

DHG PHARMACEUTICAL JOINT STOCK COMPANY

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015



DHG PHARMACEUTICAL JOINT STOCK COMPANY

**CONSOLIDATED FINANCIAL STATEMENTS
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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 21st amendment dated 29 October 2015 was issued by the Planning and Investment Department of Can Tho City.

Board of Management

Mr Hoang Nguyen Hoc	Chairman
Mr Le Dinh Buu Tri	Vice Chairman
Mdm Pham Thi Viet Nga	Member
Mr Doan Dinh Duy Khuong	Member
Ms Dang Pham Minh Loan	Member
Mr Tran Chi Liem	Member
Mr Shuhei Tabata	Member

Board of Directors

Mdm Pham Thi Viet Nga	General Director
Mr Le Chanh Dao	Deputy General Director
Mr Doan Dinh Duy Khuong	Deputy General Director
Ms Nguyen Ngoc Diep	Deputy General Director

Supervisory Board

Mr Tran Quoc Hung	Head of the Board
Ms Nguyen Phuong Thao	Member
Mr Dinh Duc Minh	Member

Legal representative

Mdm Pham Thi Viet Nga	General Director
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Registered office

288 Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District, Can Tho City, Vietnam

Auditor

PricewaterhouseCoopers (Vietnam) Limited

DHG PHARMACEUTICAL JOINT STOCK COMPANY

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

The Board of Directors is responsible for the consolidated financial statements of DHG Pharmaceutical Joint Stock Company ("the Company") and its subsidiaries (together "the Group") which give a true and fair view of the consolidated financial position of the Group as at 31 December 2015 and of the consolidated results of its operation and cash flows for the year then ended. In preparing these consolidated financial statements, the Board of Directors is required to:

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

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

APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements set out on pages 5 to 44 which give a true and fair view of the consolidated financial position of the Group as at 31 December 2015 and of the consolidated results of operation 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 in SR Vietnam.

On behalf of the Board of Directors



Le Chanh Dao
Deputy General Director
Authorised signatory

Can Tho City, SR Vietnam
12 March 2016



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

We have audited the accompanying consolidated financial statements of DHG Pharmaceutical Joint Stock Company ("the Company") and its subsidiaries (together "the Group") which were prepared on 31 December 2015 and approved by the Board of Directors on 12 March 2016. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2015, the consolidated income statement and the consolidated cash flow statement for the year then ended and explanatory notes to these consolidated financial statements including significant accounting policies, as set out on pages 5 to 44.

The Board of Directors' Responsibility to the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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



Auditor's Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2015, its consolidated 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 preparation and presentation of consolidated financial statements.

**For and on behalf of
PricewaterhouseCoopers (Vietnam) Limited**



Quach Thanh Chau
Audit Practising Licence No. 0875-2013-006-1
Authorised signatory

Pham Thi Xuan Mai
Audit Practising Licence No. 1771-2013-006-1

Audit report number HCM5051
Ho Chi Minh City, 12 March 2016

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

CONSOLIDATED BALANCE SHEET

Code	ASSETS	Note	As at 31 December	
			2015 VND	2014 VND
100	CURRENT ASSETS		2,221,373,030,144	2,386,250,376,004
110	Cash and cash equivalents	3	420,712,811,918	498,291,764,030
111	Cash		89,510,544,052	108,745,132,437
112	Cash equivalents		331,202,267,866	389,546,631,593
120	Short-term financial investments	4(a)	507,605,100,000	258,816,666,667
123	Held-to-maturity investments		507,605,100,000	258,816,666,667
130	Short-term receivables		644,064,122,343	844,549,297,268
131	Short-term trade accounts receivable	5	570,830,701,600	760,722,312,361
132	Short-term prepayments to suppliers		23,308,107,672	45,230,064,069
135	Short-term lending		37,688,828,113	29,504,940,731
136	Other short-term receivables	6	23,223,854,477	16,797,425,759
137	Provision for doubtful debts – short term	7	(10,987,369,519)	(7,705,445,652)
140	Inventories	8	639,320,555,977	780,703,611,464
141	Inventories		642,331,928,161	786,123,041,332
149	Provision for decline in value of inventories		(3,011,372,184)	(5,419,429,868)
150	Other current assets		9,670,439,906	3,889,036,575
151	Short-term prepaid expenses	11(a)	3,968,455,036	1,029,267,451
152	Value Added Tax to be reclaimed		4,327,687,627	1,767,528,950
153	Tax and other receivables from the State Budget		1,374,297,243	874,613,071
155	Other current assets		-	217,627,103
200	LONG-TERM ASSETS		1,141,825,629,796	1,096,467,924,049
210	Long-term receivables		-	808,355,513
216	Other long-term receivables		-	808,355,513
220	Fixed assets		1,067,774,140,547	913,680,911,988
221	Tangible fixed assets	9(a)	811,356,338,576	733,663,998,483
222	Cost		1,252,111,595,162	1,090,746,573,280
223	Accumulated depreciation		(440,755,256,586)	(357,082,574,797)
227	Intangible fixed assets	9(b)	256,417,801,971	180,016,913,505
228	Cost		273,969,773,238	193,368,549,477
229	Accumulated amortisation		(17,551,971,267)	(13,351,635,972)
240	Long-term assets in progress		15,722,551,016	50,132,540,095
242	Construction in progress	10	15,722,551,016	50,132,540,095
250	Long-term financial investments	4(b)	15,932,055,542	16,842,443,714
252	Investments in associates		4,523,885,342	5,434,273,514
253	Investments in other entities		27,908,170,200	27,908,170,200
254	Provision for long-term financial investments		(16,500,000,000)	(16,500,000,000)
260	Other long-term assets		42,396,882,691	115,003,672,739
261	Long-term prepaid expenses	11(b)	28,312,322,417	100,946,118,907
262	Deferred income tax assets	12	14,084,560,274	14,017,983,554
268	Other long-term assets		-	39,570,278
270	TOTAL ASSETS		3,363,198,659,940	3,482,718,300,053

The notes on pages 9 to 44 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
(continued)

Code	RESOURCES	Note	As at 31 December	
			2015 VND	2014 VND
300	LIABILITIES		841,962,632,700	1,189,092,829,107
310	Short-term liabilities		779,632,287,905	1,119,689,495,134
311	Short-term trade accounts payable	13	224,957,469,694	261,374,420,147
312	Short-term advances from customers		7,079,129,950	912,804,381
313	Tax and other payables to the State Budget	14	13,343,506,157	103,311,154,783
314	Payable to employees		128,045,082,047	208,304,993,114
315	Short-term accrued expenses	15	21,683,931,132	266,009,951,113
318	Short-term unearned revenue	16	7,747,880,222	-
319	Other short-term payables	17	15,300,462,313	36,083,180,507
320	Short-term borrowings	18	270,711,206,737	176,707,408,762
322	Bonus and welfare funds	19	90,763,619,653	66,985,582,327
330	Long-term liabilities		62,330,344,795	69,403,333,973
342	Provision for long term liabilities	21	31,323,948,748	28,843,956,033
343	Science and technology development funds	20	31,006,396,047	40,559,377,940
400	OWNERS' EQUITY		2,521,236,027,240	2,293,625,470,946
410	Capital and reserves		2,521,236,027,240	2,293,625,470,946
411	Owners' capital	22, 23	871,643,300,000	871,643,300,000
415	Treasury shares	22, 23	(16,121,030,000)	(455,850,000)
418	Investment and development fund	23	1,039,479,185,578	782,076,482,219
	Financial reserve fund	23	-	67,063,774,920
421	Undistributed earnings	23	605,911,345,691	556,467,354,916
421a	- Undistributed post-tax profits of the previous years		164,434,562,794	37,484,990,418
421b	- Undistributed post-tax profits of the current year		441,476,782,897	518,982,364,498
429	Non-controlling interests	24	20,323,225,971	16,830,408,891
440	TOTAL RESOURCES		3,363,198,659,940	3,482,718,300,053



