

DHG PHARMACEUTICAL JOINT STOCK COMPANY

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014



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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 12 May 2014 was issued by the Planning and Investment Department of Can Tho City.

Board of Management	Mr Hoang Nguyen Hoc	Chairman (from 1 May 2014)
	Mdm Pham Thi Viet Nga	Chairwoman (to 1 May 2014)
		Member (from 1 May 2014)
	Mr Le Dinh Buu Tri	Vice Chairman (from 1 May 2014)
		Member (to 1 May 2014)
	Mr Doan Dinh Duy Khuong	Member
	Ms Dang Pham Minh Loan	Member (from 1 May 2014)
	Mr Tran Chi Liem	Member (from 1 May 2014)
	Mr Shuhei Tabata	Member (from 1 May 2014)
	Ms Le Minh Hong	Member (to 1 May 2014)
	Mr Le Chanh Dao	Member (to 1 May 2014)
Ms Nguyen Thi Hong Loan	Member (to 1 May 2014)	
Mr Nguyen Nhu Song	Member (to 1 May 2014)	
Board of Directors	Mdm Pham Thi Viet Nga	General Director (from 1 May 2014)
	Ms Le Minh Hong	General Director (to 1 May 2014)
	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 (from 1 May 2014)
	Ms Tran Thi Anh Nhu	Member (to 1 May 2014)
Legal representative	Mdm Pham Thi Viet Nga	General Director
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 2014 and 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 will continue in business.

The Board of Directors is responsible for ensuring that proper accounting records are maintained, 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 complies with the basis of accounting set out in Note 2 to the consolidated financial statements. We are 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 36 which give a true and fair view of the consolidated financial position of the Group as at 31 December 2014 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.

On behalf of the Board of Directors



Le Chanh Dao
Deputy General Director
Authorised Signatory

Can Tho City, SR Vietnam
14 March 2015



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 2014 and approved by the Board of Directors on 14 March 2015. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2014, the consolidated income statement, the consolidated cash flow statement for the year then ended, and explanatory notes to the consolidated financial statements including significant accounting policies, as set out on pages 5 to 36.

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 controls 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 2014, 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 financial statements.

PricewaterhouseCoopers (Vietnam) Ltd.



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

Report Reference Number: HCM4419
Ho Chi Minh City, 14 March 2015

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	
			2014 VND	2013 VND
100	CURRENT ASSETS		2,386,250,376,004	2,232,558,323,593
110	Cash and cash equivalents	3	496,491,764,030	613,286,840,667
111	Cash		108,745,132,437	197,502,688,578
112	Cash equivalents		387,746,631,593	415,784,152,089
120	Short-term investments	4	260,616,666,667	170,000,000,000
130	Accounts receivable		841,466,365,557	667,385,791,765
131	Trade accounts receivable	5	760,722,312,361	515,047,367,344
132	Prepayments to suppliers		45,230,064,069	106,904,033,805
135	Other receivables	6	43,219,434,779	54,871,697,688
139	Provision for doubtful debts		(7,705,445,652)	(9,437,307,072)
140	Inventories	7	780,703,611,464	757,948,802,811
141	Inventories		786,123,041,332	762,406,784,423
149	Provision for decline in value of inventories		(5,419,429,868)	(4,457,981,612)
150	Other current assets		6,971,968,286	23,936,888,350
151	Short-term prepayments		1,029,267,451	1,009,350,275
152	Value Added Tax to be reclaimed		1,767,528,950	11,926,381,877
154	Other taxes receivable		874,613,071	1,530,498,553
158	Other current assets		3,300,558,814	9,470,657,645
200	LONG-TERM ASSETS		1,096,467,924,049	848,061,960,110
220	Fixed assets		963,813,452,083	799,082,640,475
221	Tangible fixed assets	8(a)	733,663,998,483	341,559,529,935
222	Cost		1,090,746,573,280	624,285,468,842
223	Accumulated depreciation		(357,082,574,797)	(282,725,938,907)
227	Intangible fixed assets	8(b)	180,016,913,505	175,986,046,667
228	Cost		193,368,549,477	187,270,244,354
229	Accumulated amortisation		(13,351,635,972)	(11,284,197,687)
230	Construction in progress	8(c)	50,132,540,095	281,537,063,873
250	Long-term investments	9	16,842,443,714	20,765,323,714
252	Investments in associates		5,434,273,514	5,434,273,514
258	Other long-term investments		27,908,170,200	31,831,050,200
259	Provision for diminution in value of long-term investments		(16,500,000,000)	(16,500,000,000)
260	Other long-term assets		115,812,028,252	28,213,995,921
261	Long-term prepayments	10	100,946,118,907	18,683,501,941
262	Deferred income tax assets	11	14,017,983,554	8,256,999,578
268	Other long-term assets		847,925,791	1,273,494,402
270	TOTAL ASSETS		3,482,718,300,053	3,080,620,283,703

The notes on pages 9 to 36 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET
(continued)

