

# **Traphaco Joint Stock Company**

Consolidated financial statements

31 December 2016



# Traphaco Joint Stock Company

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# Traphaco Joint Stock Company

## GENERAL INFORMATION

### THE COMPANY

Traphaco Joint Stock Company ("the Company") is a joint stock company which was transformed from a State-Owned Enterprise into a Joint Stock Company pursuant to Decision No. 2566/1999/QĐ-BGTVT dated 27 September 1999 issued by the Ministry of Transport and the Business Registration Certificate No. 058437 issued by the Department of Planning and Investment of Hanoi City 24 December 1999. The Company also received the subsequent amendments, with the latest is the 21<sup>st</sup> amendment, being granted by the Department of Planning and Investment of Hanoi on 23 August 2016.

The current principal activities of the Company during the year are to produce and trade pharmaceutical products, chemicals, medical supplies and equipment.

The Company's head office is located at 75 Yen Ninh street, Quan Thanh ward, Ba Dinh district, Ha Noi, Viet Nam. The Company also has the following dependent units:

#### *Name*

Head Office

Branch of Traphaco Joint Stock Company

Central Region Branch

Nam Dinh Branch

Nghe An Branch

Thanh Hoa Branch

Vinh Long Branch

Hai Phong Branch

Quang Ninh Branch

Binh Thuan Branch

Quang Ngai Branch

Dong Nai Branch

Khanh Hoa Branch

Can Tho Branch

Gia Lai Branch

Hai Duong Branch

Tien Giang Branch

Phu Tho Branch

Binh Duong Branch

Bac Giang Branch

Hung Yen Branch

#### *Address*

75 Yen Ninh street, Quan Thanh ward,  
Ba Dinh district, Ha Noi, Viet Nam

Ho Chi Minh City

Da Nang City

Nam Dinh Province

Nghe An Province

Thanh Hoa Province

Vinh Long Province

Hai Phong City

Quang Ninh Province

Binh Thuan Province

Quang Ngai Province

Dong Nai Province

Khanh Hoa Province

Can Tho City

Gia Lai Province

Hai Duong Province

Tien Giang Province

Phu Tho Province

Binh Duong Province

Bac Giang Province

Hung Yen Province



# Traphaco Joint Stock Company

## GENERAL INFORMATION (continued)

### BOARD OF DIRECTORS

Members of the Board of Directors during the year and at the date of this report are:

Ms Vu Thi Thuan	Chairwoman	Appointed on 5 April 2016
Mr Nguyen Anh Tuan	Deputy Chairman	Appointed on 5 April 2016
Mr Tran Tuc Ma	Member	Appointed on 30 March 2016
Mr Nguyen Hong Hien	Member	Appointed on 30 March 2016
Mr Chad Ryan Ovel	Member	Appointed on 30 March 2016
Mr Christopher E. Freund	Member	Appointed on 30 March 2016
Mr Marcus John Pitt	Member	Appointed on 30 March 2016
Mr Nong Huu Duc	Member	Resigned on 30 March 2016
Mr Le Tuan	Member	Resigned on 30 March 2016
Ms Nguyen Thi Lan	Member	Resigned on 30 March 2016
Mr Tran Manh Huu	Member	Resigned on 30 March 2016
Ms Tran Tue Tri	Member	Resigned on 30 March 2016

### BOARD OF SUPERVISION

Members of the Board of Supervision during the year and at the date of this report are:

Mr Duong Duc Hung	Head	Appointed on 5 April 2016
Ms Pham Thi Thanh Duyen	Head	Resigned on 30 March 2016
Ms Do Thi Khanh Van	Member	Appointed on 30 March 2016
Ms Nguyen Thanh Hoa	Member	Appointed on 30 March 2016
Ms Nguyen Thi Luong Thanh	Member	Resigned on 30 March 2016

### MANAGEMENT

Members of the Management during the year and at the date of this report are:

Mr Tran Tuc Ma	General Director	
Mr Nguyen Huy Van	Deputy General Director	
Ms Nguyen Thi Lan	Deputy General Director	
Mr Nguyen Van Bui	Deputy General Director	Appointed on 7 February 2017
Ms Hoang Thi Ruoc	Deputy General Director	Resigned on 7 February 2017

### LEGAL REPRESENTATIVE

The legal representative of the Company during the year and at the date of this report is Mr Tran Tuc Ma, General Director.

### AUDITOR

The auditor of the Company is Ernst & Young Vietnam Limited.



# Traphaco Joint Stock Company

## REPORT OF MANAGEMENT

Management of Traphaco Joint Stock Company ("the Company") is pleased to present its report and the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2016.

### MANAGEMENT'S RESPONSIBILITY IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Management is responsible for the consolidated financial statements of each financial year which give a true and fair view of the consolidated financial position of the Company and its subsidiaries and of the consolidated results of its operations and its consolidated cash flows for the year. In preparing those consolidated financial statements, management is required to:

- ▶ select suitable accounting policies and then apply them consistently;
- ▶ make judgments and estimates that are reasonable and prudent;
- ▶ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the consolidated financial statements; and
- ▶ prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company and its subsidiaries will continue its business.

Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the consolidated financial position of the Company and its subsidiaries and to ensure that the accounting records comply with the applied accounting system. It is also responsible for safeguarding the assets of the Company and its subsidiaries and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Management confirmed that it has complied with the above requirements in preparing the accompanying consolidated financial statements.

### STATEMENT BY MANAGEMENT

Management does hereby state that, in its opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Company as at 31 December 2016 and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to the preparation and presentation of consolidated financial statements.

For and on behalf of Management:



Trần Túc Ma  
General Director

13 March 2017



Reference: 61283515/ 18741598-HN

## **INDEPENDENT AUDITORS' REPORT**

### **To: The shareholders of Traphaco Joint Stock Company**

We have audited the accompanying consolidated financial statements of Traphaco Joint Stock Company ("the Company") and its subsidiaries (collectively referred to as "the Company and its subsidiaries") as prepared on 13 March 2017 and set out on pages 6 to 43, which comprise the consolidated balance sheet as at 31 December 2016, the consolidated income statement and the consolidated cash flow statement for the year then ended and the notes thereto.

### ***Management's responsibility***

The Company's management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System, and the statutory requirements relevant to the preparation and presentation of the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation and presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' responsibility***

Our responsibility is to express an opinion on these 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 requirements and plan and perform the audit to obtain reasonable assurance about 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 auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation 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 internal control of the Company and its subsidiaries. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, 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.

### ***Opinion***

In our opinion, the consolidated financial statements give a true and fair view, in all material respects, of the consolidated financial position of the Company and its subsidiaries as at 31 December 2016, and of the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with the Vietnamese Accounting Standards, Vietnamese Enterprise Accounting System and the statutory requirements relevant to the preparation and presentation of the consolidated financial statements.



**Other Matter**

The consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2015 were audited by another audit firm which expressed an unmodified opinion on those consolidated financial statements on 15 March 2016.

**Ernst & Young Vietnam Limited**



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Trần Phú Sơn  
Deputy General Director  
Audit Practising Registration  
Certificate No. 0637-2013-004-1



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Trinh Xuan Hoa  
Auditor  
Audit Practising Registration  
Certificate No. 0754-2013-004-1

Ha Noi, Viet Nam

13 March 2017

CONSOLIDATED BALANCE SHEET  
as at 31 December 2016

Currency: VND

Code	ASSETS	Notes	Ending balance	Beginning balance (Reclassified)
<b>100</b>	<b>A. CURRENT ASSETS</b>		<b>841,551,437,650</b>	<b>965,855,966,017</b>
<b>110</b>	<b>I. Cash and cash equivalents</b>	<b>4</b>	<b>204,507,406,466</b>	<b>345,097,768,053</b>
111	1. Cash		133,772,157,528	89,495,341,186
112	2. Cash equivalents		70,735,248,938	255,602,426,867
<b>120</b>	<b>II. Short-term investments</b>	<b>5</b>	<b>10,600,000,000</b>	<b>2,000,000,000</b>
123	1. Held-to-maturity investments		10,600,000,000	2,000,000,000
<b>130</b>	<b>III. Short-term receivables</b>		<b>291,660,937,803</b>	<b>297,577,688,871</b>
131	1. Short-term trade receivables	6.1	143,073,288,265	228,504,056,025
132	2. Short-term advances to suppliers	6.2	118,237,712,608	54,710,524,507
136	3. Other short-term receivables	7	33,581,976,994	19,020,835,687
137	4. Provision for doubtful short-term receivables	6.3	(3,975,135,505)	(5,338,885,318)
139	5. Shortage of assets waiting for resolution		743,095,441	681,157,970
<b>140</b>	<b>IV. Inventories</b>	<b>9</b>	<b>305,363,642,369</b>	<b>312,487,370,179</b>
141	1. Inventories		306,310,595,273	313,185,417,222
149	2. Provision for obsolete inventories		(946,952,904)	(698,047,043)
<b>150</b>	<b>V. Other current assets</b>		<b>29,419,451,012</b>	<b>8,693,138,914</b>
151	1. Short-term prepaid expenses		4,472,494,856	1,869,609,753
152	2. Value-added tax deductible		24,844,014,403	6,743,458,585
153	3. Tax and other receivables from the State		102,941,753	80,070,576



# Traphaco Joint Stock Company

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CONSOLIDATED BALANCE SHEET (continued)  
as at 31 December 2016