Ngo Thi Hong Dao
Preparer



Dang Pham Huyen Nhung
Chief Accountant



Le Chanh Dao
Deputy General Director
Authorised signatory
12 March 2016

The notes on pages 9 to 44 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

Code	Note	Year ended 31 December	
		2015 VND	2014 VND
01	Sales	4,151,727,486,719	3,958,709,910,419
02	Less deductions	(543,967,663,522)	(46,191,765,944)
10	Net sales	3,607,759,823,197	3,912,518,144,475
11	Cost of sales	(2,194,892,134,426)	(1,781,997,126,034)
20	Gross profit	1,412,867,688,771	2,130,521,018,441
21	Financial income	34,338,648,064	37,139,877,819
22	Financial expenses	(89,481,890,058)	(67,340,673,729)
23	Including: interest expenses	(8,730,565,082)	(4,838,876,750)
24	Share of losses in associates	(910,388,172)	-
25	Selling expenses	(457,613,535,495)	(1,098,587,377,918)
26	General and administration expenses	(262,310,172,518)	(312,775,808,459)
30	Operating profit	636,890,350,592	688,957,036,154
31	Other income	84,857,448,081	36,844,503,038
32	Other expenses	(20,438,693,513)	(3,864,380,978)
40	Net other income	64,418,754,568	32,980,122,060
50	Net accounting profit before tax	701,309,105,160	721,937,158,214
51	Business income tax - current	(108,690,466,892)	(193,926,063,163)
52	Business income tax - deferred	66,576,717	5,760,983,976
60	Net profit after tax	592,685,214,985	533,772,079,027
	Attributable to:		
61	Owners of the parent company	588,701,003,222	533,272,781,144
62	Non-controlling interests	3,984,211,763	499,297,883
70	Basic earnings per share	5,748	5,169
71	Diluted earnings per share	5,748	5,169



Ngo Thi Hong Dao
Preparer



Dang Pham Huyen Nhung
Chief Accountant




Le Chanh Dao
Deputy General Director
Authorised signatory
12 March 2016

CONSOLIDATED CASH FLOW STATEMENT
(Indirect method)

Code	Note	Year ended 31 December	
		2015 VND	2014 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01		701,309,105,160	721,937,158,214
		Adjustments for:	
02	9	89,670,281,622	79,709,426,586
03		3,353,858,898	(770,413,164)
05	32	(2,618,121,272)	134,124,144
05	27(b)	(30,674,059,705)	(35,180,994,085)
05		910,388,172	-
05		-	(95,680,000)
06	29	8,730,565,082	4,838,876,750
08		770,682,017,957	770,572,498,445
09		198,827,310,535	(169,149,296,989)
10		144,415,717,547	(23,716,256,909)
11		(373,682,424,489)	22,752,783,625
12		1,032,635,996	(27,875,657,824)
14		(9,256,860,798)	(3,957,414,700)
15	14	(191,641,456,763)	(149,100,796,888)
17		(65,181,968,703)	(118,221,104,830)
20		475,194,971,282	301,304,753,930
CASH FLOWS FROM INVESTING ACTIVITIES			
21		(163,832,312,819)	(255,151,975,150)
22			
	32	16,233,594,513	2,092,971,399
23		(828,615,931,107)	(458,479,381,955)
24		577,394,465,462	340,157,774,557
26		-	4,018,560,000
27		29,488,742,582	32,974,690,379
30		(369,331,441,369)	(334,387,360,770)
CASH FLOWS FROM FINANCING ACTIVITIES			
32	22	(15,665,180,000)	-
33	18	1,222,254,694,302	1,376,817,787,033
34	18	(1,128,250,896,327)	(1,327,141,456,830)
36		(261,781,100,000)	(131,588,800,000)
40		(183,442,482,025)	(81,912,469,797)
50		(77,578,952,112)	(114,995,076,637)
60	3	498,291,764,030	613,286,840,667
70	3	420,712,811,918	498,291,764,030

Significant non-cash transactions for the year ended 31 December 2015 are presented in Note 38.


 Ngo Thi Hong Dao
 Preparer


 Dang Pham Huyen Nhung
 Chief Accountant


 Le Chanh Dao
 Deputy General Director
 Authorised signatory
 12 March 2016

The notes on pages 9 to 44 are an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

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 2014, the Company increased the share capital to VND871,643,300,000 by issuing bonus shares to existing shareholders at ratio 3:1 as approved by the relevant authorities. The Company was granted the 20th amended Business Registration Certificate dated 6 May 2015 for the increase in share capital and the 21st amended Business Registration Certificate dated 29 October 2015 for supplementing the business scope of manufacturing and selling bottled pure water.

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

The normal business cycle of the Company and its subsidiaries is within 12 months.

As at 31 December 2015, the Group had 2,877 employees (as at 31 December 2014: 2,964 employees).

The consolidated financial statements for the year ended 31 December 2015 comprise of the financial statements of the Company and its subsidiaries (together the “Group”) and the Group’s interest in associates as listed below:

Name	Principal activities	Business Registration Certificate	% of ownership and voting rights	
			31.12.2015	31.12.2014
Subsidiaries:				
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%	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%
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%	100%
DHG Nature One Member Limited Company (*)	Grow, process, manufacture, and trade herbal materials; manufacture and trade pharmaceutical chemistry and dietary supplements	No. 1800723433 issued by the Planning and Investment Department of Can Tho City on 25 August 2008	-	100%

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 09 – DN/HN

1 GENERAL INFORMATION (continued)

Name	Principal activities	Business Registration Certificate	% Ownership and voting rights	
			31.12.2015	31.12.2014
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%	100%
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	51%	51%
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%	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%	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%	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%	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%	100%
DHG Pharmaceutical One Member Limited Company	Manufacture and trade pharmaceuticals, dietary supplements and pharmaceutical cosmetics	No. 642041000005 issued by the Management Board of Hau Giang Industrial Zone on 16 August 2010	100%	100%
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%
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%	100%

1 GENERAL INFORMATION (continued)

Name	Principal activities	Business Registration Certificate	% Ownership and voting rights	
			31.12.2015	31.12.2014
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%	100%
DHG Packaging and Printing 1 One Member Limited Company	Manufacture and trade packaging, plastic, aluminum, paper for pharmaceutical industry; provide printing services	No. 642041000007 issued by the Management Board of Hau Giang Industrial Zone on 28 September 2012	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%

(*) On 08 June 2015, the Board of Management of the Company issued the Decision No.023/2015/QD.HDQT to dissolve DHG Nature One Member Limited Company. As at 31 December 2015, the dissolution procedures were completed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of consolidated financial statements

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

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

2.2 Significant changes in accounting policies

On 22 December 2014, the Ministry of Finance issued Circular No. 200/2014/TT-BTC ("Circular 200") – Providing guidance on Corporate Accounting System replacing Decision No. 15/2006/QD-BTC dated 20 March 2006 ("Decision 15") and Circular No. 244/2009/TT-BTC dated 31 December 2009. Circular 200 applied for the fiscal year beginning on 1 January 2015.

