

DHG PHARMACEUTICAL JOINT STOCK COMPANY

SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014



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RECEIVED
2/1/15

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 SEPARATE FINANCIAL STATEMENTS

The Board of Directors is responsible for the separate financial statements of DHG Pharmaceutical Joint Stock Company ("the Company") which give a true and fair view of the financial position of the Company as at 31 December 2014 and the results of its operation and cash flows for the year then ended. In preparing these separate financial statements, the Board of Directors is required to:

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

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

APPROVAL OF THE SEPARATE FINANCIAL STATEMENTS

We hereby approve the accompanying separate financial statements set out on pages 5 to 39 which give a true and fair view of the financial position of the Company as at 31 December 2014, and of the 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 separate financial statements of DHG Pharmaceutical Joint Stock Company ("the Company") which were prepared on 31 December 2014 and approved by the Board of Directors on 14 March 2015. The separate financial statements comprise the separate balance sheet as at 31 December 2014, the separate income statement, the separate cash flow statement for the year then ended, and explanatory notes to the separate financial statements including significant accounting policies, as set out on pages 5 to 39.

The Board of Directors' Responsibility to the Separate Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the separate financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and true and fair presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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 separate financial statements.

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



Auditor's Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2014, its financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on 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: HCM4420
Ho Chi Minh City, 14 March 2015

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

SEPARATE BALANCE SHEET

Code	ASSETS	Note	As at 31 December	
			2014 VND	2013 VND
100	CURRENT ASSETS		2,599,477,766,855	2,212,772,721,557
110	Cash and cash equivalents	3	391,229,559,612	469,168,694,401
111	Cash		33,881,226,279	80,168,694,401
112	Cash equivalents		357,348,333,333	389,000,000,000
120	Short-term investments	4	258,151,666,667	170,000,000,000
130	Accounts receivable		1,206,865,581,366	856,026,829,122
131	Trade accounts receivable	5	697,922,860,109	480,412,821,619
132	Prepayments to suppliers		28,745,336,819	80,223,855,392
135	Other receivables	6	484,554,963,078	297,956,391,685
139	Provision for doubtful debts		(4,357,578,640)	(2,566,239,574)
140	Inventories	7	740,284,299,291	708,458,889,817
141	Inventories		744,748,435,504	712,857,460,389
149	Provision for decline in value of inventories		(4,464,136,213)	(4,398,570,572)
150	Other current assets		2,946,659,919	9,118,308,217
151	Short-term prepayments		225,914,164	494,156,141
154	Other taxes receivable		740,713,926	1,260,969,346
158	Other current assets		1,980,031,829	7,363,182,730
200	LONG-TERM ASSETS		694,794,566,258	647,248,473,952
220	Fixed assets		474,954,583,595	461,093,799,579
221	Tangible fixed assets	8(a)	280,021,622,503	259,952,042,651
222	Cost		587,281,193,664	517,377,037,427
223	Accumulated depreciation		(307,259,571,161)	(257,424,994,776)
227	Intangible fixed assets	8(b)	176,977,970,770	173,934,415,844
228	Cost		190,265,374,522	185,187,869,399
229	Accumulated amortisation		(13,287,403,752)	(11,253,453,555)
230	Construction in progress	8(c)	17,954,990,322	27,207,341,084
240	Investment properties	9	31,237,025,507	19,114,841,017
241	Cost		38,679,461,157	24,310,750,844
242	Accumulated depreciation		(7,442,435,650)	(5,195,909,827)
250	Long-term investments	10	137,745,620,200	146,668,500,200
251	Investments in subsidiaries		122,550,000,000	127,550,000,000
252	Investments in associates		3,787,450,000	3,787,450,000
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		50,857,336,956	20,371,333,156
261	Long-term prepayments	11	46,748,981,443	15,797,838,754
262	Deferred income tax assets	12	3,300,000,000	3,300,000,000
268	Other long-term assets		808,355,513	1,273,494,402
270	TOTAL ASSETS		3,294,272,333,113	2,860,021,195,509

The notes on pages 9 to 39 are an integral part of these separate financial statements.


SEPARATE BALANCE SHEET
(continued)

Code	RESOURCES	Note	As at 31 December	
			2014 VND	2013 VND
300	LIABILITIES		1,067,224,705,510	940,306,761,437
310	Current liabilities		1,000,019,164,238	891,743,386,224
311	Short-term borrowings	13	176,707,408,762	127,031,078,559
312	Trade accounts payable	14	292,960,854,813	254,136,340,370
313	Advances from customers		736,424,704	2,613,391,267
314	Taxes and other payables to the State Budget	15	72,568,506,884	40,293,634,758
315	Payable to employees		153,517,697,521	174,218,464,021
316	Accrued expenses	16	228,564,259,504	213,814,462,819
319	Other payables	17	23,714,709,775	30,034,866,859
323	Bonus and welfare funds	18	51,249,302,275	49,601,147,571
330	Long-term liabilities		67,205,541,272	48,563,375,213
337	Provisions for long-term liabilities	19	28,843,956,033	-
339	Science and technology development funds	20	38,361,585,239	48,563,375,213
400	OWNERS' EQUITY		2,227,047,627,603	1,919,714,434,072
410	Capital and reserves		2,227,047,627,603	1,919,714,434,072
411	Owners' capital	21, 22	871,643,300,000	653,764,290,000
414	Treasury shares	21, 22	(455,850,000)	(455,850,000)
417	Investment and development fund	22	768,665,991,301	690,502,067,497
418	Financial reserve fund	22	66,026,578,871	66,026,578,871
420	Undistributed earnings	22	521,167,607,431	509,877,347,704
440	TOTAL RESOURCES		3,294,272,333,113	2,860,021,195,509


