1.1.2017 VND	Payable during the year VND	Refunded during the year VND	Payment during the year VND	As at 31.12.2017 VND
a. Receivables					
VAT on domestic sales	6,812,843,726	(7,835,618,270)	-	1,048,850,952	26,076,408
VAT on import sales	9,120,020	(9,120,020)	-	-	-
Business income tax	88,214,504	-	-	68,472,042	156,686,546
Personal income tax	703,410,883	(236,384,250)	(70,268,175)	5,608,366,368	6,005,124,826
Import - export duties	696,183,652	(12,943,469,741)	-	13,783,500,598	1,536,214,509
Other taxes	-	-	-	15,682,319	15,682,319
	<u>8,309,772,785</u>	<u>(21,024,592,281)</u>	<u>(70,268,175)</u>	<u>20,524,872,279</u>	<u>7,739,784,608</u>
b. Payables					
VAT on domestic sales	15,519,770,388	87,253,322,647	-	(90,738,405,510)	12,034,687,525
VAT on import sales	-	43,360,668,006	-	(43,357,206,466)	3,461,540
Business income tax	28,602,987,542	77,572,213,560	538,338,330	(95,719,890,926)	10,993,648,506
Personal income tax	3,331,632,768	47,363,423,521	349,531,290	(50,462,701,449)	581,886,130
Land tax, land use tax	-	5,654,256,882	-	(5,654,256,882)	-
Import - export duties	-	2,926,931	-	(2,926,931)	-
Other taxes	-	206,610,756	-	(206,610,756)	-
	<u>47,454,390,698</u>	<u>261,413,422,303</u>	<u>887,869,620</u>	<u>(286,141,998,920)</u>	<u>23,613,683,701</u>

12 FIXED ASSETS

(a) Tangible fixed assets

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
Historical cost					
As at 1 January 2017	520,491,998,475	584,082,620,408	176,281,285,316	75,957,738,078	1,356,813,642,277
New purchases	-	6,265,059,301	-	-	6,265,059,301
Transfers from construction in progress (Note 13)	1,526,733,357	27,043,377,510	3,603,176,486	543,975,079	32,717,262,432
Disposals	(41,671,313)	(8,782,295,927)	(3,981,828,229)	(2,002,929,672)	(14,808,725,141)
Write-off	-	(175,883,862)	(381,912,000)	-	(557,795,862)
Reclassification	-	(548,900,000)	-	(1,904,914,233)	(2,453,814,233)
As at 31 December 2017	521,977,060,519	607,883,977,430	175,520,721,573	72,593,869,252	1,377,975,628,774
Accumulated depreciation					
As at 1 January 2017	126,281,350,476	234,752,559,219	98,531,254,030	55,779,770,859	515,344,934,584
Charge for the year	29,892,119,063	45,276,214,217	13,823,766,067	5,857,592,388	94,849,691,735
Disposals	(41,671,313)	(8,768,212,578)	(3,767,366,821)	(2,002,929,672)	(14,580,180,384)
Write-off	-	(175,883,862)	(381,912,000)	-	(557,795,862)
Reclassification	-	(441,288,936)	-	(1,849,110,087)	(2,290,399,023)
As at 31 December 2017	156,131,798,226	270,643,388,060	108,205,741,276	57,785,323,488	592,766,251,050
Net book value					
As at 1 January 2017	394,210,647,999	349,330,061,189	77,750,031,286	20,177,967,219	841,468,707,693
As at 31 December 2017	365,845,262,293	337,240,589,370	67,314,980,297	14,808,545,764	785,209,377,724

Historical cost of fully depreciated tangible fixed assets but still in use as at 31 December 2017 was VND180,764 million (as at 31 December 2016: VND152,963 million).

12 FIXED ASSETS (continued)**(a) Tangible fixed assets (continued)**

Historical cost of fully depreciated tangible fixed assets awaiting for disposal as at 31 December 2017 was VND6,540 million (as at 31 December 2016: VND5,654 million).