Also on 22 December 2014, the Ministry of Finance issued Circular No. 202/2014/TT-BTC ("Circular 202") - Guiding on the preparation and presentation of consolidated financial statements. Circular 202 replaced the previous guidance on preparation and presentation of consolidated financial statements provided in part XIII of Circular 161/2007/TT-BTC dated 31 December 2007. Circular 202 applied for the fiscal year beginning on 1 January 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major changes in accounting policies which are presented in the notes of significant accounting policies are as follows:

- Basis of consolidation – gains or losses incurred from partial acquisitions or disposals that do not result in a loss or gain of control are recorded directly in undistributed earnings under equity. Non-controlling interests are now reclassified as part of equity – Note 2.4
- Transactions arising in foreign currencies and revaluation of monetary assets and liabilities denominated in foreign currencies - 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 bank where the Group regularly trades. Foreign currencies deposited in bank at the balance sheet date are translated at the buying exchange rate of the bank where the Group opens the foreign currency accounts - Note 2.6.
- Provision for dismantling and restoration costs – In accordance with Circular 200, since 1 January 2015, the Group is required to provide for dismantling and restoration costs of the Group's leased premises or land - Note 2.19
- Revenue recognition – Revenue is recognised based on principle of "substance over form" and allocated to each sales obligation. In case that the Group gives promotional goods to customers associated with customers' purchase, the Group allocates total consideration received for goods sold and for promotional goods. Cost of promotional goods is recognised as cost of sales in the income statement. Circular 200 also regulates accounting policies for customer loyalty programs - Note 2.25 and 2.27
- Financial reserve fund – Since 2015, the financial reserve fund was no longer used. The remaining balance of this fund was transferred to the investment and development fund - Note 2.23
- Basic earnings per share – profits or loss attributable to the ordinary shareholders of the Company is now determined after deducting amounts appropriated to bonus and welfare funds – Note 35

The Group applied prospectively changes in accounting policies according to Article 127 of Circular 200 and Circular 202 for the financial year beginning on 1 January 2015, therefore information in the consolidated financial statements is not comparable.

Certain comparative figures have been reclassified to conform with the current year's presentation under Circular 200 and Circular 202. The details of such reclassifications were disclosed in Note 41.

2.3 Fiscal year

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

2.4 Basis of consolidation

In 2015, the Company prepared its consolidated financial statements in accordance with Circular 202/2014/TT-BTC - Guiding on the preparation and presentation of consolidated financial statements.

Subsidiaries

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4 Basis of consolidation (continued)**

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

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

Non-controlling transactions and interests

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

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners. The difference between the change in the Group's share of net assets of the subsidiary and any consideration paid or received is recorded directly in the undistributed earnings under equity.

Associates

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

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

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

2.5 Use of estimates

The preparation of the consolidated 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.6 Currency**

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

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

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

2.7 Cash and cash equivalents

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

2.8 Trade receivables

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

2.9 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.

2.10 Investments**(a) Held-to-maturity investments**

Held-to-maturity investments are investments that the Board of Directors of the Company has the positive intention or ability to hold until maturity.

Held-to-maturity investments comprise term deposits at bank for interest earning. These term deposits are accounted for at cost less provision for diminution in value of investments.

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

(b) Investments in associates

Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements (Note 2.4).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.10 Investments (continued)****(c) Long-term investments in other entities**

Long-term investments in other entities represent the Group's investments in equity instruments of the entities over which the Group has no control, joint control, or significant influence. These investments are initially recorded at cost. Provision for diminution in value of these investments is made when the entities make losses, except for loss that was anticipated in their business plan before the date of investment.

2.11 Fixed assets*Tangible and intangible fixed assets*

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

Depreciation

Fixed assets are depreciated using the straight-line method, to write off the cost of the assets over their estimated useful lives or over the term of the project whichever is 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 are amortised using the straight-line method over the terms indicated in the land use right certificate. Land use rights which are granted for an indefinite term are carried at cost and not amortised.

Subsequent expenditure

Subsequent expenditure relating to fixed assets that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in the income statement when incurred.

Disposals

Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amounts. The disposal proceeds are recognised as income in the income statement. The carrying amounts are recognised as expenses in the income statement.

2.12 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.13 Prepaid expenses**

Prepaid expenses include short-term or long-term prepayments on the balance sheet and are mainly leasehold improvements, prepaid land rental, tools and equipment already put to use. Prepaid expenses are recorded at historical cost and allocated to expenses using the straight line method over the allocation period.

2.14 Payables

Payables are recognised according to payment schedule, creditor, currency and other factors upon managerial requirements of the Group. Classifications of payables are based on their nature as follows:

- Trade accounts payable are trade payables arising from purchases of goods or services.
- Other payables are non-trade payables not relating to purchases of goods or services.

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

2.15 Accrued expenses

Accrued expenses are payables for goods or services received from the seller or provided to the buyer during the period but the payments have not been made due to lack of invoices or accounting documents, which are recognised as expenses in the income statement.

2.16 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.

2.17 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are 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, provisions will be measured at their 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 interest expenses.

2.18 Provision for severance allowances

In accordance with Vietnamese labour laws, employees of the Group are entitled to a severance allowance based on their years of service. This will be paid as a lump sum when the employee leaves the Group. Pursuant to Law on Social Insurance, effective from 1 January 2009, the Group is required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. With the implementation of the unemployment scheme, the Group is no longer required to provide for the service period after 1 January 2009. However, provision for severance allowance as at 31 December 2015 is determined based on the employees' number of years of service at the Group up to 31 December 2008 and their average salary for the six-month period prior to the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.19 Provision for dismantling and restoration costs**

In accordance with Circular 200, since 1 January 2015, the Group is required to provide for dismantling and restoration costs of the Group's leased premises or land. The provision for dismantling and restoration costs is determined based on the estimated dismantling and restoration costs to be incurred at the time of returning the premises or land at the end of the lease term and recognised on a straight-line basis over the period from 1 January 2015 to the time of returning the premises or land.

2.20 Unearned revenues

Unearned revenue represents the fair value of goods and services provided to customers for free or at discount in the customer loyalty programs. Unearned revenue is recognised for the portion of obligation that the Group has not yet fulfilled to customers.

2.21 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 that the Socialist Republic of Vietnam has not signed any double tax relief 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 profit and the current tax rates. Current and deferred tax should be recognised as income or an expense and included in profit or loss for 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.

2.22 Share capital and treasury shares

Ordinary shares in issue are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from the proceeds.

Treasury shares are the Company's shares that were issued but subsequently reacquired. The reacquired shares will not be cancelled and could be reissued within the time frame regulated in law on securities. The consideration paid, including directly incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Consideration received less any directly attributable incremental transaction costs from sell or reissue treasury shares is included in equity attributable to the Company's equity holders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.23 Method of reserve appropriation**

Annual appropriation from undistributed earnings to reserve funds belonged to owners' equity is approved by shareholders at the Company's Annual General Meeting.

Since 2015, the financial reserve fund was no longer used. The remaining balance of this fund was transferred to the investment and development fund.

2.24 Dividend distribution

The Company's net profit after tax is available for appropriation to shareholders as dividends after approval by shareholders at the Company's Annual General Meeting.

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 2014 was approved by shareholders at the Company's Annual General Meeting as follows:

- Dividends declared for the year 2014: 30% of par value.
- Appropriation to the bonus and welfare fund: 12% of net profit after tax.
- Remuneration payment for Board of Management, Supervisory Board, 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, Board of Management secretary, Board of Directors and key management personnel: 5% of the increase in net consolidated profit after tax.
- Remaining net profit after tax was appropriated to the investment and development fund.

2.25 Revenue recognition**(a) Sales of goods**

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the likely return of goods.

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

(b) Interest income

Interest income is recognised on the basis of the actual time and interest rate in each period.

(b) Dividend income

Dividend income is recognised in the period in which the dividends are declared by the investee entities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.26 Sales deductions**

Sales deductions include trade discounts, sales returns and allowances. Trade discounts, sales returns and allowances incurred in the same period of sales of goods and services are deducted from revenue of the period.

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

2.27 Customer loyalty programs

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

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

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

2.28 Cost of sales

Costs of sales are cost of finished goods, merchandises, materials sold or services rendered during the year and recorded on the basis of matching with revenue and on prudent concept.

2.29 Financial expenses

Finance expenses are expenses incurred in the period for financial activities including expenses or losses relating to financial investment activities, expenses of lending and borrowing activities, costs of capital contributed to joint ventures and associates, losses on trading short-term securities, security selling transaction fees; provisions for diminution in value of trading securities and long-term financial investments; losses on selling foreign currencies, losses from exchange rates and payment discounts.

