

**DHG PHARMACEUTICAL JOINT STOCK COMPANY**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**DHG PHARMACEUTICAL JOINT STOCK COMPANY**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

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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 amendment No, 1800156801 dated 29 October 2015 was issued by the Planning and Investment Department of Can Tho City.

#### Board of Directors

Mr. Hoang Nguyen Hoc	Chairman
Mr. Le Dinh Buu Tri	Deputy Chairman
Mrs. Pham Thi Viet Nga	Member
Mr. Doan Dinh Duy Khuong	Member
Mr. Tran Chi Liem	Member
Mrs. Dang Pham Minh Loan	Member (dismiss on July 20, 2016)
Mr. Jun Kuroda	Member (from August 15, 2016)
Mr. Shuhei Tabata	Member

#### Board of Management

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

#### Board of Supervisors

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

#### Legal representative

Mrs Pham Thi Viet Nga	CEO
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#### Head office

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

## CONSOLIDATED BALANCE SHEET

Code	Notes	As of 12.31.2016 VND	As of 12.31.2015 VND
<b>ASSETS</b>			
<b>100</b>	<b>CURRENT ASSETS</b>	<b>2,760,853,967,589</b>	<b>2,221,373,030,144</b>
<b>110</b>	<b>Cash and cash equivalents</b>	<b>602,450,806,353</b>	<b>420,712,811,918</b>
111	Cash	269,526,914,477	89,510,544,052
112	Cash equivalents	332,923,891,876	331,202,267,866
<b>120</b>	<b>Short-term investments</b>	<b>703,731,000,000</b>	<b>507,605,100,000</b>
123	Held to maturity investments	703,731,000,000	507,605,100,000
<b>130</b>	<b>Short-term receivables</b>	<b>688,568,022,447</b>	<b>644,064,122,343</b>
131	Trade receivables	618,027,102,103	570,830,701,600
132	Prepayments to suppliers	23,695,764,848	23,308,107,672
135	Receivables from short-term loans	34,213,970,916	37,688,828,113
136	Other receivables	26,271,108,273	23,223,854,477
137	Allowances for doubtful debts	(13,639,923,693)	(10,987,369,519)
<b>140</b>	<b>Inventories</b>	<b>742,561,413,652</b>	<b>639,320,555,977</b>
141	Inventories	744,257,826,417	642,331,928,161
149	Allowances for inventories	(1,696,412,765)	(3,011,372,184)
<b>150</b>	<b>Other current assets</b>	<b>23,542,725,137</b>	<b>9,670,439,906</b>
151	Short-term prepayments	4,212,568,934	3,968,455,036
152	Deductible VAT	3,609,520,499	4,327,687,627
153	Taxes and other payables to State Budget	15,720,635,704	1,374,297,243
<b>200</b>	<b>NON-CURRENT ASSETS</b>	<b>1,188,647,711,380</b>	<b>1,141,825,629,796</b>
<b>210</b>	<b>Fixed assets</b>	<b>5,099,472,109</b>	<b>-</b>
215	Long term loan receivable	5,099,472,109	-
<b>220</b>	<b>Fixed assets</b>	<b>1,109,854,002,124</b>	<b>1,067,774,140,547</b>
221	Tangible fixed assets	847,889,322,413	811,356,338,576
222	<i>Original cost</i>	1,363,234,256,997	1,252,111,595,162
223	<i>Accumulated depreciation</i>	(515,344,934,584)	(440,755,256,586)
227	Intangible fixed assets	261,964,679,711	256,417,801,971
228	<i>Original cost</i>	284,512,652,922	273,969,773,238
229	<i>Accumulated depreciation</i>	(22,547,973,211)	(17,551,971,267)
<b>240</b>	<b>Long-term work in progress</b>	<b>9,045,445,695</b>	<b>15,722,551,016</b>
242	Cost of work in progress	9,045,445,695	15,722,551,016
<b>250</b>	<b>Long-term financial investments</b>	<b>15,744,151,251</b>	<b>15,932,055,542</b>
252	Investments in associates	4,335,981,051	4,523,885,342
253	Other long-term investments	27,908,170,200	27,908,170,200
254	Provision for diminution in value of long-term investments	(16,500,000,000)	(16,500,000,000)
<b>260</b>	<b>Other non-current assets</b>	<b>48,904,640,201</b>	<b>42,396,882,691</b>
261	Long-term prepayments	22,760,003,178	28,312,322,417
262	Deferred income tax assets	26,144,637,023	14,084,560,274
<b>270</b>	<b>TOTAL ASSETS</b>	<b>3,949,501,678,969</b>	<b>3,363,198,659,940</b>

DHG PHARMACEUTICAL JOINT-STOCK COMPANY

Form B 01 – DN/HN

CONSOLIDATED BALANCE SHEET (cont.)

Code		Note	As of 12.31.2016 VND	As of 12.31.2015 VND
	<b>RESOURCES</b>			
<b>300</b>	<b>LIABILITIES</b>		<b>1,055,410,024,261</b>	<b>841,962,632,700</b>
<b>310</b>	<b>Current liabilities</b>		<b>997,809,609,629</b>	<b>779,632,287,905</b>
311	Trade payables	16	289,618,230,691	224,957,469,694
312	Advances from customers		13,635,252,301	7,079,129,950
313	Taxes and other payables to the State Budget	11	23,096,968,827	13,343,506,157
314	Payable to employees		171,343,611,432	128,045,082,047
315	Accrued expenses	17	39,514,707,632	21,683,931,132
318	Unrealized revenue	18	31,973,712,415	7,747,880,222
319	Other payables	19	6,483,473,568	15,300,462,313
320	Short-term borrowings	20	354,765,428,463	270,711,206,737
322	Bonus and welfare fund	21	67,378,224,300	90,763,619,653
<b>330</b>	<b>Long-term liabilities</b>		<b>57,600,414,632</b>	<b>62,330,344,795</b>
342	Provision for long-term payables	22	33,379,107,808	31,323,948,748
343	Science and technology development fund	23	24,221,306,824	31,006,396,047
<b>400</b>	<b>OWNERS' EQUITY</b>		<b>2,894,091,654,708</b>	<b>2,521,236,027,240</b>
<b>410</b>	<b>Owner's capital</b>		<b>2,894,091,654,708</b>	<b>2,521,236,027,240</b>
411	Owners' capital	24	871,643,300,000	871,643,300,000
411a	- Common voting shares		871,643,300,000	871,643,300,000
412	PIC in excess of par	24	6,778,948,000	-
415	Treasury shares	24	-	(16,121,030,000)
418	Investment and development fund	24	1,220,561,708,767	1,039,479,185,578
421	Undistributed profit after tax	24	761,049,544,480	605,911,345,691
421a	- Undistributed profit after tax brought forward		50,993,468,583	164,434,562,794
421b	- Undistributed profit after tax for the current year		710,056,075,897	441,476,782,897
429	Minority interest	25	34,058,153,461	20,323,225,971
<b>440</b>	<b>TOTAL RESOURCES</b>		<b>3,949,501,678,969</b>	<b>3,363,198,659,940</b>