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	16,165	61,029
MOP	20	20
NDT	3,515	3,515
CAD	100	100
A tenth of tael of gold	1,362	1,310
Tael of gold	200	300



 Ngo Thi Hong Dao
 Preparer



 Dang Pham Huyen Nhung
 Chief Accountant



 Le Chanh Dao
 Deputy General Director
 Authorised signatory
 14 March 2015

SEPARATE INCOME STATEMENT

Code	Note	Year ended 31 December	
		2014 VND	2013 VND
01	Sales	3,684,076,159,060	3,628,970,776,924
02	Less deductions	(50,365,853,475)	(518,045,221,202)
10	Net sales	24(a) 3,633,710,305,585	3,110,925,555,722
11	Cost of sales	25 (1,950,185,814,628)	(1,748,309,146,766)
20	Gross profit	1,683,524,490,957	1,362,616,408,956
21	Financial income	24(b) 96,189,555,935	122,441,403,517
22	Financial expenses	26 (49,752,531,926)	(10,131,629,848)
23	Including: interest expense	(4,838,876,750)	(2,215,316,195)
24	Selling expenses	27 (843,131,815,963)	(650,657,302,285)
25	General and administration expenses	28 (240,628,910,511)	(208,369,805,247)
30	Operating profit	646,200,788,492	615,899,075,093
31	Other income	36,912,661,738	183,857,845,833
32	Other expenses	(3,709,037,674)	(29,947,066,924)
40	Net other income	29 33,203,624,064	153,910,778,909
50	Net accounting profit before tax	679,404,412,556	769,809,854,002
51	Business income tax - current	30 (158,236,805,125)	(161,883,057,798)
52	Business income tax - deferred	12, 30 -	-
60	Net profit after tax	521,167,607,431	607,926,796,204



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 39 are an integral part of these separate interim financial statements.

SEPARATE CASH FLOW STATEMENT
(Indirect method)

Code	Note	Year ended 31 December	
		2014 VND	2013 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01		679,404,412,556	769,809,854,002
		Net profit before tax	
		Adjustments for:	
02	8, 9	57,672,889,000	54,791,517,944
03		1,856,904,707	(7,112,009,122)
05	29	56,064,999	(1,565,694,060)
05	24(b)	(94,339,067,623)	(120,711,896,962)
05		(95,680,000)	-
06	26	4,838,876,750	2,215,316,195
08		649,394,400,389	697,427,087,997
		Operating profit before changes in working capital	
09		(118,883,007,719)	(113,942,990,136)
10		(31,890,975,115)	(230,760,243,013)
11		64,199,283,657	236,210,577,105
12		(30,682,900,712)	1,518,010,115
13		(3,957,414,700)	(2,695,483,198)
14		(126,755,820,832)	(144,475,874,245)
16		(101,259,879,038)	(63,155,594,096)
20		300,163,685,930	380,125,490,529
		Net cash inflows from operating activities	
CASH FLOWS FROM INVESTING ACTIVITIES			
21	8	(84,889,257,541)	(80,029,841,712)
22			
		1,177,335,036	6,631,434,914
23		(88,151,666,667)	(170,000,000,000)
24		9,567,710	194,432,290
25		(190,322,361,411)	(279,684,526,107)
26		4,018,560,000	-
27		61,109,971,951	119,180,980,286
30		(297,047,850,922)	(403,707,520,329)
		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		(130,731,300,000)	(228,782,046,500)
40		(81,054,969,797)	(121,235,776,938)
		Net cash outflows from financing activities	
50		(77,939,134,789)	(144,817,806,738)
		Net decrease in cash and cash equivalents	
60	3	469,168,694,401	613,986,501,139
		Cash and cash equivalents at beginning of year	
70	3	391,229,559,612	469,168,694,401
		Cash and cash equivalents at end of year	

The significant non-cash transaction for the year ended 31 December 2014 is the recording of remaining balances of DHG Packing and Printing One Member Limited Company in the financial statements of the Company at the dissolution date (Note 1 (*)).


 Ngo Thi Hong Dao
 Preparer


 Dang Pham Huyen Nhung
 Chief Accountant



 Le Chanh Dao
 Deputy General Director
 14 March 2015

The notes on pages 9 to 39 are an integral part of these separate financial statements.

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

As at 31 December 2014, the Company had 1,997 employees (at 31 December 2013: 2,220 employees).

The Company's interest in subsidiaries and associates are 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%
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 PHARMACEUTICAL JOINT STOCK COMPANY

Form B 09 – DN

1 GENERAL INFORMATION (continued)

Name	Principal activities	Business Registration Certificate	% Ownership and voting rights	
			2014	2013
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%
TVP Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment and dietary supplements and pharmaceutical cosmetics	No. 2100510569 issued by the Planning and Investment Department of Tra Vinh Province on 19 October 2012	100%	100%

1 GENERAL INFORMATION (continued)

Name	Principal activities	Business Registration Certificate	% Ownership and voting rights	
			2014	2013
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. All remaining balances of DHG Packing and Printing One Member Limited Company have been recorded in the financial statements of the Company as below:

Item	VND
Account receivables and other receivables	50,369,690,818
Account payables	4,743,768,984
Bonus and welfare funds	9,603,129,868
Undistributed earnings	31,022,791,966

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of separate financial statements

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

The accompanying separate financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than 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.