Currency: VND

Code	ASSETS	Notes	Ending balance	Beginning balance (Reclassified)
<b>200</b>	<b>B. NON-CURRENT ASSETS</b>		<b>535,902,484,020</b>	<b>330,667,447,115</b>
<b>210</b>	<b>I. Long-term receivables</b>		<b>491,157,110</b>	<b>691,157,110</b>
215	1. Long-term loan receivables		-	200,000,000
216	2. Other long-term receivables		491,157,110	491,157,110
<b>220</b>	<b>II. Fixed assets</b>		<b>245,196,233,108</b>	<b>235,312,746,043</b>
221	1. Tangible fixed assets	10	206,597,023,337	195,900,617,990
222	Cost		431,065,606,793	403,927,772,768
223	Accumulated depreciation		(224,468,583,456)	(208,027,154,778)
227	2. Intangible fixed assets	11	38,599,209,771	39,412,128,053
228	Cost		42,417,480,745	42,147,480,745
229	Accumulated amortisation		(3,818,270,974)	(2,735,352,692)
<b>240</b>	<b>III. Long-term assets in progress</b>		<b>264,027,532,101</b>	<b>57,379,298,895</b>
242	1. Construction in progress	12	264,027,532,101	57,379,298,895
<b>250</b>	<b>IV. Long-term investments</b>		<b>4,807,068,649</b>	<b>5,122,476,148</b>
252	1. Investments in associates, jointly controlled entities	13	4,307,068,649	4,360,499,166
253	2. Investment in other entities		500,000,000	509,417,661
254	3. Provision for long-term investments		-	(9,417,661)
255	4. Held-to-maturity investments		-	261,976,982
<b>260</b>	<b>V. Other long-term assets</b>		<b>21,380,493,052</b>	<b>32,161,768,919</b>
261	1. Long-term prepaid expenses		5,581,629,224	3,267,404,499
262	2. Deferred tax assets	28.3	2,074,610,558	1,244,171,195
269	3. Goodwill	14	13,724,253,270	27,650,193,225
<b>270</b>	<b>TOTAL ASSETS</b>		<b>1,377,453,921,670</b>	<b>1,296,523,413,132</b>



# Traphaco Joint Stock Company

B01-DN/HN

CONSOLIDATED BALANCE SHEET (continued)  
as at 31 December 2016

Currency: VND

Code	RESOURCES	Notes	Ending balance	Beginning balance
<b>300</b>	<b>C. LIABILITIES</b>		<b>362,690,618,296</b>	<b>329,667,417,867</b>
<b>310</b>	<b>I. Current liabilities</b>		<b>354,736,618,296</b>	<b>329,257,417,867</b>
311	1. Short-term trade payables	15	150,998,376,320	203,655,173,212
312	2. Short-term advances from customers		418,593,156	564,818,018
313	3. Statutory obligations	16	28,796,161,940	32,475,782,743
314	4. Payables to employees		46,403,282,526	49,720,285,839
315	5. Short-term accrued expenses	17	42,557,455,369	13,551,471,691
318	6. Short-term unearned revenue		-	977,229,098
319	7. Other short-term payables	18	75,178,961,763	8,554,745,103
320	8. Short-term loan and finance lease obligations	19	7,185,526,651	14,630,000,000
322	9. Bonus and welfare fund		3,198,260,571	5,127,912,163
<b>330</b>	<b>II. Non-current liabilities</b>		<b>7,954,000,000</b>	<b>410,000,000</b>
337	1. Other long-term liabilities		90,000,000	110,000,000
338	2. Long-term loans and finance lease obligations	19	7,864,000,000	300,000,000
<b>400</b>	<b>D. OWNERS' EQUITY</b>		<b>1,014,763,303,374</b>	<b>966,855,995,265</b>
<b>410</b>	<b>I. Capital</b>		<b>1,013,134,230,001</b>	<b>964,499,646,230</b>
411	1. Share capital	20.1	345,455,160,000	246,764,330,000
411a	- Shares with voting rights		345,455,160,000	246,764,330,000
411b	- Preference shares		-	-
412	2. Share premium	20.1	153,747,160,000	153,747,160,000
415	3. Treasury shares	20.1	(3,593,000)	(3,593,000)
417	4. Foreign exchange differences reserve	20.1	-	179,264
418	5. Investment and development fund	20.1	312,754,296,109	312,296,798,152
421	6. Undistributed earnings	20.1	115,512,018,350	166,416,575,824
421a	- Undistributed earnings of prior year		6,515,394,258	129,713,730,992
421b	- Undistributed earnings of current year		108,996,624,092	36,702,844,832
429	7. Non-controlling interests	21	85,669,188,542	85,278,195,990
<b>430</b>	<b>II. Other funds</b>		<b>1,629,073,373</b>	<b>2,356,349,035</b>
431	1. Subsidised fund		-	445,676,486
432	2. Fund for fixed assets in use		1,629,073,373	1,910,672,549
<b>440</b>	<b>TOTAL LIABILITIES AND OWNERS' EQUITY</b>		<b>1,377,453,921,679</b>	<b>1,296,523,413,132</b>

Preparer  
Nguyen Ngoc Thuy

Chief Accountant  
Dinh Trung Kien

General Director  
Tran Tuc Ma

13 March 2017



CONSOLIDATED INCOME STATEMENT  
for the year ended 31 December 2016

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
01	1. Revenue from sale of goods and rendering of services	23.1	2,005,540,489,832	1,976,972,983,547
02	2. Deductions	23.1	7,206,269,642	2,971,145,364
10	3. Net revenue from sale of goods and rendering of services [10 = 01 - 02]	23.1	1,998,334,220,190	1,974,001,838,183
11	4. Cost of goods sold and services rendered	24	1,003,653,137,637	1,064,756,821,256
20	5. Gross profit from sale of goods and rendering of services [20 = 10 - 11]		994,681,082,553	909,245,016,927
21	6. Finance income	23.2	15,386,853,067	9,007,106,749
22	7. Finance expenses	25	82,652,482,107	76,776,388,131
23	- In which: Interest expense		897,891,879	1,437,751,011
24	8. Shares of profit of associates	13	72,279,483	218,299,325
25	9. Selling expenses	26	464,180,865,225	429,904,857,118
26	10. General and administrative expenses	26	182,075,800,088	161,494,043,845
30	11. Operating profit [30 = 20 + 21 - 22 + 24 - 25 - 26]		281,231,067,683	250,295,133,907
31	12. Other income		4,763,920,160	6,918,481,328
32	13. Other expenses		2,815,617,224	2,585,860,540
40	14. Other profit [40 = 31 - 32]		1,948,302,936	4,332,620,788
50	15. Accounting profit before tax [50 = 30 + 40]		283,179,370,619	254,627,754,695
51	16. Current corporate income tax expense	28.2	55,783,717,002	51,153,500,149


# Traphaco Joint Stock Company


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CONSOLIDATED INCOME STATEMENT (continued)  
for the year ended 31 December 2016

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
52	17. Deferred tax income	28.3	(830,439,363)	(193,167,476)
60	18. Net profit after tax [60 = 50 - 51 - 52]		228,226,092,980	203,667,422,022
61	19. Net profit after tax attributable to shareholders of the parent		210,595,706,839	180,966,893,829
62	20. Net profit after tax attributable to non- controlling interests	21	17,630,386,141	22,700,528,193
70	21. Basic earnings per share	30	6,097	4,725
71	22. Diluted earnings per share	30	6,097	4,725

  
Preparer  
Nguyen Ngoc Thuy

  
Chief Accountant  
Dinh Trung Kien

  
General Director  
Tran Tuc Ma



13 March 2017



CONSOLIDATED CASH FLOW STATEMENT  
for the year ended 31 December 2016

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
	<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
01	<b>Profit before tax</b>		<b>283,179,370,619</b>	<b>254,627,754,695</b>
02	<i>Adjustments for:</i>			
	Depreciation of fixed assets and amortisation of intangible fixed assets (including amortization of goodwill)		35,256,425,683 (933,418,554)	28,953,572,688 1,164,660,349
03	Provisions			
04	Foreign exchange losses arisen from revaluation of monetary accounts denominated in foreign currency		974,185,589 (12,994,884,053)	1,652,969,861 (7,783,234,295)
05	Profits from investing activities		897,891,879	1,437,751,011
06	Interest expense	25		
08	<b>Operating profit before changes in working capital</b>		<b>306,379,571,163</b>	<b>280,053,474,309</b>
09	Increase in receivables		(32,823,232,430)	(50,824,927,899)
10	Increase in inventories		(204,026,652)	(47,808,535,930)
11	(Decrease)/increase in payables		(2,892,501,412)	78,947,304,844
12	(Increase)/decrease in prepaid expenses		(5,062,420,407)	1,474,431,816
14	Interest paid		(1,190,491,879)	(1,521,503,386)
15	Corporate income tax paid		(60,095,417,752)	(53,716,459,435)
16	Other cash inflows from operating activities		26,539,759	3,679,931,731
17	Other cash outflows from operating activities		(21,579,171,742)	(18,519,548,725)
20	<b>Net cash flows from operating activities</b>		<b>182,558,848,648</b>	<b>191,764,167,325</b>



CONSOLIDATED CASH FLOW STATEMENT (continued)  
for the year ended 31 December 2016