Code	RESOURCES	Note	As at 31 December	
			2014 VND	2013 VND
300	LIABILITIES		1,189,092,829,107	1,081,177,362,120
310	Current liabilities		1,119,689,495,134	1,030,241,740,808
311	Short-term borrowings	12	176,707,408,762	127,031,078,559
312	Trade accounts payable	13	261,374,420,147	267,947,613,018
313	Advances from customers		912,804,381	2,694,932,738
314	Taxes and other payables to the State Budget	14	103,311,154,783	56,584,127,414
315	Payable to employees		208,304,993,114	206,949,554,901
316	Accrued expenses	15	266,009,951,113	235,861,930,515
319	Other payables	16	36,083,180,507	67,438,861,042
323	Bonus and welfare funds	17	66,985,582,327	65,733,642,621
330	Long-term liabilities		69,403,333,973	50,935,621,312
337	Provisions for long-term liabilities	18	28,843,956,033	-
339	Science and technology development funds	19	40,559,377,940	50,935,621,312
400	OWNERS' EQUITY		2,276,795,062,055	1,981,365,474,100
410	Capital and reserves		2,276,795,062,055	1,981,365,474,100
411	Owners' capital	20, 21	871,643,300,000	653,764,290,000
414	Treasury shares	20, 21	(455,850,000)	(455,850,000)
417	Investment and development fund	21	782,076,482,219	701,396,760,268
418	Financial reserve fund	21	67,063,774,920	66,929,751,817
420	Undistributed earnings	21	556,467,354,916	559,730,522,015
439	MINORITY INTEREST	22	16,830,408,891	18,077,447,483
440	TOTAL RESOURCES		3,482,718,300,053	3,080,620,283,703

OFF BALANCE SHEET ITEMS

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

	2014	2013
USD	336,670	558,065
EUR	16,444	61,029
MOP	20	20
NDT	3,515	3,515
CAD	100	100
A tenth of tael of gold	1,507	1,482
Tael of gold	200	300

Ngo Thi Hong Dao

Ngo Thi Hong Dao
Preparer

Dang Pham Huyen Nhung

Dang Pham Huyen Nhung
Chief Accountant



Le Chanh Dao
Le Chanh Dao
Deputy General Director
Authorised signatory
14 March 2015

The notes on pages 9 to 36 are an integral part of these consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

Code	Note	Year ended 31 December	
		2014 VND	2013 VND
01	Sales	3,958,709,910,419	4,093,660,616,098
02	Less deductions	(46,191,765,944)	(702,863,964,048)
10	Net sales	3,912,518,144,475	3,390,796,652,050
11	Cost of sales	(1,781,997,126,034)	(1,762,678,700,813)
20	Gross profit	2,130,521,018,441	1,628,117,951,237
21	Financial income	37,139,877,819	47,969,788,627
22	Financial expenses	(67,340,673,729)	(16,455,522,775)
23	Including: interest expense	(4,838,876,750)	(2,269,547,030)
24	Selling expenses	(1,098,587,377,918)	(757,747,616,905)
25	General and administration expenses	(312,775,808,459)	(270,757,905,732)
30	Operating profit	688,957,036,154	631,126,694,452
31	Other income	36,844,503,038	182,011,757,468
32	Other expenses	(3,864,380,978)	(31,238,035,583)
40	Net other income	32,980,122,060	150,773,721,885
41	Share of associates' result	-	(400,000,000)
50	Net accounting profit before tax	721,937,158,214	781,500,416,337
51	Business income tax – current	(193,926,063,163)	(190,664,526,281)
52	Business income tax – deferred	5,760,983,976	2,416,106,913
60	Net profit after tax	533,772,079,027	593,251,996,969
	Attributable to:		
61	Minority interest	499,297,883	4,292,243,167
62	Owners of the parent company	533,272,781,144	588,959,753,802
70	Basic earnings per share (VND)	6,119	6,758



Ngo Thi Hong Dao
Preparer



Dang Pham Huyen Nhung
Chief Accountant





Le Chanh Dao
Deputy General Director
Authorised signatory
14 March 2015

The notes on pages 9 to 36 are an integral part of these consolidated financial statements.

CONSOLIDATED CASH FLOW STATEMENT
 (Indirect method)

Code	Note	Year ended 31 December	
		2014 VND	2013 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01		721,937,158,214	781,500,416,337
		Net profit before tax	
		Adjustments for:	
02	8	79,709,426,586	71,042,979,207
03		(770,413,164)	(2,376,383,313)
05	29	134,124,144	(1,877,328,288)
05	24(b)	(35,180,994,085)	(45,816,183,782)
05		-	400,000,000
05		(95,680,000)	-
06	26	4,838,876,750	2,269,547,030
08		770,572,498,445	805,143,047,191
		Operating profit before changes in working capital	
09		(198,654,237,720)	(106,110,276,547)
10		(23,716,256,909)	(244,438,059,335)
11		22,752,783,625	276,100,224,398
12		(27,875,657,824)	(8,436,251,542)
13		(3,957,414,700)	(2,749,714,033)
14		(149,100,796,888)	(163,845,112,946)
16		(118,221,104,830)	(71,206,195,264)
20		271,799,813,199	484,457,661,922
		Net cash inflows from operating activities	
CASH FLOWS FROM INVESTING ACTIVITIES			
21	8	(255,151,975,150)	(348,811,262,617)
22			
		2,092,971,399	6,473,133,397
23		(90,616,666,667)	(170,000,000,000)
26		4,018,560,000	-
27		32,974,690,379	44,285,267,106
30		(306,682,420,039)	(468,052,862,114)
		Net cash outflows from investing activities	
CASH FLOWS FROM FINANCING ACTIVITIES			
33		1,376,817,787,033	186,490,435,869
34		(1,327,141,456,830)	(78,944,166,307)
36		(131,588,800,000)	(229,639,546,500)
40		(81,912,469,797)	(122,093,276,938)
		Net cash outflows from financing activities	
50		(116,795,076,637)	(105,688,477,130)
		Net decrease in cash and cash equivalents	
60	3	613,286,840,667	718,975,317,797
		Cash and cash equivalents at beginning of year	
70	3	496,491,764,030	613,286,840,667
		Cash and cash equivalents at end of year	



 Ngo Thi Hong Dao
 Preparer



 Dang Pham Huyen Nhung
 Chief Accountant




 Le Chanh Dao
 Deputy General Director
 Authorised signatory
 14 March 2015

The notes on pages 9 to 36 are an integral part of these consolidated financial statements.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014**

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 legal 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. At the date of approval of the consolidated financial statements, the Company is in the process of registration for amended Business Registration Certificate for the increase in share capital.

