

DHG PHARMACEUTICAL JOINT STOCK COMPANY

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



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FOR THE YEAR ENDED 31 DECEMBER 2017**

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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 SEPARATE FINANCIAL STATEMENTS

The Board of Directors of DHG Pharmaceutical Joint Stock Company ("the Company") is responsible for preparing the separate financial statements which give a true and fair view of the financial position of the Company as at 31 December 2017 and the results of its operations and cash flows for the year then ended. In preparing these separate 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 separate financial statements on a going concern basis unless it is inappropriate to presume that the Company 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 Company and which enable the separate financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the separate financial statements. The Board of Directors is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS

We hereby approve the accompanying separate financial statements set out on pages 5 to 51 which give a true and fair view of the financial position of the Company 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 financial statements.

Users of these separate financial statements of the Company should read them together with the consolidated financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 December 2017 in order to obtain full information of the financial position and results of operations and cash flows of the Group.

On behalf of the Board of Directors



A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

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 separate financial statements of DHG Pharmaceutical Joint Stock Company ("the Company") which were prepared on 31 December 2017 and approved by the Board of Directors on 12 March 2018. The separate financial statements comprise the separate balance sheet as at 31 December 2017, the separate income statement, the separate cash flow statement for the year then ended and explanatory notes to these separate financial statements including significant accounting policies, as set out on pages 5 to 51.

The Board of Directors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Company's preparation and true and fair presentation of the separate 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 Company'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 separate 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 separate financial statements present fairly, in all material respects, the financial position of the Company 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 financial statements.

Other Matters


The separate financial statements of the Company 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 separate financial statements, we also audited the adjustments described in Note 40 that were applied to amend the 2016 separate 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 separate financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2016 separate 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

Review report number: HCM6636
Ho Chi Minh City, 12 March 2018

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

As indicated in Note 2.1 to the separate financial statements, the accompanying separate financial statements are not intended to present the separate financial position and separate results of operations and separate 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.


SEPARATE BALANCE SHEET

Code	ASSETS	Note	As at 31 December	
			2017 VND	2016 VND (Restated - Note 40)
100	CURRENT ASSETS		2,987,836,507,239	2,375,035,394,422
110	Cash and cash equivalents	3	419,183,311,635	310,837,861,290
111	Cash		53,683,311,635	25,209,548,477
112	Cash equivalents		365,500,000,000	285,628,312,813
120	Short-term investments	4(a)	805,500,000,000	694,000,000,000
123	Investments held-to-maturity		805,500,000,000	694,000,000,000
130	Short-term receivables		1,161,768,508,380	587,663,605,860
131	Short-term trade accounts receivable	5	717,739,160,468	505,395,183,923
132	Short-term prepayments to suppliers		15,772,357,928	19,450,347,218
135	Short-term lending	6(a)	16,239,970,057	46,337,054,549
136	Other short-term receivables	7	431,814,739,025	22,587,526,950
137	Provision for doubtful debts – short-term	8	(19,797,719,098)	(6,106,506,780)
140	Inventories	9	583,730,974,911	770,889,142,004
141	Inventories		587,059,342,977	772,543,765,702
149	Provision for decline in value of inventories		(3,328,368,066)	(1,654,623,698)
150	Other current assets		17,653,712,313	11,644,785,268
151	Short-term prepaid expenses	10(a)	2,814,096,207	2,637,736,253
152	Value Added Tax to be reclaimed		7,679,352,910	1,488,901,617
153	Other taxes receivable	11(a)	7,160,263,196	7,518,147,398
200	LONG-TERM ASSETS		1,239,539,429,458	1,262,533,382,063
210	Long-term receivables		51,986,957,800	2,749,472,109
215	Long-term lending	6(b)	51,986,957,800	2,749,472,109
220	Fixed assets		454,084,914,097	490,337,670,120
221	Tangible fixed assets	12(a)	267,649,115,014	284,031,671,199
222	Historical cost		667,403,079,048	640,015,468,670
223	Accumulated depreciation		(399,753,964,034)	(355,983,797,471)
227	Intangible fixed assets	12(b)	186,435,799,083	206,305,998,921
228	Historical cost		210,442,791,877	226,053,296,877
229	Accumulated amortisation		(24,006,992,794)	(19,747,297,956)
230	Investment properties	13	401,818,158	25,567,976,719
231	Historical cost		1,671,878,867	36,576,236,140
232	Accumulated depreciation		(1,270,060,709)	(11,008,259,421)
240	Long-term assets in progress	14	17,391,628,650	6,903,601,956
242	Construction in progress		17,391,628,650	6,903,601,956
250	Long-term investments	4(b)	679,929,614,053	711,488,080,200
251	Investments in subsidiaries		665,732,460,000	696,292,460,000
252	Investments in associates		3,787,450,000	3,787,450,000
253	Investments in other entities		27,908,170,200	27,908,170,200
254	Provisions for long-term investments		(17,498,466,147)	(16,500,000,000)
260	Other long-term assets		35,744,496,700	25,486,580,959
261	Long-term prepaid expenses	10(b)	25,968,452,669	16,425,962,516
262	Deferred income tax assets	15	9,776,044,031	9,060,618,443
270	TOTAL ASSETS		4,227,375,936,697	3,637,568,776,485

The notes on pages 10 to 51 are an integral part of these separate financial statements.

SEPARATE BALANCE SHEET
(continued)

Code	RESOURCES	Note	As at 31 December	
			2017 VND	2016 VND (Restated - Note 40)
300	LIABILITIES		1,397,897,373,498	1,323,862,506,062
310	Short-term liabilities		1,344,651,927,458	1,274,060,425,471
311	Short-term trade accounts payable	16	381,025,726,936	645,867,894,117
312	Short-term advances from customers		10,577,917,817	13,737,632,713
313	Tax and other payables to the State Budget	11(b)	18,707,803,364	26,319,689,977
314	Payable to employees		136,722,141,109	113,184,224,509
315	Short-term accrued expenses	17	49,433,190,823	27,426,200,327
318	Short-term unearned revenue	18	9,218,195,665	26,361,586,191
319	Other short-term payables	19	208,049,690,196	5,208,187,098
320	Short-term borrowings	20	469,800,000,000	354,765,428,463
322	Bonus and welfare funds	21	61,117,261,548	61,189,582,076
330	Long-term liabilities		53,245,446,040	49,802,080,591
342	Provision for long-term liabilities	23	31,381,754,006	28,803,092,215
343	Science and technology development funds	22	21,863,692,034	20,998,988,376
400	OWNERS' EQUITY		2,829,478,563,199	2,313,706,270,423
410	Capital and reserves		2,829,478,563,199	2,313,706,270,423
411	Owners' capital	24, 25	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	24, 25	6,778,948,000	6,778,948,000
418	Investment and development fund	25	1,077,345,255,193	1,204,418,584,654
421	Undistributed earnings	25	437,893,650,006	230,865,437,769
421a	- Undistributed post-tax profits of previous years		(24,456,194,565)	-
421b	- Post-tax profit of current year		462,349,844,571	230,865,437,769
440	TOTAL RESOURCES		4,227,375,936,697	3,637,568,776,485


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 51 are an integral part of these separate financial statements.