Currency: VND

Code	ITEMS	Notes	Current year	Previous year
	<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchase, construction of fixed assets and other long-term assets		(251,372,831,174)	(51,671,671,999)
22	Proceeds from disposals of fixed assets and other long-term assets		128,636,364	127,272,730
23	Loans to other entities and payments for purchase of debt instruments of other entities		(10,600,000,000)	(2,261,976,982)
24	Collections from borrowers and proceeds from sale of debt instruments of other entities		2,261,976,982	1,788,845,000
26	Proceeds from sale of investments in other entities (net of cash hold by entity being disposed)		12,360,516,160	-
27	Interest and dividends received		8,126,345,025	7,584,240,957
30	<b>Net cash flows used in investing activities</b>		<b>(239,095,356,643)</b>	<b>(44,433,290,294)</b>
	<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
33	Drawdown of borrowings		17,142,726,651	300,000,000
34	Repayment of borrowings		(17,023,200,000)	(20,807,749,427)
36	Dividends paid, profit distributed to equity holders of the parent and non-controlling interests		(84,173,380,243)	(73,894,370,000)
40	<b>Net cash flows used in financing activities</b>		<b>(84,053,853,592)</b>	<b>(94,402,119,427)</b>
50	<b>Net (decrease)/increase in cash for the year</b>		<b>(140,590,361,587)</b>	<b>52,928,757,604</b>
60	<b>Cash and cash equivalents at the beginning of the year</b>		<b>345,097,768,053</b>	<b>292,169,010,449</b>
61	Impact of exchange rate fluctuation		-	-
70	<b>Cash and cash equivalents at the end of the year</b>	4	<b>204,507,406,466</b>	<b>345,097,768,053</b>

Preparer  
Nguyen Ngoc Thuy

Chief Accountant  
Dinh Trung Kien

General Director  
Tran Tuc Ma

13 March 2017



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
as at 31 December 2016 and for the year then ended

1. CORPORATE INFORMATION

Traphaco Joint Stock Company ("the Company") is a joint stock company which was transformed from a State-Owned Enterprise into a Joint Stock Company pursuant to Decision No. 2566/1999/QĐ/BGTVT dated 27 September 1999 issued by the Ministry of Transport and the Business Registration Certificate No. 058437 issued by the Department of Planning and Investment of Hanoi City on 24 December 1999. The Company also received the subsequent amendments, with the latest is the 21<sup>st</sup> amendment, being granted by the Department of Planning and Investment of Hanoi on 23 August 2016.

The current principal activities of the Company during the year are to produce and trade pharmaceutical products, chemicals, medical supplies and equipment.

The Company's normal course of business cycle is 12 months.

The Company's head office is located at 75 Yen Ninh street, Quan Thanh ward, Ba Dinh district, Ha Noi, Viet Nam. The Company also has the following dependent units:

<i>Name</i>	<i>Address</i>
Head Office	75 Yen Ninh street, Quan Thanh ward, Ba Dinh district, Ha Noi, Viet Nam
Branch of Traphaco Joint Stock Company	Ho Chi Minh City
Central Region Branch	Da Nang City
Nam Dinh Branch	Nam Dinh Province
Nghe An Branch	Nghe An Province
Thanh Hoa Branch	Thanh Hoa Province
Vinh Long Branch	Vinh Long Province
Hai Phong Branch	Hai Phong City
Quang Ninh Branch	Quang Ninh Province
Binh Thuan Branch	Binh Thuan Province
Quang Ngai Branch	Quang Ngai Province
Dong Nai Branch	Dong Nai Province
Khanh Hoa Branch	Khanh Hoa Province
Can Tho Branch	Can Tho City
Gia Lai Branch	Gia Lai Province
Hai Duong Branch	Hai Duong Province
Tien Giang Branch	Tien Giang Province
Phu Tho Branch	Phu Tho Province
Binh Duong Branch	Binh Duong Province
Bac Giang Branch	Bac Giang Province
Hung Yen Branch	Hung Yen Province

The number of the Company and its subsidiaries' employees as at 31 December 2016 is 1,426 (31 December 2015: 1,520).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

1. CORPORATE INFORMATION (continued)

*Corporate structure*

As at 31 December 2016, the Company has 4 subsidiaries. Details on these subsidiaries and the Company's ownership interest in its subsidiaries are as follows:

No.	Name	Equity interest	Voting rights	Head office's address	Principal activities
1	TraphacoSapa One Member Company Ltd.	100%	100%	Group 9, Sapa town, Sapa district, Lao Cai province	Plant, process pharmaceutical materials, agriculture and forestry products, food;  Produce and trade pharmaceutical products, pharmaceutical materials, food.
2	Traphaco Hi-tech Joint Stock Company	51%	51%	Tan Quang commune, Van Lam district, Hung Yen province	Produce oriental medicine.
3	Dak Lak Pharmaceutical and Medical Equipment Joint Stock Company	58%	58%	No. 9A Hung Vuong Street, Tu An ward, Buon Ma Thuot city, Dak Lak province	Produce and trade pharmaceutical products, nutritional foods;  Export and import medicines, pharmaceutical materials.
4	Traphaco Hung Yen One Member Company Ltd.	100%	100%	Tan Quang commune, Van Lam district, Hung Yen province	Produce modern medicine.

As at 31 December 2015, the Company had an investment in a subsidiary namely Thai Nguyen Pharmaceutical and Medical Equipment Joint Stock Company and held 51% of equity interest in this company. In accordance with Decision No 89/QĐ-HĐQT issued by the Board of the Directors of the Company dated 2 November 2011, the Company has completed the disposal of the investment in this subsidiary on 19 December 2016 and Thai Nguyen Pharmaceutical and Medical Equipment Joint Stock Company is no longer a subsidiary of the Company from that date.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

**2. BASIS OF PREPARATION**

**2.1 Accounting standards and system**

The consolidated financial statements of the Company and its subsidiaries expressed in Vietnam dong ("VND"), are prepared in accordance with the Vietnamese Enterprise Accounting System and Vietnamese Accounting Standard issued by the Ministry of Finance as per:

- ▶ Decision No. 149/2001/QĐ-BTC dated 31 December 2001 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 1);
- ▶ Decision No. 165/2002/QĐ-BTC dated 31 December 2002 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 2);
- ▶ Decision No. 234/2003/QĐ-BTC dated 30 December 2003 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 3);
- ▶ Decision No. 12/2005/QĐ-BTC dated 15 February 2005 on the Issuance and Promulgation of Six Vietnamese Accounting Standards (Series 4); and
- ▶ Decision No. 100/2005/QĐ-BTC dated 28 December 2005 on the Issuance and Promulgation of Four Vietnamese Accounting Standards (Series 5).

Accordingly, the accompanying consolidated financial statements, including their utilisation are not designed for those who are not informed about Vietnam's accounting principles, procedures and practices and furthermore 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 other than Vietnam.

**2.2 Applied accounting documentation system**

The applied accounting documentation system of the Company and its subsidiaries is the General Journal system.

**2.3 Fiscal year**

The Company's fiscal year applicable for the preparation of its consolidated financial statements starts on 1 January and ends on 31 December.

**2.4 Accounting currency**

The consolidated financial statements are prepared in VND which is also the Company's accounting currency.

**2.5 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries for the year ended 31 December 2016.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtained control, and continued to be consolidated until the date that such control ceases.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-company balances, income and expenses and unrealised gains or losses resulting from intra-company transactions are eliminated in full.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

**2. BASIS OF PREPARATION (continued)**

**2.5 Basis of consolidation (continued)**

Non - controlling interests represent the portion of profit or loss and net assets in the subsidiaries not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Impact of change in the ownership interest of a subsidiary, without a loss of control, is recorded in retained earning.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted by the Company and its subsidiaries in preparation of the consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended 31 December 2015.

**3.1 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash at banks and short-term, highly liquid investments with an original maturity of less than three months that are readily convertible into known amounts of cash and that are subject to an insignificant risk of change in value.

**3.2 Inventories**

Inventories are stated at the lower of cost incurred in bringing each product to its present location and condition, and net realisable value.

Net realisable value ("NRV") represents the estimated selling price in the ordinary course of business less the estimated costs to complete and the estimated costs necessary to make the sale.

The perpetual method is used to record inventories, which are valued as follows:

Raw materials and goods	- cost of purchase on a weighted average basis.
Finished goods and work-in process	- cost of direct materials and labour plus attributable manufacturing overheads based on the normal operating capacity on a weighted average basis.

*Provision for obsolete inventories*

An inventory provision is created for the estimated loss arising due to the impairment of value (through diminution, damage, obsolescence, etc.) of raw materials, finished goods, and other inventories owned by the Company and its subsidiaries, based on appropriate evidence of impairment available at the balance sheet date.

Increases and decreases to the provision balance are recorded into the cost of goods sold account in the consolidated income statement.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.3 Receivables**

Receivables are presented in the consolidated financial statements at the carrying amounts due from customers and other debtors, after provision for doubtful debts.

The provision for doubtful debts represents amounts of outstanding receivables of the Company and its subsidiaries at the balance sheet date which are doubtful of being recovered and made in accordance with the guidance under Circular 228/2009/TT-BTC issued by Ministry of Finance on 7 December 2009 ("Circular 228"). Increases and decreases to the provision balance are recorded as general and administrative expense in the consolidated income statement.

**3.4 Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation.

The cost of a tangible fixed asset comprises of its purchase price and any directly attributable costs of bringing the tangible fixed asset to working condition for its intended use. Expenditures for additions, improvements and renewals are added to the carrying amount of the assets and expenditures for maintenance and repairs are charged to the consolidated income statement as incurred.