2.30 Selling expenses

Selling expenses are expenses arising in selling goods and providing services to customers, including publicity expenses, goods display and introduction expenses, advertising expenses, sales commission, warranty expenses (except for construction activities), maintenance charges, costs of packing and transportation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.31 General and administration expenses**

General administration expenses are overhead costs of business including salary expenses for administrative staff (salaries, wages, allowances...); social insurance, health insurance, labor union fees, unemployment insurance for administrative staff; materials, tools and supplies, depreciation of fixed assets used for administrative purposes; land lease, licence tax; provision for bad debts; outside service expenses (electricity, water, telephone, fax, insurance for fire and explosive accidents...); other cash expenses (entertainment expenses, customer conferences...).

2.32 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 and officers 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 each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

2.33 Segmental reporting

A segment is a distinct business segment of the Group that provides a single product or service or a group of related products and services (product segment), or provides products and services within a particular economic environment (geographical segment). Each segment is subject to risks and returns that are different from those of others. The basic reportable segment of the Group is product segment.

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

3 CASH AND CASH EQUIVALENTS

	31.12.2015	31.12.2014
	VND	VND
Cash on hand	15,959,146,726	16,321,258,859
Cash at bank	73,551,397,326	92,423,873,578
Cash equivalents (*)	331,202,267,866	389,546,631,593
	<u>420,712,811,918</u>	<u>498,291,764,030</u>

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

As at 31 December 2015, the cash equivalents of VND75 billion were used as collateral assets for short-term loans from bank (Note 18).

4 FINANCIAL INVESTMENTS

(a) Held-to-maturity investments

	31.12.2015		31.12.2014	
	Cost VND	Book value VND	Cost VND	Book value VND
Term deposits at bank	507,605,100,000	507,605,100,000	258,816,666,667	258,816,666,667

(b) Long-term investments in other entities

	31.12.2015		31.12.2014	
	Cost VND	Provision VND	Cost VND	Provision VND
Investments in associates (*)	4,523,885,342	-	5,434,273,514	-
Other long-term investments (**)	27,908,170,200	(16,500,000,000)	27,908,170,200	(16,500,000,000)
	32,432,055,542	(16,500,000,000)	33,342,443,714	(16,500,000,000)

(*) Percentages of ownership and voting rights in associates are presented in Note 2. Details of investments in associates are as follows:

	31.12.2015 VND	31.12.2014 VND
Vinh Hao Algae Processing Joint Stock Company	4,523,885,342	5,434,273,514

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

	31.12.2015 VND	31.12.2014 VND
At 1 January	5,434,273,514	5,434,273,514
Share of losses in associates	(910,388,172)	-
At 31 December	4,523,885,342	5,434,273,514

(**) Details of investments in other entities as at 31 December 2015 and 31 December 2014 are as follows:

	At cost VND
Vinh Tuong High-Tech Packaging Corporation	20,000,000,000
Binh Duong Pharmaceutical & Medical Equipments Joint Stock Company	4,286,800,000
Tra Vinh Pharmaceutical Joint Stock Company	2,575,315,200
Ninh Thuan Pharmaceutical & Medical Equipments Joint Stock Company	796,675,000
Tay Ninh Pharmaceutical Joint Stock Company	221,960,000
Cuu Long Pharmaceutical Joint Stock Company	27,420,000
	27,908,170,200

4 FINANCIAL INVESTMENTS (continued)

(b) Long-term investments in other entities (continued)

Provision balance as at 31 December 2015 and 31 December 2014 represents the provision for diminution in value of long-term investments in Vinh Tuong High-Tech Packaging Corporation.

As at 31 December 2015 and 31 December 2014, 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 whose shares are publicly traded in Ho Chi Minh Security Exchange since 2008. Fair value of the Group's investment in Cuu Long Pharmaceutical Joint Stock Company as at 31 December 2015 and 31 December 2014 was VND63,000,000 and VND93,744,000, respectively.

5 SHORT-TERM TRADE ACCOUNTS RECEIVABLE

	31.12.2015 VND	31.12.2014 VND
Trade accounts receivable from third parties	570,830,701,600	760,722,312,361

As at 31 December 2015 and 31 December 2014, there was no single trade receivable accounting for 10% or more of total trade accounts receivable balance.

6 OTHER RECEIVABLES

	31.12.2015		31.12.2014	
	Value VND	Provision VND	Value VND	Provision VND
Interest income receivable	6,691,565,280	-	5,506,248,160	-
Prepaid trade discounts	2,091,752,341	-	3,215,704,665	-
Receivables from employees	1,581,592,079	-	2,830,392,453	-
Other receivables	12,858,944,777	-	5,245,080,481	-
	<u>23,223,854,477</u>	<u>-</u>	<u>16,797,425,759</u>	<u>-</u>

7 DOUBTFUL DEBTS

	31.12.2015		
	Cost VND	Recoverable amount VND	Provision VND
Total amount of receivables past due or not past due but impaired	263,197,852,081	252,210,482,562	10,987,369,519
	<u>263,197,852,081</u>	<u>252,210,482,562</u>	<u>10,987,369,519</u>
	31.12.2014		
	Cost VND	Recoverable amount VND	Provision VND
Total amount of receivables past due or not past due but impaired	346,230,245,742	338,524,800,090	7,705,445,652
	<u>346,230,245,742</u>	<u>338,524,800,090</u>	<u>7,705,445,652</u>

As at 31 December 2015 and 31 December 2014, there was no single receivable accounting for 10% or more of total amount of receivables past due or not past due but impaired.

7 DOUBTFUL DEBTS (continued)

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

	Year ended 31 December	
	2015 VND	2014 VND
Opening balance	7,705,445,652	9,437,307,072
Increase	4,722,120,351	3,105,888,426
Reversal	(141,630,201)	(4,837,749,846)
Write-off	(1,298,566,283)	-
Closing balance	10,987,369,519	7,705,445,652

8 INVENTORIES

	31.12.2015		31.12.2014	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	62,830,863,204	-	56,439,936,854	-
Raw materials	189,692,016,502	-	263,217,163,928	-
Work in progress	20,039,649,051	-	31,768,962,547	-
Finished goods	272,482,704,120	3,006,691,934	346,304,666,143	5,282,439,430
Merchandises	97,286,695,284	4,680,250	88,392,311,860	136,990,438
	642,331,928,161	3,011,372,184	786,123,041,332	5,419,429,868

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

	Year ended 31 December	
	2015 VND	2014 VND
Opening balance	5,419,429,868	4,457,981,612
Increase	77,701,136	961,448,256
Reversal	(2,485,758,820)	-
Closing balance	3,011,372,184	5,419,429,868

The provision of inventories is made for inventories of which costs are higher than net realisable value.

As at 31 December 2015 and 31 December 2014, the Group did not have any slow moving, damaged or sub-standard inventories.

9 FIXED ASSETS

(a) Tangible fixed assets

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
Historical cost					
At 1 January 2015	409,107,292,593	450,217,148,519	161,166,902,151	70,255,230,017	1,090,746,573,280
New purchases	824,464,247	15,939,206,298	1,388,181,818	30,909,091	18,182,761,454
Transfers from construction in progress (Note 10)	71,074,263,567	60,042,856,917	15,613,039,046	10,525,491,036	157,255,650,566
Transfers to tools and supplies	-	(873,084,394)	(49,303,900)	-	(922,388,294)
Disposals	(3,979,044,181)	(4,670,607,295)	(2,472,209,639)	(1,277,139,649)	(12,399,000,764)
Decreases	(252,706,001)	(499,295,079)	-	-	(752,001,080)
At 31 December 2015	476,774,270,225	520,156,224,966	175,646,609,476	79,534,490,495	1,252,111,595,162
Accumulated depreciation					
At 1 January 2015	77,399,212,389	161,333,863,172	71,567,636,221	46,781,863,015	357,082,574,797
Charge for the year	25,814,815,012	41,236,736,189	19,005,966,279	8,671,864,701	94,729,382,181
Transfers to tools and supplies	-	(673,167,707)	(36,293,149)	-	(709,460,856)
Disposals	(1,354,231,557)	(4,575,885,066)	(2,472,209,638)	(1,277,139,649)	(9,679,465,910)
Decreases	(168,478,547)	(499,295,079)	-	-	(667,773,626)
At 31 December 2015	101,691,317,297	196,822,251,509	88,065,099,713	54,176,588,067	440,755,256,586
Net book value					
At 1 January 2015	331,708,080,204	288,883,285,347	89,599,265,930	23,473,367,002	733,663,998,483
At 31 December 2015	375,082,952,928	323,333,973,457	87,581,509,763	25,357,902,428	811,356,338,576

Included in tangible fixed assets as at 31 December 2015 were assets costing VND125,814 million (31 December 2014: VND114,317 million) which were fully depreciated but still in active use.