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

As at 31 December 2014, the Company had 2,964 employees (at 31 December 2013: 2,830 employees).

The consolidated financial statements for the year ended 31 December 2014 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	
			2014	2013
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%	100%

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 09 – DN/HN

1 GENERAL INFORMATION (continued)

Name	Principal activities	Business Registration Certificate	% of ownership and voting rights	
			2014	2013
Subsidiaries: 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%
DHG Packaging and Printing One Member Limited Company (*)	Manufacture and trade packaging, plastic, aluminum, paper for pharmaceutical industry; provide printing services	No. 5704000183 issued by the Planning and Investment Department of Can Tho City on 29 April 2008	-	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%

1 GENERAL INFORMATION (continued)

Name	Principal activities	Business Registration Certificate	% Ownership and voting rights	
			2014	2013
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 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%
Associates: 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 31 December 2013, the Board of Management of the Company issued the decision to dissolve DHG Packaging and Printing One Member Limited Company. As at 31 December 2014, 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 consolidated 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 Fiscal year

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.3 Consolidation**

In 2014, the Company prepared its consolidated financial statements in accordance with Vietnamese Accounting Standard 25 – Consolidated Financial Statements and Accounting for Investments in Subsidiaries.

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.

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 minority 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.

Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.4 Use of estimates**

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

2.5 Currency

The consolidated financial statements are prepared and presented in Vietnamese Dong.

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 translated at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising from these translations are recognised in the income statement.

2.6 Form of records applied

The Group uses journal vouchers to record its transactions.

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) Short-term investments**

Short-term investments are term deposits at bank maturing within 12 months from the balance sheet date and are accounted for at cost.

(b) Investments in associates

Investments in associates are accounted for at under equity method of accounting in the consolidated financial statements.

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

Other long-term investments comprise shareholding of less than 20% in listed and unlisted entities which are held with no intention to dispose within 12 months from the balance sheet date. These investments are initially stated at cost of acquisition. Provision is made where there is a diminution in value of these investments.

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 on the straight-line method, to write off the cost of the assets to their residual value over their estimated useful lives or over the term of the project if shorter. The estimated useful lives of the assets are as follows:

Building and structures	3 – 19 years
Machinery and equipment	3 – 20 years
Motor vehicles	3 – 10 years
Office equipment	2 – 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.

2.13 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.

Where the Group purchase the Group's equity share capital (treasury shares), the consideration paid, including directly attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received less any directly attributable incremental transaction costs is included in equity attributable to the Group's equity holders.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.14 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.

2.15 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.

(b) Interest income

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

(c) Dividend income

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

2.16 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 were put to use.

2.17 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 year, 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.18 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.

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

Appropriation of the Company's net profit after tax of the year 2013 was approved by shareholders at the Company's Annual General Meeting as follows:

- Dividends declared for year 2013: 30% of par value.
- Appropriation to the bonus and welfare fund: 12% of net profit after tax.
- Payment for Board of Management, Supervisory Board, Board of Directors and key management personnel: 5 billion VND.
- Bonus for Board of Management, Supervisory Board, Board of Directors and key management personnel: 5% of increase in net consolidated profit after tax.
- Remaining net profit after tax was appropriated to the investment and development fund

2.19 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.

2.20 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.

2.21 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.

3 CASH AND CASH EQUIVALENTS

	2014 VND	2013 VND
Cash on hand	16,321,258,859	30,418,601,252
Cash at bank	92,423,873,578	167,084,087,326
Cash equivalents (*)	387,746,631,593	415,784,152,089
	<u>496,491,764,030</u>	<u>613,286,840,667</u>

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

As at 31 December 2014, the cash equivalents of VND75 billion were used as collateral assets for short-term loans from banks (Note 12).

4 SHORT-TERM INVESTMENTS

Short-term investments are term deposits at bank maturing within 12 months from the balance sheet date, except for term deposits with an original maturity of 3 months or less being classified to cash equivalents in Note 3.

5 TRADE ACCOUNTS RECEIVABLE

	2014 VND	2013 VND
Trade receivables from third parties	760,722,312,361	515,047,367,344
	<u>760,722,312,361</u>	<u>515,047,367,344</u>

6 OTHER RECEIVABLES

	2014 VND	2013 VND
Prepaid trade discounts	32,720,645,396	43,340,621,042
Interest income receivable	5,506,248,160	3,299,944,454
Other receivables	4,992,541,223	8,231,132,192
	<u>43,219,434,779</u>	<u>54,871,697,688</u>

7 INVENTORIES

	2014 VND	2013 VND
Goods in transit	56,439,936,854	80,761,118,021
Raw materials	263,217,163,928	238,200,575,337
Work in progress	31,768,962,547	52,070,111,304
Finished goods	346,304,666,143	321,552,534,685
Merchandises	88,392,311,860	69,822,445,076
	<hr/>	<hr/>
Provision for decline in value of inventories	786,123,041,332 (5,419,429,868)	762,406,784,423 (4,457,981,612)
	<hr/>	<hr/>
	<u>780,703,611,464</u>	<u>757,948,802,811</u>