Tran Ngoc Hien  
Preparer

Ho Buu Huan  
Chief Accountant

Le Chanh Dao  
Deputy General Director  
January 19, 2017

## CONSOLIDATED INCOME STATEMENT

Code	Note	For 3-month period ended		For fiscal year ended		
		12.31.2016 VND	12.31.2016 VND	12.31.2016 VND	12.31.2015 VND	
01	Revenues from goods and services	27	1,299,426,463,910	1,365,868,886,842	4,154,055,156,961	4,151,727,486,719
02	Deductions	27	125,300,305,799	217,099,861,673	371,996,231,002	543,967,663,522
<b>10</b>	<b>Net sales</b>	27	<b>1,174,126,158,111</b>	<b>1,148,769,025,169</b>	<b>3,782,058,925,959</b>	<b>3,607,759,823,197</b>
11	Cost of goods sold	28	631,745,498,920	715,597,331,647	2,058,242,346,106	2,194,892,134,426
20	Gross profit		542,380,659,191	433,171,693,522	1,723,816,579,853	1,412,867,688,771
21	Financial income	29	15,177,565,345	12,290,156,658	57,885,698,779	34,338,648,064
22	Financial expense	30	24,025,535,147	30,711,235,340	84,633,308,135	89,481,890,058
23	<i>in which: interest expense</i>		2,713,418,092	2,572,809,985	12,492,351,845	8,730,565,082
24	Profit/loss from investment to associate	5	268,419,468	(910,388,172)	(187,904,291)	(910,388,172)
25	Selling expenses	31	186,201,616,471	151,929,677,629	627,934,300,587	457,613,535,495
26	G&A expense	31	107,570,739,152	88,055,697,312	312,061,437,012	262,310,172,518
<b>30</b>	<b>Operating profit</b>		<b>240,028,753,234</b>	<b>173,854,851,727</b>	<b>756,885,328,607</b>	<b>636,890,350,592</b>
31	Other income	32	3,234,403,626	18,144,595,905	15,135,060,788	71,241,974,840
32	Other expenses	33	(12,287,772)	2,130,676,821	15,367,068,235	6,823,220,272
40	Net other income		3,246,691,398	16,013,919,084	(232,007,447)	64,418,754,568
<b>50</b>	<b>Accounting profit before tax</b>		<b>243,275,444,632</b>	<b>189,868,770,811</b>	<b>756,653,321,160</b>	<b>701,309,105,160</b>
51	Current CIT	35	5,695,487,779	24,807,707,474	55,763,348,994	108,690,466,892
52	Deferred income tax expense	35	(4,790,660,166)	(1,747,091,964)	(12,060,076,750)	(66,576,717)
<b>60</b>	<b>Profit after tax</b>		<b>242,370,617,019</b>	<b>166,808,155,301</b>	<b>712,950,048,916</b>	<b>592,685,214,985</b>
<b>61</b>	<b>Allocate to:</b>					
	Parent company PAT	25	241,374,811,602	165,069,148,581	710,056,075,897	588,701,003,222
<b>62</b>	<b>Non-controlling interest PAT</b>		<b>995,805,417</b>	<b>1,739,006,720</b>	<b>2,893,973,019</b>	<b>3,984,211,763</b>
<b>70</b>	<b>Basic EPS (VND)</b>	36	<b>2,498</b>	<b>1,706</b>	<b>7,035</b>	<b>5,748</b>

Tran Ngoc Hien  
Preparer

Ho Buu Huan  
Chief Accountant

Le Chanh Dao  
Deputy General Director  
January 19, 2017

## DHG PHARMACEUTICAL JOINT-STOCK COMPANY

### NOTE

DHG Pharmaceutical Joint-Stock Company explains the fluctuations in sales and profits of Q4/2016 compared to the same period last year, details as follows:

Unit: VND million

Target	2016		2015		Increase / Decrease			
	Q4	12 months	Q4	12 months	Q4		12 months	
					Value	Rate	Value	Rate
Net sales	1,174,126	3,782,059	1,148,769	3,607,760	25,357	2,21%	174,299	4,83%
Profit before tax	243,275	756,653	189,869	701,309	53,407	28,13%	55,344	7,89%
Profit after tax	242,371	712,950	166,808	592,685	75,562	45,30%	120,265	20,29%

Profit after tax Q4/ 2016 increased by 45.3% yoy, mainly due to:

- Sales activity helped improve revenue grew 2.21% and profit before tax increased by 28.13%. The results achieved by the focus on media promoting of major brands in 2016.
- DHG received incentives corporate income tax at the new pharmaceuticals plant (DHG Pharmaceutical One Member Company Limited) and the new packaging plant (DHG 1 Printing & Packaging Company Limited). The total amount of the preferential enterprise income tax for Q4/2016 is VND48.48 billion compared VND18.53 billion compared to the same period in 2015, with positive impact on profit after tax.

DHG Pharma kindly explains.

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Tran Ngoc Hien  
Preparer

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Ho Buu Huan  
Chief Accountant

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Le Chanh Dao  
Deputy General Director  
January 19, 2017

**CONSOLIDATED CASH FLOW STATEMENT  
(Indirect method)**

Code	Note	For fiscal year ended	
		12.31.2016 VND	12.31.2015 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
01		<b>756,653,321,160</b>	<b>701,309,105,160</b>
	Adjustments for:		
02	Depreciation of fixed assets	93,719,271,078	89,670,281,622
03	Provisions	3,392,753,815	3,353,858,898
05	Gains from disposal of fixed assets	(6,866,268,361)	(2,618,121,272)
05	Interest and dividend income	29 (54,963,690,468)	(30,674,059,705)
05	Losses from investments in associates	187,904,291	910,388,172
06	Interest expense	30 12,492,351,845	8,730,565,082
08	<b>Operating profit before changes in working capital</b>	<b>804,615,643,360</b>	<b>770,682,017,957</b>
09	(Increase)/decrease in receivables	(55,146,556,485)	198,827,310,535
10	(Increase)/decrease in inventories	(101,200,404,228)	144,415,717,547
11	Increase/(decrease) in payables	166,452,851,321	(373,682,424,489)
12	(Increase)/decrease in prepaid expenses	(1,465,239,343)	1,032,635,996
14	Interest paid	(12,355,359,094)	(9,256,860,798)
15	Business income tax paid	(64,844,697,715)	(191,641,456,763)
17	Other payments on operating activities	(79,021,682,786)	(65,181,968,703)
20	<b>Net cash inflows from operating activities</b>	<b>657,034,555,030</b>	<b>475,194,971,282</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchases of fixed assets and other long-term assets	(135,074,832,759)	(163,832,312,819)
22	Proceeds from disposals of fixed assets and other long-term assets	10,245,648,204	16,233,594,513
23	Payments for investments in other entities	(1,439,479,585,457)	(828,615,931,107)
24	Collection of loans granted to other entities	1,241,729,070,545	577,394,465,462
27	Increase in term deposits at bank, dividends and interest received	45,850,764,146	29,488,742,582
30	<b>Net cash outflows from investing activities</b>	<b>(276,728,935,321)</b>	<b>(369,331,441,369)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
31	Cash received from the issuance of share, receive of capital contribution	22,899,978,000	-
32	Repurchase of treasury shares	-	(15,665,180,000)
33	Proceeds from short-term borrowings	1,561,815,329,559	1,222,254,694,302
34	Repayments of borrowings	(1,477,761,107,833)	(1,128,250,896,327)
36	Dividends paid	(305,521,825,000)	(261,781,100,000)
40	<b>Net cash outflows from financing activities</b>	<b>(198,567,625,274)</b>	<b>(183,442,482,025)</b>
50	<b>Net cash flows during the year</b>	<b>181,737,994,435</b>	<b>(77,578,952,112)</b>
60	<b>Cash and cash equivalents at the beginning of year</b>	<b>420,712,811,918</b>	<b>498,291,764,030</b>
61	Impacts of exchange rate fluctuations		
70	<b>Cash and cash equivalents at the end of the period</b>	<b>602,450,806,353</b>	<b>420,712,811,918</b>

Tran Ngoc Hien  
Preparer

Ho Buu Huan  
Chief Accountant

Le Chanh Dao  
Deputy General Director  
January 19, 2017



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED 31 DECEMBER 2016**
**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 on December 1, 2006 in accordance to the listing License No. 93/SSC-GPNY of the State Securities Commission with “DHG” stock code.

The largest shareholder of the Company is the State Capital Investment Corporation (“SCIC”), owns 43.31% of share capital of the Company. SCIC is controlled by the Government of the Socialist Republic of Vietnam.

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

As at September 31, 2016, the Group had 2,944 employees (at December 31, 2015: 2,877 employees).