Users of these separate financial statements should read them together with the consolidated financial statements of the Company and its subsidiaries ("the Group") for the year ended 31 December 2014 in order to obtain full information of the financial position and results of operations and cash flows of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.2 Fiscal year**

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

2.3 Use of estimates

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

2.4 Currency

The separate financial statements are 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.

2.5 Form of records applied

The Company uses journal vouchers to record its transactions.

2.6 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.

2.7 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.

2.8 Inventories

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

2.9 Investments**(a) 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 subsidiaries

Investments in subsidiaries are accounted for at cost less provision for diminution in value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.9 Investments (continued)****(c) Investments in associates**

Investments in associates are accounted for at cost less provision for diminution in value.

(d) 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.

2.10 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 Company 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.

2.11 Leased assets

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.12 Investment properties**

Investment properties are a building – or part of a building – or infrastructure held by the Company to earn rentals or for capital appreciation or both rather than for use in the production or supply of goods or services or administrative purposes or for sale in the normal course of business.

Investment properties are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the investment properties.

Depreciation

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

Disposals

Gains 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.

2.13 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 Company purchase the Company's equity share capital (treasury shares), the consideration paid, including directly attributable incremental costs, is deducted from equity attributable to the Company'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 Company's equity holders.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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.

2.18 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**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 Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. 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	12,759,488,094	24,493,458,190
Cash at bank	21,121,738,185	55,675,236,211
Cash equivalents (*)	357,348,333,333	389,000,000,000
	<u>391,229,559,612</u>	<u>469,168,694,401</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 13).

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.

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5 TRADE ACCOUNTS RECEIVABLE

	2014 VND	2013 VND
Trade receivables from subsidiaries (Note 32(b))	217,404,138,916	144,137,308,840
Trade receivables from third parties	480,518,721,193	336,275,512,779
	<u>697,922,860,109</u>	<u>480,412,821,619</u>

6 OTHER RECEIVABLES

	2014 VND	2013 VND
Prepaid trade discounts	18,401,094,402	24,785,634,839
Interest income receivable	5,506,248,160	3,299,944,454
Receivables from subsidiaries (*) (Note 32(b))	458,356,875,877	259,224,584,029
Other receivables	2,290,744,639	10,646,228,363
	<u>484,554,963,078</u>	<u>297,956,391,685</u>

(*) Breakdown of receivables from subsidiaries:

	31.12.2014 VND	31.12.2013 VND
DHG Pharmaceutical One Member Limited Company – Capital advances to build factories	402,297,323,946	225,981,974,277
DHG Packaging and Printing 1 One Member Limited Company – Capital advances to build factories	55,841,234,870	32,549,325,810
Other subsidiaries	218,317,061	693,283,942
	<u>458,356,875,877</u>	<u>259,224,584,029</u>

7 INVENTORIES

	2014 VND	2013 VND
Goods in transit	56,439,936,854	80,761,118,021
Raw materials	246,138,896,245	230,566,893,804
Work in progress	20,804,483,472	49,590,313,357
Finished goods	247,855,390,747	291,915,938,092
Merchandises	173,509,728,186	60,023,197,115
	<u>744,748,435,504</u>	<u>712,857,460,389</u>
Provision for decline in value of inventories	(4,464,136,213)	(4,398,570,572)
	<u><u>740,284,299,291</u></u>	<u><u>708,458,889,817</u></u>

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

	2014 VND	2013 VND
Opening balance	4,398,570,572	5,900,338,247
Increase	65,565,641	-
Reversal	-	(1,501,767,675)
	<u>4,464,136,213</u>	<u>4,398,570,572</u>

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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	165,300,294,452	188,196,931,968	96,110,689,749	67,769,121,258	517,377,037,427
Transfers from construction in progress (Note 8(c))	24,487,095,752	35,314,371,345	10,893,899,261	3,223,031,509	73,918,397,867
Disposals	(650,000,000)	(779,638,934)	(1,098,580,566)	(1,486,022,130)	(4,014,241,630)
At 31 December 2014	189,137,390,204	222,731,664,379	105,906,008,444	69,506,130,637	587,281,193,664
Accumulated depreciation					
At 1 January 2014	51,968,682,824	117,357,200,255	47,860,912,923	40,238,198,774	257,424,994,776
Charge for the year	14,684,754,376	17,851,056,101	13,092,121,966	7,722,480,537	53,350,412,980
Disposals	(346,666,624)	(600,930,912)	(1,082,216,929)	(1,486,022,130)	(3,515,836,595)
At 31 December 2014	66,306,770,576	134,607,325,444	59,870,817,960	46,474,657,181	307,259,571,161
Net book value					
At 1 January 2014	113,331,611,628	70,839,731,713	48,249,776,826	27,530,922,484	259,952,042,651
At 31 December 2014	122,830,619,628	88,124,338,935	46,035,190,484	23,031,473,456	280,021,622,503

