

DHG PHARMACEUTICAL JOINT STOCK COMPANY

(Incorporated in the Socialist Republic of Vietnam)

**REVIEWED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS**

For the 6-month period ended 30 June 2020

DHG PHARMACEUTICAL JOINT STOCK COMPANY

No. 288 Bis Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District
Can Tho City, Vietnam

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DHG PHARMACEUTICAL JOINT STOCK COMPANY

No. 288 Bis Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District
Can Tho City, Vietnam

STATEMENT OF THE MANAGEMENT

The Management of DHG Pharmaceutical Joint Stock Company (the "Parent Company") and its subsidiary (the Parent Company and its subsidiary are referred to as the "Group") presents this report together with the Group's interim consolidated financial statements for the 6-month period ended 30 June 2020.

BOARD OF DIRECTORS, AUDIT COMMITTEE AND MANAGEMENT

The members of the Board of Directors, Audit Committee and Management of the Group who held office during the period and to the date of this report are as follows:

Board of Directors

Ms. Dang Thi Thu Ha	Chairwoman
Mr. Jun Kuroda	Member
Mr. Masashi Nakaura	Member
Mr. Maki Kamijo	Member
Mr. Doan Dinh Duy Khuong	Member
Mr. Phan Minh Tien	Member
Mr. Do Le Hung	Member

Audit Committee

Mr. Do Le Hung	Head of the Committee
Ms. Dang Thi Thu Ha	Member
Mr. Maki Kamijo	Member

Management

Mr. Masashi Nakaura	Chief Executive Officer
Mr. Doan Dinh Duy Khuong	Chief Operating Officer
Ms. Nguyen Ngoc Diep	Deputy General Director
Mr. Tomoyuki Kawata	Deputy General Director
Mr. Pham Chi Truc	Deputy General Director (appointed on 4 July 2020)

Legal representative

Legal representative of the Company during the period and at the date of these interim consolidated financial statements is Mr. Masashi Nakaura.

MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The Management is responsible for preparing the interim consolidated financial statements which give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, and its consolidated financial performance and cash flows for the 6-month period then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to interim consolidated financial reporting. In preparing these interim consolidated financial statements, the 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 principles have been followed, subject to any material departures disclosed and explained in the interim consolidated financial statements;
- prepare the interim consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the interim consolidated financial statements so as to minimize errors and frauds.



DHG PHARMACEUTICAL JOINT STOCK COMPANY

No. 288 Bis Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District
Can Tho City, Vietnam

STATEMENT OF THE MANAGEMENT (Continued)

The 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 Group and that the interim consolidated financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to interim consolidated financial reporting. The Management is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Management confirms that the Group has complied with the above requirements in preparing these interim consolidated financial statements.

For and on behalf of the Management,




Masashi Nakaura
Chief Executive Officer
10 August 2020

No.: 0220 /VN1A-HC-BC

REPORT ON REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

**To: The shareholders
The Board of Directors, Audit Committee and Management of
DHG Pharmaceutical Joint Stock Company**

We have reviewed the accompanying interim consolidated financial statements of DHG Pharmaceutical Joint Stock Company (the "Parent Company") and its subsidiary (the Parent Company and its subsidiary are referred to as the "Group") , prepared on 10 August 2020 as set out from page 4 to page 33, which comprise the interim consolidated balance sheet as at 30 June 2020, the interim consolidated income statement and interim consolidated cash flow statement for the 6-month period ended 30 June 2020 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Interim Consolidated Financial Statements

The Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to interim consolidated financial reporting, and for such internal control as the Management determines is necessary to enable the preparation of interim consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express a conclusion on the accompanying interim consolidated financial statements based on our review. We conducted our review in accordance with Vietnamese Standard on Review Engagements (VSRE) 2410 - "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

A review of interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Vietnamese Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2020, and of its consolidated financial performance and its consolidated cash flows for the 6-month period then ended, in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to interim consolidated financial reporting.