The consolidated financial statements for fiscal year ended 31 December 2016 comprises 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	
			31.12.2016	31.12.2015
<b>Subsidiaries:</b>				
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%
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%

## 1 GENERAL INFORMATION (continued)

Name	Principal activities	Business Registration Certificate	% Ownership and voting rights	
			31.12.2016	31.12.2015
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 13 November 2013	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%
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 1 Packaging and Printing One Member Limited Company	Manufacture label, label cover, packaging from paper and cover. Manufacture and trade plastic, aluminium, paper packaging; provide printing services	No. 642041000007 issued by the Management Board of Hau Giang Industrial Zone on 28 September 2012	100%	100%
Fuji Medic Company Ltd.	Operation of clinic, dental, and specialist clinic	No. 1801472944 issued by the planning and investment department of Can Tho City on 27 July 2016	51%	-

**1 GENERAL INFORMATION (continued)**

Name	Principal activities	Business Registration Certificate	% Ownership and voting rights	
			31.12.2016	31.12.2015
<b>Associates:</b> Vinh Hao Algae Corporation	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%

**2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND FISCAL YEAR****Basis of preparation of consolidated financial statements**

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

**Fiscal year**

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

**3 MAIN ACCOUNTING POLICIES**

Following are key accounting policies for preparing consolidated financial statements:

**Use of estimates**

The preparation of the financial statements in conformity with Accounting Standards, the Vietnamese Corporate Accounting System, applicable regulations on preparation and presentation of financial statements requires the Board of Management 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 Management's best knowledge of current events and actions, actual results may differ from those estimates.

**Basis of preparation consolidated financial statement**

Consolidated financial statements include the financial statements of the Company and the financial statements of companies controlled by the Company (its subsidiaries) up to September 30 every year. The control is achieved where the Company has the ability to control the financial and operating policies of the investee companies to obtain benefits from the activities of these companies.

Business operating results of subsidiaries acquired or disposed of during the period are presented in the Report on results of consolidated operations from the date of acquisition or up to the date of sale of the investment in that subsidiary.

If needed, the financial statements of subsidiaries are adjusted to the accounting policies applied by the Parent Company.

All transactions and balances between companies within the Group are eliminated on consolidation of financial statements.

The interests of non-controlling shareholders in the net assets of consolidated subsidiaries are identified as a target separately from the equity portion of the shareholders of the parent company. Benefits of non-controlling shareholders include the value of the shareholders' interests at the date of the original business combination (for details see the content shown below) and the benefits of non-controlling shareholders fluctuations in total equity from the date of a business combination. The losses incurred in the subsidiary must be allocated in proportion to the ownership of non-controlling shareholders, even in the case of a larger amount of losses compared to the share of non-controlling shareholders in the net assets of the subsidiary.

**Business combination**

Assets, liabilities and contingent liabilities of the subsidiaries are determined under the fair value at the date of acquisition. Any additional amounts of the cost of acquisition above the fair value of identifiable net assets acquired is recorded as goodwill. Any deficiency of the cost of acquisition and the fair value of the total assets acquired is recognized in the results of operations in the accounting period in which the acquisition activity incurred.

The interests of noncontrolling shareholders at the date of business combination is initially determined based on the ratio of non-controlling shareholders in the total recognized fair value of the assets, liabilities and contingent liabilities.

**Investment in associates**

Associates are all entities over which the Group has significant influence but not are subsidiaries or joint-ventures. The significant influence is the power to participate in making decisions on financial policy and operations of the investee but has no effect on the control or joint control over these policies.

Business operating results, assets and liabilities of associates are incorporated in financial statements under the equity method. Interests in associates are presented in the balance sheet at historical cost accounting to be adjusted according to changes in the Company's capital contribution to the net assets of associates after the date of acquisition. The losses of associates in excess of the Company's capital at the associates (which includes any long-term capital contributions which in essence constitute the Company's net investment in associates) are not recorded.

In the event a member company of the Company makes a transaction with associates with the Company, unrealized gains/losses corresponding capital contribution of the company to associates, is excluded from consolidated financial statement.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash in transit, demand deposits and short-term investments with maturity term not exceeding 3 months from the date of investment, which are highly liquid, readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

**Financial Investments****Held to maturity investments**

Held to maturity investments are things which Company's Board of Management intends and has ability to hold to maturity.

Held-to-maturity investments include term deposits with a remaining maturity term not exceeding 12 months from balance sheet date to earn periodic interest. These investments are measured at cost less provision for impairment of financial investments. Interest income from term-deposits is recognized in the income statement on accrual basis.

**Equity investments in other entities**

Equity investments in other entities are items invested in equity instruments of other entities but have no right of control or co-control, no significant influence on the invested parties.

These investments are initially recorded at cost. Provision for diminution in value of investments is made when the Company recognized investment losses, except for losses that the Board of Management of the Company had anticipated from the investment.

**Trade receivables**

Receivables represent the amounts recoverable from customers or other debtors and are stated at book value less provision for doubtful debts.

Provision for bad debts is create for receivables overdue for six months or more, or the receivable of which the debtor is unlikely to pay due to liquidation, bankruptcy or similar difficulties.

**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.

Provision for decline in price of inventories of the Company are made in accordance with current accounting regulations. Accordingly, the Company is allowed to book provision for decrease in value of inventory for obsolete, damaged, poor quality and in the case of historical cost is higher than the inventory's net realizable value currently at the date of balance sheet.

**Tangible Fixed Assets and depreciation**

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

Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives, as follows:

	<u>Years</u>
Building and structures	3 - 25
Machinery and equipment	3 - 20
Motor vehicles	3 - 10
Office equipment	3 - 10

Loss or gain resulting from sales and disposals of tangible fixed assets is the difference between proceeds from sales or disposals of assets and their residual values and is recognized in the income statement.

**Operating Lease**

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.

**Intangible Fixed Assets and depreciation**

Intangible assets represent the value of land use rights and computer software are stated at cost less accumulated depreciation.

Land use rights is amortized straight-line basis during the validity period of the certificate of land use rights. Indefinitely land use rights are recorded at cost and are not depreciated.

Computer software is amortized using the straight line method during the estimated useful lives of 3 to 8 years.

**Work in progress**

The property which is in the process of construction for production, leasing, management purposes or for any other purpose are recorded at cost. This amount covers the costs necessary to create assets in line with the accounting policies of the Company. The depreciation of these assets is applied just as with other assets, commences when the assets are ready for their use.

**Prepaid expenses**

Prepaid expenses include the actual costs incurred, but is related to the results of operations and business of many accounting periods. Prepaid expenses include the cost of upgrading the leased property, the cost of prepaid land lease, the value of tools, instruments, spare parts issued for use and other prepaid expenses.

Land rents represent land lease amount was paid in advance. Prepaid land rent is allocated to report on results of operations in accordance with the respective straight-line basis over the lease term.

**Provisions**

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the Board of Management's best estimate of the expenditure required to settle the obligation as at the balance sheet date.

**Severance allowances**

Severance allowances for employees are accrued at the end of each reporting period for all employees who have worked at the company for 12 months or more. Working time for calculation is the total time the employee has actually worked for the employer minus time workers joined the unemployment insurance under the provisions of law and the workspace was the employers who pay severance allowance. The deduction level for each year of employment is half the average monthly salary in accordance with the Labor Law, Social Insurance Law and guidelines related. The average monthly salary for calculating severance allowances will be adjusted at the end of each reporting period in accordance with the average salary of the six-month period up to the date of the financial statements. Any changes to the accrued amount will be recognized in the Report on results of operations.

**Provision for cleanup costs, recovery and return of premises**

As required by Circular 200/2014/TT-BTC of Ministry of Finance, since January 1, 2015, the Group set up provision for cleanup costs and recover arises when returning the leasing premises. The provision is determined based on the total estimated cost of cleanup and site restoration arise when returning the premises in the future and are recognized evenly starting January 1, 2015 to the date of returning the premises.

**Unrealized revenue**

Unrealized revenue is that corresponding to the value of goods and services subject to discounts for customers in the traditional client program, The Group recorded the unrealized revenues corresponding to the obligations which the Group will have to perform in the future.

**Revenue recognition**

Sales of goods are recognized when simultaneously satisfies all five (5) the following conditions:

- (a) the Company has transferred substantially all risks and rewards associated with ownership of the goods to the buyer;
- (b) the Company no longer retains management of goods as cargo owners or control of goods;
- (c) revenue can be measured reliably;
- (d) the Company will obtain economic benefits from the sale transaction; and
- (e) able to identify the costs related to sales transactions.