(b) Intangible fixed assets

	Land use rights with indefinite term VND	Land use rights with definite term VND	Software VND	Total VND
Historical cost				
As at 1 January 2017	113,033,150,046	158,390,565,071	13,088,937,805	284,512,652,922
New purchases	-	-	278,510,400	278,510,400
Transfers from construction in progress (Note 13)	-	666,206,720	2,264,085,000	2,930,291,720
Disposals	(17,874,590,000)	-	-	(17,874,590,000)
As at 31 December 2017	<u>95,158,560,046</u>	<u>159,056,771,791</u>	<u>15,631,533,205</u>	<u>269,846,865,042</u>
Accumulated amortisation				
As at 1 January 2017	-	15,399,463,694	7,148,509,517	22,547,973,211
Charge for the year	-	3,321,730,798	2,187,035,132	5,508,765,930
As at 31 December 2017	<u>-</u>	<u>18,721,194,492</u>	<u>9,335,544,649</u>	<u>28,056,739,141</u>
Net book value				
As at 1 January 2017	<u>113,033,150,046</u>	<u>142,991,101,377</u>	<u>5,940,428,288</u>	<u>261,964,679,711</u>
As at 31 December 2017	<u><u>95,158,560,046</u></u>	<u><u>140,335,577,299</u></u>	<u><u>6,295,988,556</u></u>	<u><u>241,790,125,901</u></u>

Historical cost of fully amortised intangible fixed assets but still in use as at 31 December 2017 was VND5,861 million (as at 31 December 2016: VND2,917 million).

13 LONG-TERM ASSETS IN PROGRESS**Construction in progress**

	2017 VND	2016 VND
Effervescent tablet production factory	16,658,486,842	6,267,835,000
Office and auxiliary works at DHG Pharmaceutical One Member Limited Company	11,596,485,312	2,141,843,739
Machinery and equipment	7,353,145,816	8,115,425,642
Branches' offices	699,591,808	635,766,956
	<u>36,307,709,778</u>	<u>17,160,871,337</u>

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

	2017 VND	2016 VND
Beginning of year	17,160,871,337	15,722,551,016
Additions	56,940,741,775	118,095,065,265
Transfers to tangible fixed assets (Note 12(a))	(32,717,262,432)	(109,839,029,974)
Transfers to intangible fixed assets (Note 12(b))	(2,930,291,720)	(6,205,435,000)
Transfers to prepaid expenses	(2,146,349,182)	(520,799,970)
Disposals	-	(91,480,000)
End of year	<u>36,307,709,778</u>	<u>17,160,871,337</u>

14 DEFERRED INCOME TAX ASSETS

The deferred income tax assets mainly arise from deductible temporary differences relating to provisions and unrealised gains arising from consolidation.

	2017 VND	2016 VND
Business income tax rate used for determining deferred income tax assets	20%	20%
Deductible temporary differences	178,918,481,775	175,356,452,130
Deferred income tax assets	<u>35,783,696,355</u>	<u>35,071,290,426</u>

15 SHORT-TERM TRADE ACCOUNTS PAYABLE

	2017		2016	
	Value VND	Able-to-pay amount VND	Value VND	Able-to-pay Amount VND
Third parties (*)	262,982,235,355	262,982,235,355	291,492,270,691	291,492,270,691
Related parties (Note 37(b))	4,500,000	4,500,000	211,200,000	211,200,000
	<u>262,986,735,355</u>	<u>262,986,735,355</u>	<u>291,703,470,691</u>	<u>291,703,470,691</u>

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

	2017 VND	2016 VND
Develing Trade B.V.	36,157,842,392	23,703,336,181
Truong Tin Pharmaceutical Limited Company	35,135,876,027	56,484,958,549
Mega Lifesciences (Viet Nam) Limited Company	33,450,431,047	26,633,640,634
Nomura Trading Co., Ltd	25,762,165,250	46,661,401,500

As at 31 December 2017 and 31 December 2016, there was no balance of short-term trade accounts payable that was past due.

16 SHORT-TERM ACCRUED EXPENSES

	2017 VND	2016 VND
Market research	10,429,270,479	-
Payment discounts	8,261,692,934	4,309,118,694
Marketing and customer care expenses	6,660,719,815	2,984,753,722
Interest expenses	452,849,861	589,134,749
Others	24,613,586,172	22,076,673,390
	<u>50,418,119,261</u>	<u>29,959,680,555</u>

17 SHORT-TERM UNEARNED REVENUE

	2017 VND	2016 VND
Unearned revenue from customer loyalty programs (Note 2.19 and 2.26)	9,479,895,138	31,687,812,617

18 OTHER SHORT-TERM PAYABLES

	2017 VND	2016 VND
Dividends payable (Note 25)	196,119,106,500	-
Insurance and union fees	800,645,116	988,977,577
Other payables	7,163,738,867	5,569,497,881
	<u>204,083,490,483</u>	<u>6,558,475,458</u>