Included in tangible fixed assets as at 31 December 2014 were assets costing VND113,840 million (31 December 2013: VND105,872 million) 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	107,549,765,228	72,046,066,366	5,592,037,805	185,187,869,399
Increase	-	23,280,123	-	23,280,123
Transfers from construction in progress (Note 8(c))	5,520,000,000	-	311,220,000	5,831,220,000
Reclassifications	(105,916,892)	105,916,892	-	-
Disposals	(734,995,000)	-	(42,000,000)	(776,995,000)
At 31 December 2014	112,228,853,336	72,175,263,381	5,861,257,805	190,265,374,522
Accumulated amortisation				
At 1 January 2014	-	7,445,162,095	3,808,291,460	11,253,453,555
Charge for the year	-	1,285,690,438	790,259,759	2,075,950,197
Disposals	-	-	(42,000,000)	(42,000,000)
At 31 December 2014	-	8,730,852,533	4,556,551,219	13,287,403,752
Net book value				
At 1 January 2014	107,549,765,228	64,600,904,271	1,783,746,345	173,934,415,844
At 31 December 2014	112,228,853,336	63,444,410,848	1,304,706,586	176,977,970,770

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	27,207,341,084	30,945,966,971
Additions	84,865,977,418	71,990,055,728
Transfers to tangible fixed assets (Note 8(a))	(73,918,397,867)	(59,303,315,116)
Transfers to intangible fixed assets (Note 8(b))	(5,831,220,000)	(8,167,749,371)
Transfers to investment properties (Note 9)	(14,368,710,313)	(8,257,617,128)
Closing balance	17,954,990,322	27,207,341,084

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9 INVESTMENT PROPERTY

	Building VND
Historical cost	
At 1 January 2014	24,310,750,844
Transfers from construction in progress (Note 8(c))	14,368,710,313
	<u>38,679,461,157</u>
At 31 December 2014	<u>38,679,461,157</u>
Accumulated depreciation	
At 1 January 2014	5,195,909,827
Charge for the year	2,246,525,823
	<u>7,442,435,650</u>
At 31 December 2014	<u>7,442,435,650</u>
Net book value	
At 1 January 2014	<u>19,114,841,017</u>
At 31 December 2014	<u>31,237,025,507</u>

Included in investment property as at 31 December 2013 and 31 December 2014 were assets costing VND612,933,335 which were fully depreciated but still in active use.

10 LONG-TERM INVESTMENTS

(a) Investments in subsidiaries

	2014 VND	2013 VND
DT Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
DHG Travel One Member Limited Company	5,000,000,000	5,000,000,000
HT Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
DHG Nature One Member Limited Company	5,000,000,000	5,000,000,000
CM Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
DHG Packaging and Printing One Member Limited Company	-	5,000,000,000
SH Pharmaceutical Joint Stock Company	2,550,000,000	2,550,000,000
A&G Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
ST Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
TOT Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
TG Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
Bali Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
DHG Pharmaceutical One Member Limited Company	50,000,000,000	50,000,000,000
B&T Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
VL Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
TVP Pharmaceutical One Member Limited Company	5,000,000,000	5,000,000,000
DHG Packaging and Printing 1 One Member Limited Company	5,000,000,000	5,000,000,000
	<u>122,550,000,000</u>	<u>127,550,000,000</u>

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10 LONG-TERM INVESTMENTS (continued)

(b) Investments in associates

	2014 VND	2013 VND
Vinh Hao Algae Processing Joint Stock Company	3,787,450,000	3,787,450,000

(c) 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
	<u>27,908,170,200</u>	<u>31,831,050,200</u>

(d) 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	21,013,881,450
Reversal	-	(4,513,881,450)
Closing balance	<u>16,500,000,000</u>	<u>16,500,000,000</u>

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.

11 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	3,040,921,921	15,797,838,754
Increase	340,000,000	32,251,851,250	3,078,189,089	35,670,040,339
Allocation	(390,093,486)	(1,724,499,678)	(2,604,304,486)	(4,718,897,650)
Closing balance	608,209,443	42,625,965,476	3,514,806,524	46,748,981,443

12 DEFERRED INCOME TAX ASSETS

The deferred income tax asset mainly arises from deductible temporary differences of provisions.

13 SHORT-TERM BORROWINGS

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

(*) 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).

14 TRADE ACCOUNTS PAYABLE

	2014 VND	2013 VND
Trade payables to subsidiaries (Note 32(b))	53,700,239,480	18,249,806,561
Trade payables to third parties	239,260,615,333	235,886,533,809
	292,960,854,813	254,136,340,370

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15 TAXES AND OTHER PAYABLES TO THE STATE BUDGET

	2014 VND	2013 VND
Value added tax	6,254,321,521	2,456,198,728
Corporate income tax - current	63,160,604,305	31,679,620,012
Personal income tax	3,153,532,919	6,019,785,644
Others	48,139	138,030,374
	<u>72,568,506,884</u>	<u>40,293,634,758</u>

16 ACCRUED EXPENSES

	2014 VND	2013 VND
Trade discounts, promotions and support	211,689,759,376	194,692,089,583
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	7,246,522,542	4,036,881,350
	<u>228,564,259,504</u>	<u>213,814,462,819</u>

17 OTHER PAYABLES

	2014 VND	2013 VND
Payable to subsidiaries (*)	12,983,530,024	-
Trade discounts	1,366,422,658	21,820,657,016
Union fee	640,480,615	575,909,840
Insurance for employees	108,325,306	887,740,259
Dividends payable	17,894,000	17,894,000
Other payables	8,598,057,172	6,732,665,744
	<u>23,714,709,775</u>	<u>30,034,866,859</u>

(*) Represents proceeds from DHG Pharmaceutical One Member Limited Company regarding selling expense support to deliver promotional programs to end-customers.