Sales of the transaction involving the rendering of services is recognized when the outcome of the transaction can be measured reliably. Where a transaction on the provision of services related to several periods, revenue is recognized in the period according to the percentage of completion at the balance sheet date of the reporting period. The result of the transaction service provider is defined as satisfying all four (4) conditions:

- (a) The revenue can be measured reliably;
- (b) It is probable that the economic benefits associated with the transaction will provide such services;
- (c) able to identify the percentage of work completed at the date of the accounting balance sheet; and
- (d) able to identify the costs incurred for the transaction and the costs to complete the transaction provides that service.

Interest income is recognized on an accrual basis, shall be determined on the balance of the deposit account and the interest rate applied.

Dividend income from investments is recognized when the Company's right to receive payment.

### **Revenue deductions**

Revenue deductions include trade discounts, sales returns and sales rebates. The revenue deductions arising from consumption of products, goods and services in the same period are recorded adjustment of revenue deductions at the arising period.

In case of products, goods and services sold from the previous period, to a new period after trade discounts, sales rebates, or sales return but incurred prior to the issuance of financial statements, the adjusted revenues are at the reporting period in revenue deductions.

### **Programs for traditional customers**

Revenue is recognized as the total amount to be receivables or received minus the fair value of goods and services to provide free or discounts to buyers. The value of goods and services must be provided for free or discounts to buyer are recognized as unrealized revenue, If the expiry of the program that the buyer does not qualify as prescribed and does not enjoy free goods or services or discounts, the unrealized revenues are transferred to sales, service provision.

When buyers achieve the conditions prescribed by the program, in case the seller directly provides goods or services free or at a discounts for buyers: the unrealized revenue corresponding to fair value of the free or discounted goods and services provided, discounts for the buyer are recognized as sales, service provider when the buyer has received the goods or services free or discount prescribed by the program.

When buyers achieve the conditions prescribed by the program, in case the third party is obliged to supply goods or services free or at a discounts for buyers: If the contract between the seller and the third party was not the nature of the agency contract, the third party shall provide goods, services, discounts, unrealized revenues are transferred to sales, service provider. If the agency contract, the difference between the unrealized revenues and the amounts payable to third parties is only recognized as revenue. The amount paid to third parties is considered as the payment of liabilities.

### **Foreign Currency**

The Company applies processing exchange rate differences under the guidance of Vietnam Accounting Standard No. 10 (VAS 10) "Effects of Changes in exchange rates". Accordingly, transactions in foreign currencies are translated at exchange rates at the dates of the transactions. The balances of monetary items denominated in foreign currencies at the end of the period are converted at the exchange rate at that date. Foreign exchange differences arising are accounted for in reports business results. Interest rate differences due to the revaluation of the balance sheet date in the operation can not be used to distribute to shareholders.

**Borrowing costs**

Borrowing costs are recognized in the cost of production, sales in the period they are incurred, unless it is capitalized in accordance with the provisions of Vietnam Accounting Standards No. 16 "Borrowing Costs". Accordingly, borrowing costs directly attributable to the acquisition, the construction or production of assets requiring a relatively long time to complete and put into use or sale, are added to the cost of assets until the asset is put into use or sale. The income arising from the temporary investment of loans are deducted from the related asset prices. For private loans serve the construction of fixed assets, real estate investment, interest is capitalized even if the construction period of less than 12 months.

**Tax**

Corporate income tax represents the total value of the tax currently payable and deferred tax.

The tax currently payable is based on taxable income in the period. Taxable income differs from net profit as presented on the statement of operations as taxable income excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred income taxes are calculated on the difference between the carrying amount and tax base of the income or assets liabilities on separate financial statements and interim method are recorded at the Balance Sheet. Deferred income tax can be recognized for all temporary differences remaining, however deferred tax assets are only recognized when it is probable that taxable profits in the future can be used to deduct the difference temporary differences.

Deferred income tax is determined using tax rates expected to apply to any asset is realized or the liability is paid. Deferred income taxes are recognized in the statement of operations and recorded in equity if such taxes related to items charged or credited directly to equity.

Deferred tax assets and deferred income tax payable are offset when the Company has the legal right to offset tax assets between current income and current income tax payable, and the deferred income tax assets and Deferred income tax asset payable are managed by the same taxation authority and the company intends to pay current income tax on a net basis.

The determination of corporate income tax payable by the Company pursuant to the current regulations on taxation. However, these regulations are changed from time to time and the ultimate determination of corporate income tax, depending on the test results of the competent tax authority.

Other taxes are applied according to the prevailing tax laws in Vietnam.

**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 Group's Annual General Meeting.

The distribution of 2015 profit after tax of the Company is approved by the General Meeting of Shareholders as follows:

- Dividend 2015: 35% of par value.
- Deductions for the employee reward, welfare fund: 10% of profit after tax.
- Remuneration of the BOD, Supervisory Board, members of the subcommittees directly under the BOD, the Board secretary: VND5 billion.
- The remaining profit is added the development investment fund.



**4 CASH AND CASH EQUIVALENTS**

	<b>31.12.2016</b> <b>VND</b>	<b>31.12.2015</b> <b>VND</b>
Cash on hand	17,132,249,688	15,959,146,726
Cash in banks	252,394,664,789	73,551,397,326
Cash equivalents (*)	332,923,891,876	331,202,267,866
	<u>602,450,806,353</u>	<u>420,712,811,918</u>

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

**5 SHORT-TERM FINANCIAL INVESTMENTS****Held to maturity investments**

Investments held to maturity include bank deposits with an original maturity period of 3 months to 12 months.

**Investments in associated company**

	<b>31.12.2016</b> <b>VND</b>	<b>31.12.2015</b> <b>VND</b>
Vinh Hao Algae Corporation	4,335,981,051	4,523,885,342
	<u>4,335,981,051</u>	<u>4,523,885,342</u>

Fluctuations in investments in associates during the period / year were as follows:

	<b>Fiscal year</b> <b>ended</b> <b>31.12.2016</b> <b>VND</b>	<b>Fiscal year</b> <b>ended</b> <b>31.12.2015</b> <b>VND</b>
Beginning balance	4,523,885,342	5,434,273,514
Loss from associates	(187,904,291)	(910,388,172)
Ending balance	<u>4,335,981,051</u>	<u>4,523,885,342</u>

**Investments in equity of other entities**

	<b>31.12.2016</b> <b>VND</b>	<b>31.12.2015</b> <b>VND</b>
ATP Packaging JSC	20,000,000,000	20,000,000,000
Binh Duong Pharmaceutical & Medical Equipment JSC	4,286,800,000	4,286,800,000
Tra Vinh Pharmaceutical JSC	2,575,315,200	2,575,315,200
Ninh Thuan Pharmaceutical & Medical Equipment JSC	796,675,000	796,675,000
Tay Ninh Pharmaceutical JSC	221,960,000	221,960,000
Cuu Long Pharmaceutical JSC	27,420,000	27,420,000
	<u>27,908,170,200</u>	<u>27,908,170,200</u>

Balance as of December 31, 2016 and December 31, 2015 represents the provision for decrease in value of long-term investments in ATP Packaging JSC.

**6 SHORT TERM RECEIVABLES**

At December 31, 2016 and December 31, 2015, short-term accounts receivable of customers only include short-term receivables from third parties, and no receivables account for 10% or more on total trade receivables.

**7 OTHER SHORT TERM RECEIVABLES**

	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>Value VND</b>	<b>Value VND</b>
Prepaid sale discount	197,969,103	2,091,752,341
Interest income receivable	15,588,566,422	6,691,565,280
Receivables from employees	1,837,560,698	1,581,592,079
Other receivables	8,647,012,050	12,858,944,777
	<u>26,271,108,273</u>	<u>23,223,854,477</u>

**8 BAD DEBTS**

	<b>31.12.2016</b>		
	<b>Original cost VND</b>	<b>Recoverable value VND</b>	<b>Provision VND</b>
The total value of receivables and loans that are overdue or not overdue but it is unlikely to recover	157,802,672,704	144,162,749,011	(13,639,923,693)
	<hr/>		
	<b>31.12.2015</b>		
	<b>Original cost VND</b>	<b>Recoverable value VND</b>	<b>Provision VND</b>
The total value of receivables and loans that are overdue or not overdue but it is unlikely to recover	263,197,852,081	252,210,482,562	(10,987,369,519)
	<hr/>		

At December 31, 2016, no overdue receivables account for 10% or more of total delinquency.