19 SHORT-TERM BORROWINGS

	2017		2016	
	Value VND	Able-to-pay amount VND	Value VND	Able-to-pay Amount VND
Loans from banks (*)	469,800,000,000	469,800,000,000	323,700,000,000	323,700,000,000
Loans from the Company's employees (**)	-	-	31,065,428,463	31,065,428,463
	<u>469,800,000,000</u>	<u>469,800,000,000</u>	<u>354,765,428,463</u>	<u>354,765,428,463</u>

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

	As at 1.1.2017 VND	Increase VND	Decrease VND	As at 31.12.2017 VND
Loans from banks	323,700,000,000	2,512,300,000,000	(2,366,200,000,000)	469,800,000,000
Loans from the Company's employees	31,065,428,463	3,913,007,337	(34,978,435,800)	-
	<u>354,765,428,463</u>	<u>2,516,213,007,337</u>	<u>(2,401,178,435,800)</u>	<u>469,800,000,000</u>

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

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

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

20 BONUS AND WELFARE FUNDS

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

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

	Bonus and welfare fund VND	Bonus fund for Board of Management VND	Welfare fund in form of assets VND	Total VND
As at 1.1.2017	29,226,348,693	7,069,439,369	31,082,436,238	67,378,224,300
Appropriation to the funds	86,125,998,705	14,836,474,553	-	100,962,473,258
Transfers from welfare fund in form of assets	7,519,442,000	-	(7,519,442,000)	-
Depreciation of assets formed from funds	-	-	(3,277,288,932)	(3,277,288,932)
Utilisation	(88,101,443,672)	(14,003,168,554)	-	(102,104,612,226)
As at 31.12.2017	<u>34,770,345,726</u>	<u>7,902,745,368</u>	<u>20,285,705,306</u>	<u>62,958,796,400</u>

21 SCIENCE AND TECHNOLOGY DEVELOPMENT FUNDS

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

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

	Science and technology development fund VND	Science and technology development fund in form of assets VND	Total VND
As at 1.1.2017	(5,446,864,017)	29,668,170,841	24,221,306,824
Appropriation to the funds	8,705,231,445	-	8,705,231,445
Utilisation	(2,793,477,766)	-	(2,793,477,766)
Assets formed from science and technology development fund	(2,243,810,364)	2,243,810,364	-
Disposal of assets formed from science and technology development fund	1,778,920,702	(1,778,920,702)	-
Depreciation of assets formed from science and technology development fund	-	(5,070,779,327)	(5,070,779,327)
As at 31.12.2017	<u>-</u>	<u>25,062,281,176</u>	<u>25,062,281,176</u>

22 PROVISIONS FOR LONG-TERM LIABILITIES

	Provision for dismantling and restoration costs of the Group's leased premises or lands (*) VND	Provision for Severance allowances VND	Total VND
As at 1.1.2017	7,593,479,308	25,785,628,500	33,379,107,808
Provision	3,970,878,728	3,102,386,051	7,073,264,779
Utilisation	-	(2,065,906,168)	(2,065,906,168)
As at 31.12.2017	11,564,358,036	26,822,108,383	38,386,466,419

(*) As at 31 December 2017, the estimated dismantling cost and restoration costs incurred at the time of returning the premises and lands in future is VND159,409,010,028.

23 OWNERS' CAPITAL

(a) Number of shares

	2017 Ordinary shares	2016 Ordinary shares
Number of shares issued	130,746,071	87,164,330
Number of existing shares in circulation	130,746,071	87,164,330

(b) Details of owners' shareholding

	2017		2016	
	Ordinary shares	%	Ordinary shares	%
State Capital Investment Corporation ("SCIC")	56,626,237	43.31	37,750,825	43.31
Other shareholders	74,119,834	56.69	49,413,505	56.69
Number of shares	130,746,071	100	87,164,330	100

(c) Movement of share capital

	2017		2016	
	Number of shares	Ordinary shares VND	Number of shares	Ordinary shares VND
Beginning of year	87,164,330	871,643,300,000	86,941,950	855,522,270,000
Bonus shares issued	43,581,741	435,817,410,000	-	-
Treasury shares re-issued	-	-	222,380	16,121,030,000
Ending of year	130,746,071	1,307,460,710,000	87,164,330	871,643,300,000

Par value per share: VND10,000.