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

	2014 VND	2013 VND
Opening balance	4,457,981,612	6,028,589,133
Increase	961,448,256	-
Reversal	-	(1,570,607,521)
	<hr/>	<hr/>
Closing balance	<u>5,419,429,868</u>	<u>4,457,981,612</u>

8 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 2014	217,596,266,580	229,303,470,033	109,040,239,016	68,345,493,213	624,285,468,842
Increase	8,454,990,143	9,482,195,189	5,781,012,098	91,363,789	23,809,561,219
Transfers from construction in progress (Note 8(c))	183,706,035,870	213,311,372,927	47,042,464,958	3,327,122,418	447,386,996,173
Disposals	(650,000,000)	(1,879,889,630)	(696,813,921)	(1,508,749,403)	(4,735,452,954)
At 31 December 2014	409,107,292,593	450,217,148,519	161,166,902,151	70,255,230,017	1,090,746,573,280
Accumulated depreciation					
At 1 January 2014	57,611,519,174	129,620,837,025	55,065,501,712	40,428,080,996	282,725,938,907
Charge for the year	20,134,359,838	32,420,512,247	17,182,584,794	7,862,531,422	77,599,988,301
Disposals	(346,666,624)	(707,486,100)	(680,450,284)	(1,508,749,403)	(3,243,352,411)
At 31 December 2014	77,399,212,388	161,333,863,172	71,567,636,222	46,781,863,015	357,082,574,797
Net book value					
At 1 January 2014	159,984,747,406	99,682,633,008	53,974,737,304	27,917,412,217	341,559,529,935
At 31 December 2014	331,708,080,205	288,883,285,347	89,599,265,929	23,473,367,002	733,663,998,483

Included in tangible fixed assets as at 31 December 2014 were assets costing VND114,317,744,371 (31 December 2013: VND106,244,000,000) which were fully depreciated but still in active use.

8 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 2014	109,273,175,913	72,258,870,636	5,738,197,805	187,270,244,354
Increase	-	23,280,123	-	23,280,123
Transfers from construction in progress (Note 8(c))	6,540,800,000	-	311,220,000	6,852,020,000
Reclassifications	(105,916,892)	105,916,892	-	-
Disposals	(734,995,000)	-	(42,000,000)	(776,995,000)
At 31 December 2014	114,973,064,021	72,388,067,651	6,007,417,805	193,368,549,477
Accumulated amortisation				
At 1 January 2014	-	7,451,546,227	3,832,651,460	11,284,197,687
Charge for the year	-	1,289,946,526	819,491,759	2,109,438,285
Disposals	-	-	(42,000,000)	(42,000,000)
At 31 December 2014	-	8,741,492,753	4,610,143,219	13,351,635,972
Net book value				
At 1 January 2014	109,273,175,913	64,807,324,409	1,905,546,345	175,986,046,667
At 31 December 2014	114,973,064,021	63,646,574,898	1,397,274,586	180,016,913,505

Included in tangible fixed assets as at 31 December 2014 were assets costing VND2,917 million (31 December 2013: VND1,306 million) which were fully depreciated but still in active use.

(c) Construction in progress

	2014 VND	2013 VND
Opening balance	281,537,063,873	70,391,435,034
Additions	231,319,133,808	336,873,642,724
Transfers to tangible fixed assets (Note 8(a))	(447,386,996,173)	(115,327,420,681)
Transfers to intangible fixed assets (Note 8(b))	(6,852,020,000)	(8,313,909,371)
Transfers to tools and supplies	(5,944,690,672)	-
Transfers to prepayments	(2,539,950,741)	(2,086,683,833)
Closing balance	50,132,540,095	281,537,063,873

In which, main projects were been constructing at subsidiaries as follows:

	2014 VND	2013 VND
Office building and ancillary works at DHG Pharmaceutical One Member Limited Company	876,649,246	91,810,096,018
Beta lactam factory project	23,629,137,559	5,070,018,363
Non-beta lactam factory project	46,181,818	140,854,854,442

9 LONG-TERM INVESTMENTS

(a) Investments in associates

	2014 VND	2013 VND
Vinh Hao Algae Processing Joint Stock Company	5,434,273,514	5,434,273,514

Movement in investment in associates during the year were as follows:

	2014 VND	2013 VND
Opening balance	5,434,273,514	9,334,273,514
Share of losses from associates	-	(400,000,000)
Transfers to other long-term investments	-	(3,500,000,000)
Closing balance	5,434,273,514	5,434,273,514

(b) Other long-term investments

	2014 VND	2013 VND
Vinh Tuong High-Tech Packaging Corporation	20,000,000,000	20,000,000,000
Binh Duong Pharmaceutical & Medical Equipments Joint Stock Company	4,286,800,000	4,286,800,000
Nghe An Pharmaceutical & Medical Equipments Joint Stock Company	-	3,922,880,000
Tra Vinh Pharmaceutical Joint Stock Company	2,575,315,200	2,575,315,200
Ninh Thuan Pharmaceutical & Medical Equipments Joint Stock Company	796,675,000	796,675,000
Tay Ninh Pharmaceutical Joint Stock Company	221,960,000	221,960,000
Cuu Long Pharmaceutical Joint Stock Company	27,420,000	27,420,000
	27,908,170,200	31,831,050,200

(c) Provision for diminution in value of long-term investments

Movement in provision for diminution in value of long-term investments during the year were as follows:

	2014 VND	2013 VND
Opening balance	16,500,000,000	4,513,881,449
Increase	-	16,500,000,000
Reversal	-	(4,513,881,449)
Closing balance	16,500,000,000	16,500,000,000

Balance as at 31 December 2014 and 31 December 2013 represents the provision for diminution in value of long-term investments in Vinh Tuong High-Tech Packaging Corporation.