18 BONUS AND WELFARE FUNDS

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

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

	Bonus and welfare fund VND	Bonus fund for Board of Management VND	Welfare fund in form of assets VND	Total VND
Opening balance	10,766,027,391	4,579,483,312	34,255,636,868	49,601,147,571
Appropriation to the funds (Note 22)	72,951,215,544	10,151,898,356	-	83,103,113,900
Transferred from a subsidiary	9,603,129,868	-	-	9,603,129,868
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	(78,686,831,330)	(7,786,388,273)	-	(86,473,219,603)
Closing balance	13,766,583,414	6,944,993,395	30,537,725,466	51,249,302,275

19 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 Company 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 Company. 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.

20 SCIENCE AND TECHNOLOGY DEVELOPMENT FUNDS

In accordance with Circular 15/2011/TT-BTC dated 9 February 2011, entities are allowed to establish the science and technology development funds for research and development activities. Provision made during the year is charged to expenses. Funds are utilised when disbursement are paid for research and development activities.

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

	Science and technology development fund VND	Science and technology development fund in form of assets VND	Total VND
Opening balance	36,622,962,494	11,940,412,719	48,563,375,213
Utilisation	(7,460,852,561)	-	(7,460,852,561)
Assets formed from Science and technology development fund	(11,384,228,068)	11,384,228,068	-
Depreciation of assets formed from Science and technology development fund	-	(2,740,937,413)	(2,740,937,413)
Closing balance	17,777,881,865	20,583,703,374	38,361,585,239

21 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>

22 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)	483,619,881,808	66,026,578,871	391,856,859,920	1,594,811,760,599
Profit for the year	-	-	-	-	607,926,796,204	607,926,796,204
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	-	-	206,882,185,689	-	(206,882,185,689)	-
Appropriation to bonus and welfare fund	-	-	-	-	(45,722,315,892)	(45,722,315,892)
Appropriation to bonus fund for Board of Management	-	-	-	-	(8,519,760,339)	(8,519,760,339)
As at 31 December 2013	653,764,290,000	(455,850,000)	690,502,067,497	66,026,578,871	509,877,347,704	1,919,714,434,072
Bonus shares issued (*)	217,879,010,000	-	(217,879,010,000)	-	-	-
Profit for the year	-	-	-	-	521,167,607,431	521,167,607,431
Final dividends declared for the year 2013 (Note 23)	-	-	-	-	(130,731,300,000)	(130,731,300,000)
Appropriation to reserves	-	-	296,042,933,804	-	(296,042,933,804)	-
Appropriation to bonus and welfare fund (Note 18)	-	-	-	-	(72,951,215,544)	(72,951,215,544)
Appropriation to bonus fund for Board of Management (Note 18)	-	-	-	-	(10,151,898,356)	(10,151,898,356)
As at 31 December 2014	871,643,300,000	(455,850,000)	768,665,991,301	66,026,578,871	521,167,607,431	2,227,047,627,603

(*) 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.

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	2,913,082,043,924	3,264,923,731,453
Sales of merchandise goods	769,071,569,676	362,211,227,286
Revenue from provision of rental services	1,922,545,460	1,835,818,185
	<u>3,684,076,159,060</u>	<u>3,628,970,776,924</u>
Sales deductions		
Trade discounts	(11,536,262,713)	(491,277,969,650)
Sales returns	(38,829,590,762)	(26,767,251,552)
	<u>(50,365,853,475)</u>	<u>(518,045,221,202)</u>
Net sales	<u><u>3,633,710,305,585</u></u>	<u><u>3,110,925,555,722</u></u>
In which:		
Sales of finished goods	2,869,099,570,107	2,794,001,822,321
Sales of merchandise goods	762,688,190,018	315,087,915,216
Revenue from provision of rental services	1,922,545,460	1,835,818,185
	<u>3,633,710,305,585</u>	<u>3,110,925,555,722</u>

(b) Financial income

	2014 VND	2013 VND
Dividend income	63,225,235,408	79,690,203,120
Interest income from deposits at bank	31,113,832,215	41,021,693,842
Realised foreign exchange gains	1,696,096,528	1,729,063,154
Gains on disposal of investments	95,680,000	-
Other financial income	58,711,784	443,401
	<u>96,189,555,935</u>	<u>122,441,403,517</u>

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25 COST OF SALES

	2014 VND	2013 VND
Cost of finished goods sold	1,356,899,383,813	1,442,954,697,957
Cost of merchandises sold	591,048,646,586	306,087,103,954
Cost of rental services	2,172,218,588	769,112,530
Provision/(reversal of provision) for decline in value of inventories	65,565,641	(1,501,767,675)
	<u>1,950,185,814,628</u>	<u>1,748,309,146,766</u>