9 FIXED ASSETS (continued)

(b) Intangible fixed assets

	Land use rights with indefinite term VND	Land use rights with definite term VND	Software VND	Total VND
Historical cost				
At 1 January 2015	114,973,064,021	72,388,067,651	6,007,417,805	193,368,549,477
New purchases	-	3,946,635,000	-	3,946,635,000
Transfers from construction in progress (Note 10)	5,697,960,680	9,396,623,533	2,676,085,000	17,770,669,213
Transfers from long-term prepayments (Note 11(b))	-	70,059,964,123	-	70,059,964,123
Disposals	(7,001,874,655)	(4,174,169,920)	-	(11,176,044,575)
At 31 December 2015	<u>113,669,150,046</u>	<u>151,617,120,387</u>	<u>8,683,502,805</u>	<u>273,969,773,238</u>
Accumulated amortisation				
At 1 January 2015	-	8,741,492,753	4,610,143,219	13,351,635,972
Charge for the year	-	2,885,646,102	845,718,294	3,731,364,396
Transfers from long-term prepayments (Note 11(b))	-	723,082,487	-	723,082,487
Disposals	-	(254,111,588)	-	(254,111,588)
At 31 December 2015	<u>-</u>	<u>12,096,109,754</u>	<u>5,455,861,513</u>	<u>17,551,971,267</u>
Net book value				
At 1 January 2015	<u>114,973,064,021</u>	<u>63,646,574,898</u>	<u>1,397,274,586</u>	<u>180,016,913,505</u>
At 31 December 2015	<u><u>113,669,150,046</u></u>	<u><u>139,521,010,633</u></u>	<u><u>3,227,641,292</u></u>	<u><u>256,417,801,971</u></u>

Included in tangible fixed assets as at 31 December 2015 were assets costing VND2,917 million (31 December 2014: VND2,917 million) which were fully depreciated but still in active use.

DHG PHARMACEUTICAL JOINT STOCK COMPANY

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10 CONSTRUCTION IN PROGRESS

	31.12.2015 VND	31.12.2014 VND
Major projects:		
Beta lactam factory project	7,266,927,272	23,629,137,559
Building effervescent tablets plant	3,061,360,000	-
Building CMT8 finished goods warehouse	3,031,610,782	2,117,741,274
Office building at DHG Pharmaceutical One Member Limited Company	1,124,316,220	876,649,246

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

	<u>Year ended 31 December</u>	
	2015 VND	2014 VND
Opening balance	50,132,540,095	281,537,063,873
Purchases	141,702,916,365	231,319,133,808
Transfers to tangible fixed assets (Note 9(a))	(157,255,650,566)	(447,386,996,173)
Transfers to intangible fixed assets (Note 9(b))	(17,770,669,213)	(6,852,020,000)
Transfers to prepayments (Note 11(b))	(674,908,727)	(2,539,950,741)
Transfers to tools and supplies	(411,676,938)	(5,944,690,672)
Closing balance	15,722,551,016	50,132,540,095

11 PREPAID EXPENSES

(a) Short-term prepaid expenses

	31.12.2015 VND	31.12.2014 VND
Operating lease	341,400,000	35,932,348
Others	3,627,055,036	993,335,103
	3,968,455,036	1,029,267,451

Short-term prepayments are allocated within 12 months since the time of prepayment.

(b) Long-term prepaid expenses

	31.12.2015 VND	31.12.2014 VND
Prepaid land rental fees	18,179,059,222	88,135,409,821
Tools and supplies	8,771,307,312	12,202,499,643
Leasehold improvements	174,666,020	608,209,443
Others	1,187,289,863	-
	28,312,322,417	100,946,118,907

Long-term prepayments are allocated in a period of more than 12 months since the time of prepayment.

11 PREPAID EXPENSES (continued)

(b) Long-term prepaid expenses (continued)

Movements in long-term prepayments during the year were as follows:

	Year ended 31 December	
	2015 VND	2014 VND
Opening balance	100,946,118,907	18,683,501,941
Additions	7,119,628,313	88,825,786,169
Transfers from construction in progress (Note 10)	674,908,727	2,539,950,741
Allocation during the year	(11,091,451,894)	(9,103,119,944)
Transfers to intangible fixed assets (Note 9(b)) (*)	(69,336,881,636)	-
Closing balance	28,312,322,417	100,946,118,907

(*) Pertains to prepaid land use fee for a land lot allocated by the State for which the land use right certificate has been granted to the Group.

12 DEFERRED INCOME TAX ASSETS

The deferred income tax asset mainly arises from deductible temporary differences relating to provisions and unrealised gains on transactions between the Group arising from consolidation.

13 SHORT-TERM TRADE ACCOUNTS PAYABLE

	31.12.2015		31.12.2014	
	Value VND	Able-to-pay amount VND	Value VND	Able-to-pay amount VND
Trade accounts payable to third parties	224,957,469,694	224,957,469,694	261,374,420,147	261,374,420,147

Details of suppliers accounting for 10% or more of total trade accounts payable balance are as follows:

	31.12.2015 VND	31.12.2014 VND
Mega Lifescience (Viet Nam) Limited company	42,854,138,507	25,430,266,408
Truong Tin Pharmaceutical Limited company	38,175,021,388	55,858,654,121
Nomura Trading Co., Ltd	14,887,670,000	56,978,290,575

Payables that were past due:

	31.12.2015 VND	31.12.2014 VND
Trade payables to third parties	-	27,882,741,125

14 TAX AND OTHER PAYABLES TO THE STATE BUDGET (continued)

(*) Total tax settled during the year was VND358,050,202,797, in which the business income tax settled during the year was VND191,641,456,763, in which the surplus amount was VND661,402,094.

15 SHORT-TERM ACCRUED EXPENSES

	31.12.2015 VND	31.12.2014 VND
Marketing and customer care expenses	3,196,827,384	7,386,412,520
Seminar expenses	827,636,363	859,859,395
Interest payable	452,141,998	1,381,705,671
Trade discounts, promotions and supports (*)	-	246,880,627,671
Others	17,207,325,387	9,501,345,856
	<u>21,683,931,132</u>	<u>266,009,951,113</u>

(*) According to Circular 200, since 1 January 2015, accrued expenses for trade discounts, promotions and supports are netted off with trade accounts receivable balance.

16 SHORT-TERM UNEARNED REVENUE

	31.12.2015 VND	31.12.2014 VND
Unearned revenue for customer loyalty programs (Note 2.20 and 2.27)	7,747,880,222	-
	<u>7,747,880,222</u>	<u>-</u>

17 OTHER PAYABLES

	31.12.2015 VND	31.12.2014 VND
Trade discounts	3,144,620,676	10,104,760,934
Insurance for employees and union fee	1,102,968,970	1,484,416,312
Dividends payable	-	17,894,000
Other payables	11,052,872,667	24,476,109,261
	<u>15,300,462,313</u>	<u>36,083,180,507</u>

As at 31 December 2015 and 31 December 2014, the Group did not have any other short-term payables past due.