Võ Thái Hòa
Audit Partner

Audit Practising Registration Certificate
No. 0138-2018-001-1

**BRANCH OF DELOITTE VIETNAM
COMPANY LIMITED**

10 August 2020
Ho Chi Minh City, Vietnam

INTERIM CONSOLIDATED BALANCE SHEET

As at 30 June 2020

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
A. CURRENT ASSETS	100		3,300,592,651,641	3,133,924,348,700
I. Cash and cash equivalents	110	4	56,192,186,475	70,328,408,693
1. Cash	111		52,492,186,475	66,628,408,693
2. Cash equivalents	112		3,700,000,000	3,700,000,000
II. Short-term financial investments	120	5	1,891,500,000,000	1,768,000,000,000
1. Held-to-maturity investments	123		1,891,500,000,000	1,768,000,000,000
III. Short-term receivables	130		381,554,578,903	560,791,995,735
1. Short-term trade receivables	131	6	354,502,202,763	510,101,306,774
2. Short-term advances to suppliers	132		18,805,345,495	42,468,675,491
3. Short-term loan receivables	135	12	403,509,928	434,193,523
4. Other short-term receivables	136	7	60,171,072,578	63,005,203,593
5. Provision for short-term doubtful debts	137	8	(52,327,551,861)	(55,217,383,646)
IV. Inventories	140	9	952,996,450,783	725,438,891,568
1. Inventories	141		953,714,846,990	726,529,994,856
2. Provision for devaluation of inventories	149		(718,396,207)	(1,091,103,288)
V. Other short-term assets	150		18,349,435,480	9,365,052,704
1. Short-term prepayments	151	10	10,829,294,714	2,828,340,389
2. Value added tax deductibles	152		7,520,140,766	6,536,161,194
3. Taxes and other receivables from the State budget	153	11	-	551,121
B. NON-CURRENT ASSETS	200		996,539,227,359	1,012,894,372,557
I. Long-term receivables	210		264,240,000	459,000,000
1. Other long-term receivables	216		264,240,000	459,000,000
II. Fixed assets	220		885,469,022,918	900,116,925,455
1. Tangible fixed assets	221	13	677,271,550,650	689,664,585,904
- Cost	222		1,406,552,233,487	1,376,010,941,578
- Accumulated depreciation	223		(729,280,682,837)	(686,346,355,674)
2. Intangible assets	227	14	208,197,472,268	210,452,339,551
- Cost	228		248,372,169,964	247,918,493,964
- Accumulated amortization	229		(40,174,697,696)	(37,466,154,413)
III. Investment property	230	15	15,172,703,090	15,345,447,332
- Cost	231		17,304,956,819	17,304,956,819
- Accumulated depreciation	232		(2,132,253,729)	(1,959,509,487)
IV. Long-term assets in progress	240		31,300,622,292	28,927,855,544
1. Construction in progress	242	16	31,300,622,292	28,927,855,544
V. Long-term financial investments	250		28,199,390,035	28,122,793,643
1. Investments in associate	252	5	2,912,864,151	2,929,990,852
2. Equity investments in other entities	253	5	27,908,170,200	27,908,170,200
3. Provision for impairment of long-term financial investments	254	5	(2,621,644,316)	(2,715,367,409)
VI. Other long-term assets	260		36,133,249,024	39,922,350,583
1. Long-term prepayments	261	10	23,965,128,103	27,575,362,385
2. Deferred tax assets	262	17	12,168,120,921	12,346,988,198
TOTAL ASSETS (270=100+200)	270		4,297,131,879,000	4,146,818,721,257

The accompanying notes are an integral part of these consolidated financial statements