26 FINANCIAL EXPENSES

	2014 VND	2013 VND
Payment discounts	41,137,255,389	11,154,500,118
Interest expense from loans	4,838,876,750	2,215,316,195
Realised foreign exchange losses	3,693,711,186	1,162,459,400
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>49,752,531,926</u>	<u>10,131,629,848</u>

27 SELLING EXPENSES

	2014 VND	2013 VND
Discount and promotion expenses	302,412,984,387	124,725,997,417
Staff costs	232,060,546,037	259,767,901,858
Seminar expenses	103,134,130,636	63,800,991,431
Advertising expenses	91,640,784,421	100,752,867,251
Customer care expenses	21,945,661,581	12,551,811,400
Transportation for goods sold	15,114,532,659	16,427,489,826
Depreciation expenses	12,745,028,816	11,704,714,325
Material expenses	11,383,150,341	9,012,605,149
Tools and supplies expenses	6,909,218,234	3,409,963,476
Other expenses	45,785,778,851	48,502,960,152
	<u>843,131,815,963</u>	<u>650,657,302,285</u>

28 GENERAL AND ADMINISTRATION EXPENSES

	2014 VND	2013 VND
Staff costs	172,310,350,853	123,456,120,588
Outside service expenses	15,590,973,238	13,276,633,439
Depreciation expenses	10,070,076,695	11,320,090,625
Tools and supplies expenses	4,985,681,154	4,078,456,674
Fees and duties	634,054,549	270,394,988
Material expenses	96,425,666	240,471,429
Provision/(reversal of provision) for doubtful debts	1,791,339,066	(1,096,359,997)
Science and technology development fund (Note 20)	-	36,350,477,547
Other expenses	35,150,009,290	20,473,519,954
	<u>240,628,910,511</u>	<u>208,369,805,247</u>

29 OTHER INCOME AND EXPENSES

	2014 VND	2013 VND
Other income		
Commision income	28,191,993,575	26,973,071,773
Revenue from provision of car rental services	1,661,228,816	1,955,637,651
Proceeds from disposals of fixed assets	1,177,335,036	6,631,434,914
Proceeds from sales of scraps	984,837,531	908,933,706
Income from brand transfer (*)	-	127,476,000,000
Fire insurance compensation	-	4,725,320,451
Sundry income	4,897,266,780	15,187,447,338
	<u>36,912,661,738</u>	<u>183,857,845,833</u>
Other expenses		
Net book value of fixed assets disposed	1,233,400,035	5,065,740,854
Sundry expenses	2,475,637,639	24,881,326,070
	<u>3,709,037,674</u>	<u>29,947,066,924</u>
Net other income	<u><u>33,203,624,064</u></u>	<u><u>153,910,778,909</u></u>

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

30 TAXATION

According to the Decision of 3044/QĐ-UBND of the People's Committee of Can Tho City, the Company is required to pay the business income tax ("BIT") at rate of 20% from 2005 to 2014 and 25% for the following years. According to Circular 78/2014/TT-BTC, the standard corporate income tax is reduced to 22% since 1 January 2014 and 20% since 1 January 2016. Accordingly, the Company applied the BIT rate of 20% for the year 2014. This preferential tax rate is not applied for other income which is taxed at the rate of 22% for the year 2014.

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

	2014 VND	2013 VND
Net accounting profit before tax	679,404,412,556	769,809,854,002
Tax calculated at a rate of 22% (2013: 25%)	149,468,970,762	192,452,463,501
Effect of:		
Expenses not deductible for tax purposes	30,158,726,175	10,959,048,950
Income not subject to tax	(13,909,551,790)	(19,922,550,780)
Tax incentives	(7,481,340,022)	(21,605,903,873)
Business income tax charge	<u>158,236,805,125</u>	<u>161,883,057,798</u>

The Company's business income tax charge for the period is based on estimated taxable income and is subject to review and possible adjustment by the respective local tax authorities.

The local tax authorities have audited the Company's BIT returns up to the year 2014.

31 COST OF OPERATION BY FACTORS

	2014 VND	2013 VND
Raw materials	1,628,471,040,899	1,553,446,317,436
Labour costs	558,075,382,292	582,290,915,369
Outside service expenses	570,854,437,106	418,140,141,055
Depreciation expenses	47,976,024,262	54,791,517,944
Other expenses	175,814,949,880	100,588,510,778
	<u>2,981,191,834,439</u>	<u>2,709,257,402,582</u>