10 LONG-TERM PREPAYMENTS

Details of long-term prepayments are presented as follows:

	Leasehold improvements VND	Prepaid land rental fees VND	Tools and supplies VND	Total VND
Opening balance	658,302,929	12,098,613,904	5,926,585,108	18,683,501,941
Increase	340,000,000	78,174,086,155	12,851,650,755	91,365,736,910
Allocation	(390,093,486)	(2,137,290,238)	(6,575,736,220)	(9,103,119,944)
Closing balance	<u>608,209,443</u>	<u>88,135,409,821</u>	<u>12,202,499,643</u>	<u>100,946,118,907</u>

11 DEFERRED INCOME TAX ASSETS

The gross movement in the deferred income tax, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	2014 VND	2013 VND
Opening balance	8,256,999,578	5,840,892,665
Income statement credit	5,760,983,976	2,416,106,913
Closing balance	<u>14,017,983,554</u>	<u>8,256,999,578</u>

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

12 SHORT-TERM BORROWINGS

	2014 VND	2013 VND
Loans from banks (*)	150,000,000,000	100,000,000,000
Loans from the Group's employees (**)	26,707,408,762	27,031,078,559
	<u>176,707,408,762</u>	<u>127,031,078,559</u>

(*) These loans are secured by term deposits at bank (Note 3) and bear interest at 0.37% to 0.4% per month (31.12.2013: from 0.46% to 0.52% per month).

(**) These loans are unsecured and bear interest at 0.42% to 0.5% per month (31.12.2013: from 0.42% to 0.9% per month).

13 TRADE ACCOUNTS PAYABLE

	2014 VND	2013 VND
Trade payables to third parties	<u>261,374,420,147</u>	<u>267,947,613,018</u>

14 TAXES AND OTHER PAYABLES TO THE STATE BUDGET

	2014 VND	2013 VND
Value added tax	11,422,235,182	6,994,254,300
Corporate income tax - current	87,380,168,507	42,465,676,431
Personal income tax	4,508,702,955	6,986,166,309
Others	48,139	138,030,374
	<u>103,311,154,783</u>	<u>56,584,127,414</u>

15 ACCRUED EXPENSES

	2014 VND	2013 VND
Trade discounts, promotions and support	246,880,627,671	215,040,838,957
Marketing and customer care expenses	7,386,412,520	6,574,318,617
Interest payable	1,381,705,671	500,243,621
Seminar expenses	859,859,395	8,010,929,648
Others	9,501,345,856	5,735,599,672
	<u>266,009,951,113</u>	<u>235,861,930,515</u>

16 OTHER PAYABLES

	2014 VND	2013 VND
Trade discounts	10,104,760,934	56,122,553,316
Union fee and insurance for employees	1,484,416,312	1,932,376,325
Dividends payable	17,894,000	17,894,000
Other payables	24,476,109,261	9,366,037,401
	<u>36,083,180,507</u>	<u>67,438,861,042</u>

17 BONUS AND WELFARE FUNDS

The funds are 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 Management in accordance with the Company's and its subsidiaries' AGM Resolution.

17 BONUS AND WELFARE FUNDS (continued)

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	26,756,454,324	4,721,551,429	34,255,636,868	65,733,642,621
Appropriation to the funds (Note 21 & 22)	91,010,180,635	16,990,549,029	-	108,000,729,664
Assets formed from the funds	(866,958,059)	-	866,958,059	-
Depreciation of assets formed from the funds	-	-	(4,584,869,461)	(4,584,869,461)
Utilisation	(90,439,206,139)	(11,724,714,358)	-	(102,163,920,497)
Closing balance	26,460,470,761	9,987,386,100	30,537,725,466	66,985,582,327

18 PROVISIONS FOR LONG-TERM LIABILITIES

Provisions for long-term liabilities represent provision for severance allowances payable to eligible employees 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. Severance allowances payable to eligible employees as of 31 December 2014 are determined based on the employees' number of years of service up to 31 December 2008 (before the effective date of the Law on Social Insurance) and their average salary for the six-month period prior to the balance sheet date.

19 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	38,995,208,593	11,940,412,719	50,935,621,312
Increase	1,096,071,500	-	1,096,071,500
Utilisation	(8,580,286,603)	-	(8,580,286,603)
Assets formed from Science and technology development fund	(12,944,542,917)	12,944,542,917	-
Depreciation of assets formed from Science and technology development fund	-	(2,892,028,269)	(2,892,028,269)
Closing balance	18,566,450,573	21,992,927,367	40,559,377,940

20 OWNERS' CAPITAL

	2014		2013	
	Number of shares	VND	Number of shares	VND
Authorised and issued share capital	87,164,330	871,643,300,000	65,376,429	653,764,290,000
Treasury shares	(10,130)	(455,850,000)	(10,130)	(455,850,000)
Ordinary shares currently in circulation	<u>87,154,200</u>	<u>871,187,450,000</u>	<u>65,366,299</u>	<u>653,308,440,000</u>

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 follows:

	2014		2013	
	Number of shares	VND	Number of shares	VND
Opening balance	65,366,299	653,308,440,000	65,366,299	653,308,440,000
Ordinary shares issued	21,787,901	217,879,010,000	-	-
Closing balance	<u>87,154,200</u>	<u>871,187,450,000</u>	<u>65,366,299</u>	<u>653,308,440,000</u>

21 MOVEMENTS IN OWNERS' EQUITY

	Share capital VND	Treasury shares VND	Investment and development fund VND	Financial reserve fund VND	Undistributed earnings VND	Total VND
As at 1 January 2013	653,764,290,000	(455,850,000)	491,137,167,263	66,762,044,635	476,511,599,368	1,687,719,251,266
Profit for the year	-	-	-	-	588,959,753,802	588,959,753,802
Dividends paid for the year 2012	-	-	-	-	(130,732,598,000)	(130,732,598,000)
Dividends declared for the year 2013	-	-	-	-	(98,049,448,500)	(98,049,448,500)
Appropriation to reserves	-	-	210,259,593,005	167,707,182	(210,427,300,187)	-
Appropriation to bonus and welfare fund	-	-	-	-	(55,487,114,834)	(55,487,114,834)
Appropriation to bonus fund for Board of Management	-	-	-	-	(11,044,369,634)	(11,044,369,634)
As at 31 December 2013	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 (Note 23)	-	-	-	-	(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 bonus fund for Board of Management	-	-	-	-	(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>

(*) In May 2014, the Company declared bonus share issuance to existing shareholders at ratio 3:1 to increase share capital from the owners' equity. In 2014, the share capital increase was completed.

22 MINORITY INTEREST

	2014 VND	2013 VND
Opening balance	18,077,447,483	15,750,128,249
Net profit for the year	499,297,883	4,292,243,167
Appropriation to bonus and welfare fund	(643,836,475)	(805,652,150)
Appropriation to Board of management bonus fund	(245,000,000)	(301,771,783)
Dividends paid	(857,500,000)	(857,500,000)
	<u>16,830,408,891</u>	<u>18,077,447,483</u>

23 DIVIDENDS

In 2014, the Company has declared final dividends of 15% in cash of the year 2013, which were paid on 4 August 2014.

24 REVENUE

(a) Net sales

	2014 VND	2013 VND
Sales		
Sales of finished goods	3,612,896,747,585	3,648,071,755,256
Sales of merchandise goods	330,058,698,522	425,521,013,151
Revenue from services rendered	15,754,464,312	20,067,847,691
	<u>3,958,709,910,419</u>	<u>4,093,660,616,098</u>
Sales deductions		
Trade discount	(26,942,479,274)	(689,741,098,767)
Sales returns	(19,249,286,670)	(13,122,865,281)
	<u>(46,191,765,944)</u>	<u>(702,863,964,048)</u>
Net sales	<u><u>3,912,518,144,475</u></u>	<u><u>3,390,796,652,050</u></u>
In which:		
Sales of finished goods	3,568,648,442,589	3,004,645,593,649
Sales of merchandise goods	328,115,237,574	366,083,210,710
Revenue from services rendered	15,754,464,312	20,067,847,691
	<u><u>3,912,518,144,475</u></u>	<u><u>3,390,796,652,050</u></u>

DHG PHARMACEUTICAL JOINT STOCK COMPANY

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24 REVENUE (continued)

(b) Financial income

	2014 VND	2013 VND
Interest income from deposits at bank	34,739,772,617	45,144,327,640
Realised foreign exchange gains	1,696,369,873	1,734,178,444
Dividend income	441,221,468	671,856,142
Gains on disposal of investments	95,680,000	-
Other financial income	166,833,861	419,426,401
	<u>37,139,877,819</u>	<u>47,969,788,627</u>

25 COST OF SALES

	2014 VND	2013 VND
Cost of finished goods sold	1,471,321,790,703	1,392,977,700,826
Cost of merchandises sold	302,293,190,931	352,461,960,554
Cost of services rendered	7,420,696,144	18,809,646,954
Provision/(reversal of provision) for decline in value of inventories	961,448,256	(1,570,607,521)
	<u>1,781,997,126,034</u>	<u>1,762,678,700,813</u>

26 FINANCIAL EXPENSES

	2014 VND	2013 VND
Payment discounts	58,724,336,738	17,231,206,349
Interest expense from loans	4,838,876,750	2,269,547,030
Realised foreign exchange losses	3,694,771,640	1,355,415,261
Reversal of provision for decline in value of long-term investments	-	(4,513,881,450)
Other financial expenses	82,688,601	113,235,585
	<u>67,340,673,729</u>	<u>16,455,522,775</u>

27 SELLING EXPENSES

	2014 VND	2013 VND
Discount and promotion expenses	444,549,320,357	136,466,311,585
Staff costs	324,877,901,970	335,960,751,296
Seminar expenses	103,134,130,636	63,800,991,431
Advertising expenses	91,743,846,347	101,113,448,985
Customer care expenses	22,002,839,612	13,602,487,489
Transportation for goods sold	16,558,084,954	18,232,295,644
Material expenses	15,412,133,808	12,437,118,860
Depreciation expenses	13,689,976,685	12,349,170,379
Tools and supplies expenses	9,035,110,627	4,472,257,789
Other expenses	57,584,032,922	59,312,783,447
	<u>1,098,587,377,918</u>	<u>757,747,616,905</u>