24 MOVEMENTS IN OWNERS' EQUITY

	Owners' capital VND	Share premium VND	Treasury shares VND	Investment and development fund VND	Undistributed earnings VND	Total VND
As at 1 January 2016	871,643,300,000	-	(16,121,030,000)	1,039,479,185,578	605,911,345,691	2,500,912,801,269
Profit for the year	-	-	-	-	685,645,233,601	685,645,233,601
Dividends paid	-	-	-	-	(304,296,825,000)	(304,296,825,000)
Appropriation to reserves	-	-	-	181,082,523,189	(181,082,523,189)	-
Appropriation to bonus and welfare fund	-	-	-	-	(61,607,669,990)	(61,607,669,990)
Appropriation to bonus fund for Board of Management	-	-	-	-	(7,930,858,929)	(7,930,858,929)
Treasury shares re-issued	-	6,778,948,000	16,121,030,000	-	-	22,899,978,000
As at 31 December 2016	871,643,300,000	6,778,948,000	-	1,220,561,708,767	736,638,702,184	2,835,622,658,951
Bonus shares issued (*)	435,817,410,000	-	-	(435,817,410,000)	-	-
Profit for the year	-	-	-	-	642,407,977,142	642,407,977,142
Dividends declared for the year 2016	-	-	-	-	(305,075,155,000)	(305,075,155,000)
1 st interim dividend declared for the year 2017	-	-	-	-	(130,746,071,000)	(130,746,071,000)
2 nd interim dividend declared for the year 2017	-	-	-	-	(196,119,106,500)	(196,119,106,500)
Appropriation to reserves	-	-	-	310,436,650,781	(310,436,650,781)	-
Appropriation to bonus and welfare	-	-	-	-	(85,678,223,316)	(85,678,223,316)
Appropriation to bonus fund for Board of Management	-	-	-	-	(14,660,275,620)	(14,660,275,620)
Others (**)	-	-	-	16,996,367,562	(15,324,900,367)	1,671,467,195
As at 31 December 2017	1,307,460,710,000	6,778,948,000	-	1,112,177,317,110	321,006,296,742	2,747,423,271,852

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

(**) This is the difference between the carrying amount of net assets of SH Pharmaceutical Joint Stock Company – a subsidiary and the consideration paid to acquire additional shares in this subsidiary which is recorded directly in the owners' equity.

25 DIVIDENDS

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

On 23 August 2017, the Board of Management of the Company approved the 1st interim dividends of 10% in cash for the year 2017 based on the year-to-date consolidated financial performance, equivalents to VND130,746,071,000 which were paid on 4 October 2017.

On 14 December 2017, the Board of Management of the Company approved the 2nd interim dividends of 15% in cash for the year 2017 based on the year-to-date consolidated financial performance, equivalents to VND196,119,106,500 which were paid on 25 January 2018.

26 NON-CONTROLLING INTERESTS

Movements in the non-controlling interests during the year were as follows:

	2017 VND	2016 VND
Beginning of year	34,160,248,863	20,323,225,971
Net (loss)/profit for the year	(18,665,378)	2,996,068,421
Capital contribution	-	13,204,120,020
Appropriation to bonus and welfare fund	(447,775,389)	(597,631,764)
Appropriation to bonus fund for Board of Management	(176,198,933)	(540,533,785)
Dividends declared	(735,000,000)	(1,225,000,000)
Change in interests	(21,111,467,195)	-
Ending of year	<u>11,671,141,968</u>	<u>34,160,248,863</u>

27 OFF BALANCE SHEET ITEMS**a) Operating lease commitments**

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

	2017 VND	2016 VND
Within 1 year	5,422,028,378	5,481,993,358
Between 1 and 5 years	21,688,113,512	21,927,973,432
Over 5 years	115,731,722,192	122,558,946,522
	<u>142,841,864,082</u>	<u>149,968,913,312</u>

b) Foreign currencies

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

	2017	2016
USD	651,982	651,214
EUR	5,646	46,884
MOP	-	20
	<u>657,628</u>	<u>708,118</u>