32 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) Sales of goods and services</i>		
Subsidiaries		
DT Pharmaceutical One Member Limited Company	36,498,264,260	40,208,197,722
DHG Travel One Member Limited Company	1,737,045,453	1,925,454,547
HT Pharmaceutical One Member Limited Company	61,184,001,464	54,946,264,447
DHG Nature One Member Limited Company	5,731,996,803	7,891,650,996
CM Pharmaceutical One Member Limited Company	54,076,622,307	48,072,320,197
DHG Packaging and Printing One Member Limited Company	-	1,645,560,003
SH Pharmaceutical Joint Stock Company	88,612,017,606	98,198,855,902
A&G Pharmaceutical One Member Limited Company	99,647,618,739	87,804,529,980
ST Pharmaceutical One Member Limited Company	64,879,730,096	54,203,161,276
TOT Pharmaceutical One Member Limited Company	177,095,145,623	166,504,864,291
TG Pharmaceutical One Member Limited Company	43,623,193,688	35,558,431,757
Bali Pharmaceutical One Member Limited Company	50,378,585,662	45,894,117,771
DHG Pharmaceutical One Member Limited Company	122,484,853,280	133,314,545
B&T Pharmaceutical One Member Limited Company	40,400,587,890	28,409,626,252
TVP Pharmaceutical One Member Limited Company	39,534,945,438	30,329,804,319
VL Pharmaceutical One Member Limited Company	54,321,557,108	43,222,007,816
DHG Printing and Packing 1 One Member Limited Company	437,334,384	-
	<u>940,643,499,801</u>	<u>744,948,161,821</u>
<i>ii) Purchases of goods and services</i>		
Subsidiaries		
DHG Travel One Member Limited Company	47,402,601,301	49,315,908,275
DHG Nature One Member Limited Company	40,205,598,806	41,709,996,557
DHG Packaging and Printing One Member Limited Company	-	188,963,697,135
TOT Pharmaceutical One Member Limited Company	1,499,791,103	2,030,512,626
DHG Pharmaceutical One Member Limited Company	297,124,637,961	-
DHG Printing and Packing 1 One Member Limited Company	151,346,353,995	-
Associates		
Vinh Hao Algae Processing Joint Stock Company	40,400,000	4,004,000,000
	<u>537,619,383,166</u>	<u>286,024,114,593</u>

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32 RELATED PARTY DISCLOSURES (continued)

(a) Related party transactions (continued)

	2014 VND	2013 VND
<i>iii) Sales of fixed assets</i>		
Subsidiaries		
SH Pharmaceutical Joint Stock Company	9,090,909	-
TOT Pharmaceutical One Member Limited Company	63,636,364	-
B&T Pharmaceutical One Member Limited Company	-	53,663,739
TVP Pharmaceutical One Member Limited Company	-	140,339,905
VL Pharmaceutical One Member Limited Company	-	275,932,101
	<u>72,727,273</u>	<u>469,935,745</u>
<i>iv) Dividend income</i>		
Subsidiaries		
DT Pharmaceutical One Member Limited Company	1,851,558,529	2,663,980,424
DHG Travel One Member Limited Company	2,435,281,892	2,392,682,870
HT Pharmaceutical One Member Limited Company	3,184,648,582	3,150,284,729
DHG Nature One Member Limited Company	3,096,870,145	1,529,555,091
CM Pharmaceutical One Member Limited Company	2,852,308,274	3,750,764,536
DHG Packaging and Printing One Member Limited Company	31,022,791,966	32,549,325,810
SH Pharmaceutical Joint Stock Company	892,500,000	892,500,000
A&G Pharmaceutical One Member Limited Company	3,291,247,725	6,884,662,519
ST Pharmaceutical One Member Limited Company	2,657,471,081	3,998,245,020
TOT Pharmaceutical One Member Limited Company	6,385,502,557	16,413,013,601
TG Pharmaceutical One Member Limited Company	900,846,651	2,238,011,499
Bali Pharmaceutical One Member Limited Company	2,490,840,626	2,555,320,879
B&T Pharmaceutical One Member Limited Company	391,238,914	-
TVP Pharmaceutical One Member Limited Company	1,000,463,287	-
VL Pharmaceutical One Member Limited Company	330,443,711	-
	<u>62,784,013,940</u>	<u>79,018,346,978</u>
<i>v) Capital contribution</i>		
Subsidiaries		
DHG Pharmaceutical One Member Limited Company	-	1,153,226,020
B&T Pharmaceutical One Member Limited Company	-	5,000,000,000
TVP Pharmaceutical One Member Limited Company	-	5,000,000,000
VL Pharmaceutical One Member Limited Company	-	5,000,000,000
DHG Printing and Packing 1 One Member Limited Company	-	5,000,000,000
	<u>-</u>	<u>21,153,226,020</u>

32 RELATED PARTY DISCLOSURES (continued)

(a) Related party transactions (continued)

	2014 VND	2013 VND
<i>vi) Investment capital contributed</i>		
Subsidiaries		
DHG Pharmaceutical One Member Limited Company	176,315,349,669	225,981,974,277
DHG Printing and Packing 1 One Member Limited Company	23,291,909,060	32,549,325,810
	<u>199,607,258,729</u>	<u>258,531,300,087</u>
Total investment capital in DHG Nature One Member Limited Company and DHG Printing and Packing 1 One Member Limited Company is as follows:		
Subsidiaries		
<i>DHG Pharmaceutical One Member Limited Company</i>		
Charter capital contributed (Note 10(a))	50,000,000,000	50,000,000,000
Advances to build factories (Note 6)	402,297,323,946	225,981,974,277
	<u>452,297,323,946</u>	<u>275,981,974,277</u>
<i>DHG Packaging and Printing 1 One Member Limited Company</i>		
Charter capital contributed (Note 10(a))	5,000,000,000	5,000,000,000
Advances to build factories (Note 6)	55,841,234,870	32,549,325,810
	<u>60,841,234,870</u>	<u>37,549,325,810</u>
<i>vii) Dividends paid</i>		
The State Capital Investment Corporation ("SCIC")	<u>56,626,237,500</u>	<u>99,095,916,500</u>
<i>viii) Remuneration of key management</i>		
Gross salaries and other benefits	<u>14,238,341,053</u>	<u>14,668,492,342</u>