When tangible fixed assets are sold or retired, any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the consolidated income statement.

**3.5 Intangible fixed assets**

Intangible assets are stated at cost less accumulated amortisation.

The cost of an intangible fixed asset comprises of its purchase price and any directly attributable costs of preparing the intangible fixed asset for its intended use. Expenditures for additions, improvements are added to the carrying amount of the assets and other expenditures are charged to the consolidated income statement as incurred.

When intangible fixed assets are sold or retired, any gain or loss resulting from their disposal (the difference between the net disposal proceeds and the carrying amount) is included in the consolidated income statement.

*Land use rights*

Land use rights comprise the indefinite land use rights and the prepayment for the land lease contracts which are effective prior to 2003 and for which, land use right certificates have been issued. These land use rights are recorded as intangible fixed assets according to Circular No.45/2013/TT-BTC issued by the Ministry of Finance on 25 April 2013 guiding the management, use and depreciation of fixed assets.

**3.6 Depreciation and amortisation**

Depreciation of tangible fixed assets and amortisation of intangible assets are calculated on a straight-line basis over the estimated useful life of each asset as follows:

Buildings and structures	5 - 35 years
Equipment, management tools	2 - 12 years
Means of transportation	3 - 10 years
Machinery and equipment	3 - 10 years
Definite land use rights	30 - 50 years
Site clearance expenses	32 years
Computer software	3 years
Indefinite land use rights are not amortised.	



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.7 Borrowing costs**

Borrowing costs consist of interest and other costs that the Company and its subsidiaries incur in connection with the borrowing of funds.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily take a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset.

**3.8 Prepaid expenses**

Prepaid expenses are reported as short-term or long-term prepaid expenses on the consolidated balance sheet and amortised over the period for which the amounts are paid or the period in which economic benefits are generated in relation to these expenses.

**3.9 Business combinations and goodwill**

Business combinations are accounted for using the purchase method. The cost of a business combination is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange plus any costs directly attributable to the business combination. Identifiable assets and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the date of business combination.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost the business combination over the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of a business combination is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated amortization. Goodwill is amortized from eight (8) to ten (10) years on a straight-line basis. The parent company conducts the periodical review for impairment of goodwill of investment in subsidiaries. If there are indicators of impairment loss incurred is higher than the yearly allocated amount of goodwill on the straight-line basis, the higher amount will be recorded in the consolidated income statement.

**3.10 Investments**

*Investments in associate*

The Company's investments in its associates are accounted for using the equity method of accounting. An associate is an entity in which the Company has significant influence that is neither subsidiaries nor joint ventures. The Company generally deems it has significant influence if it has over 20% of the voting rights.

Under the equity method, the investment is carried in the consolidated balance sheet at cost plus post acquisition changes in the Company's share of net assets of the associates. Goodwill arising on acquisition of the associate is included in the carrying amount of the investment. Goodwill is not amortised and subject to annual review for impairment. The consolidated income statement reflects the share of the post-acquisition results of operations of the associates.

The share of post-acquisition profit/(loss) of the associates is presented on face of the consolidated income statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received or receivable from associates reduces the carrying amount of the investment.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.10 Investments (continued)**

*Investments in associate (continued)*

The financial statements of the associates are prepared for the same reporting period and use the same accounting policies as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Company.

*Investments in other entities*

Investments in other entities are stated at their acquisition costs.

*Provision for diminution in value of the held-for-trading securities and investments in other entities*

Provision is made for any diminution in value of the investments in other entities at the balance sheet date in accordance with the guidance under Circular No. 228/2009/TT-BTC issued by Ministry of Finance on 7 December 2009 ("Circular 228") and Circular No. 89/2013/TT-BTC issued by the Ministry of Finance on 28 June 2013 amending, supplementing Circular 228. Increases or decreases to the provision balance are recorded as finance expense in the consolidated income statement.

*Held-to-maturity investments*

Held-to-maturity investments are stated at their acquisition costs. After initial recognition, held-to-maturity investments are measured at recoverable amount. Any impairment loss incurred is recognised as expense in the consolidated financial statements and deducted against the value of such investments.

**3.11 Payables and accruals**

Payables and accruals are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Company and its subsidiaries.

**3.12 Foreign currency transactions**

Transactions in currencies other than the Company and its subsidiaries' reporting currency of VND are recorded at the actual transaction exchange rates at transaction dates which are determined as follows:

- ▶ Transactions resulting in receivables are recorded at the buying exchange rates of the commercial banks designated for collection;
- ▶ Transactions resulting in liabilities are recorded at the selling exchange rates of the commercial banks designated for payment; and
- ▶ Payments for assets or expenses without liabilities initially being recognised is recorded at the buying exchange rates of the commercial banks that process these payments.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.12 Foreign currency transactions (continued)**

At the end of the year, monetary balances denominated in foreign currencies are translated at the actual exchange rates at the balance sheet dates which are determined as follows:

- ▶ Monetary assets are translated at buying exchange rate of the commercial bank where the Company and its subsidiaries conduct transactions regularly; and
- ▶ Monetary liabilities are translated at selling exchange rate of the commercial bank where the Company and its subsidiaries conduct transactions regularly.

All foreign exchange differences incurred during the year and arising from the revaluation of monetary accounts denominated in foreign currency at year-end are taken to the consolidated income statement.

**3.13 Treasury shares**

Own equity instruments which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss upon purchase, sale, issue or cancellation of the Company's own equity instruments.

**3.14 Appropriation of net profits**

Net profit after tax is available for appropriation to shareholders after approval in the annual general meeting, and after making appropriation to reserve funds in accordance with the Charters of the Company and its subsidiaries and Vietnam's regulatory requirements.

The Company and its subsidiaries maintains the following reserve funds which are appropriated from net profits of the Company and its subsidiaries as proposed by the Board of Directors and subject to approval by shareholders at the annual general meetings.

*Investment and development fund*

This fund is set aside for use in the Company and its subsidiaries' expansion of its operation or of in-depth investments.

*Bonus and welfare fund*

This fund is set aside for the purpose of pecuniary rewarding and encouraging, common benefits and improvement of the employees' benefits, and presented as a liability on the consolidated balance sheet.

**3.15 Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and its subsidiaries and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discount, rebate and sales return. The following specific recognition criteria must also be met before revenue is recognised:

*Sale of goods*

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon the delivery of the goods.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 3.15 Revenue recognition (continued)

##### *Rendering of services*

Revenue is recognised when services are rendered and completed.

##### *Dividends*

Income is recognised when the Company and its subsidiaries' entitlement as investors to receive the dividend is established.

##### *Interest*

Revenue is recognised as the interest accrues (taking into account the effective yield on the asset) unless collectability is in doubt.

#### 3.16 Taxation

##### *Current income tax*

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted as at the consolidated balance sheet date.

Current income tax is charged or credited to the consolidated income statement, except when it relates to items recognised directly to equity, in which case the current income tax is also dealt with in equity.

Current income tax assets and liabilities are offset when there is a legally enforceable right for the Company and its subsidiaries to off-set current tax assets against current tax liabilities and when the Company and its subsidiaries intends to settle its current tax assets and liabilities on a net basis.

##### *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the consolidated balance sheet date between the tax base of assets and liabilities and their carrying amount for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- ▶ where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the related transaction affects neither the accounting profit nor taxable profit or loss; and
- ▶ in respect of taxable temporarily differences associated with investments in subsidiaries and associates, and interests in joint ventures where timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Taxation (continued)

Deferred tax assets are recognised for all deductible temporary differences, carried forward unused tax credit and unused tax losses, to the extent that it is probable that taxable profit will be available against which deductible temporary differences, carried forward unused tax credit and unused tax losses can be utilised, except:

- ▶ where the deferred tax asset in respect of deductible temporary difference which arises from the initial recognition of an asset or liability which at the time of the related transaction, affects neither the accounting profit nor taxable profit or loss; and
- ▶ in respect of deductible temporary differences associated with investments in subsidiaries, associates, and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Previously unrecognised deferred tax assets are re-assessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset realised or the liability is settled based on tax rates and tax laws that have been enacted at the consolidated balance sheet date.

Deferred tax is charged or credited to the consolidated income statement, except when it relates to items recognised directly to equity, in which case the deferred tax is also dealt with in the equity account.

Deferred tax assets and liabilities are offset when there is a legally enforceable right for the Company and its subsidiaries to off-set current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on:

- ▶ either the same taxable entity; or
- ▶ when the Company and its subsidiaries intend either settle current tax liabilities and assets on a net basis or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

4. CASH AND CASH EQUIVALENTS

	Currency: VND	
	Ending balance	Beginning balance
Cash on hand	7,980,049,932	4,451,307,873
Cash at banks	125,792,107,596	85,044,033,313
Cash equivalents (*)	70,735,248,938	255,602,426,867
<b>TOTAL</b>	<b>204,507,406,466</b>	<b>345,097,768,053</b>

(\*) Cash equivalents as at 31 Dec 2016 comprised bank deposits in VND with terms of less than 3 months and earn interest at the rate of 4.3% - 4.8% per annum (as at 31 December 2015: 4.3 - 5.0% per annum).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 5. SHORT-TERM INVESTMENTS

	Currency: VND			
	Ending balance		Beginning balance	
	Cost	Carrying value	Cost	Carrying value
Term deposits	10,600,000,000	10,600,000,000	2,000,000,000	2,000,000,000
<b>TOTAL</b>	<b>10,600,000,000</b>	<b>10,600,000,000</b>	<b>2,000,000,000</b>	<b>2,000,000,000</b>

(\*) Term deposits as at 31 December 2016 comprised bank deposits in VND with terms from 3 months to less than 1 year and earn interest at the rate of 5.3% per annum (as at 31 December 2015: 5% per annum).