28 REVENUE

(a) Net sales

	2017 VND	2016 VND
Sales		
Sales of finished goods	3,533,519,681,783	3,380,790,607,602
Sales of merchandises	977,679,844,675	718,698,231,331
Others	57,814,483,748	54,370,151,921
	<u>4,569,014,010,206</u>	<u>4,153,858,990,854</u>
Sales deductions		
Trade discounts	(493,892,478,558)	(355,747,658,516)
Sales returns	(12,368,067,153)	(15,066,555,938)
	<u>(506,260,545,711)</u>	<u>(370,814,214,454)</u>
Net sales	<u>4,062,753,464,495</u>	<u>3,783,044,776,400</u>
In which:		
Sales of finished goods	3,053,877,958,826	3,026,517,926,448
Sales of merchandises	951,061,021,921	702,156,698,031
Others	57,814,483,748	54,370,151,921
	<u>4,062,753,464,495</u>	<u>3,783,044,776,400</u>

b) Financial income

	2017 VND	2016 VND
Interest income from deposits at bank	81,400,481,744	54,650,166,838
Gains from disposal of investments in subsidiaries	3,992,308,108	-
Foreign exchange gains	3,197,172,062	2,588,416,127
Dividend income	189,730,364	313,749,620
Others	-	265,931,599
	<u>88,779,692,278</u>	<u>57,818,264,184</u>

29 COST OF SALES

	2017 VND	2016 VND
Cost of finished goods sold	1,365,666,336,398	1,392,600,918,874
Cost of merchandises sold	900,526,104,705	668,325,648,349
Cost of services rendered	12,685,731,932	10,446,479,601
Provision for decline in value of inventories	759,743,414	(1,314,509,419)
	<u>2,279,637,916,449</u>	<u>2,070,058,537,405</u>

30 FINANCIAL EXPENSES

	2017 VND	2016 VND
Payment discounts	68,749,374,613	66,663,910,134
Interest expenses	24,541,141,037	12,492,351,845
Foreign exchange losses	4,273,238,405	5,485,354,448
Others	120,929,854	113,962,446
	<u>97,684,683,909</u>	<u>84,755,578,873</u>

31 SELLING EXPENSES

Major items included in selling expenses were:

	2017 VND	2016 VND
Staff costs	355,449,954,624	300,631,057,260
Advertising expenses	152,591,701,912	162,943,769,507
	<u>508,041,656,536</u>	<u>463,574,826,767</u>

32 GENERAL AND ADMINISTRATION EXPENSES

Major item included in general and administration expenses was:

	2017 VND	2016 VND
Staff costs	244,848,095,072	238,566,839,903
	<u>244,848,095,072</u>	<u>238,566,839,903</u>

33 OTHER INCOME AND EXPENSES

	2017 VND	2016 VND
Other income		
Gains from disposals of fixed assets	2,081,319,802	5,820,571,285
Commission income	-	110,988,811
Sundry income	4,675,494,336	9,189,535,904
	<u>6,756,814,138</u>	<u>15,121,096,000</u>
Other expenses		
Fines and penalties as results of tax audit	6,310,525,691	-
Losses of inventories	-	8,295,694,967
Sundry expenses	3,730,484,512	7,071,373,268
	<u>10,041,010,203</u>	<u>15,367,068,235</u>

34 COST OF OPERATION BY FACTOR

	2017 VND	2016 VND
Raw materials (*)	1,909,463,543,610	1,671,352,166,776
Staff costs	855,075,780,980	776,272,594,987
Depreciation and amortisation	91,343,474,099	88,523,885,671
Outside service expenses	189,577,870,958	343,569,376,383
Others	277,583,371,236	90,487,878,474
	<u>3,323,044,040,883</u>	<u>2,970,205,902,291</u>

(*) Including value of merchandises sold in the year.

35 BUSINESS INCOME TAX

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the normal tax rate as regulated in current tax regulations as follows:

	2017 VND	2016 VND
Net accounting profit before tax	719,249,119,395	756,657,014,613
Tax calculated at the normal tax rate of 20%	143,849,823,879	151,331,402,923
Effect of:		
Income not subject to tax	(60,631,939)	(62,752,505)
Expenses not deductible for tax purposes	5,107,379,879	2,772,313,223
Tax losses for which no deferred income tax asset was recognised	735,245,491	-
Under-provision in the previous years	206,090,674	262,608,996
Temporary differences for which no deferred income tax asset had been recognised before	-	(6,668,171,562)
Tax incentives	(164,038,711,079)	(107,120,114,912)
Adjustments arising from consolidation	(700,552,642)	3,044,231,863
Business income tax charge before applying the market profit margin on related party transactions	<u>(14,901,355,737)</u>	<u>43,559,518,026</u>
Increase in business income tax charge by applying the market profit margin on related party transactions	91,761,163,368	24,456,194,565
Business income tax charge (*)	<u>76,859,807,631</u>	<u>68,015,712,591</u>
Charged/(credited) to income statement:		
Business income tax - current	77,572,213,560	89,002,442,744
Business income tax - deferred	(712,405,929)	(20,986,730,153)
	<u>76,859,807,631</u>	<u>68,015,712,591</u>

(*) The Group's business income tax charge for the year is based on estimated taxable income and is subject to review and possible adjustment by the tax authorities.