SEPARATE INCOME STATEMENT

Code	Note	Year ended 31 December	
		2017 VND	2016 VND (Restated - Note 40)
01	Sales	5,108,979,611,786	4,057,416,823,295
02	Less deductions	(483,886,983,023)	(310,588,162,555)
10	Net sales	4,625,092,628,763	3,746,828,660,740
11	Cost of sales	(3,708,763,434,317)	(2,806,111,845,324)
20	Gross profit	916,329,194,446	940,716,815,416
21	Financial income	1,507,710,194,277	159,483,404,008
22	Financial expenses	(97,321,916,666)	(64,947,706,137)
23	- Including: Interest expenses	(24,541,141,037)	(12,492,351,845)
25	Selling expenses	(717,641,231,625)	(533,649,154,634)
26	General and administration expenses	(286,748,577,160)	(216,501,775,711)
30	Net operating profit	1,322,327,663,272	285,101,582,942
31	Other income	5,213,829,766	17,140,086,685
32	Other expenses	(9,295,694,038)	(9,963,272,432)
40	Net other (expenses)/income	(4,081,864,272)	7,176,814,253
50	Net accounting profit before tax	1,318,245,799,000	292,278,397,195
51	Business income tax - current	(74,966,406,685)	(67,173,577,869)
52	Business income tax - deferred	715,425,588	5,760,618,443
60	Net profit after tax	1,243,994,817,903	230,865,437,769



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 51 are an integral part of these separate financial statements.

SEPARATE CASH FLOW STATEMENT
(Indirect method)


Code	Note	Year ended 31 December	
		2017 VND	2016 VND (Restated - Note 40)
CASH FLOWS FROM OPERATING ACTIVITIES			
01	Net profit before tax	1,318,245,799,000	292,278,397,195
	Adjustments for:		
02	Depreciation and amortisation	48,988,626,139	53,270,571,592
03	Provisions	14,886,028,895	4,345,585,034
04	Unrealised foreign exchange (gains)/losses	(488,760,921)	466,910,163
05	Gains from disposal of fixed assets and investment properties	(1,901,034,523)	(12,066,405,113)
05	Interest and dividend income	28(b) (1,499,981,556,215)	(156,906,061,998)
05	Gains from disposal of investment in subsidiaries	28(b) (4,000,000,000)	-
05	Losses transferred from liquidated subsidiaries	28(b),30 116,792,752	-
06	Interest expenses	30 24,541,141,037	12,492,351,845
07	Appropriation to science and technology development funds	22 8,705,231,445	-
08	Operating (loss)/profit before changes in working capital	(90,887,732,391)	193,881,348,718
09	(Increase)/decrease in receivables	(66,338,359,694)	119,674,618,171
10	Decrease/(increase) in inventories	187,616,682,136	(171,440,075,174)
11	Increase in payables	621,665,171,774	593,560,946,169
12	Increase in prepaid expenses	(9,726,303,860)	(1,909,287,325)
14	Interest paid	(24,677,425,925)	(12,355,359,094)
15	Business income tax paid	11 (82,774,763,584)	(49,731,051,237)
16	Other receipts from operating activities	1,600,000,000	138,479,355
17	Other payments on operating activities	(101,427,610,593)	(69,298,849,675)
20	Net cash inflows from operating activities	435,049,657,863	602,520,769,908
CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchases of fixed assets and other long-term assets	(39,320,643,649)	(92,473,008,537)
22	Proceeds from disposals of fixed assets	33,087,515,559	33,170,817,541
23	Loans granted and term deposits at bank	(1,326,417,772,741)	(1,399,756,599,252)
24	Collection of loans granted and term deposits at bank	1,217,074,877,111	1,176,685,160,925
25	Investments in other entities	(19,440,000,000)	(205,778,880,580)
26	Proceeds from disposals of investments in subsidiaries	9,000,000,000	-
27	Dividends and interest received	120,090,456,364	64,601,808,937
30	Net cash outflows from investing activities	(5,925,567,356)	(423,550,700,966)

The notes on pages 10 to 51 are an integral part of these separate financial statements.

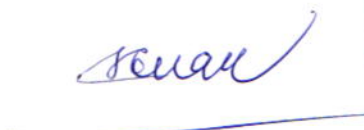
SEPARATE CASH FLOW STATEMENT (continued)
(Indirect method)

Code	Note	Year ended 31 December		
		2017 VND	2016 VND (Restated - Note 40)	
CASH FLOWS FROM FINANCING ACTIVITIES				
31	Proceeds from reissues of treasury shares	25	-	22,899,978,000
33	Proceeds from borrowings	20	2,516,213,007,337	1,561,815,329,559
34	Repayments of borrowings	20	(2,401,178,435,800)	(1,477,761,107,833)
36	Dividends paid	25	(435,821,226,000)	(304,296,825,000)
40	Net cash outflows from financing activities		(320,786,654,463)	(197,342,625,274)
50	Net increase/(decrease) in cash and cash equivalents		108,337,436,044	(18,372,556,332)
60	Cash and cash equivalents at beginning of year	3	310,837,861,290	329,246,389,813
61	Effect of foreign exchange differences		8,014,301	(35,972,191)
70	Cash and cash equivalents at end of year	3	419,183,311,635	310,837,861,290

Major non-cash transactions in the year were disclosed in Note 38.



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 51 are an integral part of these separate financial statements.

**NOTES TO THE SEPARATE 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 are to produce and trade in pharmaceutical products.

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

As at 31 December 2017, the Company had 2,286 employees (as at 31 December 2016: 1,738 employees).

The Company's interest in subsidiaries and an associate are 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%

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 separate 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 separate 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 separate financial statements**

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

The accompanying separate 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.

Separately, the Company has also prepared consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of consolidated financial statements for the Company and its subsidiaries (together, "the Group"). In the consolidated financial statements, subsidiary undertakings – which are those companies over which the Group has the power to govern the financial and operating policies – have been fully consolidated. Users of these separate financial statements of the Company should read them together with the consolidated financial statements of the Group for the year ended 31 December 2017 in order to obtain full information of the financial position and results of operations and cash flows of the Group.

2.2 Fiscal year

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

2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3 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.

2.4 Currency

The separate 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 Company 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 Company opens the foreign currency accounts. Foreign exchange differences arising from these translations are recognised in the income statement.

2.5 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.

2.6 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.

2.7 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.

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

Investments held-to-maturity are investments which the Company'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)**2.8 Investments (continued)****(b) Investments in subsidiaries**

Subsidiaries are all entities over which the Company 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 Company controls another entity.

Investments in subsidiaries are accounted for at cost less provision for diminution in value. Provision for diminution in value is made when there is an impairment of the investments.

(c) Investments in associates

Associates are investments that the Company has significant influence but not control and would generally have from 20% to under 50% voting shares of the investee.

Investments in associates are accounted for at cost less provision for diminution in value. Provision for diminution in value is made when there is a reduction in value of the investments.

(d) 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.

2.9 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 – 25 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.

2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.9 Fixed assets (continued)***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 Company'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.

2.10 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.

2.11 Investment properties

As at 31 December 2017, the Company's investment properties are held for lease.

Investment properties held for lease are stated at historical cost less accumulated depreciation. Cost of an investment property means the amount of cash or cash equivalents paid or the fair value of other consideration given to acquire the investment property at the time of its acquisition or completion of construction.

Depreciation

Investment properties held for lease are depreciated on the straight-line method to write off the cost of the assets over their estimated useful lives of 10-16 years.