32 RELATED PARTY DISCLOSURES (continued)

(b) Year end balances with related parties

	2014 VND	2013 VND
<i>(i) Trade accounts receivable (Note 5)</i>		
Subsidiaries		
DT Pharmaceutical One Member Limited Company	4,007,677,469	2,942,270,004
HT Pharmaceutical One Member Limited Company	19,063,395,707	6,871,262,751
CM Pharmaceutical One Member Limited Company	11,736,345,970	8,178,947,404
DHG Packaging and Printing One Member Limited Company	-	54,067,268
SH Pharmaceutical Joint Stock Company	7,874,078,979	17,492,047,818
A&G Pharmaceutical One Member Limited Company	29,240,844,919	19,195,323,532
ST Pharmaceutical One Member Limited Company	24,028,313,624	21,339,874,591
TOT Pharmaceutical One Member Limited Company	56,991,628,788	37,845,280,543
TG Pharmaceutical One Member Limited Company	12,536,931,898	5,929,051,566
Bali Pharmaceutical One Member Limited Company	12,695,540,965	6,949,128,724
Pharmaceutical One Member Limited Company	99,999,997	-
B&T Pharmaceutical One Member Limited Company	9,516,310,809	3,254,691,021
TVP Pharmaceutical One Member Limited Company	20,278,623,823	7,577,674,050
VL Pharmaceutical One Member Limited Company	9,334,445,968	6,507,689,568
	<u>217,404,138,916</u>	<u>144,137,308,840</u>
<i>(ii) Other receivables (Note 6)</i>		
Subsidiaries		
DHG Pharmaceutical One Member Limited Company	402,297,323,946	225,981,974,277
DHG Packaging and Printing 1 One Member Limited Company	55,841,234,870	32,549,325,810
Other subsidiaries	218,317,061	693,283,942
	<u>458,356,875,877</u>	<u>259,224,584,029</u>
<i>(iii) Trade accounts payable (Note 14)</i>		
Subsidiaries		
DHG Nature One Member Limited Company	1,299,216,594	575,038,633
DHG Packaging and Printing One Member Limited Company	-	17,674,767,928
Pharmaceutical One Member Limited Company	40,493,064,314	-
DHG Printing and Packing 1 One Member Limited Company	11,907,958,572	-
	<u>53,700,239,480</u>	<u>18,249,806,561</u>

33 SEGMENTAL REPORTING

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

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

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	3,101,478,763,639	2,725,673,789,048
Functional foods	248,603,855,576	300,199,756,519
Others	283,627,686,370	85,052,010,155
	<u>3,633,710,305,585</u>	<u>3,110,925,555,722</u>
Cost of sales		
Pharmaceutical products	(1,548,569,248,464)	(1,476,009,008,707)
Functional foods	(130,277,720,570)	(190,298,093,623)
Others	(271,338,845,594)	(82,002,044,436)
	<u>(1,950,185,814,628)</u>	<u>(1,748,309,146,766)</u>
Gross profit		
Pharmaceutical products	1,552,909,515,175	1,249,664,780,341
Functional foods	118,326,135,006	109,901,662,896
Others	12,288,840,776	3,049,965,719
	<u>1,683,524,490,957</u>	<u>1,362,616,408,956</u>

34 COMMITMENTS

(a) Capital commitments

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

	2014 VND	2013 VND
Approved but not contracted	4,033,262,519	17,855,999,604
Approved and contracted but not implemented	20,434,388,989	2,116,609,897
	<u>24,467,651,508</u>	<u>19,972,609,501</u>

34 COMMITMENTS (continued)

(b) Commitments under operating leases

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

	Land rental	
	2014	2013
	VND	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
	<hr/>	<hr/>
Total minimum payments	<u>62,899,955,696</u>	<u>65,071,196,655</u>

35 FINANCIAL RISK MANAGEMENT

Financial risk factors

Overview

The Company 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 Company's risk management framework. The Board establishes policies to identify and analyse the risks faced by the Company, 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 Company'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.

35 FINANCIAL RISK MANAGEMENT (continued)

(a) Market risk (continued)

(i) Currency risk

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

The Company 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 Company'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.

(ii) Price risk

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

(iii) Interest risk

The company is not subject to significant risks on interest rates because majority of the Company'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 Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company adopts the policy of dealing with customers of appropriate credit history to mitigate credit risk.

35 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

Liquidity risk is the risk that the Company 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 VND875,464,930,375 (2013: VND799,235,212,628) which represented contractual undiscounted cash outflows payable in less than one year.

36 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:

Separate Income statement

Code		For the year ended 31 December 2013		
		As previously reported VND	Adjustment (*) VND	As reclassified VND
01	Sales	3,772,232,558,650	(143,261,781,726)	3,628,970,776,924
10	Net sales	3,254,187,337,448	(143,261,781,726)	3,110,925,555,722
11	Cost of sales	(1,878,985,343,814)	130,676,197,048	(1,748,309,146,766)
20	Gross profit	1,375,201,993,634	(12,585,584,678)	1,362,616,408,956
24	Selling expenses	(663,242,886,963)	12,585,584,678	(650,657,302,285)

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