INTERIM CONSOLIDATED BALANCE SHEET (Continued)
As at 30 June 2020

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
C. LIABILITIES	300		1,104,920,223,047	769,267,239,060
I. Current liabilities	310		1,042,727,789,662	704,899,493,292
1. Short-term trade payables	311	18	164,746,935,596	120,317,315,145
2. Short-term advances from customers	312		35,430,502,742	16,010,766,057
3. Taxes and amounts payable to the State budget	313	11	26,259,218,312	30,787,765,604
4. Payables to employees	314		116,192,516,823	132,481,915,608
5. Short-term accrued expenses	315	19	28,023,053,587	46,576,741,462
6. Short-term unearned revenue	318	20	34,015,572,162	29,295,047,003
7. Other current payables	319	21	132,435,922,045	1,907,128,227
8. Short-term loans	320	22	447,974,180,961	264,666,851,754
9. Bonus and welfare funds	322	23	57,649,887,434	62,855,962,432
II. Long-term liabilities	330		62,192,433,385	64,367,745,768
1. Long-term provisions	342	24	47,543,967,615	47,943,012,779
2. Scientific and technological development fund	343	25	14,648,465,770	16,424,732,989
D. EQUITY	400		3,192,211,655,953	3,377,551,482,197
I. Owner's equity	410		3,192,211,655,953	3,377,551,482,197
1. Owner's contributed capital	411	26	1,307,460,710,000	1,307,460,710,000
- Ordinary shares carrying voting rights	411a	26	1,307,460,710,000	1,307,460,710,000
2. Share premium	412	26	6,778,948,000	6,778,948,000
3. Investment and development fund	418	26	1,479,946,644,695	1,392,604,475,464
4. Retained earnings	421	26	392,584,781,887	665,297,795,718
- Retained earnings accumulated to the prior year end	421a		29,909,699,604	29,909,699,604
- Retained earnings of the current period	421b		362,675,082,283	635,388,096,114
5. Non-controlling interests	429	27	5,440,571,371	5,409,553,015
TOTAL RESOURCES (440=300+400)	440		4,297,131,879,000	4,146,818,721,257

Tran Ngoc Hien
Preparer

Ho Bui Huan
Chief Accountant



Masashi Nakaura
Chief Executive Officer
10 August 2020

INTERIM CONSOLIDATED INCOME STATEMENT
For the 6-month period ended 30 June 2020

Unit: VND

ITEMS	Codes	Notes	Current period	Prior period
1. Gross revenue from goods sold and services rendered	01		1,835,857,603,146	1,965,930,637,146
2. Deductions	02		157,109,243,226	222,916,985,842
3. Net revenue from goods sold and services rendered (10=01-02)	10	30	1,678,748,359,920	1,743,013,651,304
4. Cost of sales	11	31	833,880,593,954	963,314,989,951
5. Gross profit from goods sold and services rendered (20=10-11)	20		844,867,765,966	779,698,661,353
6. Financial income	21	33	73,933,597,726	58,274,828,770
7. Financial expenses	22	34	48,501,708,069	50,918,003,907
- In which: Interest expense	23		6,012,071,421	12,483,770,311
8. Share of net losses from associate	24		(17,126,701)	(53,538,334)
9. Selling expenses	25	35	315,860,009,036	292,462,917,879
10. General and administration expenses	26	35	150,610,794,809	151,326,716,569
11. Operating profit (30=20+(21-22)+24-(25+26))	30		403,811,725,077	343,212,313,434
12. Other income	31	36	2,073,540,689	5,574,913,067
13. Other expenses	32	37	4,110,879,107	3,201,583,780
14. (Loss)/profit from other activities (40=31-32)	40		(2,037,338,418)	2,373,329,287
15. Accounting profit before tax (50=30+40)	50		401,774,386,659	345,585,642,721
16. Current corporate income tax expense	51	38	38,889,418,743	38,029,699,723
17. Deferred corporate tax expense/(income)	52	38	178,867,277	(2,384,764,484)
18. Net profit after corporate income tax (60=50-51-52)	60		362,706,100,639	309,940,707,482
<i>In which:</i>				
Profit after tax attributable to Parent Company	61		362,675,082,283	311,930,780,964
Profit/(losses) after tax attributable to non-controlling shareholders	62	27	31,018,356	(1,990,073,482)
19. Basic earnings per share	70	39	2,668	2,291