## 6. TRADE RECEIVABLES AND ADVANCES TO SUPPLIERS

### 6.1 Short-term trade receivables

	Currency: VND	
	Ending balance	Beginning balance
Short-term trade receivables	139,472,425,750	225,935,904,507
<i>Nam Duong Investment JSC</i>	18,182,478,125	91,446,980,689
<i>Other customers</i>	121,289,947,625	134,488,923,818
Short-term trade receivables from related parties (Note 29)	3,600,862,515	2,568,151,518
<b>TOTAL</b>	<b>143,073,288,265</b>	<b>228,504,056,025</b>
<i>Provision for short-term trade receivables</i>	<i>(3,825,135,505)</i>	<i>(5,338,885,318)</i>

### 6.2 Short-term advances to suppliers

	Currency: VND	
	Ending balance	Beginning balance
Dong Do Investment, Construction and Development JSC	14,006,788,839	2,600,000,000
Hop Phat Trading and Production JSC	17,688,528,643	-
Cello Vietnam Co. Ltd	12,293,014,880	-
Others	74,249,380,246	52,110,524,507
<b>TOTAL</b>	<b>118,237,712,608</b>	<b>54,710,524,507</b>

### 6.3 Provision for doubtful short-term receivables

	Currency: VND	
	Current year	Previous year
Beginning balance	5,338,885,318	4,235,806,586
Provision created during the year	1,671,378,378	1,150,360,476
Decrease due to the disposal of subsidiary (Note 1)	(181,425,398)	-
Utilisation during the year	(2,853,702,793)	(47,281,744)
<b>Ending balance</b>	<b>3,975,135,505</b>	<b>5,338,885,318</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

7. OTHER SHORT – TERM RECEIVABLES

Currency: VND

	Ending balance		Beginning balance	
	Amount	Provision	Amount	Provision
Advances to employees	6,639,545,246	(150,000,000)	2,291,173,737	-
Deposits and mortgages	7,947,343,545	-	2,110,067,717	-
Interest receivables	298,282,872	-	1,336,730,123	-
Advance for utilisation of bonus and welfare fund	10,498,365,568	-	9,893,124,767	-
Other receivables	8,198,439,763	-	3,389,739,343	-
<b>TOTAL</b>	<b>33,581,976,994</b>	<b>(150,000,000)</b>	<b>19,020,835,687</b>	<b>-</b>

8. BAD DEBTS

Currency: VND

	Ending balance		Beginning balance	
	Cost	Recoverable amount	Cost	Recoverable amount
Overdue receivables which are appeared to be irrecoverable	6,778,026,524	2,802,891,019	7,150,710,067	1,811,824,749
<b>TOTAL</b>	<b>6,778,026,524</b>	<b>2,802,891,019</b>	<b>7,150,710,067</b>	<b>1,811,824,749</b>

9. INVENTORIES

Currency: VND

	Ending balance		Beginning balance	
	Cost	Provision	Cost	Provision
Raw materials	133,876,282,225	(927,414,547)	130,274,256,106	(612,591,552)
Tools and supplies	588,589,571	-	254,796,553	-
Work in process	28,597,152,688	-	25,286,759,880	-
Finished goods	87,594,003,283	(19,538,357)	93,785,390,977	-
Merchandise	52,217,873,264	-	47,196,988,860	(85,455,491)
Goods in transit	3,436,694,242	-	3,965,572,722	-
Goods on consignment	-	-	12,421,652,124	-
<b>TOTAL</b>	<b>306,310,595,273</b>	<b>(946,952,904)</b>	<b>313,185,417,222</b>	<b>(698,047,043)</b>

Movements of provision for obsolete inventories:

Currency: VND

	Current year	Previous year
Beginning balance	698,047,043	433,601,103
Provision created during the year	841,047,445	264,445,940
Utilisation during the year	(592,141,584)	-
<b>Ending balance</b>	<b>946,952,904</b>	<b>698,047,043</b>



# Traphaco Joint Stock Company

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 10. TANGIBLE FIXED ASSETS

Currency: VND

	<i>Buildings, structures</i>	<i>Machinery and equipment</i>	<i>Means of transportation</i>	<i>Office equipment</i>	<i>Others</i>	<i>Total</i>
<b>Cost:</b>						
Beginning balance	168,238,618,047	162,914,517,754	55,917,669,558	13,204,229,455	3,652,737,954	403,927,772,768
- New purchase	1,780,726,778	14,793,683,362	5,178,386,633	2,330,144,800	-	24,082,941,573
- Transfer from construction in progress	15,484,743,794	4,898,000,293	-	-	-	20,382,744,087
- Other increase	319,598,182	-	-	-	-	319,598,182
- Disposal	(176,409,700)	(4,300,206,809)	(1,065,221,350)	(285,684,791)	(361,280,909)	(6,188,803,559)
- Decrease due to the disposal of subsidiary (Note 1)	(5,437,023,133)	(4,541,198,627)	(1,480,424,498)	-	-	(11,458,646,258)
Ending balance	180,210,253,968	173,764,795,973	58,550,410,343	15,248,689,464	3,291,457,045	431,065,606,793
<i>In which:</i>						
<i>Fully depreciated</i>	23,751,201,080	34,269,350,836	13,052,373,612	8,452,345,715	1,960,389,801	81,485,661,044
<b>Accumulated depreciation:</b>						
Beginning balance	67,727,417,340	96,773,344,139	29,738,839,727	10,533,679,955	3,253,873,617	208,027,154,778
- Depreciation for the year	7,192,189,868	16,885,953,219	4,933,560,482	874,934,884	130,439,149	30,017,077,602
- Disposal	(137,311,604)	(1,589,298,158)	(921,252,354)	(266,276,500)	(323,089,010)	(3,237,227,626)
- Decrease due to the disposal of subsidiary (Note 1)	(4,835,027,099)	(4,472,689,777)	(1,030,704,422)	-	-	(10,338,421,298)
Ending balance	69,947,268,505	107,597,309,423	32,720,443,433	11,142,338,339	3,061,223,756	224,468,583,456
<b>Net carrying amount:</b>						
Beginning balance	100,511,200,707	66,141,173,615	26,178,829,831	2,652,286,450	417,127,387	195,900,617,990
Ending balance	110,262,985,463	66,167,486,550	25,829,966,910	4,106,351,125	230,233,289	206,597,023,337

(\*) Certain machinery and equipment belong to the pharmaceutical material extraction production line of TraphacoSapa One Member Company Ltd., a subsidiary of the Company are used as collateral to secure a long term loan as presented in Note 19.3.

# Traphaco Joint Stock Company

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 11. INTANGIBLE FIXED ASSETS

Currency: VND

	Indefinite land use rights	Definite land use rights	Site clearance expenses	Computer software	Total
<b>Cost:</b>					
Beginning balance	33,373,954,266	416,291,335	4,972,028,674	3,385,206,470	42,147,480,745
New purchase	-	-	-	310,000,000	310,000,000
Decrease due to the disposal of subsidiary (Note 1)	-	-	-	(40,000,000)	(40,000,000)
Ending balance	<u>33,373,954,266</u>	<u>416,291,335</u>	<u>4,972,028,674</u>	<u>3,655,206,470</u>	<u>42,417,480,745</u>
<i>In which:</i>					
Fully amortised	-	-	-	255,316,470	255,316,470
<b>Accumulated amortization:</b>					
Beginning balance	-	52,060,269	1,281,851,118	1,401,441,305	2,735,352,692
Amortisation for the year	-	8,906,678	155,375,892	958,635,712	1,122,918,282
Decrease due to the disposal of subsidiary (Note 1)	-	-	-	(40,000,000)	(40,000,000)
Ending balance	<u>-</u>	<u>60,966,947</u>	<u>1,437,227,010</u>	<u>2,320,077,017</u>	<u>3,818,270,974</u>
<b>Net carrying amount:</b>					
Beginning balance	<u>33,373,954,266</u>	<u>364,231,066</u>	<u>3,690,177,556</u>	<u>1,983,765,165</u>	<u>39,412,128,053</u>
Ending balance	<u>33,373,954,266</u>	<u>355,324,388</u>	<u>3,534,801,664</u>	<u>1,335,129,453</u>	<u>38,599,209,771</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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12. CONSTRUCTION IN PROGRESS

Currency: VND

	Ending balance	Beginning balance
Traphaco Hung Yen Pharmaceutical Factory project (*)	242,347,149,268	45,515,964,726
Dong Pho Moi Pharmaceutical Factory project	12,421,965,789	7,209,646,118
Can Tho Office project	2,479,653,636	2,479,653,636
Hoang Liet project	5,033,916,043	-
Others	1,744,847,365	2,174,034,415
<b>TOTAL</b>	<b>264,027,532,101</b>	<b>57,379,298,895</b>

(\*) This represents construction costs for the investment of Traphaco Hung Yen Pharmaceutical Factory project in the 4.6-hectare land in Tan Quang commune, Van Lam district, Hung Yen province. A total estimated investment cost of this project is VND 477 billion.