Disposals

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

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 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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 Company 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.

2.17 Provision for severance allowances

In accordance with Vietnamese labour laws, employees of the Company 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 Company 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 Company.

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 Company is required to provide for dismantling and restoration costs of the Company'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 Company records unearned revenue for the future obligations that the Company has to conduct.

2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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.

2.21 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 Company's results (profit, loss) after business income tax at the reporting date.

2.22 Funds

The Company's funds are as below:

(a) Development and investment fund

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

(b) Bonus and welfare funds

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

2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.23 Dividend distribution**

The Company's net profit after tax could be distributed to shareholders after approval by shareholders at the Company's 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 Company's Annual General Meeting.

Appropriation of the Company's net profit after tax of the year 2016 was approved by shareholders at the Company's 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.

2.24 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 Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Company 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 Company; 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 Company gives promotional goods to customers associated with customers' purchase, the Company 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 Company;
- 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.

2 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.24 Revenue recognition (continued)****(c) Interest income**

Interest income is recognised on an earned basis.

(d) Dividend income

Income from dividend is recognised when the Company 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.

2.26 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 Company is the one providing the free or discounted goods and services to customers, the unearned revenue is realised into the Company'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 Company does not act as an agent of the third party, the unearned revenue is realised into the Company's income statement at the time that the third party provides the free or discounted goods and services to customers. If the Company acts as an agent of the third party, the Company 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 SUMMARIES OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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.

2.31 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors of the Company 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 Company for the purposes of disclosure since they do not influence, or are not influenced by, the Company.

In considering the related party relationship, the Company 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 Company 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 Company's business segment.

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

3 CASH AND CASH EQUIVALENTS

	2017	2016
	VND	VND
Cash on hand	20,202,849,000	10,996,396,256
Cash at bank	33,480,462,635	14,213,152,221
Cash equivalents (*)	365,500,000,000	285,628,312,813
	<u>419,183,311,635</u>	<u>310,837,861,290</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**

	<u>2017</u>		<u>2016</u>	
	Cost VND	Book value VND	Cost VND	Book value VND
Term deposits	<u>805,500,000,000</u>	<u>805,500,000,000</u>	<u>694,000,000,000</u>	<u>694,000,000,000</u>

As at 31 December 2017, investments held-to-maturity of VND246 billion were used as collateral assets for short-term loans from bank (Note 20).

DHG PHARMACEUTICAL JOINT STOCK COMPANY

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4 INVESTMENTS (continued)

(b) Long-term investments

	2017		2016	
	Cost VND	Provision VND	Cost VND	Provision VND
Investments in subsidiaries (*)	665,732,460,000	-	696,292,460,000	-
Investments in associates (**)	3,787,450,000	(998,466,147)	3,787,450,000	-
Other long-term investments (***)	27,908,170,200	(16,500,000,000)	27,908,170,200	(16,500,000,000)
	<u>697,428,080,200</u>	<u>(17,498,466,147)</u>	<u>727,988,080,200</u>	<u>(16,500,000,000)</u>

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 subsidiaries are presented in Note 1. Details of investments in subsidiaries are as follow:

	2017 VND	2016 VND
DHG Pharmaceutical One Member Limited Company	540,000,000,000	540,000,000,000
DHG Packaging and Printing 1 One Member Limited Company	80,000,000,000	80,000,000,000
SH Pharmaceutical Joint Stock Company	21,990,000,000	2,550,000,000
Fuji Medic Limited Liability Company	13,742,460,000	13,742,460,000
DHG Travel One Member Limited Company	5,000,000,000	5,000,000,000
B&T Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
DT Pharmaceutical One Member Limited Company	-	5,000,000,000
HT Pharmaceutical One Member Limited Company	-	5,000,000,000
CM Pharmaceutical One Member Limited Company	-	5,000,000,000
ST Pharmaceutical One Member Limited Company	-	5,000,000,000
TOT Pharmaceutical One Member Limited Company	-	5,000,000,000
TG Pharmaceutical One Member Limited Company	-	5,000,000,000
Bali Pharmaceutical One Member Limited Company	-	5,000,000,000
VL Pharmaceutical One Member Limited Company	-	5,000,000,000
TVP Pharmaceutical One Member Limited Company	-	5,000,000,000
A&G Pharmaceutical One Member Limited Company	-	5,000,000,000
	<u>665,732,460,000</u>	<u>696,292,460,000</u>

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

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

	2017 VND	2016 VND
Vinh Hao Algae Processing Joint Stock Company	<u>3,787,450,000</u>	<u>3,787,450,000</u>

(***) 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 (*)	703,607,947,414	394,922,980,979
Related parties (Note 36(b)(i))	14,131,213,054	110,472,202,944
	<u>717,739,160,468</u>	<u>505,395,183,923</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**(a) Short-term**

	2017 VND	2016 VND
Lending to subsidiaries (Note 36(b)(ii))	-	31,950,415,700
Lending to customers	16,239,970,057	14,386,638,849
	<u>16,239,970,057</u>	<u>46,337,054,549</u>

(b) Long-term

	2017 VND	2016 VND
Lending to subsidiaries (Note 36(b)(iii))	48,536,959,865	-
Lending to customers	3,449,997,935	2,749,472,109
	<u>51,986,957,800</u>	<u>2,749,472,109</u>

7 OTHER SHORT-TERM RECEIVABLES

	2017		2016	
	Value VND	Provision VND	Value VND	Provision VND
Dividends receivable (Note 36(b)(iv))	395,463,956,053	-	-	-
Interest income receivable	20,834,778,056	-	15,585,033,271	-
Receivables from employees	7,196,606,074	-	1,403,269,689	-
Prepaid trade discounts	243,590,918	-	183,850,237	-
Other receivables	8,075,807,924	-	5,415,373,753	-
	<u>431,814,739,025</u>	<u>-</u>	<u>22,587,526,950</u>	<u>-</u>

8 DOUBTFUL DEBTS

	2017		
	Cost VND	Recoverable amount VND	Provision VND
Total amount of receivables past due	<u>182,026,229,054</u>	<u>162,228,509,956</u>	<u>(19,797,719,098)</u>
	2016		
	Cost VND	Recoverable amount VND	Provision VND
Total amount of receivables past due	<u>125,032,943,616</u>	<u>118,926,436,836</u>	<u>(6,106,506,780)</u>

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	6,106,506,780	5,777,715,142
Increase	7,569,250,421	328,791,638
Transfers from subsidiaries	6,121,961,897	-
End of year	<u>19,797,719,098</u>	<u>6,106,506,780</u>

9 INVENTORIES

	2017		2016	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	41,560,218,649	-	60,597,811,325	-
Raw materials	158,745,757,363	(1,294,938,769)	174,559,432,461	-
Work in progress	12,834,843,947	-	9,884,664,619	-
Finished goods	87,638,780,601	(667,007,995)	120,444,958,431	(1,028,460,903)
Merchandises	286,279,742,417	(1,366,421,302)	407,056,898,866	(626,162,795)
	<u>587,059,342,977</u>	<u>(3,328,368,066)</u>	<u>772,543,765,702</u>	<u>(1,654,623,698)</u>

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

	2017 VND	2016 VND
Beginning of year	1,654,623,698	2,360,634,730
Increase/(reversal)	1,673,744,368	(706,011,032)
End of year	<u>3,328,368,066</u>	<u>1,654,623,698</u>