18 SHORT-TERM BORROWINGS

	31.12.2015		31.12.2014	
	Value VND	Able-to-pay amount VND	Value VND	Able-to-pay amount VND
Loans from bank (*)	247,000,000,000	247,000,000,000	150,000,000,000	150,000,000,000
Loans from the Group's employees (**)	23,711,206,737	23,711,206,737	26,707,408,762	26,707,408,762
	<u>270,711,206,737</u>	<u>270,711,206,737</u>	<u>176,707,408,762</u>	<u>176,707,408,762</u>

18 SHORT-TERM BORROWINGS (continued)

(*) These loans are secured by term deposits at bank (Note 3) and bear interest at 0.29% to 0.62% per month (31.12.2014: from 0.37% to 0.4% per month).

(**) These loans are unsecured and bear interest at 0.42% to 0.57% per month (31.12.2014: from 0.42% to 0.5% per month).

Movements in the short-term borrowings during the year were as follows:

	As at 01.01.2015 VND	Increase VND	Decrease VND	As at 31.12.2015 VND
Loans from bank	150,000,000,000	1,214,723,265,157	(1,117,723,265,157)	247,000,000,000
Loans from the Group's employees	26,707,408,762	7,531,429,145	(10,527,631,170)	23,711,206,737
	<u>176,707,408,762</u>	<u>1,222,254,694,302</u>	<u>(1,128,250,896,327)</u>	<u>270,711,206,737</u>

As at 31 December 2015 and 31 December 2014, the Group did not have any overdue short-term borrowings.

19 BONUS AND WELFARE FUNDS

The funds of the Company are established through appropriation from retained earnings upon approval of shareholders at the Company's Annual General Meetings ("AGM"). The funds of the subsidiaries are established through appropriation from retained earnings upon approval of the Company's Board of management. The funds are used to pay bonus and welfare to the Group's employees in accordance with the Group's bonus and welfare policies and 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
Opening balance	26,460,470,761	9,987,386,100	30,537,725,466	66,985,582,327
Appropriation to the funds	80,498,552,677	7,129,826,014	-	87,628,378,691
Assets formed from funds	(9,228,221,494)	-	9,228,221,494	-
Depreciation of assets formed from funds	-	-	(4,787,478,780)	(4,787,478,780)
Utilisation	(48,299,034,610)	(10,763,827,975)	-	(59,062,862,585)
Closing balance	<u>49,431,767,334</u>	<u>6,353,384,139</u>	<u>34,978,468,180</u>	<u>90,763,619,653</u>

20 SCIENCE AND TECHNOLOGY DEVELOPMENT FUNDS

In accordance with Circular 15/2011/TT-BTC dated 9 February 2011, 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 disbursement 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
Opening balance	18,566,450,573	21,992,927,367	40,559,377,940
Increase from Vietnam Business Challenge fund	595,105,000	-	595,105,000
Assets formed from funds	(6,523,203,500)	6,523,203,500	-
Depreciation of assets formed from science and technology development funds	-	(4,002,986,175)	(4,002,986,175)
Disposals of assets formed from science and technology development funds	-	(25,994,600)	(25,994,600)
Utilisation	(6,119,106,118)	-	(6,119,106,118)
Closing balance	<u>6,519,245,955</u>	<u>24,487,150,092</u>	<u>31,006,396,047</u>

21 PROVISIONS FOR LONG-TERM LIABILITIES

	31.12.2015 VND	31.12.2014 VND
Provision for severance allowances	26,270,001,050	28,843,956,033
Provision for dismantling and restoration costs of the Group's leased premises or land	5,053,947,698	-
	<u>31,323,948,748</u>	<u>28,843,956,033</u>

22 OWNERS' CAPITAL

	31.12.2015		31.12.2014	
	Number of shares	VND	Number of shares	VND
Authorised and issued share capital	87,164,330	871,643,300,000	87,164,330	871,643,300,000
Treasury shares	(222,380)	(16,121,030,000)	(10,130)	(455,850,000)
Ordinary shares currently in circulation	86,941,950	855,522,270,000	87,154,200	871,187,450,000

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at shareholders' meetings. Ordinary shares are ranked equally with regard to the Company's residual assets. Shareholders are eligible to dividends declared by the Company. In respect of shares bought back by the Company, all rights are suspended until those shares are reissued.

Movements in share capital during the year were as follows:

	2015		2014	
	Number of shares	VND	Number of shares	VND
Opening balance	87,154,200	871,187,450,000	65,366,299	653,308,440,000
Shares repurchased	(212,250)	(15,665,180,000)	-	-
Ordinary shares issued	-	-	21,787,901	217,879,010,000
Closing balance	86,941,950	855,522,270,000	87,154,200	871,187,450,000

23 MOVEMENTS IN OWNERS' EQUITY

	Owners' capital VND	Treasury shares VND	Investment and development fund VND	Financial reserve fund VND	Undistributed earnings VND	Total VND
As at 1 January 2014	653,764,290,000	(455,850,000)	701,396,760,268	66,929,751,817	559,730,522,015	1,981,365,474,100
Bonus shares issued	217,879,010,000	-	(217,879,010,000)	-	-	-
Profit for the year	-	-	-	-	533,272,781,144	533,272,781,144
Final dividends declared for the year 2013	-	-	-	-	(130,731,300,000)	(130,731,300,000)
Appropriation to reserves	-	-	298,558,731,951	134,023,103	(298,692,755,054)	-
Appropriation to bonus and welfare fund	-	-	-	-	(90,366,344,160)	(90,366,344,160)
Appropriation to Board of Management bonus fund	-	-	-	-	(16,745,549,029)	(16,745,549,029)
As at 31 December 2014	<u>871,643,300,000</u>	<u>(455,850,000)</u>	<u>782,076,482,219</u>	<u>67,063,774,920</u>	<u>556,467,354,916</u>	<u>2,276,795,062,055</u>
Profit for the year	-	-	-	-	588,701,003,222	588,701,003,222
Dividends declared for the year 2014	-	-	-	-	(261,462,600,000)	(261,462,600,000)
Appropriation to reserves	-	-	190,338,928,439	-	(190,338,928,439)	-
Appropriation to bonus and welfare fund	-	-	-	-	(80,423,657,994)	(80,423,657,994)
Appropriation to bonus fund for Board of Management	-	-	-	-	(7,031,826,014)	(7,031,826,014)
Transfers from financial reserve fund (*)	-	-	67,063,774,920	(67,063,774,920)	-	-
Repurchases of shares	-	(15,665,180,000)	-	-	-	(15,665,180,000)
As at 31 December 2015	<u><u>871,643,300,000</u></u>	<u><u>(16,121,030,000)</u></u>	<u><u>1,039,479,185,578</u></u>	<u><u>-</u></u>	<u><u>605,911,345,691</u></u>	<u><u>2,500,912,801,269</u></u>

(*) In accordance with Circular 200 and Resolution of the Company's Annual General Meeting no.001/2015/NQ.DHDCD dated 20 April 2015, the Group transferred the remaining balance of the financial reserve fund to the investment and development fund.

24 NON-CONTROLLING INTERESTS

	Year ended 31 December	
	2015 VND	2014 VND
Opening balance	16,830,408,891	18,077,447,483
Net profit for the year	3,984,211,763	499,297,883
Appropriation to bonus and welfare fund	(74,894,683)	(643,836,475)
Appropriation to bonus fund for Board of Management	(98,000,000)	(245,000,000)
Dividends paid	(318,500,000)	(857,500,000)
Closing balance	<u>20,323,225,971</u>	<u>16,830,408,891</u>

25 DIVIDENDS

In 2015, the Company has declared dividends of 30% in cash for the year 2014, which were paid on 8 May 2015.