13. INVESTMENT IN ASSOCIATE

Name	Ending balance		Beginning balance	
	Equity interest (%)	Voting rights (%)	Equity interest (%)	Voting rights (%)
Quang Tri Pharmaceutical Medical and Equipment Joint Stock Company	43%	43%	43%	43%

Quang Tri Pharmaceutical and Medical Equipment Joint Stock Company is a joint-stock company incorporated in pursuant to the Business Registration Certificate No. 3200042637 issued by the Department of Planning and Investment of Quang Tri province on 6 October 1998. This Company's head office is located at 185 Le Duan street, No 2 ward, Dong Ha city, Quang Tri province and its principal activities are to produce and trade pharmaceutical products.

Details of investment in associate are as follows:

Currency: VND

Quang Tri  
Pharmaceutical  
Medical Equipment  
Joint Stock Company

<b>Cost:</b>	
Beginning balance	3,576,498,999
Ending balance	3,576,498,999
<b>Accumulated share in post-acquisition profit of the associate</b>	
Beginning balance	784,000,167
Share in post-acquisition profit of the associate	72,279,483
Dividends received for the year	(125,710,000)
Ending balance	730,569,650
<b>Net carrying amount:</b>	
Beginning balance	4,360,499,166
Ending balance	4,307,068,649

(\*) The Company could not obtain the necessary information to evaluate the fair value of shares held in the associate as these shares are not listed on the stock exchanges.



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## 14. GOODWILL

Currency: VND

	Goodwill for Traphaco Sapa One Member Company Ltd.	Goodwill for Thai Nguyen Pharmaceutical and Medical Equipment Joint Stock Company	Goodwill for Traphaco Hi-tech Joint Stock Company	Total
<b>Cost:</b>				
Beginning balance	1,467,939,358	12,135,476,481	28,205,187,022	41,808,602,861
- Decrease due to the disposal of subsidiary (Note 1)	-	(12,135,476,481)	-	(12,135,476,481)
Ending balance	1,467,939,358	-	28,205,187,022	29,673,126,380
<b>Accumulated amortisation:</b>				
Beginning balance	1,192,700,730	1,213,547,648	11,752,161,258	14,158,409,636
- Amortization for the year	183,492,420	1,112,418,677	2,820,518,702	4,116,429,799
- Decrease due to the disposal of subsidiary (Note 1)	-	(2,325,966,325)	-	(2,325,966,325)
Ending balance	1,376,193,150	-	14,572,679,960	15,948,873,110
<b>Net carrying amount:</b>				
Beginning balance	275,238,628	10,921,928,833	16,453,025,764	27,650,193,225
Ending balance	91,746,208	-	13,632,507,062	13,724,253,270



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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# 15. SHORT-TERM TRADE PAYABLES

Currency: VND

	Ending balance		Beginning balance	
	Amount	Payable amount	Amount	Payable amount
Nanum CNC Company Limited	18,530,008,296	18,530,008,296	114,916,711,576	114,916,711,576
Others	132,468,368,024	132,468,368,024	88,738,461,636	88,738,461,636
<b>TOTAL</b>	<b>150,998,376,320</b>	<b>150,998,376,320</b>	<b>203,655,173,212</b>	<b>203,655,173,212</b>

# 16. STATUTORY OBLIGATIONS

Currency: VND

	Beginning balance	Payable for the year	Payment during the year	Decrease due to the disposal of subsidiary	Ending balance
Corporate income tax	28,154,255,309	56,473,731,072	(60,095,417,752)	(359,973,694)	24,172,594,935
Personal income tax	3,564,813,535	15,574,571,721	(15,633,985,427)	(1,108,734)	3,504,291,095
Value added tax	746,320,117	46,298,984,033	(45,374,185,809)	(552,259,871)	1,118,858,470
Other taxes	10,393,782	10,649,901,548	(10,283,595,001)	(376,282,889)	417,440
<b>TOTAL</b>	<b>32,475,782,743</b>	<b>128,997,188,374</b>	<b>(131,387,183,989)</b>	<b>(1,289,625,188)</b>	<b>28,796,161,940</b>

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as at 31 December 2016 and for the year then ended

## 17. SHORT-TERM ACCRUED EXPENSES

	Currency: VND	
	Ending balance	Beginning balance
Sales discounts payable to customers	20,607,463,461	2,272,254,551
Expenses for market survey	3,889,809,000	5,057,104,000
Advertisement expenses	3,333,348,366	-
Allowance for freelancers	3,928,898,687	870,151,935
Bonus for employees	-	2,000,000,000
Other accruals	10,797,935,855	3,351,961,205
<b>TOTAL</b>	<b>42,557,455,369</b>	<b>13,551,471,691</b>

## 18. OTHER PAYABLES

	Currency: VND	
	Ending balance	Beginning balance
Remuneration for the Board of Management and the Board of Supervision	970,226,012	1,588,256,651
Dividend payables	70,283,753,278	667,723,278
Trade union fee	585,739,646	751,324,549
Others	3,339,242,827	5,547,440,625
<b>TOTAL</b>	<b>75,178,961,763</b>	<b>8,554,745,103</b>



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as at 31 December 2016 and for the year then ended

## 19. LOANS AND FINANCE LEASES

Currency: VND

	Beginning balance		During the year		Ending balance	
	Amount	Amount payable	Increase	Decrease	Amount	Amount payable
<b>Short-term loans</b>	<b>14,630,000,000</b>	<b>14,630,000,000</b>	<b>9,578,726,651</b>	<b>(17,023,200,000)</b>	<b>7,185,526,651</b>	<b>7,185,526,651</b>
Short-term loan from bank	-	-	5,612,726,651	(2,000,000,000)	3,612,726,651	3,612,726,651
Short-term loan from others	14,630,000,000	14,630,000,000	2,000,000,000	(14,630,000,000)	2,000,000,000	2,000,000,000
Current portion of long-term loans	-	-	1,966,000,000	(393,200,000)	1,572,800,000	1,572,800,000
<b>Long-term loans</b>	<b>300,000,000</b>	<b>300,000,000</b>	<b>9,530,000,000</b>	<b>(1,966,000,000)</b>	<b>7,864,000,000</b>	<b>7,864,000,000</b>
Loans from banks	300,000,000	300,000,000	9,530,000,000	(1,966,000,000)	7,864,000,000	7,864,000,000
<b>TOTAL</b>	<b>14,930,000,000</b>	<b>14,930,000,000</b>	<b>19,108,726,651</b>	<b>(18,989,200,000)</b>	<b>15,049,526,651</b>	<b>15,049,526,651</b>

### 19.1 Short-term loans from bank

Details of the short-term loans from bank are as follows:

	Ending balance (VND)	Principal and interest payment term	Interest rate	Description of collateral
Vietnam Joint Stock Commercial Bank for Industry and Trade - Yen Bai Branch	3,612,726,651	Term of each withdrawal is within 10 months and the final withdrawal will be repayable on 24 April 2017. Interest is paid on a monthly basis.	9%/year	Un-secured
<b>TOTAL</b>	<b>3,612,726,651</b>			

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as at 31 December 2016 and for the year then ended

## 19. LOANS AND FINANCE LEASES (continued)

### 19.2 Short-term loans from others

<i>Loans</i>	<i>Ending balance (VND)</i>	<i>Principal and interest payment term</i>	<i>Interest rate</i>	<i>Description of collateral</i>
Ms Vu Mai Huong	1,000,000,000	Term of the loan is 12 months and will be repayable on 28 October 2017. Interest is paid on quarterly basis.	7.8%/year	Un-secured
Mr Dao Quoc Cuong	1,000,000,000	Term of the loan is 12 months and will be repayable on 28 October 2017. Interest is paid on quarterly basis.	7.8%/year	Un-secured
<b>TỔNG CỘNG</b>	<b>2,000,000,000</b>			

### 19.3 Long-term loan from banks

Details of the long-term loans from banks are as follows:

<i>Bank</i>	<i>Ending balance (VND)</i>	<i>Principal and interest repayment term</i>	<i>Interest rate</i>	<i>Description of collateral</i>
Vietnam Joint Stock Commercial Bank for Industry and Trade - Yen Bai Branch	9,436,800,000	Principal is repayable within 25 quarters with the first payment is at 26 November 2016. Interest is paid monthly.	Interest for the first twelve months is 7.5%/annum and then will be adjusted upon bank's notice.	Certain machinery and equipment of Dong Pho Moi pharmaceutical factory project.
<b>TOTAL</b>	<b>9,436,800,000</b>			

*In which:*

- Current portion of long-term loan	1,572,800,000
- Long-term loan	7,864,000,000



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
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## 20. OWNERS' EQUITY

### 20.1 Increase and decrease in owners' equity

Currency: VND

	Share capital	Share premium	Treasury shares	Foreign exchange differences reserve	Investment and development fund	Undistributed earnings	Total
<i>Previous year:</i>							
Beginning balance	246,764,330,000	153,747,160,000	(3,593,000)	179,264	257,064,405,248	129,713,730,991	787,286,212,503
- Net profit for the year	-	-	-	-	-	180,966,893,829	180,966,893,829
- Dividends declared	-	-	-	-	-	(74,019,900,000)	(74,019,900,000)
- Appropriation of investment and development fund	-	-	-	-	55,232,392,904	(55,232,392,904)	-
- Appropriation of bonus and welfare fund	-	-	-	-	-	(14,011,756,092)	(14,011,756,092)
- Bonus for Executive Board	-	-	-	-	-	(1,000,000,000)	(1,000,000,000)
Ending balance	<u>246,764,330,000</u>	<u>153,747,160,000</u>	<u>(3,593,000)</u>	<u>179,264</u>	<u>312,296,798,152</u>	<u>166,416,575,824</u>	<u>879,221,450,240</u>