35 BUSINESS INCOME TAX (continued)**Applicable tax rates***The Company*

According to the Decision of 3044/QD-UBND of the People's Committee of Can Tho City, the Company is required to pay the business income tax ("BIT") at rate of 20% from 2005 to 2014 and 22% for the following years. According to Circular 78/2014/TT-BTC, the standard BIT is 20% since 1 January 2016. Accordingly, the applicable tax rate of the Company is 20% in 2017.

*The subsidiaries**DHG Packaging and Printing 1 One Member Limited Company ("DHG Packaging and Printing 1")*

Pursuant to its Business registration certificate, DHG Packaging and Printing 1 has an obligation to pay the BIT at rate of 10% of taxable profits from 2014 to 2028. The company is entitled to the BIT exemption from 2014 to 2017 and a 50% BIT reduction from 2018 to 2026.

DHG Pharmaceutical One Member Limited Company ("DHG One Member")

Pursuant to its Business registration certificate, DHG One Member has an obligation to pay the BIT at rate of 10% of taxable profits for 15 years since its operation. The company was entitled to the BIT exemption for 4 years commencing from the first year of making profits and a 50% BIT reduction for the following 9 years. The Company has registered to the tax department of Hau Giang province to apply the above tax incentive effective since the financial year 2015.

Except for DHG Packaging and Printing 1 One Member Limited Company and DHG Pharmaceutical One Member Limited Company which are entitled to tax incentives, other subsidiaries in the Group have an obligation to pay the BIT at the standard rate of 20% of taxable profits.

36 EARNINGS PER SHARE**(a) Basic earnings per share**

Basic earnings per share is calculated by dividing the net profit attributable to shareholders after deducting the bonus and welfare funds by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares repurchased by the Group and held as treasury shares.

36 EARNINGS PER SHARE (continued)

(a) Basic earnings per share (continued)

	2017	2016 (**)
Net profit attributable to shareholders (VND)	642,407,977,142	685,645,233,601
Less amount allocated to bonus and welfare funds (VND) (*)	(71,421,966,337)	(99,930,498,936)
	<u>570,986,010,805</u>	<u>585,714,734,665</u>
Weighted average number of ordinary shares in issue (shares)	130,746,071	87,010,624
Basic earnings per share (VND)	4,367	6,732
Revised weighted average number of ordinary shares in issuance by taking into account the bonus shares issued in June 2017, with the assumption that they were issued at 1 January 2016	130,746,071	130,592,365
Revised basic earnings per share by taking into account the bonus shares issued in June 2017, with the assumption that they were issued at 1 January 2016 (VND)	<u>4,367</u>	<u>4,485</u>

(*) Amount appropriated to bonus and welfare funds for the year 2017 is estimated based on the plan for 2017 profit distribution of the Company and its subsidiaries approved by shareholders at the Annual General Meetings.

(**) Basic earnings per share of the year 2016 were recalculated for comparative purpose as follows:

	<u>For the year ended 31 December 2016</u>		
	As previously reported	Adjustments	As restated
Net profit attributable to shareholders (VND) (Note 41)	710,101,428,166	(24,456,194,565)	685,645,233,601
Amount allocated to bonus and welfare funds (VND)	(101,594,448,158)	1,663,949,222	(99,930,498,936)
Weighted average number of ordinary shares in issue (shares)	<u>87,010,624</u>		<u>87,010,624</u>
Basic earnings per share (VND)	<u>6,993</u>		<u>6,732</u>

(b) Diluted earnings per share

The Group does not have potentially dilutive ordinary shares.

37 RELATED PARTY DISCLOSURES

The largest shareholder of the Company is the State Capital Investment Corporation ("SCIC") which owns 43,31% of the Company's share capital. The SCIC is controlled by the Government of SR Vietnam.