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 Company 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	2,774,687,110	2,606,918,073
	<u>2,814,096,207</u>	<u>2,637,736,253</u>

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

10 PREPAID EXPENSES (continued)

(b) Long-term prepaid expenses

	2017 VND	2016 VND
Prepaid land rental fees	10,713,316,530	11,059,114,850
Tools and supplies	9,705,821,685	3,722,025,943
Leasehold improvements	79,580,088	111,109,236
Others	5,469,734,366	1,533,712,487
	<u>25,968,452,669</u>	<u>16,425,962,516</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	16,425,962,516	14,621,653,241
Increase	15,756,909,308	4,756,380,827
Allocation	(6,214,419,155)	(2,952,071,552)
	<u>25,968,452,669</u>	<u>16,425,962,516</u>

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

	As at 1.1.2017 VND	Payable 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)	1,022,774,544	-
VAT in importation	9,120,020	(9,120,020)	-	-
Personal income tax	-	-	5,608,366,368	5,608,366,368
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>7,518,147,398</u>	<u>(20,788,208,031)</u>	<u>20,430,323,829</u>	<u>7,160,263,196</u>
b. Payables				
Business income tax	18,712,439,648	74,966,406,685	(82,774,763,584)	10,904,082,749
VAT on domestic sales	5,342,035,766	44,664,224,172	(42,206,000,863)	7,800,259,075
VAT in importation	-	42,654,368,382	(42,650,906,842)	3,461,540
Personal income tax	2,265,214,563	41,910,042,408	(44,175,256,971)	-
Land tax, land use tax	-	5,654,140,326	(5,654,140,326)	-
Other taxes	-	177,610,756	(177,610,756)	-
	<u>26,319,689,977</u>	<u>210,026,792,729</u>	<u>(217,638,679,342)</u>	<u>18,707,803,364</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	233,895,975,591	214,148,457,109	117,449,597,439	74,521,438,531	640,015,468,670
Transfers from construction in progress (Note 14)	1,350,800,599	8,382,476,498	3,603,176,486	543,975,079	13,880,428,662
Transfers from investment properties (Note 13)	35,974,311,996	-	-	-	35,974,311,996
Transfers to investment properties (Note 13)	(1,069,954,723)	-	-	-	(1,069,954,723)
Disposals	(41,671,313)	(11,794,431,609)	(3,235,896,912)	(6,325,175,723)	(21,397,175,557)
As at 31 December 2017	270,109,462,150	210,736,501,998	117,816,877,013	68,740,237,887	667,403,079,048
Accumulated depreciation					
As at 1 January 2017	95,750,794,071	125,495,766,885	79,998,597,658	54,738,638,857	355,983,797,471
Charge for the year	20,151,925,119	16,311,246,162	10,362,812,460	5,742,331,062	52,568,314,803
Transfers from investment properties (Note 13)	10,589,607,934	-	-	-	10,589,607,934
Transfers to investment properties (Note 13)	(746,627,771)	-	-	-	(746,627,771)
Disposals	(41,671,313)	(9,715,131,267)	(3,235,896,912)	(5,648,428,911)	(18,641,128,403)
As at 31 December 2017	125,704,028,040	132,091,881,780	87,125,513,206	54,832,541,008	399,753,964,034
Net book value					
As at 1 January 2017	138,145,181,520	88,652,690,224	37,450,999,781	19,782,799,674	284,031,671,199
As at 31 December 2017	144,405,434,110	78,644,620,218	30,691,363,807	13,907,696,879	267,649,115,014

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

Historical cost of fully depreciated tangible fixed assets but still in use as at 31 December 2017 was VND175,368 million (as at 31 December 2016: VND148,975 million).

Historical cost of fully depreciated tangible fixed assets awaiting for disposal as at 31 December 2017 was VND6,450 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	110,288,939,361	102,821,579,711	12,942,777,805	226,053,296,877
Transfers from construction in progress (Note 14)	-	-	2,264,085,000	2,264,085,000
Disposals	(17,874,590,000)	-	-	(17,874,590,000)
As at 31 December 2017	<u>92,414,349,361</u>	<u>102,821,579,711</u>	<u>15,206,862,805</u>	<u>210,442,791,877</u>
Accumulated amortisation				
As at 1 January 2017	-	12,710,844,439	7,036,453,517	19,747,297,956
Charge for the year	-	2,103,763,416	2,155,931,422	4,259,694,838
As at 31 December 2017	<u>-</u>	<u>14,814,607,855</u>	<u>9,192,384,939</u>	<u>24,006,992,794</u>
Net book value				
As at 1 January 2017	110,288,939,361	90,110,735,272	5,906,324,288	206,305,998,921
As at 31 December 2017	<u>92,414,349,361</u>	<u>88,006,971,856</u>	<u>6,014,477,866</u>	<u>186,435,799,083</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 INVESTMENT PROPERTIES

	Buildings VND
Historical cost	
As at 1 January 2017	36,576,236,140
Transfers from tangible fixed assets (Note 12(a))	1,069,954,723
Transfers to tangible fixed assets (Note 12(a))	(35,974,311,996)
As at 31 December 2017	<u>1,671,878,867</u>
Accumulated depreciation	
As at 1 January 2017	11,008,259,421
Charge for the year	104,781,451
Transfers from tangible fixed assets (Note 12(a))	746,627,771
Transfers to tangible fixed assets (Note 12(a))	(10,589,607,934)
As at 31 December 2017	<u>1,270,060,709</u>
Net book value	
As at 1 January 2017	<u>25,567,976,719</u>
As at 31 December 2017	<u><u>401,818,158</u></u>

Historical cost of fully depreciated investment properties but still in use as at 31 December 2017 was VND367,140,705 (as at 31 December 2016: VND612,933,335).

14 LONG-TERM ASSETS IN PROGRESS

Construction in progress

	2017 VND	2016 VND
Effervescent tablet production factory	16,658,486,842	6,267,835,000
Gia Lai office	623,948,774	623,948,774
Bac Lieu office	71,643,034	-
Temperature and humidity measuring equipment for trucks	33,550,000	-
Head office renovation	4,000,000	-
Thai Nguyen office	-	11,818,182
	<u>17,391,628,650</u>	<u>6,903,601,956</u>

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

	2017 VND	2016 VND
Beginning of year	6,903,601,956	13,094,070,465
Additions	39,320,643,649	92,473,008,537
Transfers to tangible fixed assets (Note 12(a))	(13,880,428,662)	(84,930,323,433)
Transfers to intangible fixed assets (Note 12(b))	(2,264,085,000)	(6,205,435,000)
Transfers to investment properties	-	(136,483,613)
Transfers to tools, supplies	(2,132,259,411)	(496,913,970)
Disposals	(10,555,843,882)	(6,894,321,030)
End of year	<u>17,391,628,650</u>	<u>6,903,601,956</u>

15 DEFERRED INCOME TAX ASSETS

The deferred income tax assets mainly arise from deductible temporary differences of provisions.