Movements in the provision for doubtful receivables in the period / year are as follows:

	<b>Fiscal period ended 31.12.2016 VND</b>	<b>Fiscal period ended 31.12.2015 VND</b>
Opening balance	10,987,369,519	7,705,445,652
Increase	2,843,644,757	4,722,120,351
Reverse	(191,090,583)	(141,630,201)
Write off	-	(1,298,566,283)
Closing balance	<u>13,639,923,693</u>	<u>10,987,369,519</u>

## 9 INVENTORY

	31.12.2016		31.12.2015	
	Original cost VND	Provision VND	Original cost VND	Provision VND
Goods in transit	59,139,571,325		62,830,863,204	
Raw materials	235,989,641,851		189,692,016,502	
Work in progress	32,650,192,227		20,039,649,051	
Finished goods	271,366,420,011	1,348,938,937	272,482,704,120	3,006,691,934
Merchandises	145,112,001,003	347,473,828	97,286,695,284	4,680,250
	<u>744,257,826,417</u>	<u>1,696,412,765</u>	<u>642,331,928,161</u>	<u>3,011,372,184</u>

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

	Fiscal year ended 31.12.2016 VND	Fiscal year ended 31.12.2015 VND
Opening balance	3,011,372,184	5,419,429,868
Increase	-	77,701,136
Reversal	(1,314,959,419)	(2,485,758,820)
Closing balance	<u>1,696,412,765</u>	<u>3,011,372,184</u>

Provision for decline in inventories is established by original cost of inventories higher than net realizable value of inventories.

## 10 FIXED ASSETS

**Short-term prepayments**

	31.12.2016 VND	31.12.2015 VND
Operating lease expenses	30,818,180	341,400,000
Others expenses	4,181,750,754	3,627,055,036
	<u>4,212,568,934</u>	<u>3,968,455,036</u>

Prepayments with term not exceeding 12 months from the time of prepayment.

**Long-term prepayments**

	31.12.2016 VND	31.12.2015 VND
Prepaid land rental fees	11,059,114,850	18,179,059,222
Tools	6,810,300,852	8,771,307,312
Leasehold improvements	111,109,236	174,666,020
Others expenses	4,779,478,240	1,187,289,863
	<u>22,760,003,178</u>	<u>28,312,322,417</u>

11 TAXES AND OTHER RECEIVABLE/PAYABLE TO THE STATE

Receivables

	<u>Opening balance</u>	<u>Amount payable in the period/year</u>	<u>Amount paid in the period/year</u>	<u>Tax Refund in the period/year</u>	<u>Closing balance</u>
VAT on domestic sales	-	-	-	-	-
VAT on imports	-	43,348,766,951	43,357,886,971	-	9,120,020
Import export tax	561,274,411	16,350,388,977	16,485,298,218	-	696,183,652
Corporate income tax	661,402,094	578,187,590	14,228,706,645	-	14,311,921,149
Personal income tax	151,620,738	208,650,214	760,440,359	-	703,410,883
Total	<u>1,374,297,243</u>	<u>60,485,993,732</u>	<u>74,832,332,193</u>	<u>-</u>	<u>15,720,635,704</u>

Payables

VAT on domestic sales	6,294,283,103	76,257,986,307	72,374,533,788	-	10,177,735,622
VAT on imports	-	58,997,968	58,997,968	-	-
Import export tax	-	3,961,846	3,961,846	-	-
Corporate income tax	5,090,580,730	55,185,161,404	50,615,991,070	72,150,627	9,587,600,437
Personal income tax	1,958,153,290	32,865,209,966	31,491,730,488	-	3,331,632,768
Land tax	-	5,597,572,488	5,597,572,488	-	-
Others	489,034	212,467,790	212,956,824	-	-
Total	<u>13,343,506,157</u>	<u>170,181,357,769</u>	<u>160,355,744,472</u>	<u>72,150,627</u>	<u>23,096,968,827</u>

## 12 TANGIBLE FIXED ASSETS

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
<b>Historical cost</b>					
At 1 January 2016	476,774,270,225	520,156,224,966	175,646,609,476	79,534,490,495	1,252,111,595,162
Increase	210,366,591	15,475,863,398	9,374,612,902	125,830,245	25,186,673,136
Transfers from construction in progress (Note 14)	47,410,555,005	52,994,996,729	7,686,588,986	1,746,889,254	109,839,029,974
Liquidate	(3,718,973,551)	(785,798,564)	(6,273,062,488)	(897,071,341)	(11,674,905,944)
Reclassify	(184,219,795)	(6,188,634,366)	(583,923,355)	(4,552,400,575)	(11,509,178,091)
Disposal	-	(46,031,755)	(672,925,485)	-	(718,957,240)
At 31 December 2016	<u>520,491,998,475</u>	<u>581,606,620,408</u>	<u>185,177,900,036</u>	<u>75,957,738,078</u>	<u>1,363,234,256,997</u>
<b>Accumulated depreciation</b>					
At 1 January 2016	101,691,317,297	196,822,251,509	88,065,099,713	54,176,588,067	440,755,256,586
Depreciation for the period/year	27,873,423,412	44,804,616,670	17,613,950,582	7,052,654,708	97,344,645,372
Liquidate	(3,099,170,438)	(844,336,897)	(5,890,947,425)	(897,071,341)	(10,731,526,101)
Reclassify	(184,219,795)	(5,983,940,308)	(583,923,355)	(4,552,400,575)	(11,304,484,033)
Disposal	-	(46,031,755)	(672,925,485)	-	(718,957,240)
At 31 December 2016	<u>126,281,350,476</u>	<u>234,752,559,219</u>	<u>98,531,254,030</u>	<u>55,779,770,859</u>	<u>515,344,934,584</u>
<b>Net book value</b>					
At 1 January 2016	<u>375,082,952,928</u>	<u>323,333,973,457</u>	<u>87,581,509,763</u>	<u>25,357,902,428</u>	<u>811,356,338,576</u>
At 31 December 2016	<u>394,210,647,999</u>	<u>346,854,061,189</u>	<u>86,646,646,006</u>	<u>20,177,967,219</u>	<u>847,889,322,413</u>

Included in tangible fixed assets as of December 31, 2016 is VND 152,963 million (at December 31, 2015: VND 125,814 million), which were fully depreciated but still in active use.

## 13 INTANGIBLE FIXED ASSETS

	Land use rights with indefinite term VND	Land use rights with definite term VND	Software VND	Total VND
<b>Historical cost</b>				
At 1 January 2016	113,669,150,046	151,617,120,387	8,683,502,805	273,969,773,238
Transfers from construction in progress (Note 14)	1,800,000,000	-	4,405,435,000	6,205,435,000
Transfer from LT prepaid expenses	-	6,773,444,684	-	6,773,444,684
Disposals	(2,436,000,000)	-	-	(2,436,000,000)
At 31 December 2016	113,033,150,046	158,390,565,071	13,088,937,805	284,512,652,922
<b>Accumulated amortisation</b>				
At 1 January 2016	-	12,096,109,754	5,455,861,513	17,551,971,267
Depreciation in the period/year	-	3,303,353,940	1,692,648,004	4,996,001,944
Disposals	-	-	-	-
At 31 December 2016	-	15,399,463,694	7,148,509,517	22,547,973,211
<b>Net book value</b>				
At 1 January 2016	113,669,150,046	139,521,010,633	3,227,641,292	256,417,801,971
At 31 December 2016	113,033,150,046	142,991,101,377	5,940,428,288	261,964,679,711

The historical cost of intangible fixed assets of the Group has been fully depreciated but still used at December 31, 2016 is VND 2,917 million (at Dec 31, 2015: VND 2,917 million)

## 14 COST OF CONSTRUCTION IN PROGRESS

	31.12.2016 VND	31.12.2015 VND
Construction of Beta lactam factory	-	7,266,927,272
Construction of effervescent drug line	6,267,835,000	3,061,360,000
Build an office in Da Nang branch	-	27,580,000
Build an office in HCMC branch	-	14,461,818
Build office branch and other minor construction site of DHG Pharmaceutical One Member Co. Ltd.	2,141,843,739	1,124,316,220
Build an office in Gia Lai branch	623,948,774	623,948,774
Build an office in Thai Nguyen branch	11,818,182	-
Build an office in Hai Phong branch	-	90,909,091
Build finished goods warehouse-CMT8	-	3,031,610,782
Other	-	481,437,059
	9,045,445,695	15,722,551,016