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## 20. OWNERS' EQUITY (continued)

### 20.1 Increase and decrease in owners' equity (continued)

Currency: VND

	Share capital	Share premium	Treasury shares	Foreign exchange differences reserve	Investment and development fund	Undistributed earnings	Total
<b>Current year:</b>							
Beginning balance	246,764,330,000	153,747,160,000	(3,593,000)	179,264	312,296,798,152	166,416,575,824	879,221,450,240
- Increase in share capital from investment and development fund (*)	98,690,830,000	-	-	-	(98,690,830,000)	-	-
- Profit for the year	-	-	-	-	-	210,595,706,839	210,595,706,839
- Dividends declared	-	-	-	-	-	(143,104,666,000)	(143,104,666,000)
- Appropriation of investment and development fund	-	-	-	-	99,148,327,957	(99,148,327,957)	-
- Appropriation of bonus and welfare fund	-	-	-	-	-	(17,756,663,452)	(17,756,663,452)
- Bonus for Executive Board	-	-	-	-	-	(2,279,715,787)	(2,279,715,787)
- Other increase/(decrease)	-	-	-	(179,264)	-	789,108,883	788,929,619
<b>Ending balance</b>	<b>345,455,160,000</b>	<b>153,747,160,000</b>	<b>(3,593,000)</b>	<b>-</b>	<b>312,754,296,109</b>	<b>115,512,018,350</b>	<b>927,465,041,459</b>

(\*) In accordance with the Resolution of the Annual General Meeting dated 30 March 2016, the Company had issued 9,869,083 additional shares using fund from Investment and Development fund.

(\*\*) Dividends and funds were declared and appropriated from 2015's profit in accordance with the Resolution of the Annual General Meeting dated 30 March 2016. In addition, the Company has also declared interim dividend from profit for the year ended 31 December 2016 with the rate of 2,000 VND/share in accordance with Resolution No 96/2016/NQ-HĐQT of the Board of Directors dated 16 December 2016.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 20. OWNERS' EQUITY (continued)

### 20.2 Details of owners' shares capital

Currency: VND

	Ending balance			Beginning balance		
	Total	Ordinary shares	Preferred shares	Total	Ordinary shares	Preferred shares
State Capital and Investment Corporation Vietnam	123,215,630,000	123,215,630,000	-	88,014,960,000	88,014,960,000	-
Azalea Fund Limited Vietnam Holding Limited	86,341,160,000	86,341,160,000	-	61,674,920,000	61,674,920,000	-
Other shareholders	36,030,920,000	36,030,920,000	-	25,737,480,000	25,737,480,000	-
	99,867,450,000	99,867,450,000	-	71,336,970,000	71,336,970,000	-
<b>TOTAL</b>	<b>345,455,160,000</b>	<b>345,455,160,000</b>	<b>-</b>	<b>246,764,330,000</b>	<b>246,764,330,000</b>	<b>-</b>

### 20.3 Capital transactions with owners and distribution of dividends, profits

Currency: VND

	Current year	Previous year
<b>Contributed capital</b>		
Beginning balance	246,764,330,000	246,764,330,000
Increase in the period (Note 20.1)	98,690,830,000	-
Ending balance	<u>345,455,160,000</u>	<u>246,764,330,000</u>
<b>Dividends declared</b>		
Dividends for 2016 (interim payment): VND 2,000 per share	69,084,766,000	-
Dividends for 2015: VND 3,000 per share	74,019,900,000	-
Dividends for 2014: VND 3,000 per share	-	74,019,900,000
<b>Dividends paid</b>	74,147,994,000	73,894,730,000

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as at 31 December 2016 and for the year then ended

20. OWNERS' EQUITY (continued)

20.4 Shares

	Ending balance		Beginning balance	
	No of share	Amount (VND)	No of share	Amount (VND)
<b>Shares registered for issuance</b>	<b>34,545,516</b>	<b>345,455,160,000</b>	<b>24,676,433</b>	<b>246,764,330,000</b>
<b>Issued shares</b>	<b>34,545,516</b>	<b>345,455,160,000</b>	<b>24,676,433</b>	<b>246,764,330,000</b>
Ordinary shares	34,545,516	345,455,160,000	24,676,433	246,764,330,000
Preferred shares	-	-	-	-
<b>Treasury shares</b>	<b>(3,133)</b>	<b>(3,593,000)</b>	<b>(3,133)</b>	<b>(3,593,000)</b>
Ordinary shares	(3,133)	(3,593,000)	(3,133)	(3,593,000)
Preferred shares	-	-	-	-
<b>Shares in circulation</b>	<b>34,542,383</b>	<b>345,451,567,000</b>	<b>24,673,300</b>	<b>246,760,737,000</b>
Ordinary shares	34,542,383	345,451,567,000	24,673,300	246,760,737,000
Preferred shares	-	-	-	-

The par value of share in circulation during the year is VND 10,000/share.

21. NON-CONTROLLING INTERESTS

	Currency: VND	
	Current year	Previous year
<b>Beginning balance</b>	<b>85,278,195,990</b>	<b>82,161,782,918</b>
Profit for the year	17,630,386,141	22,700,528,193
Decrease due to the disposal of subsidiary (Note 1)	(4,141,153,062)	-
Increase due to the transfer from associate to subsidiary	-	3,320,229,173
Appropriation of bonus and welfare fund	(2,766,087,100)	(2,268,746,770)
Dividends declared	(10,569,035,243)	(20,635,597,524)
Bonus for Executive Board	(269,070,213)	-
Other increase	505,952,029	-
<b>Ending balance</b>	<b>85,669,188,542</b>	<b>85,278,195,990</b>

22. OFF BALANCE SHEET ITEMS

ITEM	Ending balance	Beginning balance
1. Foreign Currency:		
- US Dollar (USD)	4,507	55,542
2. Bad debts written-off (VND)	2,560,552,240	-



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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

## 23. REVENUE

### 23.1 Revenue from sale of goods and rendering of services

	Currency: VND	
	Current year	Previous year (Reclassified)
<b>Gross revenue</b>	<b>2,005,540,489,832</b>	<b>1,976,972,983,547</b>
Of which:		
Sale of goods	1,518,524,099,069	1,317,142,334,639
Sale of merchandise	486,248,932,040	658,890,841,023
Rendering of services	767,458,723	939,807,885
<b>Less:</b>	<b>(7,206,269,642)</b>	<b>(2,971,145,364)</b>
Sales return	(7,060,998,572)	(2,826,680,729)
Sales discount	(136,220,500)	(144,464,635)
Special consumption tax	(9,050,570)	-
<b>Net revenue</b>	<b>1,998,334,220,190</b>	<b>1,974,001,838,183</b>
Of which:		
Sale to others	1,988,266,266,531	1,960,841,495,232
Sale to related parties (Note 29)	10,067,953,659	13,160,342,951

### 23.2 Finance income

	Currency: VND	
	Current year	Previous year
Interest income	7,546,056,258	8,053,306,489
Foreign exchange gains	1,053,781,434	92,214,011
Interest from credit sales, discount earned from early payments	193,515,341	-
Gain from disposal of subsidiary	5,376,548,312	-
Others	1,216,951,722	861,586,249
<b>TOTAL</b>	<b>15,386,853,067</b>	<b>9,007,106,749</b>

## 24. COST OF GOODS SOLD AND SERVICES RENDERED

	Currency: VND	
	Current year	Previous year (Reclassified)
Cost of finished goods sold	555,316,370,581	466,769,892,125
Cost of merchandise sold	448,287,791,546	597,065,720,677
Cost of services rendered	48,975,510	921,208,454
<b>TOTAL</b>	<b>1,003,653,137,637</b>	<b>1,064,756,821,256</b>

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25. FINANCE EXPENSES

	Currency: VND	
	Current year	Previous year
Early settlement discounts	80,539,058,350	69,328,325,272
Interest expense	897,891,879	1,437,751,011
Foreign exchange losses	1,215,531,878	6,000,894,187
Others	-	9,417,661
<b>TOTAL</b>	<b>82,652,482,107</b>	<b>76,776,388,131</b>

26. SELLING EXPENSES AND GENERAL AND ADMINISTRATIVE EXPENSES

	Currency: VND	
	Current year	Previous year (Reclassified)
<b>Selling expenses incurred during the year</b>	<b>464,180,865,225</b>	<b>429,904,857,118</b>
- Labour costs	119,917,957,703	123,358,348,564
- Allowance for freelancers	64,463,152,994	60,065,014,349
- Sales discounts	65,050,946,112	39,578,926,233
- Advertising expenses	102,628,574,000	83,073,425,882
- Depreciation and amortisation of fixed assets	6,093,052,092	5,904,669,290
- Expenses for external services	27,778,622,334	30,173,790,608
- Others	78,248,559,990	87,750,682,192
<b>General and administrative expenses incurred during the year</b>	<b>182,075,800,088</b>	<b>161,494,043,845</b>
- Labour costs	103,086,181,710	99,111,060,891
- Depreciation and amortisation of fixed assets	4,571,093,303	4,701,118,217
- Expenses for external services	17,122,238,788	13,554,315,168
- Others	57,296,286,287	44,127,549,569
<b>TOTAL</b>	<b>646,256,665,313</b>	<b>591,398,900,963</b>

27. PRODUCTION AND OPERATING COSTS

	Currency: VND	
	Current year	Previous year
Raw materials	525,049,133,299	469,791,674,737
Labour costs	311,125,018,709	337,197,246,584
Depreciation of fixed assets	31,139,995,884	28,953,572,688
Expenses for external services	112,223,313,918	153,936,853,211
Others	219,154,579,199	177,150,341,068
<b>TOTAL</b>	<b>1,198,692,041,009</b>	<b>1,167,029,688,288</b>



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**28. CORPORATE INCOME TAX**

The statutory corporate income tax ("CIT") applicable to the Company and its subsidiaries is 20% of taxable profits, except for the following entities:

- ▶ TraphacoSapa One Member Company Ltd.: CIT is 10% of profits from planting and processing activities of pharmaceutical materials, agriculture, forestry products and food at Sapa town, Sapa district, Lao Cai province; and
- ▶ Traphaco Hi-tech Joint Stock Company: CIT is 10% of profits from producing pharmaceutical products qualified for GMP international standard for 15 years starting from 2007. This company is also entitled to an exemption from CIT for 4 years from 2007 to 2010 and a 50% reduction of the applicable CIT tax rate for 9 years from 2011 to 2019.