	2017	2016
	VND	VND
Business income tax rate used for determining deferred income tax assets	20%	20%
Deductible temporary differences	48,880,220,153	45,303,092,215
Deferred income tax assets	<u>9,776,044,031</u>	<u>9,060,618,443</u>

16 SHORT-TERM TRADE ACCOUNTS PAYABLE

	<u>2017</u>		<u>2016</u>	
	Value VND	Able-to-pay amount VND	Value VND	Able-to-pay amount VND
Third parties (*)	246,870,234,719	246,870,234,719	275,063,545,976	275,063,545,976
Related parties (Note 36(b)(v))	134,155,492,217	134,155,492,217	370,804,348,141	370,804,348,141
	<u>381,025,726,936</u>	<u>381,025,726,936</u>	<u>645,867,894,117</u>	<u>645,867,894,117</u>

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

	2017	2016
	VND	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	<u>25,762,165,250</u>	<u>46,661,401,500</u>

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

17 SHORT-TERM ACCRUED EXPENSES

	2017	2016
	VND	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	23,628,657,734	19,543,193,162
	<u>49,433,190,823</u>	<u>27,426,200,327</u>

18 SHORT-TERM UNEARNED REVENUE

	2017 VND	2016 VND
Unearned revenue from customer loyalty programs (Note 2.19 and 2.26)	9,218,195,665	26,361,586,191

19 OTHER SHORT-TERM PAYABLES

	2017 VND	2016 VND
Dividends payable (Note 26)	196,119,106,500	-
Payables to subsidiaries (Note 36(b)(vi))	4,432,681,911	-
Union fee	497,197,623	700,902,630
Other payables	7,000,704,162	4,507,284,468
	<u>208,049,690,196</u>	<u>5,208,187,098</u>

20 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 balance of short-term borrowings that was past due.

21 BONUS AND WELFARE FUNDS

The funds are established through appropriation from retained earnings upon approval of shareholders at the Company's Annual General Meetings ("AGM"). The funds are used to pay bonus and welfare to the Company's employees in accordance with the Company's bonus and welfare policies and to the Board of Management in accordance with the Company's 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	23,284,835,838	6,822,310,000	31,082,436,238	61,189,582,076
Appropriation to the funds (Note 25)	85,212,171,380	11,070,021,247	-	96,282,192,627
Transfers from a subsidiary	1,712,874,138	1,891,519,075	-	3,604,393,213
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)
Transfers to subsidiaries	(14,178,776,002)	-	-	(14,178,776,002)
Utilisation	(70,423,736,480)	(12,079,104,954)	-	(82,502,841,434)
As at 31.12.2017	<u>33,126,810,874</u>	<u>7,704,745,368</u>	<u>20,285,705,306</u>	<u>61,117,261,548</u>

22 SCIENCE AND TECHNOLOGY DEVELOPMENT FUNDS

In accordance with Circular 12/2016/TTLT-BKHCHN-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	(5,308,384,662)	26,307,373,038	20,998,988,376
Appropriation to the funds	8,705,231,445	-	8,705,231,445
Transfers to a subsidiary	(2,257,793,048)	-	(2,257,793,048)
Utilisation	(915,858,718)	-	(915,858,718)
Assets formed from science and technology development fund	(1,863,636,364)	1,863,636,364	-
Depreciation of assets formed from science and technology development fund	-	(4,666,876,021)	(4,666,876,021)
Disposals of assets formed from science and technology development fund	1,640,441,347	(1,640,441,347)	-
As at 31.12.2017	<u>-</u>	<u>21,863,692,034</u>	<u>21,863,692,034</u>

23 PROVISIONS FOR LONG-TERM LIABILITIES

	Provision for dismantling and restoration costs of the Company's leased premises or lands (*) VND	Provision for Severance allowances VND	Total VND
As at 1.1.2017	3,055,713,715	25,747,378,500	28,803,092,215
Provision	1,701,995,928	2,942,572,031	4,644,567,959
Utilisation	-	(2,065,906,168)	(2,065,906,168)
As at 31.12.2017	4,757,709,643	26,624,044,363	31,381,754,006

(*) As at 31 December 2017, the estimated dismantling and restoration costs incurred at the time of returning the premises and lands in future is VND55,409,669,784.

24 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	%
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.

25 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)	1,025,023,272,831	542,991,263,137	2,423,536,805,968
Profit for the year	-	-	-	-	230,865,437,769	230,865,437,769
Dividends paid	-	-	-	-	(304,296,825,000)	(304,296,825,000)
Appropriation to reserves	-	-	-	179,395,311,823	(179,395,311,823)	-
Appropriation to bonus and welfare fund	-	-	-	-	(54,299,126,314)	(54,299,126,314)
Appropriation to bonus fund for Board of Management	-	-	-	-	(5,000,000,000)	(5,000,000,000)
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	-	1,204,418,584,654	230,865,437,769	2,313,706,270,423
Bonus shares issued (*)	435,817,410,000	-	-	(435,817,410,000)	-	-
Profit for the year	-	-	-	-	1,243,994,817,903	1,243,994,817,903
Dividends declared for the year 2016	-	-	-	-	(305,075,155,000)	(305,075,155,000)
1 st interim dividends declared for the year 2017	-	-	-	-	(130,746,071,000)	(130,746,071,000)
2 nd interim dividends declared for the year 2017	-	-	-	-	(196,119,106,500)	(196,119,106,500)
Appropriation to reserves	-	-	-	308,744,080,539	(308,744,080,539)	-
Appropriation to bonus and welfare fund (Note 21)	-	-	-	-	(85,212,171,380)	(85,212,171,380)
Appropriation to bonus fund for Board of Management (Note 21)	-	-	-	-	(11,070,021,247)	(11,070,021,247)
As at 31 December 2017	<u>1,307,460,710,000</u>	<u>6,778,948,000</u>	<u>-</u>	<u>1,077,345,255,193</u>	<u>437,893,650,006</u>	<u>2,829,478,563,199</u>

(*) 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.

26 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.

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

The future minimum lease payments under non-cancellable operating leases are 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	399,506	52,290
EUR	559	2,086
MOP	-	20
	<u> </u>	<u> </u>

28 REVENUE**(a) Net sales**

	2017 VND	2016 VND
Sales		
Sales of finished goods	748,976,610,895	1,671,141,245,697
Sales of merchandises	4,311,473,505,406	2,339,796,594,052
Others	48,529,495,485	46,478,983,546
	<u>5,108,979,611,786</u>	<u>4,057,416,823,295</u>
Sales deductions		
Trade discounts	471,112,921,259	238,090,735,236
Sales returns	12,774,061,764	72,497,427,319
	<u>483,886,983,023</u>	<u>310,588,162,555</u>
Net sales	<u>4,625,092,628,763</u>	<u>3,746,828,660,740</u>
In which:		
Sales of finished goods	674,614,305,505	1,519,391,363,903
Sales of merchandises	3,901,948,827,773	2,180,958,313,291
Others	48,529,495,485	46,478,983,546
	<u>4,625,092,628,763</u>	<u>3,746,828,660,740</u>

(b) Financial income

	2017 VND	2016 VND
Dividend income (*)	1,430,140,015,674	90,394,469,649
Interest income from deposits at bank	67,849,735,513	51,190,602,846
Gains from disposal of investments in subsidiaries	4,000,000,000	-
Foreign exchange gains	3,029,506,699	2,314,483,629
Interest income from lending (Note 36(a)(xi))	1,991,805,028	15,320,989,503
Profits transferred from liquidated subsidiaries (Note 36(a)(viii))	699,131,363	-
Others	-	262,858,381
	<u>1,507,710,194,277</u>	<u>159,483,404,008</u>

(*) Dividend income for the year ended 31.12.2017 includes: dividends for the year 2016 from subsidiaries of VND612,003,688,962 and dividends for the year 2017 from subsidiaries of VND817,946,596,348. Dividend income for the year ended 31.12.2016 includes final dividends for the year 2015 from subsidiaries of VND90,080,720,029 (Note 36(a)(vi)).