(a) Related party transactions

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

	2017 VND	2016 VND
<i>i) Purchases of goods and services</i>		
Vinh Hao Algae Processing Joint Stock Company – an associate	2,443,371,600	2,253,860,000
<i>ii) Dividend paid</i>		
SCIC	188,754,124,500	132,127,887,500
Taisho Pharmaceutical Co., Ltd	106,520,320,000	-
Franklin Templeton Investment Funds-Templeton Frontier Markets Fund	36,148,694,500	28,788,735,500
Portal Global Limited	-	21,974,155,000
<i>iii) Compensation of key management</i>		
Gross salaries and other benefits	17,749,263,439	10,691,087,971

(b) Year end balances with related parties

	2017 VND	2016 VND
Short-term trade accounts payable (Note 15)		
Vinh Hao Algae Processing Joint Stock Company – an associate	4,500,000	211,200,000

38 SEGMENT REPORTING

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

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

Business segments

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

38 SEGMENT REPORTING (continued)

	2017 VND	2016 VND
Net sales		
Pharmaceutical products	3,343,577,175,377	2,480,389,589,185
Functional foods	378,846,948,365	384,319,038,415
Others	340,329,340,753	918,336,148,800
	<u>4,062,753,464,495</u>	<u>3,783,044,776,400</u>
Cost of sales		
Pharmaceutical products	(1,843,075,147,436)	(1,068,977,808,142)
Functional foods	(224,960,245,426)	(161,135,328,070)
Others	(211,602,523,587)	(839,945,401,193)
	<u>(2,279,637,916,449)</u>	<u>(2,070,058,537,405)</u>
Gross profit		
Pharmaceutical products	1,500,502,027,941	1,411,411,781,043
Functional foods	153,886,702,939	223,183,710,345
Others	128,726,817,166	78,390,747,607
	<u>1,783,115,548,046</u>	<u>1,712,986,238,995</u>

39 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	2017 VND	2016 VND
a. Non-cash transactions affecting cash flow statement		
Appropriation to reserves	410,775,149,717	250,621,052,108
Issuance of bonus shares from investment and development fund	<u>435,817,410,000</u>	<u>-</u>
b. Proceeds from borrowings		
Proceeds from borrowings under normal contracts	<u>2,516,213,007,337</u>	<u>1,561,815,329,559</u>
c. Repayments of borrowings		
Repayments of borrowings under normal contracts	<u>2,401,178,435,800</u>	<u>1,477,761,107,833</u>
d. Cash held by the Group but restricted to use		

As at 31 December 2017, the balance of cash at bank amounting to VND6,148,450,000 was held by the Group but restricted to use in order to fulfil the settlement requirement for letters of credit opened at bank (as at 31 December 2016: nil).

40 COMMITMENTS

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

	2017 VND	2016 VND
Approved but not contracted	18,727,173,322	25,292,389,735
Approved and contracted but not implemented	10,326,337,676	31,867,348,447
	<u>29,053,510,998</u>	<u>57,159,738,182</u>

41 RESTATEMENTS AND RECLASSIFICATIONS

In preparing the consolidated financial statements for the year ended 31 December 2017, the Company made retrospective adjustments to the consolidated financial statements for the year ended 31 December 2016 as follows:

(a) Restatements

According to Decision No. 2255/QD-TCT dated 29 December 2017 of the General Department of Taxation on the tax-related violations for the tax year 2016, the Company is responsible for paying additional business income tax of VND24,404,012,746. Such violation is because the Company did not update new tax policies timely. In addition, the Company also identified certain errors with the total additional business income tax of VND52,181,819. The Board of Directors decided to correct these errors and restate the 2016 consolidated financial statements as follows:

The effect of the restatement on the consolidated balance sheet as at 31 December 2016 is as follows:

	2016 VND
Decrease in "Other taxes receivable"	(5,743,754,917)
Increase in "Tax and other payables to the State Budget"	18,712,439,648
Decrease in "Undistributed earnings"	<u>(24,456,194,565)</u>

The effect of the restatement on the consolidated income statement for the year ended 31 December 2016 is as follows:

	2016 VND
Increase in "Business income tax – current"	<u>24,456,194,565</u>

The effect of the restatement on the consolidated cash flow statement for the year ended 31 December 2016 is as follows:

	2016 VND
Decrease in "Increase in receivables"	401,719,151
Decrease in "Increase in payables"	<u>(401,719,151)</u>

41 RESTATEMENTS AND RECLASSIFICATIONS (continued)**(b) Reclassifications**

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

The effect of these reclassifications on the consolidated balance sheet as at 31 December 2016 is as follows:

	2016 VND
Increase in "Value Added Tax to be reclaimed"	789,328,791
Increase in "Other taxes receivable"	3,853,134,149
Increase in "Historical cost" of tangible fixed assets	190,909,090
Increase in "Construction in progress"	508,663,736
Increase in "Tax and other payables to the State Budget"	<u>5,342,035,766</u>

The effect of these reclassifications on the consolidated cash flow statement as at 31 December 2016 is as follows:

	2016 VND
Decrease in "Increase in receivables"	699,572,826
Increase in "Purchases of fixed assets and other long-term assets"	<u>(699,572,826)</u>

The impact of these restatements and reclassifications on selected line items of the prior year financial statements is presented as follows:

Extracted from the Group's consolidated balance sheet:

		As at 31 December 2016		
Code		As previously reported VND	Adjustments VND	As restated VND
100	CURRENT ASSETS	2,747,174,092,202	(1,101,291,977)	2,746,072,800,225
150	Other current assets	15,112,535,313	(1,101,291,977)	14,011,243,336
152	Value Added Tax to be reclaimed	699,572,826	789,328,791	1,488,901,617
153	Other taxes receivable	10,200,393,553	(1,890,620,768)	8,309,772,785
200	LONG-TERM ASSETS	1,198,569,602,879	699,572,826	1,199,269,175,705
220	Fixed assets	1,103,242,478,314	190,909,090	1,103,433,387,404
221	Tangible fixed assets	841,277,798,603	190,909,090	841,468,707,693
222	Historical cost	1,356,622,733,187	190,909,090	1,356,813,642,277
240	Long-term assets in progress	16,652,207,601	508,663,736	17,160,871,337
242	Construction in progress	16,652,207,601	508,663,736	17,160,871,337
270	TOTAL ASSETS	<u>3,945,743,695,081</u>	<u>(401,719,151)</u>	<u>3,945,341,975,930</u>

41 RESTATEMENTS AND RECLASSIFICATIONS (continued)

Extracted from the Group's consolidated balance sheet (continued):

		As at 31 December 2016		
Code		As previously reported VND	Adjustments VND	As restated VND
300	LIABILITIES	1,051,504,592,702	24,054,475,414	1,075,559,068,116
310	Short-term liabilities	993,904,178,070	24,054,475,414	1,017,958,653,484
313	Tax and other payables to State budget	23,399,915,284	24,054,475,414	47,454,390,698
400	OWNERS' EQUITY	2,894,239,102,379	(24,456,194,565)	2,869,782,907,814
410	Capital and reserves	2,894,239,102,379	(24,456,194,565)	2,869,782,907,814
421	Undistributed earnings	761,094,896,749	(24,456,194,565)	736,638,702,184
440	TOTAL RESOURCES	3,945,743,695,081	(401,719,151)	3,945,341,975,930

Extracted from the Group's consolidated income statement:

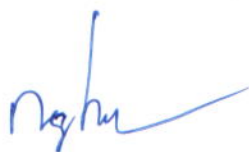
		Year ended 31 December 2016		
Code		As previously reported VND	Adjustments VND	As restated VND
51	Business income tax – current	(64,546,248,179)	(24,456,194,565)	(89,002,442,744)
60	Net profit after tax	713,097,496,587	(24,456,194,565)	688,641,302,022
	Attributable to			
61	Owners of the parent company	710,101,428,166		685,645,233,601
62	Non-controlling interests	2,996,068,421		2,996,068,421
70	Earnings per share	6,993		4,485
71	Diluted earnings per share	6,993		4,485

41 RESTATEMENTS AND RECLASSIFICATIONS (continued)

Extracted from the Group's consolidated cash flow statement:

Year ended 31 December 2016				
Code		As previously reported VND	Adjustments VND	As restated VND
09	Increase in receivables	(50,484,464,869)	1,101,291,977	(49,383,172,892)
11	Increase in payables	148,910,533,083	(401,719,151)	148,508,813,932
20	Net cash inflows from operating activities	644,491,468,250	699,572,826	645,191,041,076
21	Purchases of fixed assets and other long-term assets	(135,472,927,998)	(699,572,826)	(136,172,500,824)
30	Net cash outflows from investing activities	(276,884,879,410)	(699,572,826)	(277,584,452,236)


The consolidated financial statements were approved by the Board of Directors on 12 March 2018.



Tran Ngoc Hien
Preparer



Ho Bui Huan
Chief Accountant

Le Chanh Dao
Deputy General Director
Authorised signatory