28 GENERAL AND ADMINISTRATION EXPENSES

	2014 VND	2013 VND
Staff costs	233,103,477,372	171,752,758,544
Outside service expenses	20,223,776,168	13,582,475,230
Depreciation expenses	12,230,740,025	12,572,092,529
Tools and supplies expenses	7,098,049,584	5,815,080,375
Fees and duties	856,689,086	429,965,624
Material expenses	854,593,034	784,435,454
Science and technology development fund	-	36,350,477,547
(Reversal of provision)/provision for doubtful debts	(1,731,861,420)	3,988,592,986
Other expenses	40,140,344,610	25,482,027,443
	<u>312,775,808,459</u>	<u>270,757,905,732</u>

29 OTHER INCOME AND EXPENSES

	2014 VND	2013 VND
Other income		
Commission income	28,802,574,580	27,666,754,978
Proceeds from disposals of fixed assets	2,092,971,399	6,473,133,397
Proceeds from sales of scraps	1,588,696,918	933,484,551
Revenue from provision of car rental services	44,183,363	294,183,104
Income from brand transfer (*)	-	127,476,000,000
Fire insurance compensation	-	4,725,320,451
Sundry income	4,316,076,778	14,442,880,987
	<u>36,844,503,038</u>	<u>182,011,757,468</u>
Other expenses		
Net book value of fixed assets disposed	2,227,095,543	4,595,805,109
Sundry expenses	1,637,285,435	26,642,230,474
	<u>3,864,380,978</u>	<u>31,238,035,583</u>
Net other income	<u>32,980,122,060</u>	<u>150,773,721,885</u>

29 OTHER INCOME AND EXPENSES (continued)

(*) Represents proceeds from transferring Eugica brand of all pharmaceutical products and functional foods to Mega Lifesciences Limited in 2013.

30 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:

	2014 VND	2013 VND
Net accounting profit before tax	721,937,158,214	781,500,416,337
Tax calculated at a rate of 22% (2013: 25%)	158,826,174,807	195,375,104,084
Effect of:		
Expenses not deductible for tax purposes	47,575,443,187	14,732,810,707
Income not subject to tax	(97,068,723)	(167,964,035)
Under provision in previous years	85,858,209	111,079,621
Tax incentives	(18,225,328,293)	(21,802,611,009)
Business income tax charge	<u>188,165,079,187</u>	<u>188,248,419,368</u>

The business income tax charge for the year is based on estimated taxable income and is subject to review and possible adjustments 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/QD-UBND of the People's Committee of Can Tho City, the Company is required to pay the business income tax ("BIT") at rate of 20% from 2005 to 2014 and 25% for the following years. Accordingly, the Company applied the BIT rate of 20% for the year 2014.

The Subsidiaries

Except for DHG Packaging and Printing 1 One Member Limited Company, DHG Nature One Member Limited Company, ST Pharmaceutical 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 at rate of 22% of taxable profits.

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

Pursuant to its Investment Licence, DHG Packaging and Printing 1 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 Nature One Member Limited Company ("DHG Nature")

Pursuant to its Business Registration Certificate, DHG Nature has an obligation to pay the business income tax at rate of 20% of taxable profits from 2009 to 2018 and 25% thereafter. The company was exempted from income tax from 2009 to 2010 and received a 50% reduction in income tax from 2011 to 2013.

30 TAXATION (continued)

Applicable tax rates (continued)

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

Pursuant to its Business Registration Certificate, ST Pharma has an obligation to pay the business income tax at rate of 20% of taxable profits from 2009 to 2018 and 25% thereafter. The company was exempted from income tax from 2009 to 2010 and received a 50% reduction in income tax 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 business income tax at rate of 20% of taxable profits from 2008 to 2017 and 25% thereafter. The company was exempted from income tax from 2008 to 2009 and received a 50% reduction in income tax from 2010 to 2015.

All the above tax incentives are not applicable to other income which is taxed at rate of 22% for the year 2014.

31 EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2014 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding.

	2014 VND	2013 VND
Net profit attributable to shareholders (VND)	533,272,781,144	588,959,753,802
Weighted average number of ordinary shares in issuance	87,154,200	65,366,299
Basic earnings per share based on weighted average number of ordinary shares in issuance (VND)	6,119	9,010
Revised weighted average number of ordinary shares in issuance by taking into account the bonus shares issued in June 2014, with the assumption that they were issued at 1 January 2013	87,154,200	87,154,200
Revised basic earnings per share by taking into account the bonus shares issued in June 2014, with the assumption that they were issued at 1 January 2013 (VND)	6,119	6,758

The Group does not have potentially dilutive ordinary shares.

32 COST OF OPERATIONS BY FACTOR

	2014 VND	2013 VND
Raw materials	1,395,915,401,560	1,532,368,308,195
Labour costs	748,374,531,574	729,394,523,615
Outside service expenses	727,235,631,094	441,649,462,551
Depreciation expenses	70,013,893,370	60,025,400,722
Other expenses	212,409,242,223	126,849,606,336
	<u>3,153,948,699,821</u>	<u>2,890,287,301,419</u>

33 RELATED PARTY DISCLOSURES

The largest shareholder of the Company is the State Capital Investment Corporation ("SCIC") which owns 43.31% of the Company's share capital. The SCIC is controlled by the Government of SR Vietnam.

(a) Related party transactions

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

	2014 VND	2013 VND
<i>i) Purchases of goods and services</i>		
Associate		
Vinh Hao Algae Processing Joint Stock Company	40,400,000	4,004,000,000
<i>ii) Dividend paid</i>		
The State Capital Investment Corporation ("SCIC")	56,626,237,500	99,095,916,500
<i>iii) Remuneration of key management</i>		
Gross salaries and other benefits	14,238,341,053	14,668,492,342

34 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.