29 COST OF SALES

	2017 VND	2016 VND
Cost of finished goods sold	416,400,465,069	821,889,392,540
Cost of merchandises sold	3,290,450,391,779	1,982,007,680,732
Cost of services rendered	238,833,101	2,920,783,084
Provision for decline in value of inventories	1,673,744,368	(706,011,032)
	<u>3,708,763,434,317</u>	<u>2,806,111,845,324</u>

30 FINANCIAL EXPENSES

	2017 VND	2016 VND
Payment discounts	66,729,384,261	47,159,003,864
Interest expenses	24,541,141,037	12,492,351,845
Foreign exchange losses	4,116,071,252	5,182,387,982
Provision for long-term investments	998,466,147	-
Losses transferred from liquidated subsidiaries (Note 36(a)(ix))	815,924,115	-
Others	120,929,854	113,962,446
	<u>97,321,916,666</u>	<u>64,947,706,137</u>

31 SELLING EXPENSES

Major items included in selling expenses were:

	2017 VND	2016 VND
Staff costs	343,622,118,059	216,955,865,441
Advertising expenses	152,591,701,912	162,681,203,605
	<u>496,213,820,000</u>	<u>379,637,069,046</u>

32 GENERAL AND ADMINISTRATION EXPENSES

Major item included in general and administration expenses was:

	2017 VND	2016 VND
Staff costs	226,875,692,157	179,217,000,630
	<u>226,875,692,157</u>	<u>179,217,000,630</u>

33 OTHER INCOME AND EXPENSES

	2017 VND	2016 VND
Other income		
Gains from disposals of fixed assets	1,901,034,523	10,994,708,057
Sundry income	3,312,795,243	6,145,378,628
	<u>5,213,829,766</u>	<u>17,140,086,685</u>
Other expenses		
Fines and penalties as results of tax audit	6,310,525,691	-
Losses of inventories	-	8,295,694,967
Sundry expenses	2,985,168,347	1,667,577,465
	<u>9,295,694,038</u>	<u>9,963,272,432</u>

34 COST OF OPERATION BY FACTOR

	2017 VND	2016 VND
Raw materials (*)	3,557,491,739,070	2,554,765,461,680
Staff costs	663,036,983,373	520,794,842,209
Depreciation and amortisation expenses	48,496,412,824	52,751,391,787
Outside service expenses	156,072,949,215	310,326,147,895
Others	266,014,533,498	72,646,457,858
	<u>4,691,112,617,980</u>	<u>3,511,284,301,429</u>

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

35 BUSINESS INCOME TAX

According to the Decision No. 3044/QĐ-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 business income tax decreased to 22% since 1 January 2014 and 20% since 1 January 2016. Accordingly, the Company applied the BIT rate of 20% for the year 2017.

The tax on the Company'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	1,318,245,799,000	292,278,397,195
Tax calculated at the normal tax rate of 20%	263,649,159,800	58,455,679,439
Effect of:		
Income not subject to tax	(286,167,829,408)	(18,078,893,930)
Expenses not deductible for tax purposes	5,008,487,337	2,273,878,395
Under provision of prior year	-	66,719,400
Temporary differences for which no deferred income tax asset had been recognised before	-	(5,760,618,443)
Business income tax charge before applying the market profit margin on related party transactions	(17,510,182,271)	36,956,764,861
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>74,250,981,097</u>	<u>61,412,959,426</u>
Charged/(credited) to income statement:		
Business income tax - current	74,966,406,685	67,173,577,869
Business income tax - deferred	(715,425,588)	(5,760,618,443)
	<u>74,250,981,097</u>	<u>61,412,959,426</u>

(*) The Company'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.

36 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) Sales of goods and services		
Subsidiaries		
DHG Pharmaceutical One Member Limited Company	659,838,966,428	419,900,296,100
SH Pharmaceutical Joint Stock Company	79,528,968,396	76,181,312,900
DHG Travel One Member Limited Company	2,260,208,607	2,424,228,850
DHG Packaging and Printing 1 One Member Limited Company	579,002,412	671,422,082
Fuji Medic Limited Liability Company	400,000	-
TOT Pharmaceutical One Member Limited Company	-	145,365,634,187
A&G Pharmaceutical One Member Limited Company	-	95,311,786,700
ST Pharmaceutical One Member Limited Company	-	60,661,563,669
HT Pharmaceutical One Member Limited Company	-	56,803,021,200
CM Pharmaceutical One Member Limited Company	-	44,523,981,022
Bali Pharmaceutical One Member Limited Company	-	43,421,519,125
VL Pharmaceutical One Member Limited Company	-	43,071,534,466
B&T Pharmaceutical One Member Limited Company	-	42,252,642,375
DT Pharmaceutical One Member Limited Company	-	36,820,213,097
TG Pharmaceutical One Member Limited Company	-	31,843,230,024
TVP Pharmaceutical One Member Limited Company	-	23,838,303,097
Associate		
Vinh Hao Algae Processing Joint Stock Company	-	149,132,240
	742,207,545,843	1,123,239,821,134
ii) Purchases of goods and services		
Subsidiaries		
DHG Pharmaceutical One Member Limited Company	1,728,077,211,393	1,157,703,846,169
DHG Travel One Member Limited Company	41,429,298,225	30,966,967,000
DHG Packaging and Printing 1 One Member Limited Company	41,287,319,631	83,509,376,000
Fuji Medic Limited Liability Company	1,194,679,000	-
TOT Pharmaceutical One Member Limited Company	-	1,350,507,004
VL Pharmaceutical One Member Limited Company	-	469,456,821
B&T Pharmaceutical One Member Limited Company	-	235,284,000
HT Pharmaceutical One Member Limited Company	-	197,586,259
A&G Pharmaceutical One Member Limited Company	-	114,629,566
ST Pharmaceutical One Member Limited Company	-	98,073,313
Bali Pharmaceutical One Member Limited Company	-	54,733,455
DT Pharmaceutical One Member Limited Company	-	4,270,829
TVP Pharmaceutical One Member Limited Company	-	617,113
Associate		
Vinh Hao Algae Processing Joint Stock Company	2,443,371,600	2,253,860,000
	1,814,431,879,849	1,276,959,207,529

36 RELATED PARTY DISCLOSURES (continued)

(a) Related party transactions (continued)