26 OFF BALANCE SHEETS ITEMS

a) Operating lease commitments

Operating lease commitments for the year ended 31 December 2015 are presented in Note 39.

b) Foreign currencies

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

	31.12.2015	31.12.2014
USD	246,134	336,670
EUR	82,222	16,444
MOP	20	20
NDT	-	3,515
CAD	-	100
A tenth of tael of gold	-	1,507
Tael of gold	-	200
	<u> </u>	<u> </u>

27 REVENUE

(a) Net sales

	Year ended 31 December	
	2015 VND	2014 VND
Sales		
Sales of finished goods	3,200,964,894,298	3,612,896,747,585
Sales of merchandised goods	930,177,221,786	330,058,698,522
Revenue from services rendered	20,585,370,635	15,754,464,312
	<u>4,151,727,486,719</u>	<u>3,958,709,910,419</u>
Sales deductions		
Trade discounts	(519,034,780,072)	(26,942,479,274)
Sales returns	(24,932,883,450)	(19,249,286,670)
	<u>(543,967,663,522)</u>	<u>(46,191,765,944)</u>
Net sales	<u>3,607,759,823,197</u>	<u>3,912,518,144,475</u>
In which:		
Sales of finished goods	2,671,641,833,422	3,568,648,442,589
Sales of merchandised goods	915,532,619,140	328,115,237,574
Revenue from services rendered	20,585,370,635	15,754,464,312
	<u>3,607,759,823,197</u>	<u>3,912,518,144,475</u>

(b) Financial income

	Year ended 31 December	
	2015 VND	2014 VND
Interest income from deposits at bank	30,383,145,079	34,739,772,617
Realised foreign exchange gains	3,652,204,147	1,696,369,873
Dividend income	290,914,626	441,221,468
Gains on disposal of investments	-	95,680,000
Others	12,384,212	166,833,861
	<u>34,338,648,064</u>	<u>37,139,877,819</u>

28 COST OF SALES

	Year ended 31 December	
	2015 VND	2014 VND
Cost of finished goods sold	1,295,091,816,024	1,471,321,790,703
Cost of merchandises sold	885,769,284,426	302,293,190,931
Cost of services rendered	16,439,091,660	7,420,696,144
Provision for decline in value of inventories	(2,408,057,684)	961,448,256
	<u>2,194,892,134,426</u>	<u>1,781,997,126,034</u>

29 FINANCIAL EXPENSES

	Year ended 31 December	
	2015 VND	2014 VND
Payment discounts	71,141,260,942	58,724,336,738
Realised foreign exchange losses	9,550,922,190	3,694,771,640
Interest expenses	8,730,565,082	4,838,876,750
Other expenses	59,141,844	82,688,601
	<u>89,481,890,058</u>	<u>67,340,673,729</u>

30 SELLING EXPENSES

	Year ended 31 December	
	2015 VND	2014 VND
Staff costs	245,338,504,849	324,877,901,970
Advertising expenses	78,073,169,748	91,743,846,347
Transportation for goods sold	20,498,121,774	16,558,084,954
Seminar expenses	14,667,144,681	103,134,130,636
Depreciation expenses	14,079,620,579	13,689,976,685
Material expenses	11,492,656,910	15,412,133,808
Tools and supplies expenses	5,066,594,906	9,035,110,627
Customer care expenses	3,136,614,689	22,002,839,612
Discount and promotion expenses (*)	-	444,549,320,357
Other expenses	65,261,107,359	57,584,032,922
	<u>457,613,535,495</u>	<u>1,098,587,377,918</u>

(*) According to Circular 200, from 2015, discount and promotion expenses that are eligible under the discount and promotional programs are recorded in the sales deductions. In case that the Group gives promotional goods to customers associated with customers' purchase, the Group allocates total consideration received for goods sold and for promotional goods. Cost of promotional goods is recognised as cost of sales in the income statement instead of selling expenses as before. In case that promotional goods are given to customers for free and unconditionally, cost of promotional goods is recognised as selling expenses in the income statement.

31 GENERAL AND ADMINISTRATION EXPENSES

	Year ended 31 December	
	2015 VND	2014 VND
Staff costs	179,794,879,767	233,103,477,372
Outside service expenses	22,610,993,699	20,223,776,168
Depreciation expenses	13,932,815,111	12,230,740,025
Provision for dismantling and restoration costs	5,053,947,698	-
Provision for doubtful debts	4,580,490,150	(1,731,861,420)
Tools and supplies expenses	4,430,503,772	7,098,049,584
Fees and duties	904,975,138	856,689,086
Material expenses	822,044,755	854,593,034
Other expenses	30,179,522,428	40,140,344,610
	<u>262,310,172,518</u>	<u>312,775,808,459</u>

32 OTHER INCOME AND EXPENSES

	Year ended 31 December	
	2015 VND	2014 VND
Other income		
Commission income	40,192,572,673	28,802,574,580
Proceeds from disposals of fixed assets	16,233,594,513	2,092,971,399
Revenue from provision of rental services	108,000,000	44,183,363
Proceeds from sales of scraps	-	1,588,696,918
Sundry income	28,323,280,895	4,316,076,778
	<u>84,857,448,081</u>	<u>36,844,503,038</u>
Other expenses		
Net book value of fixed assets disposed	13,615,473,241	2,227,095,543
Sundry expenses	6,823,220,272	1,637,285,435
	<u>20,438,693,513</u>	<u>3,864,380,978</u>
Net other income	<u>64,418,754,568</u>	<u>32,980,122,060</u>

33 COST OF OPERATIONS BY FACTOR

	Year ended 31 December	
	2015 VND	2014 VND
Raw materials	1,811,744,467,262	1,395,915,401,560
Labour costs	623,895,388,369	748,374,531,574
Depreciation expense	87,048,035,391	70,013,893,370
Outside service expenses	235,580,609,704	727,235,631,094
Other expenses	103,065,724,361	212,409,242,223
	<u>2,861,334,225,087</u>	<u>3,153,948,699,821</u>

34 TAXATION

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

	Year ended 31 December	
	2015 VND	2014 VND
Net accounting profit before tax	701,309,105,160	721,937,158,214
Tax calculated at a rate of 22% (2014: 22%)	154,288,003,135	158,826,174,807
Effect of:		
Income not subject to tax	(1,978,633,497)	(97,068,723)
Expenses not deductible for tax purposes	1,548,562,325	47,575,443,187
Under provision in previous years	136,312,591	85,858,209
Tax incentives	(45,370,354,379)	(18,225,328,293)
Business income tax charge	108,623,890,175	188,165,079,187
Charged/(credited) to the income statement:		
Business income tax – current	108,690,466,892	193,926,063,163
Business income tax – deferred (Note 12)	(66,576,717)	(5,760,983,976)
	108,623,890,175	188,165,079,187

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

Applicable tax rates

According to Circular 78/2014/TT-BTC, the standard corporate income tax decreased to 22% since 1 January 2014 and 20% since 1 January 2016.

The Company

According to the Decision of 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. The Company was entitled to BIT exemption from 2005 to 2006 and 50% BIT reduction from 2007 to 2011.

The Subsidiaries

Except for DHG Packaging and Printing 1 One Member Limited Company, ST Pharmaceutical One Member Limited Company, Song Hau Pharmaceutical Joint Stock Company, DHG Pharmaceutical One Member Limited Company, HT Pharmaceutical One Member Limited Company and DHG Nature One Member Limited Company which are entitled to tax incentives, other subsidiaries in the Group have an obligation to pay the business income tax at rate of 22% of taxable profits.

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

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

34 TAXATION (continued)*ST Pharmaceutical One Member Limited Company ("ST Pharma")*

Pursuant to its Business Registration Certificate, ST Pharma has an obligation to pay the BIT at rate of 20% of taxable profits from 2009 to 2018 and 22% thereafter. The company is entitled to the BIT exemption from 2009 to 2010 and a 50% BIT reduction from 2011 to 2014.

Song Hau Pharmaceutical Joint Stock Company ("SH Pharma JSC")

Pursuant to its Business Registration Certificate, SH Pharma JSC has an obligation to pay the BIT at rate of 20% of taxable profits from 2008 to 2017 and 22% thereafter. The company is entitled to BIT exemption from 2008 to 2010 and a 50% BIT reduction from 2011 to 2015.