**14 COST OF CONSTRUCTION IN PROGRESS (cont.)****Movement in costs of construction in progress in the period/year**

	<b>Fiscal year ended 31.12.2016 VND</b>	<b>Fiscal year ended 31.12.2015 VND</b>
Opening balance	15,722,551,016	50,132,540,095
Additions	109,979,639,623	141,702,916,365
Transfer to tangible fixed assets (Note 12)	(109,839,029,974)	(157,255,650,566)
Transfer to intangible fixed assets (Note 13)	(6,205,435,000)	(17,770,669,213)
Transfer to long-term prepayments	(23,886,000)	(674,908,727)
Transfer to tools and supplies	(496,913,970)	(411,676,938)
Delete	(91,480,000)	-
Closing balance	<u>9,045,445,695</u>	<u>15,722,551,016</u>

**15 DEFERRED INCOME TAX ASSETS**

Deferred tax assets primarily arise from the temporary differences are deductible of the reserves and unrealized profits arising between subsidiaries of the same group when preparing the consolidated statements.

**16 TRADE ACCOUNTS PAYABLE**

At December 31, 2016 and December 31, 2015, there is no overdue trade account payable.

Details for each companies have more than 10% of total payable:

	<b>31.12.2016 VND</b>	<b>31.12.2015 VND</b>
Truong Tin Pharma Co. Ltd.	56,484,958,549	38,175,021,388
Mega Lifesciences One Member Co. Ltd. (VN)	<u>26,633,640,634</u>	<u>42,854,138,507</u>

**17 SHORT TERM PAYABLE**

	<b>31.12.2016 VND</b>	<b>31.12.2015 VND</b>
Promotion and Customer care expense	2,984,753,722	3,196,827,384
Loan payable	589,134,749	452,141,998
Seminar expense	11,442,671	827,636,363
Other payable	35,929,376,490	17,207,325,387
	<u>39,514,707,632</u>	<u>21,683,931,132</u>

**18 SHORT TERM UNEARNED REVENUES**

Short-term unrealized revenues represent revenue from traditional client program, as described in Note 3.

**19 OTHER SHORT TERM PAYABLE**

	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>VND</b>	<b>VND</b>
Union fee and health insurance	932,027,827	1,102,968,970
Trade discounts	-	3,144,620,676
Other payables	5,551,445,741	11,052,872,667
	<u>6,483,473,568</u>	<u>15,300,462,313</u>

**20 SHORT-TERM BORROWINGS**

	<b>At</b>		<b>At</b>
	<b>01.01.2016</b>	<b>Increase</b>	<b>31.12.2016</b>
	<b>VND</b>	<b>VND</b>	<b>VND</b>
Loans from bank (*)	247,000,000,000	1,548,300,000,000	(1,471,600,000,000)
Loans from the Group's employees (**)	23,711,206,737	13,515,329,559	(6,161,107,833)
	<u>270,711,206,737</u>	<u>1,561,815,329,559</u>	<u>(1,477,761,107,833)</u>
			<u>354,765,428,463</u>

(\*) These loans are born interest at 0.32% to 0.38% per month (31.12.2014: from 0.29% to 0.62% per month).

(\*\*) These loans are born interest at 0.375% to 0.57% per month (31.12.2014: from 0.42% to 0.57% per month).

**21 BONUS AND WELFARE FUND**

The fund is established through appropriation from retained earnings upon approval of shareholders at the Company's and its subsidiaries' Annual General Meetings ("AGM"). 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 Directors in accordance with the Company's and its subsidiaries' AGM Resolution.

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

	<b>Bonus and welfare fund for staffs</b>	<b>Welfare fund in form of fixed assets</b>	<b>Bonus fund for Board of Directors</b>	<b>Total</b>
	<b>VND</b>	<b>VND</b>	<b>VND</b>	<b>VND</b>
Opening balance	49,431,767,334	34,978,468,180	6,353,384,139	90,763,619,653
Appropriation to the funds in the period/year	62,205,301,754	-	8,471,392,714	70,676,694,468
Assets formed from the welfare fund	-	-	-	-
Depreciation of assets formed from the welfare fund	-	(3,896,031,942)	-	(3,896,031,942)
Utilisation	(82,410,720,395)	-	(7,755,337,484)	(90,166,057,879)
Closing balance	<u>29,226,348,693</u>	<u>31,082,436,238</u>	<u>7,069,439,369</u>	<u>67,378,224,300</u>



**22 PROVISION FOR LONG-TERM PAYABLES**

	<b>Provision for environmental recovery, returning of premises VND</b>	<b>Provision for severance allowances</b>	<b>Total VND</b>
At 01/01/2016	5,053,947,698	26,270,001,050	31,323,948,748
Appropriation of fund in the period/year	2,539,531,610	3,059,058,500	5,598,590,110
Use of appropriation	-	(3,543,431,050)	(3,543,431,050)
At 31/12/2016	<u>7,593,479,308</u>	<u>25,785,628,500</u>	<u>33,379,107,808</u>

**23 SCIENCE AND TECHNOLOGY DEVELOPMENT FUND**

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

Movements of the science and technology development fund during the period/year were as follows:

	<b>Science and technology development fund VND</b>	<b>Science and technology development fund in form of assets VND</b>	<b>Total VND</b>
Opening balance	6,519,245,955	24,487,150,092	31,006,396,047
Science and technology development fund used for fixed asset acquisition	(9,906,365,045)	9,906,365,045	-
Depreciation of assets formed from Science and technology development fund	-	(4,725,344,296)	(4,725,344,296)
Use of fund	(2,059,744,927)	-	(2,059,744,927)
Ending balance	<u>(5,446,864,017)</u>	<u>29,668,170,841</u>	<u>24,221,306,824</u>

DHG PHARMACEUTICAL JOINT-STOCK COMPANY

Form B 09 – DN/HN

24 OWNERS' EQUITY

Movements in owners' equity

	Share capital VND	PIC in excess of par value VND	Treasury shares VND	Investment and development fund VND	Financial reserve fund VND	Undistributed earnings VND	Total VND
At January 1, 2015	871,643,300,000	-	(455,850,000)	782,076,482,219	67,063,774,920	556,467,354,916	2,276,795,062,055
Treasury share repurchased	-	-	(15,665,180,000)	-	-	-	(15,665,180,000)
Profit for the year	-	-	-	-	-	588,701,003,222	588,701,003,222
Dividend	-	-	-	-	-	(261,462,600,000)	(261,462,600,000)
Appropriation to funds	-	-	-	190,338,928,439	-	(190,338,928,439)	-
Transfer from Financial Reserve Fund	-	-	-	67,063,774,920	(67,063,774,920)	-	-
Appropriation to bonus and welfare fund	-	-	-	-	-	(80,423,657,994)	(80,423,657,994)
Appropriation to Board of Directors bonus fund	-	-	-	-	-	(7,031,826,014)	(7,031,826,014)
At December 31, 2015	871,643,300,000	-	(16,121,030,000)	1,039,479,185,578	-	605,911,345,691	2,500,912,801,269
Treasury shares reissued	-	6,778,948,000	16,121,030,000	-	-	-	22,899,978,000
Profit for the period/year	-	-	-	-	-	710,056,075,897	710,056,075,897
Dividend	-	-	-	-	-	(304,296,825,000)	(304,296,825,000)
Appropriation to funds	-	-	-	181,082,523,189	-	(181,082,523,189)	-
Appropriation to bonus and welfare fund	-	-	-	-	-	(61,607,669,990)	(61,607,669,990)
Appropriation to Board of Directors bonus fund	-	-	-	-	-	(7,930,858,929)	(7,930,858,929)
At December 31, 2016	871,643,300,000	6,778,948,000	-	1,220,561,708,767	-	761,049,544,480	2,860,033,501,247

## 24 OWNERS' EQUITY (cont.)

## Charter Capital

	31.12.2016		31.12.2015	
	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)
Ordinary shares currently in circulation	87,164,330	871,643,300,000	86,941,950	855,522,270,000

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 period/year were follows:

	Fiscal year ended 31.12.2016		Fiscal year ended 31.12.2015	
	Number of shares	VND	Number of shares	VND
Opening balance	86,941,950	855,522,270,000	87,154,200	871,187,450,000
Acquisition of shares as treasury shares	-	-	(212,250)	(15,665,180,000)
Treasury shares reissued in the period	222,380	16,121,030,000	-	-
Closing balance	87,164,330	871,643,300,000	86,941,950	855,522,270,000

## Dividend

According to Resolution of the Company's Annual General Meeting No. 001/2016/NQ-ĐHĐCĐ dated 28 April 2016, the shareholders of the Company has approved declaration of dividends from profit after tax of 2015 of 35% in cash, equivalent to VND 304,296,825,000.