	2017 VND	2016 VND
iii) Sales of fixed assets		
Subsidiaries		
DHG Pharmaceutical One Member Limited Company	13,476,848,879	21,010,603,239
Fuji Medic Limited Liability Company	-	4,385,090,909
	<u>13,476,848,879</u>	<u>25,395,694,148</u>
iv) Purchases of fixed assets		
Subsidiaries		
DHG Pharmaceutical One Member Limited Company	819,298,302	-
A&G Pharmaceutical One Member Limited Company	-	880,000,000
B&T Pharmaceutical One Member Limited Company	-	803,000,000
TVP Pharmaceutical One Member Limited Company	-	785,084,849
TOT Pharmaceutical One Member Limited Company	-	718,000,000
TG Pharmaceutical One Member Limited Company	-	476,971,508
CM Pharmaceutical One Member Limited Company	-	373,000,000
ST Pharmaceutical One Member Limited Company	-	370,935,589
DT Pharmaceutical One Member Limited Company	-	368,000,000
Bali Pharmaceutical One Member Limited Company	-	256,893,940
VL Pharmaceutical One Member Limited Company	-	283,000,000
HT Pharmaceutical One Member Limited Company	-	155,454,009
	<u>819,298,302</u>	<u>5,470,339,895</u>
v) Lending to subsidiaries		
Loans granted for investment capital		
DHG Pharmaceutical One Member Limited Company	11.086.544.165	40.031.399.252
Loans granted for working capital		
DHG Packaging and Printing 1 One Member Limited Company	5,500,000,000	-
DHG Travel One Member Limited Company	2,000,000,000	2,000,000,000
ST Pharmaceutical One Member Limited Company	-	3,878,438,285
	<u>7,500,000,000</u>	<u>5,878,438,285</u>
Collections of loans to subsidiaries		
DHG Travel One Member Limited Company	2,000,000,000	2,000,000,000
DHG Pharmaceutical One Member Limited Company	-	516,164,149,293
DHG Packaging and Printing 1 One Member Limited Company	-	75,000,000,000
ST Pharmaceutical One Member Limited Company	-	3,878,438,285
TVP Pharmaceutical One Member Limited Company	-	2,829,000,000
HT Pharmaceutical One Member Limited Company	-	2,000,000,000
	<u>2,000,000,000</u>	<u>601,871,587,578</u>

36 RELATED PARTY DISCLOSURES (continued)

(a) Related party transactions (continued)

	2017 VND	2016 VND
vi) Dividend income		
Subsidiaries		
DHG Pharmaceutical One Member Limited Company	1,280,660,836,138	68,214,526,669
DHG Packaging and Printing 1 One Member Limited Company	70,577,428,798	8,556,365,201
TOT Pharmaceutical One Member Limited Company	28,569,221,931	2,210,827,450
A&G Pharmaceutical One Member Limited Company	11,274,561,340	1,538,343,416
ST Pharmaceutical One Member Limited Company	6,892,286,367	853,786,842
HT Pharmaceutical One Member Limited Company	6,548,577,233	1,939,298,020
Bali Pharmaceutical One Member Limited Company	6,435,232,133	990,249,704
CM Pharmaceutical One Member Limited Company	6,353,700,178	1,018,960,957
B&T Pharmaceutical One Member Limited Company	3,396,890,325	959,981,576
VL Pharmaceutical One Member Limited Company	3,386,544,475	1,018,037,728
TG Pharmaceutical One Member Limited Company	2,285,345,720	693,817,933
DT Pharmaceutical One Member Limited Company	1,616,676,596	654,886,490
SH Pharmaceutical Joint Stock Company	765,000,000	1,275,000,000
DHG Travel One Member Limited Company	624,311,912	69,187,375
TVP Pharmaceutical One Member Limited Company	563,672,164	87,450,668
	<u>1,429,950,285,310</u>	<u>90,080,720,029</u>
vii) Withdrawal of contributed capital		
DT Pharmaceutical One Member Limited Company	5,000,000,000	-
HT Pharmaceutical One Member Limited Company	5,000,000,000	-
ST Pharmaceutical One Member Limited Company	5,000,000,000	-
CM Pharmaceutical One Member Limited Company	5,000,000,000	-
A&G Pharmaceutical One Member Limited Company	5,000,000,000	-
TG Pharmaceutical One Member Limited Company	5,000,000,000	-
Bali Pharmaceutical One Member Limited Company	5,000,000,000	-
TVP Pharmaceutical One Member Limited Company	5,000,000,000	-
VL Pharmaceutical One Member Limited Company	5,000,000,000	-
	<u>45,000,000,000</u>	<u>-</u>
viii) Profits transferred from liquidated subsidiaries (Note 28(b))		
A&G Pharmaceutical One Member Limited Company	539,520,185	-
HT Pharmaceutical One Member Limited Company	87,212,497	-
TG Pharmaceutical One Member Limited Company	66,865,781	-
TVP Pharmaceutical One Member Limited Company	4,389,368	-
ST Pharmaceutical One Member Limited Company	1,143,532	-
	<u>699,131,363</u>	<u>-</u>

36 RELATED PARTY DISCLOSURES (continued)

(a) Related party transactions (continued)

	2017 VND	2016 VND
ix) Losses transferred from liquidated subsidiaries (Note 30)		
CM Pharmaceutical One Member Limited Company	361,375,610	-
DT Pharmaceutical One Member Limited Company	78,977,310	-
Bali Pharmaceutical One Member Limited Company	315,454,594	-
VL Pharmaceutical One Member Limited Company	60,116,601	-
	<u>815,924,115</u>	<u>-</u>
x) Dividends paid		
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
	<u>231,423,139,000</u>	<u>182,890,778,000</u>
xi) Interest income from lending (Note 28(b))		
DHG Packaging and Printing 1 One Member Limited Company	1,118,096,756	3,336,076,779
DHG Pharmaceutical One Member Limited Company	850,708,272	11,839,181,622
DHG Travel One Member Limited Company	23,000,000	21,250,000
TVP Pharmaceutical One Member Limited Company	-	49,507,500
ST Pharmaceutical One Member Limited Company	-	41,473,602
HT Pharmaceutical One Member Limited Company	-	33,500,000
	<u>1,991,805,028</u>	<u>15,320,989,503</u>
xii) Bonus and welfare funds transferred to subsidiaries (Note 21)		
DHG Pharmaceutical One Member Limited Company	13,098,000,000	-
DHG Packaging and Printing 1 One Member Limited Company	1,080,776,002	-
TOT Pharmaceutical One Member Limited Company	-	921,730,000
ST Pharmaceutical One Member Limited Company	-	465,000,000
A&G Pharmaceutical One Member Limited Company	-	462,400,000
DT Pharmaceutical One Member Limited Company	-	416,087,519
CM Pharmaceutical One Member Limited Company	-	350,000,000
VL Pharmaceutical One Member Limited Company	-	324,985,957
B&T Pharmaceutical One Member Limited Company	-	305,700,000
TG Pharmaceutical One Member Limited Company	-	271,905,000
TVP Pharmaceutical One Member Limited Company	-	267,610,000
Bali Pharmaceutical One Member Limited Company	-	187,000,000
HT Pharmaceutical One Member Limited Company	-	118,977,426
	<u>14,178,776,002</u>	<u>4,091,395,902</u>

36 RELATED PARTY DISCLOSURES (continued)

(a) Related party transactions (continued)

	2017 VND	2016 VND
<i>xiii) Bonus and welfare funds transferred from subsidiaries (Note 21)</i>		
DHG Pharmaceutical One Member Limited Company	1,600,000,000	-
TOT Pharmaceutical One Member Limited Company	522,082,654	-
ST Pharmaceutical One Member Limited Company	247,441,703	-
A&G Pharmaceutical One Member Limited Company	245,930,250	-
DT Pharmaceutical One Member Limited Company	70,000,000	-
CM Pharmaceutical One Member Limited Company	242,013,453	-
VL Pharmaceutical One Member Limited Company	70,423,168	-
B&T Pharmaceutical One Member Limited Company	49,024,138	-
TG Pharmaceutical One Member Limited Company	87,618,009	-
TVP Pharmaceutical One Member Limited Company	73,960,867	-
Bali Pharmaceutical One Member Limited Company	304,953,391	-
HT Pharmaceutical One Member Limited Company	90,945,580	-
	<u>3,604,393,213</u>	<u>-</u>
<i>xiv) Science and technology development funds transferred to subsidiary (Note 22)</i>		
DHG Pharmaceutical One Member Limited Company	<u>2,257,793,048</u>	<u>2,709,344,000</u>
<i>xv) Compensation of key management</i>		
Gross salaries and other benefits	<u>17,749,263,439</u>	<u>10,691,087,971</u>