	2014 VND	2013 VND
Net sales		
Pharmaceutical products	3,348,343,392,825	2,943,574,401,650
Functional foods	243,885,863,927	317,790,760,412
Others	320,288,887,723	265,992,138,149
	<u>3,912,518,144,475</u>	<u>3,527,357,300,211</u>

34 SEGMENTAL REPORTING (continued)

	2014 VND	2013 VND
Cost of sales		
Pharmaceutical products	(1,433,876,245,987)	(1,508,336,811,907)
Functional foods	(108,080,008,504)	(186,830,484,474)
Others	(240,040,871,543)	(191,716,262,884)
	<u>(1,781,997,126,034)</u>	<u>(1,886,883,559,265)</u>
Gross profit		
Pharmaceutical products	1,914,467,146,838	1,435,237,589,743
Functional foods	135,805,855,423	130,960,275,938
Others	80,248,016,180	74,275,875,265
	<u>2,130,521,018,441</u>	<u>1,640,473,740,946</u>

35 COMMITMENTS

(a) Capital commitments

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

	2014 VND	2013 VND
Approved but not contracted	183,740,702,869	277,981,720,607
Approved and contracted but not implemented	112,345,655,928	181,158,336,297
	<u>296,086,358,797</u>	<u>459,140,056,904</u>

(b) Commitments under operating leases

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

	Land rental 2014 VND	2013 VND
Within 1 year	2,141,497,932	2,141,497,932
Between 1 and 5 years	8,565,991,728	8,565,991,728
Over 5 years	52,192,466,036	54,363,706,995
	<u>62,899,955,696</u>	<u>65,071,196,655</u>
Total minimum payments	<u>62,899,955,696</u>	<u>65,071,196,655</u>

36 FINANCIAL RISK MANAGEMENT

Financial risk factors

Overview

The Group has exposure to the following risks from their use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

The Board of Directors ("the Board") has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board establishes policies to identify and analyse the risks faced by the Group, to set up appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(i) Currency risk

The Group's business is exposed to foreign currency risk arising from various currency exposures, primarily United States Dollar ("USD").

The Group ensures that the net exposure to this risk is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. The Board of Directors does not enter into currency hedging transactions since it considers that the cost of such instruments outweigh the potential risk of exchange rate fluctuations.

The Company's currency exposure to the USD is as follows:

	Original currency - USD		Equivalent to VND	
	2014	2013	2014	2013
Financial assets				
Cash and deposits at bank	336,670	558,065	7,206,417,286	11,789,127,351
Trade and other receivables	15,615	188,825	334,235,136	3,988,933,744
	<u>352,285</u>	<u>746,890</u>	<u>7,540,652,422</u>	<u>15,778,061,095</u>
Financial liabilities				
Trade and other payables	4,991,674	5,106,128	106,846,788,391	107,866,940,903
	<u>4,991,674</u>	<u>5,106,128</u>	<u>106,846,788,391</u>	<u>107,866,940,903</u>
Net currency exposure	<u>(4,639,389)</u>	<u>(4,359,238)</u>	<u>(99,306,135,969)</u>	<u>(92,088,879,808)</u>

At 31 December 2014, if the USD had strengthened/weakened by 10% against the VND with all other variables (included tax rate) being held constant, the Group's profit after tax for the year ended 31 December 2014 would have been VND7,944,490,878 lower/higher as a result of foreign exchange losses/gains on translation of USD-denominated financial instruments.

36 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(ii) Price risk

During the year, the Group was under no securities price risk as it did not enter into any securities transactions. The Group is not significantly exposed to commodity price risk.

(iii) Interest risk

The Group is not subject to significant risks on interest rates because majority of the Group's loans are short-term loans from banks which bear fixed interest rates.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group adopts the policy of dealing with customers of appropriate credit history to mitigate credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. As at 31 December 2014, the Company had financial liabilities comprising borrowings, trade and other payables amounting to VND948,479,953,643 (2013: VND905,229,038,035) which represented contractual undiscounted cash outflows payable in less than one year.

37 COMPARATIVE FIGURES

Certain comparative figures regarding to the year ended 31 December 2013 have been reclassified to enhance the comparability of the financial statements as follows:

Consolidated Income statement

Code		For the year ended 31 December 2013		
		As previously reported VND	Adjustment (*) VND	As reclassified VND
01	Sales	4,230,222,382,163	(136,561,766,065)	4,093,660,616,098
02	Sales deductions	(702,865,081,952)	1,117,904	(702,863,964,048)
10	Net sales	3,527,357,300,211	(136,560,648,161)	3,390,796,652,050
11	Cost of sales	(1,886,883,559,265)	124,204,858,452	(1,762,678,700,813)
20	Gross profit	1,640,473,740,946	(12,355,789,709)	1,628,117,951,237
24	Selling expenses	(770,103,406,614)	12,355,789,709	(757,747,616,905)

37 COMPARATIVE FIGURES (continued)

(*) Before 2014, the Group recognised revenue and cost of sales for value of promotional goods (free-of-charge) in the income statement. Starting from 2014, the Group ceased to recognise revenue and cost of sales from promotional goods.

The reclassifications have no impact to the net profit and tax expenses for the year ended 31 December 2013.

The consolidated financial statements were approved by the Board of Directors on 14 March 2015.



Ngo Thi Hong Dao
Preparer



Dang Pham Huyen Nhung
Chief Accountant



Le Chanh Dao
Deputy General Director
Authorised signatory