## 25 MINORITY INTEREST

	Fiscal year ended 31.12.2016 VND	Fiscal year ended 31.12.2015 VND
Opening balance	20,323,225,971	16,830,408,891
Minority Capital	13,204,120,020	-
Net profit for the year	2,893,973,019	3,984,211,763
Appropriation to bonus and welfare fund	(597,631,764)	(74,894,683)
Appropriation to Board of Directors bonus fund	(540,533,785)	(98,000,000)
Dividends paid	(1,225,000,000)	(318,500,000)
Closing balance	34,058,153,461	20,323,225,971

**26 OFF BALANCE SHEET ITEMS****Foreign currencies**

Cash and cash equivalents include gold and foreign currencies as follows:

	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>VND</b>	<b>VND</b>
USD	683,375	246,134
EUR	58,584	82,222
MOP	20	20
	<u>                    </u>	<u>                    </u>

**27 REVENUE**

	<b>For 3-month period ended</b>		<b>For fiscal year ended</b>	
	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>VND</b>	<b>VND</b>	<b>VND</b>	<b>VND</b>
<b>Sales</b>				
Sales of semi-finished goods	1,040,556,988,072	1,025,333,866,111	3,380,986,773,709	3,200,964,894,298
Sales of merchandise goods	239,638,565,916	338,568,884,654	718,698,231,331	930,177,221,786
Services	19,230,909,922	1,966,136,077	54,370,151,921	20,585,370,635
	<u>1,299,426,463,910</u>	<u>1,365,868,886,842</u>	<u>4,154,055,156,961</u>	<u>4,151,727,486,719</u>
<b>Sales deductions</b>				
Trade discounts	121,558,712,821	209,418,677,110	356,447,609,159	519,034,780,072
Sales returns	3,741,592,978	7,681,184,563	15,548,621,843	24,932,883,450
	<u>125,300,305,799</u>	<u>217,099,861,673</u>	<u>371,996,231,002</u>	<u>543,967,663,522</u>
<b>Net sales</b>	<u>1,174,126,158,111</u>	<u>1,148,769,025,169</u>	<u>3,782,058,925,959</u>	<u>3,607,759,823,197</u>
<b>In which:</b>				
Sales of semi-finished goods	919,578,754,143	814,203,772,186	3,025,527,988,656	2,671,641,833,422
Sales of merchandise goods	235,316,494,046	332,599,116,906	702,160,785,382	915,532,619,140
Revenue from services rendered	19,230,909,922	1,966,136,077	54,370,151,921	20,585,370,635

**28 COST OF SALES**

	<b>For 3-month period ended</b>		<b>For fiscal year ended</b>	
	<b>31.12.2016</b>	<b>31.12.2015</b>	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>VND</b>	<b>VND</b>	<b>VND</b>	<b>VND</b>
Cost of finished goods sold	404,290,523,906	387,037,371,286	1,379,792,371,767	1,295,091,816,024
Cost of merchandises sold	226,767,692,211	326,671,331,955	669,318,004,157	885,769,284,426
Cost of services rendered	893,273,244	3,925,616,070	10,446,479,601	16,439,091,660
Provision for decline in value of inventories	(205,990,441)	(2,036,987,664)	(1,314,509,419)	(2,408,057,684)
	<u>631,745,498,920</u>	<u>715,597,331,647</u>	<u>2,058,242,346,106</u>	<u>2,194,892,134,426</u>

**29 FINANCIAL INCOME**

	For 3-month period ended		For fiscal year ended	
	31.12.2016 VND	31.12.2015 VND	31.12.2016 VND	31.12.2015 VND
Interest income from deposits at bank	14,498,818,045	10,207,773,426	54,649,940,848	30,383,145,079
Dividend income	-	-	313,749,620	290,914,626
Realised foreign exchange gains	673,478,634	2,079,403,941	2,656,076,712	3,652,204,147
Other financial income	5,268,666	2,979,291	265,931,599	12,384,212
	<u>15,177,565,345</u>	<u>12,290,156,658</u>	<u>57,885,698,779</u>	<u>34,338,648,064</u>

**30 FINANCIAL EXPENSES**

	For 3-month period ended		For fiscal year ended	
	31.12.2016 VND	31.12.2015 VND	31.12.2016 VND	31.12.2015 VND
Interest expense	2,713,418,092	2,572,809,985	12,492,351,845	8,730,565,082
Realised foreign exchange losses	2,560,404,185	2,620,067,023	5,553,015,033	9,550,922,190
Payment discounts	18,757,164,952	25,576,073,905	66,473,978,811	71,141,260,942
Other expenses	(5,452,082)	(57,715,573)	113,962,446	59,141,844
	<u>24,025,535,147</u>	<u>30,711,235,340</u>	<u>84,633,308,135</u>	<u>89,481,890,058</u>

**31 SELLING, GENERAL & ADMINISTRATION EXPENSES****Selling expenses**

	For 3-month period ended		For fiscal year ended	
	31.12.2016 VND	31.12.2015 VND	31.12.2016 VND	31.12.2015 VND
Labour costs	99,071,999,476	93,659,032,556	296,925,838,126	245,338,504,849
Material costs	3,559,924,709	3,407,332,346	12,335,573,064	11,492,656,910
Tools and supplies expenses	1,821,864,282	2,441,372,242	7,199,729,225	5,066,594,906
Depreciation expenses	4,109,136,043	3,557,005,722	16,315,783,426	14,079,620,579
Advertising expenses	29,539,662,354	17,287,962,756	162,943,769,507	78,073,169,748
Discount and promotion expenses	-	(131,587,512)	-	-
Seminar expenses	4,694,146,640	5,791,123,279	15,993,550,783	14,667,144,681
Customer care expenses	1,910,013,898	1,605,528,503	5,544,773,888	3,136,614,689
Transportation expenses	6,685,745,250	5,778,521,623	18,874,249,389	20,498,121,774
Other expenses	34,809,123,819	18,533,386,114	91,801,033,179	65,261,107,359
	<u>186,201,616,471</u>	<u>151,929,677,629</u>	<u>627,934,300,587</u>	<u>457,613,535,495</u>

**31 SELLING, GENERAL & ADMINISTRATION EXPENSES (cont.)****General & administration expenses**

	For 3-month period ended		For fiscal year ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	VND	VND	VND	VND
Staff expenses	86,244,278,837	60,498,652,555	248,916,973,477	179,794,879,767
Material costs	137,436,763	(532,448,602)	487,808,361	822,044,755
Tools and instruments	1,207,887,026	401,179,227	3,872,229,920	4,430,503,772
Depreciation expenses	2,202,997,129	4,066,894,362	9,799,334,517	13,932,815,111
Taxes, fees and charges	184,498,328	302,373,654	875,495,082	904,975,138
Provision expenses	1,545,297,054	518,405,495	2,694,150,099	4,580,490,150
Provision for cleanup costs, recovery and return of premises	1,621,076,609	5,053,947,698	2,814,081,133	5,053,947,698
Outside services	4,557,208,160	9,375,246,188	17,516,158,904	22,610,993,699
Other expenses	9,870,059,246	8,371,446,735	25,085,205,519	30,179,522,428
	<u>107,570,739,152</u>	<u>88,055,697,312</u>	<u>312,061,437,012</u>	<u>262,310,172,518</u>