The tax returns filed by the Company and its subsidiaries are subject to examination by the tax authorities. As the application of tax laws and regulations is susceptible to varying interpretations, the amounts reported in the consolidated financial statements could change at a later date upon final determination by the tax authorities.

**28.1 CIT expenses**

	Currency: VND	
	Current year	Previous year
Current CIT expenses	55,783,717,002	51,153,500,149
Deferred tax income	(830,439,363)	(193,167,476)
<b>TOTAL</b>	<b>54,953,277,639</b>	<b>50,960,332,673</b>

**28.2 Current tax**

The current CIT payable is based on taxable profit for the current year. The taxable profit of the Company and its subsidiaries for the year differs from the profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or deductible. The Company and its subsidiaries' liability for current tax is calculated using tax rates that have been enacted by the consolidated balance sheet date.

Reconciliation between CIT expense and the accounting profit multiplied by CIT rate is presented below:

	Currency: VND	
	Current year	Previous year
<b>Accounting profit before tax</b>	<b>283,179,370,619</b>	<b>254,627,754,695</b>
<b>CIT expense at CIT rates applicable for the Company and its subsidiaries</b>	<b>50,627,729,064</b>	<b>49,644,286,431</b>
<i>Adjustments to increase</i>		
Non-deductible expenses	981,959,630	805,286,310
Provision for doubtful receivables	494,622,537	-
Allowance for non-executive members of the Board of Directors	642,516,481	252,232,030
Depreciation expenses exceeding allowable cap	24,949,567	27,377,071
Effects of the elimination of intra-group transactions for consolidation purpose	2,807,778,873	-
Under accruals of CIT expense in previous years	214,718,051	918,538,697
<i>Adjustments to decrease</i>		
Income from business activities not subject to CIT	(10,500,000)	(10,924,050)
Effects of the elimination of intra-group transactions for consolidation purpose	-	(483,296,340)
Others	(57,201)	-
<b>CIT expense</b>	<b>55,783,717,002</b>	<b>51,153,500,149</b>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

28. CORPORATE INCOME TAX (continued)

28.3 Deferred tax

The following are the deferred tax assets and deferred tax liabilities recognised by the Company and its subsidiaries, and the movements thereon, during the current and previous year.

Currency: VND

	<i>Consolidated balance sheet</i>		<i>Consolidated income statement</i>	
	<i>Ending balance</i>	<i>Beginning balance</i>	<i>Current year</i>	<i>Previous year</i>
<b>Deferred tax assets</b>				
Effects of the elimination of intra-group transactions for consolidation purpose	2,074,610,558	1,244,171,195	830,439,363	14,899,370
	<u>2,074,610,558</u>	<u>1,244,171,195</u>		
<b>Net deferred tax income credited to consolidated income statement</b>			<u>830,439,363</u>	<u>14,899,370</u>

29. TRANSACTIONS WITH RELATED PARTIES

Significant transactions of the Company and its subsidiaries with related parties during the current and previous year were as follows:

Currency: VND

<i>Related party</i>	<i>Relationship</i>	<i>Transactions</i>	<i>Current year</i>	<i>Previous year</i>
Quang Tri	Associate	Sales of goods	10,067,953,659	13.160.342.951
Pharmaceutical and Medical Equipment JSC		Dividends received	125,710,000	-

*Terms and conditions of transactions with related parties:*

The sales to and purchases of goods from related parties are made based on the contractual agreement.

Outstanding balances as at 31 December 2016 are unsecured, interest free and will be settled in cash. For the year ended 31 December 2016, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (31 December 2015: VND 0). This assessment is undertaken each financial year through the examination of the financial position of the related party.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

29. TRANSACTIONS WITH RELATED PARTIES (continued)

Amounts due to and due from related parties at the balance sheet dates were as follows:

Currency: VND				
Related party	Relationship	Transactions	Ending balance	Beginning balance
<b>Short-term trade receivables (Note 6.1)</b>				
Quang Tri Pharmaceutical and Medical Equipment JSC	Associate	Sales of goods	3,600,862,515	2,568,151,518
			<b>3,600,862,515</b>	<b>2,568,151,518</b>

Remuneration to members of the Board of Directors and Management during the year:

Currency: VND		
	Current year	Previous year
Salaries and bonus	9,008,718,576	6,707,873,169
<b>TOTAL</b>	<b>9,008,718,576</b>	<b>6,707,873,169</b>

30. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing net profit after tax attributable to ordinary shareholders of the Company (after adjusting for the bonus and welfare fund) by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit after tax attributable to ordinary equity holders of the Company (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations.

Currency: VND		
	Current year	Previous year (Restated)
Accounting profit after tax	210,595,706,839	180,966,893,829
Distribution to Bonus and welfare fund (*)	-	(17,756,663,452)
<b>Net profit after tax attributable to ordinary equity holders</b>	<b>210,595,706,839</b>	<b>163,210,230,377</b>
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share (**)	34,542,383	34,542,383
<b>Weighted average number of ordinary shares (excluding treasury shares) adjusted for the effect of dilution</b>	<b>34,542,383</b>	<b>34,542,383</b>
<b>Earnings per share</b>		
- Basic	6,097	4,725
- Diluted	6,097	4,725

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

**30. EARNINGS PER SHARE (continued)**

(\*) Net profit used to compute earnings per share for the year ended 31 December 2015 was adjusted to decrease in comparison with the net profit used to compute earnings per share as disclosed in the consolidated financial statement for the year ended 31 December 2015. Adjusted amount represents an actual distribution to Bonus and welfare funds from the parent company in accordance with the Company's Resolution of the Annual General Meetings.

Net profit used to compute earnings per share for 2016 has not been adjusted due to the fact that the appropriation of bonus and welfare funds from current year's profit has not yet been approved as the Resolution of the Annual General Meetings is not yet available.

(\*\*) The Company also restated the weighted average number of ordinary shares (excluding treasury shares) to calculate earnings per share for the year ended 31 December 2015 due to the effect of bonus shares issuance in 2016.

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these consolidated financial statements.

**31. SEGMENT INFORMATION**

The principal activities of the Company and its subsidiaries are to produce and trade pharmaceutical products and related services. Besides, the business activities of the Company and its subsidiaries are carried out in the territory of Vietnam and accordingly, the Company has not prepared reports for operating and geographical segment.

**32. COMMITMENTS AND CONTINGENCIES**

*Operating lease commitment*

The Company and its subsidiaries lease assets under operating lease arrangements. The minimum lease commitment as at the balance sheet date under the operating lease agreements of the Company and its subsidiaries are as follows:

	Currency: VND	
	Ending balance	Beginning balance
Less than 1 year	4,306,356,022	4,366,257,696
From 1 - 5 years	13,324,588,112	10,626,431,709
More than 5 years	32,833,325,905	26,255,367,762
	<u>50,464,270,039</u>	<u>41,248,057,167</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
as at 31 December 2016 and for the year then ended

**33. RESTATEMENT AND RECLASSIFICATION OF CORRESPONDING FIGURES**

Certain corresponding figures as at 31 December 2015 were reclassified to reflect the presentation of the current year's consolidated financial statements. Details are as below:

Currency: VND


Code	ITEMS	31 December 2015 (As previously presented)	Reclassification	31 December 2015 (Reclassified)
132	Short-term advances to suppliers	38,410,524,507	16,300,000,000	54,710,524,507
212	Long-term advances to suppliers	16,300,000,000	(16,300,000,000)	-


In addition, the Company has also reclassified certain detail items under the accounts: Revenue from sale of goods and rendering of services, Cost of goods sold and services rendered, Selling expenses and restated earnings per share figure for the year ended 31 December 2015 as presented in Note 23.1, 24, 26 and 30.

**34. EVENTS AFTER THE BALANCE SHEET DATE**

There has not been any matter or circumstance that has arisen since the balance sheet date that requires adjustment or disclosure in the consolidated financial statements of the Company and its subsidiaries.

  
Preparer  
Nguyen Ngoc Thuy

  
Chief Accountant  
Dinh Trung Kien

  
General Director  
Tran Tuc Ma



13 March 2017