Tran Ngoc Hien
Preparer



Ho Bui Huan
Chief Accountant




Masashi Nakaura
Chief Executive Officer
10 August 2020

INTERIM CONSOLIDATED CASH FLOW STATEMENT
For the 6-month period ended 30 June 2020

Unit: VND

ITEMS	Codes	Current period	Prior period
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	401,774,386,659	345,585,642,721
2. Adjustments for:			
Depreciation and amortization of fixed assets and investment properties	02	44,575,493,441	44,323,767,067
Provisions	03	(1,141,411,873)	10,397,327,774
Foreign exchange gain arising from translating foreign currency items	04	(242,607,334)	(142,094,220)
Gain from investing activities	05	(71,308,373,734)	(57,114,133,053)
Interest expense	06	6,012,071,421	12,483,770,311
3. Operating profit before movements in working capital	08	379,669,558,580	355,534,280,600
Changes in receivables	09	179,065,534,412	123,596,231,096
Changes in inventories	10	(227,184,852,134)	7,526,880,149
Changes in payables	11	21,064,791,081	(88,818,688,344)
Changes in prepaid expenses	12	(3,953,831,370)	1,748,318,056
Interest paid	14	(6,100,352,671)	(12,041,051,465)
Corporate income tax paid	15	(32,000,000,000)	(35,124,786,789)
Other cash outflows	17	(28,961,074,218)	(32,923,570,988)
Net cash generated by operating activities	20	281,599,773,680	319,497,612,315
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and other long-term assets	21	(36,951,908,419)	(29,606,966,390)
2. Proceeds from sale, disposal of fixed assets and other long-term assets	22	684,227,272	365,509,091
3. Cash outflow for lending and time deposits	23	(1,657,000,000,000)	(1,492,673,917,808)
4. Cash recovered from lending and time deposits	24	1,533,530,683,595	1,247,736,282,070
5. Interest, dividends and profits received	27	72,875,892,386	62,525,617,182
Net cash used in investing activities	30	(86,861,105,166)	(211,653,475,855)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from borrowings	33	650,098,169,307	1,347,170,400,345
2. Repayment of borrowings	34	(466,790,840,100)	(1,187,227,765,711)
3. Dividends and profits paid	36	(392,238,213,000)	(261,492,142,000)
Net cash used in financing activities	40	(208,930,883,793)	(101,549,507,366)
Net (decrease)/increase in cash (50=20+30+40)	50	(14,192,215,279)	6,294,629,094
Cash and cash equivalents at the beginning of the period	60	70,328,408,693	75,835,597,431
Effects of changes in foreign exchange rates	61	55,993,061	971,813
Cash and cash equivalents at the end of the period (70=50+60+61)	70	56,192,186,475	82,131,198,338

The accompanying notes are an integral part of these consolidated financial statements

INTERIM CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the 6-month period ended 30 June 2020

Significant non-cash transactions for the 6-month period ended 30 June 2020 are presented in Note 42.



Tran Ngoc Hien
Preparer



Ho Bui Huan
Chief Accountant



Masashi Nakaura
Chief Executive Officer
10 August 2020



NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

These notes are an integral part of and should be read in conjunction with the interim consolidated financial statements

1. GENERAL INFORMATION**Structure of ownership**

On 2 September 2004, DHG Pharmaceutical Joint Stock Company (the "Parent Company") was equitized 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 Parent Company was officially incorporated as a joint stock company under the Business Registration Certificate No. 5703000111 dated 15 September 2004 issued by the Department of Planning and Investment of Can Tho City with the initial charter capital of VND 80,000,000,000.

The Parent Company's shares were listed in Ho Chi Minh Stock Exchange with DHG code in accordance with Decision No. 93/UBCK-GPNY dated 1 December 2006 issued by the State Securities Commission of Vietnam.

As at 30 June 2020, the largest shareholders of the Parent Company are Taisho Pharmaceutical Co., Ltd. which owns 51.01% and the State Capital Investment Corporation ("SCIC") which owns 43.31% of share capital of the Parent Company. SCIC is controlled by the Commission for the Management of State Capital at Enterprises.