36 RELATED PARTY DISCLOSURES (continued)

(b) Year end balances with related parties

	2017 VND	2016 VND
i) Short-term trade accounts receivable (Note 5)		
Subsidiaries		
SH Pharmaceutical Joint Stock Company	14,129,773,054	8,256,820,378
DHG Packaging and Printing 1 One Member Limited Company	1,440,000	720,000
A&G Pharmaceutical One Member Limited Company	-	15,233,812,633
ST Pharmaceutical One Member Limited Company	-	13,113,970,433
CM Pharmaceutical One Member Limited Company	-	12,867,061,125
VL Pharmaceutical One Member Limited Company	-	11,625,139,603
TOT Pharmaceutical One Member Limited Company	-	10,337,468,553
HT Pharmaceutical One Member Limited Company	-	8,650,030,666
Bali Pharmaceutical One Member Limited Company	-	8,579,349,638
DT Pharmaceutical One Member Limited Company	-	8,042,060,515
TG Pharmaceutical One Member Limited Company	-	6,095,572,073
Fuji Medic Limited Liability Company	-	4,699,800,000
TVP Pharmaceutical One Member Limited Company	-	2,310,029,324
B&T Pharmaceutical One Member Limited Company	-	658,526,143
DHG Travel One Member Limited Company	-	1,841,860
	<u>14,131,213,054</u>	<u>110,472,202,944</u>
ii) Short-term lending (Note 6(a))		
Subsidiaries		
DHG Packaging and Printing 1 One Member Limited Company	-	22,919,711,037
DHG Pharmaceutical One Member Limited Company	-	9,030,704,663
	<u>-</u>	<u>31,950,415,700</u>
iii) Long-term lending (Note 6(b))		
Subsidiaries		
DHG Packaging and Printing 1 One Member Limited Company	28,419,711,037	-
DHG Pharmaceutical One Member Limited Company	20,117,248,828	-
	<u>48,536,959,865</u>	<u>-</u>

36 RELATED PARTY DISCLOSURES (continued)

(b) Year end balances with related parties (continued)

	2017 VND	2016 VND
iv) Dividends receivable (Note 7)		
Subsidiaries		
DHG Pharmaceutical One Member Limited Company	380,774,950,615	-
DHG Packaging and Printing 1 One Member Limited Company	14,500,219,236	-
DHG Travel One Member Limited Company	188,786,202	-
	<u>395,463,956,053</u>	<u>-</u>
v) Short-term trade accounts payable (Note 16)		
Subsidiaries		
DHG Pharmaceutical One Member Limited Company	129,452,729,383	362,912,166,262
DHG Packaging and Printing 1 One Member Limited Company	4,681,937,834	7,577,591,879
DHG Travel One Member Limited Company	16,325,000	103,390,000
Associate		
Vinh Hao Algae Processing Joint Stock Company	4,500,000	211,200,000
	<u>134,155,492,217</u>	<u>370,804,348,141</u>
vi) Other short-term payables (Note 19)		
Subsidiary		
B&T Pharmaceutical One Member Limited Company	<u>4,432,681,911</u>	<u>-</u>

37 SEGMENT REPORTING

Segment information is presented in respect of the Company's business segment. The primary format, business segment, is based on the Company'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.

	2017 VND	2016 VND
Net sales		
Pharmaceutical products	3,197,766,127,978	2,559,421,265,507
Functional foods	499,068,275,125	404,324,989,880
Others	928,258,225,660	783,082,405,353
	<u>4,625,092,628,763</u>	<u>3,746,828,660,740</u>
Cost of sales		
Pharmaceutical products	(2,479,232,856,741)	(1,797,924,214,274)
Functional foods	(377,315,460,725)	(254,917,964,851)
Others	(852,215,116,851)	(753,269,666,199)
	<u>(3,708,763,434,317)</u>	<u>(2,806,111,845,324)</u>
Gross profit		
Pharmaceutical products	718,533,271,237	761,497,051,233
Functional foods	121,752,814,400	149,407,025,029
Others	76,043,108,809	29,812,739,154
	<u>916,329,194,446</u>	<u>940,716,815,416</u>

39 COMMITMENTS

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

	2017 VND	2016 VND
Approved but not contracted	15,055,633,763	20,957,976,618
Approved and contracted but not implemented	4,951,768,060	16,355,560,493
	<u>20,007,401,823</u>	<u>37,313,537,111</u>

40 RESTATEMENTS AND RECLASSIFICATIONS

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

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

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

40 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 separate balance sheet as at 31 December 2016 is as follows:

	2016 VND
Increase in "Value Added Tax to be reclaimed"	1,488,901,617
Increase in "Other taxes receivable"	3,853,134,149
Increase in "Tax and other payables to the State Budget"	<u>5,342,035,766</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 Company's separate balance sheet:

		As at 31 December 2016		
Code		As previously reported VND	Adjustments VND	As restated VND
100	CURRENT ASSETS	2,375,437,113,573	(401,719,151)	2,375,035,394,422
150	Other current assets	12,046,504,419	(401,719,151)	11,644,785,268
152	Value Added Tax to be reclaimed	-	1,488,901,617	1,488,901,617
153	Other taxes receivable	9,408,768,166	(1,890,620,768)	7,518,147,398
270	TOTAL ASSETS	3,637,970,495,636	(401,719,151)	3,637,568,776,485
300	LIABILITIES	1,299,808,030,648	24,054,475,414	1,323,862,506,062
310	Short-term liabilities	1,250,005,950,057	24,054,475,414	1,274,060,425,471
313	Tax and other payables to the State Budget	2,265,214,563	24,054,475,414	26,319,689,977
400	OWNERS' EQUITY	2,338,162,464,988	(24,456,194,565)	2,313,706,270,423
410	Capital and reserves	2,338,162,464,988	(24,456,194,565)	2,313,706,270,423
421	Undistributed earnings	255,321,632,334	(24,456,194,565)	230,865,437,769
440	TOTAL RESOURCES	3,637,970,495,636	(401,719,151)	3,637,568,776,485

40 RESTATEMENTS AND RECLASSIFICATIONS (continued)


Extracted from the Company's separate income statement:

Year ended 31 December 2016				
Code		As previously reported VND	Adjustments VND	As restated VND
51	Business income tax - current	(42,717,383,304)	(24,456,194,565)	(67,173,577,869)
60	Net profit after tax	255,321,632,334	(24,456,194,565)	230,865,437,769

Extracted from the Company's separate cash flow statement:

Year ended 31 December 2016				
Code		As previously reported VND	Adjustments VND	As restated VND
09	Decrease in receivables	119,272,899,020	401,719,151	119,674,618,171
11	Increase in payables	593,962,665,320	(401,719,151)	593,560,946,169

The separate 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