**32 OTHER INCOMES**

	For 3-month period ended		For fiscal year ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	VND	VND	VND	VND
Proceeds from disposals of fixed assets and other LT assets	1,148,339,840	1,085,263,690	5,820,571,285	2,618,121,272
Commission income	2,425,382	14,220,339,646	3,805,829	40,192,572,673
Sundry income	-	108,000,000	-	108,000,000
Others	2,083,638,404	2,730,992,569	9,310,683,674	28,323,280,895
	<u>3,234,403,626</u>	<u>18,144,595,905</u>	<u>15,135,060,788</u>	<u>71,241,974,840</u>

**33 OTHER EXPENSES**

	For 3-month period ended		For fiscal year ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	VND	VND	VND	VND
Net book value of fixed assets disposed and deleted	-	-	8,295,694,967	-
Sundry income	(12,287,772)	2,130,676,821	7,071,373,268	6,823,220,272
	<u>(12,287,772)</u>	<u>2,130,676,821</u>	<u>15,367,068,235</u>	<u>6,823,220,272</u>

**34 COST OF OPERATIONS BY FACTOR**

	For fiscal year ended	
	31.12.2016	31.12.2015
	VND	VND
Material cost	1,620,721,373,598	1,811,744,467,262
Labour costs	782,251,037,266	623,895,388,369
Depreciation expense	86,342,125,862	87,048,035,391
Outside service expenses	344,266,189,889	235,580,609,704
Other expenses	94,002,691,610	103,065,724,361
	<u>2,927,583,418,225</u>	<u>2,861,334,225,087</u>

## 35 CORPORATE INCOME TAX

	For 3-month period ended		For fiscal year ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	VND	VND	VND	VND
Net accounting profit before tax	243,275,444,632	189,868,770,811	756,653,321,160	701,309,105,160
Tax calculated at a rate of 20% (2015: 22%)	48,655,088,926	41,771,129,578	151,330,664,232	154,288,003,135
Effect of:	-			
Expenses not deductible for tax purposes	151,978,084	1,219,930,892	2,661,036,560	1,548,562,325
Under provision in previous years	66,719,400	70,524,549	115,403,127	136,312,591
Non-taxable income taxes	-	(192,437,549)	(62,752,505)	(228,031,106)
Tax incentive	(48,482,182,676)	(19,899,281,082)	(106,717,139,473)	(45,370,354,379)
Deferred income tax of provisions	(1,388,418,215)	-	(6,668,171,562)	-
Differences from consolidation	1,901,642,094	90,749,122	3,044,231,865	(1,750,602,391)
Business income tax charge	<u>904,827,613</u>	<u>23,060,615,510</u>	<u>43,703,272,244</u>	<u>108,623,890,175</u>

	For 3-month period ended		For fiscal year ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	VND	VND	VND	VND
<b>Record in the report on the operation results</b>				
Corporate income tax – current	5,695,487,779	24,807,707,474	55,763,348,994	108,690,466,892
Corporate income tax – deferred	<u>(4,790,660,166)</u>	<u>(1,747,091,964)</u>	<u>(12,060,076,750)</u>	<u>(66,576,717)</u>
Corporate income tax expense	<u>904,827,613</u>	<u>23,060,615,510</u>	<u>43,703,272,244</u>	<u>108,623,890,175</u>

**Applicable tax rate**

According to Circular 78/2014/ TT-BTC, from January 1, 2014 the common income tax rate is 22% and as from January 1, 2016 decreased to 20%.

*The Company*

According to the Decision of 3044/QĐ-UBND of 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. The Company was exempted from income tax from 2005 to 2006 and received a 50% reduction in income tax from 2007 to 2011.

*The Subsidiaries*

Except for DHG 1 Packaging and Printing One Member Limited Company, DHG Nature One Member Limited Company, and Song Hau Pharmaceutical Joint Stock Company, other subsidiaries in the Group have an obligation to pay the business income tax from taxable profits.

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

Pursuant to its Business Registration Certificate, DHG 1 Packaging and Printing has an obligation to pay the business income tax at rate of 10% of taxable profits from 2014 to 2028. The company was exempted from income tax from 2014 to 2017 and received a 50% reduction in income tax from 2018 to 2026.

*DHG Pharmaceutical One Member Limited Company*

According to Investment Certificate No. 642041000005 of the management board of industrial zones in Hau Giang Province, the Company enjoys income tax rate of 10% for 15 years as from commencement of operations, The Company has been exempted from income tax for 4 years and received a 50% reduction in income tax for 9 years for the next years after the taxable income. The Company has registered the start of tax exemption and tax reduction from the year 2015.

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

Pursuant to its Investment License, SH Pharma has an obligation to pay 20% of taxable profits generated from trading activities from 2008 to 2017. The terms of its investment license allow the Company to be exempted from income tax from 2008 to 2009 and a 50% reduction in income tax from 2010 to 2015.

All the above tax incentives are not applicable to other income. Other income is required to pay at ordinary tax rate.

**36 EARNINGS PER SHARE**

Earnings per share is calculated by net profit after excluding appropriation to bonus and welfare fund from profit after tax attributable to shareholders divided by the weighted average of outstanding ordinary shares during the period, not including common share repurchased as treasury shares.

	For 3-month period ended		For fiscal year ended	
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
	VND	VND	VND	VND
Net profit attributable to shareholders (dong)	241,374,811,602	165,069,148,581	710,056,075,897	588,701,003,222
Appropriation to bonus and welfare fund expected (*)	(24,137,481,160)	(16,506,914,858)	(97,961,249,314)	(88,282,851,475)
	<u>217,237,330,442</u>	<u>148,562,233,723</u>	<u>612,094,826,583</u>	<u>500,418,151,747</u>
Weighted average of outstanding ordinary shares	86,958,825	87,100,277	87,010,624	87,060,370
Basic earnings per share based on weighted average of outstanding ordinary shares (dong)	2,498	1,706	7,035	5,748

(\*) Appropriation to bonus and welfare fund expected for 2016 is based on the profit distribution plan 2016 of the Company decided by shareholders in Annual General Meeting and the profit distribution plan 2016 of the subsidiaries decided by the Board of Directors of the Company.

The Group has no potential shares which has effect on diluting of earnings per share.



**37 COMMITMENTS****a) Operating leases commitments**

Non-cancellable lease contracts signed, the Company must pay the minimum amount as follows:

	<b>Land leases</b>	
	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>VND</b>	<b>VND</b>
Within 1 year	5,481,993,358	1,854,150,976
From 1 to 5 years	21,927,973,432	7,416,603,904
Over 5 years	122,558,946,522	43,338,191,348
	<u>149,968,913,312</u>	<u>52,608,946,228</u>

**b) Capital commitments**

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

	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>VND</b>	<b>VND</b>
Approved but not contracted	25,292,389,735	51,906,098,511
Approved and contracted but not recognised in the financial statements	31,867,348,447	35,194,222,984
	<u>57,159,738,182</u>	<u>87,100,321,495</u>

**38 RELATED PARTY TRANSACTIONS**

The largest shareholder of the Group is the State Capital Investment Corporation (“SCIC”) which owns 43.31% of the Group’s share capital. The SCIC is controlled by the Government of Vietnam.

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

	<b>For fiscal year ended</b>	
	<b>31.12.2016</b>	<b>31.12.2015</b>
	<b>VND</b>	<b>VND</b>
<b><i>Purchase of goods and services</i></b>		
<b>Associates</b>		
Vinh Hao Algae Corporation	2,253,860,000	51,950,000
	<u>2,253,860,000</u>	<u>51,950,000</u>
<b><i>Sales of goods and services</i></b>		
<b>Associates</b>		
Vinh Hao Algae Corporation	149,132,240	-
	<u>149,132,240</u>	<u>-</u>
<b><i>Dividend payment</i></b>		
State Capital Investment Corporation (“SCIC”)	132,127,887,500	113,252,475,000
	<u>132,127,887,500</u>	<u>113,252,475,000</u>
<b><i>Remuneration of key management</i></b>		
Salaries and other benefits	10,691,087,971	11,883,263,388
	<u>10,691,087,971</u>	<u>11,883,263,388</u>