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

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

HT Pharmaceutical One Member Limited Company ("HT Pharma")

Pursuant to its Business Registration Certificate, HT Pharma has an obligation to pay the BIT at rate of 20% of taxable profits from 2008 to 2014 and 22% thereafter. HT Pharma is entitled to a 50% BIT reduction from 2010 to 2015.

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

In accordance with Official Letter No. 2521/CT-TTHT of Tax Authority of Can Tho City dated 27 October 2008, DHG Nature has an obligation to pay the BIT at a rate of 20% of taxable profits generated from the activities of cultivating, processing and trading drugs; and manufacturing pharmaceutical cosmetics from 2009 to 2018 and of standard tax rate currently regulated at 22% (2014: 22%) on taxable profits generated from other operation activities.

All the above tax incentives are not applicable to other income which is taxed at the standard rate of 22% for the year 2015.

35 EARNINGS PER SHARE

(a) Basic earnings per share

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

	<u>For the year ended</u>	
	<u>31.12.2015</u>	<u>31.12.2014</u> (**)
Net profit attributable to shareholders (VND)	588,701,003,222	533,272,781,144
Less amount allocated to bonus and welfare funds (VND) (*)	(88,282,851,475)	(82,788,325,832)
	<u>500,418,151,747</u>	<u>450,484,455,312</u>
Weighted average number of ordinary shares in issue (shares)	87,060,370	87,154,200
Basic earnings per share (VND)	<u>5,748</u>	<u>5,169</u>

(*) Estimated amounts appropriated to bonus and welfare funds for the year 2015 are determined based on the plan for 2015 profit distribution of the Company approved by shareholders at the Company's Annual General Meeting and the plan for 2015 profit distribution of subsidiaries approved by the Company's Board of Management.

(**) Basic earnings per share of the year 2014 were recalculated as per Circular 200 and Circular 202 for comparative purpose as follows:

	<u>For the year ended 31.12.2014</u>		
	<u>As previously reported under Decision 15</u>	<u>Adjustments</u>	<u>As restated under Circular 200 and Circular 202</u>
Net profit attributable to shareholders (VND)	533,272,781,144	(82,788,325,832)	450,484,455,312
Weighted average number of ordinary shares in issue (shares)	<u>87,154,200</u>		<u>87,154,200</u>
Basic earnings per share (VND)	<u>6,119</u>		<u>5,169</u>

(b) Basic earnings per share

The Group does not have potentially dilutive ordinary shares.

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.

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

	<u>Year ended 31 December</u>	
	<u>2015</u> <u>VND</u>	<u>2014</u> <u>VND</u>
<i>i) Purchases of goods and services</i>		
Associate		
Vinh Hao Algae Processing Joint Stock Company	51,950,000	40,400,000
<i>ii) Dividend declared</i>		
The State Capital Investment Corporation ("SCIC")	113,252,475,000	56,626,237,500
<i>iii) Remuneration of key management</i>		
Gross salaries and other benefits	11,883,263,388	14,238,341,053

37 SEGMENTAL REPORTING

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

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

Product segments

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

37 SEGMENTAL REPORTING (continued)

	Year ended 31 December	
	2015 VND	2014 VND
Net sales		
Pharmaceutical products	2,484,643,264,144	3,348,343,392,825
Functional foods	228,202,528,816	243,885,863,927
Others	894,914,030,237	320,288,887,723
	<u>3,607,759,823,197</u>	<u>3,912,518,144,475</u>
Cost of sales		
Pharmaceutical products	(1,250,950,839,266)	(1,433,876,245,987)
Functional foods	(109,026,213,904)	(108,080,008,504)
Others	(834,915,081,256)	(240,040,871,543)
	<u>(2,194,892,134,426)</u>	<u>(1,781,997,126,034)</u>
Gross profit		
Pharmaceutical products	1,233,692,424,878	1,914,467,146,838
Functional foods	119,176,314,912	135,805,855,423
Others	59,998,948,981	80,248,016,180
	<u><u>1,412,867,688,771</u></u>	<u><u>2,130,521,018,441</u></u>

38 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

(a) Non-cash transactions affecting cash flow statement

	Year ended 31 December	
	2015 VND	2014 VND
Appropriation to reserves	277,794,412,447	405,804,648,243
Transfers from construction in progress to tangible fixed assets	157,255,650,566	447,386,996,173
Transfers from construction in progress to intangible fixed assets	17,770,669,213	6,852,020,000
Transfers from construction in progress to tools and supplies	411,676,938	5,944,690,672
Transfers from construction in progress to long-term prepayments	674,908,727	2,539,950,741
Transfers from long-term prepayments to intangible fixed assets	69,336,881,636	-
Transfers from tangible fixed assets to tools and supplies	212,927,438	-
Transfers from financial reserve to investment and development fund	67,063,774,920	-
	<u><u>67,063,774,920</u></u>	<u><u>-</u></u>

38 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION (continued)**(b) Proceeds from borrowings**

	2015 VND	2014 VND
Proceeds from borrowings under normal contracts	1,222,254,694,302	1,376,817,787,033

(c) Repayments of borrowings

	2015 VND	2014 VND
Repayments of borrowings under normal contracts	1,128,250,896,327	1,327,141,456,830

39 COMMITMENTS**(a) Capital commitments**

Capital expenditure contracted for at the balance sheet date but not recognised in the consolidated financial statements is as follows:

	31.12.2015 VND	31.12.2014 VND
Approved but not contracted	51,906,098,511	183,740,702,869
Approved and contracted but not implemented	35,194,222,984	112,345,655,928
	<u>87,100,321,495</u>	<u>296,086,358,797</u>

(b) Operating leases commitments

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

	31.12.2015 VND	31.12.2014 VND
Within 1 year	1,854,150,976	2,141,497,932
Between 1 and 5 years	7,416,603,904	8,565,991,728
Over 5 years	43,338,191,348	52,192,466,036
Total minimum payments	<u>52,608,946,228</u>	<u>62,899,955,696</u>

40 SUBSEQUENT EVENTS

On 20 January 2016, the Company signed a joint venture contract with two (02) foreign partners on capital contribution to set up a joint venture company conducting healthcare business activities in Vietnam with total investment capital of US\$2,000,000 and total charter capital of US\$1,200,000. The capital contribution ratio of the Company and the two foreign partners will be 51% (equivalent to US\$612,000) and 49% (equivalent to US\$588,000), respectively. At the date of approval of the consolidated financial statements, the Company has not made any capital contribution as the legal procedures for establishing the joint venture company is still in progress.

41 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with this year's presentation under Circular 200 and Circular 202:

Consolidated balance sheet

Code		As at 31 December 2014		
		As previously reported under Decision 15 VND	Adjustments VND	As reclassified under Circular 200 and Circular 202 VND
130	Short-term receivables	841,466,365,557	3,082,931,711	844,549,297,268
135	Short-term loans receivable	-	29,687,311,136	29,687,311,136
136	Other short-term receivables	43,219,434,779	(26,604,379,425)	16,615,055,354
150	Other current assets	6,971,968,286	(3,082,931,711)	3,889,036,575
155	Other short-term assets	3,300,558,814	(3,082,931,711)	217,627,103
200	Long-term assets	-	808,355,513	808,355,513
216	Other long-term receivables	-	808,355,513	808,355,513
260	Other long-term assets	115,812,028,252	(808,355,513)	115,003,672,739
268	Other long-term assets	847,925,791	(808,355,513)	39,570,278

Consolidated income statement

Code		For the year ended 31 December 2014		
		As previously reported under Decision 15 VND	Adjustments VND	As restated under Circular 200 and Circular 202 VND
70	Basic earnings per share	6,119	(950)	5,169
71	Diluted earnings per share	6,119	(950)	5,169

The consolidated financial statements were approved by the Board of Directors on 12 March 2016.



Ngo Thi Hong Dao
Preparer



Dang Pham Huyen Nhung
Chief Accountant



Le Chanh Dao
Deputy General Director
Authorised signatory