The Parent Company's head office is located at 288 Bis Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District, Can Tho City, Vietnam.

The number of employees of the Group as at 30 June 2020 was 2,781 (as at 31 December 2019: 2,872).

Operating industry and principal activities

The operating industry of the Group are to manufacture and sell pharmaceutical products.

The principal activities of the Group are to manufacture and trade pharmaceuticals, medical tools and supplies, medical equipment, dietary supplements and cosmeceuticals.

The Group's structure

As at 30 June 2020 and 31 December 2019, the Group's subsidiary and associate were as follows:

Name	Principal activities	Business Registration Certificate	Proportion of ownership interest and voting power held	
			Closing balance	Opening balance
Subsidiary				
Fuji Medic Limited Liability Company	Health care services	No. 1801472944 issued by the Planning and Investment Department of Can Tho City on 27 July 2016	51%	51%
Associate				
Vinh Hao Algae Processing Joint Stock Company	Manufacturing and trading spirulina algae	No. 4803000150 issued by the Planning and Investment Department of Binh Thuan Province on 4 February 2008	31.36%	31.36%

According to the Resolution of the Board of Directors No.003/2019/NQ.HDQT dated 1 April 2019, the Board of Directors of the Company approved the plan to transfer its interest in Fuji Medic Limited Liability Company ("Fuji Medic") or to liquidate its assets for dissolution of this company. As at the date of these interim consolidated financial statements, the Parent Company is liquidating the assets of Fuji Medic.

Normal production and business cycle

The Group's normal production and business cycle is carried out for a time period of 12 months or less.

Disclosure of information comparability in the interim consolidated financial statements

Comparative figures on the interim consolidated balance sheet are the figures of the audited consolidated financial statements for the year ended 31 December 2019 and comparative figures on the interim consolidated income statement and interim consolidated cash flow statement are the figures of the reviewed consolidated financial statements for the 6-month period ended 30 June 2019.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The interim consolidated financial statements, expressed in Vietnam Dong ("VND"), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to interim consolidated financial reporting.

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

Financial year

The Group's financial year begins on 1 January and ends on 31 December. The interim consolidated financial statements are prepared for the 6-month period ended 30 June each year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Group in the preparation of these interim consolidated financial statements, are as follows:

Estimates

The preparation of interim consolidated financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to interim consolidated financial reporting requires the Management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the period. Although these accounting estimates are based on the Management's best knowledge, actual results may differ from those estimates.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Parent Company and enterprises controlled by the Group (its subsidiary) up to 30 June each year. Control is achieved where the Group has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of a subsidiary acquired or disposed of during the period are included in the interim consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiary to bring the accounting policies used in line with those used by the Group.

Intra-group transactions and balances are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiary are identified separately from the parent's ownership interests in them. Non-controlling interests consist of the amount of those non-controlling interests at the date of the original business combination (see below) and the non-controlling interests' share of changes in equity since the date of the combination. Losses in subsidiary are respectively attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.



Business combination

Assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to profit and loss in the period of acquisition.

The non-controlling interests are initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Investments in associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The results and assets and liabilities of associate are incorporated in these financial statements using the equity method of accounting. Interests in associate are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the associate. Losses of associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognized.

Where a group entity transacts with associate of the Group, unrealized profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Cash and cash equivalents

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

Financial investments

Held-to-maturity investments

Held-to-maturity investments comprise investments that the Management has the positive intent or ability to hold to maturity.

Held-to-maturity investments include term deposits to earn periodic interest (except for term deposits presented in Note "Cash and cash equivalents"). These investments are measured at cost less provision for impairment of financial investments. Interest income from term deposits is recognized in the interim consolidated income statement on accrual basis.

Loan receivables

Loan receivables are measured at cost less provision for doubtful debts. Provision for doubtful debts relating to loan receivables is made in accordance with prevailing accounting regulations.

Equity investments in other entities

Equity investments in other entities represent the Group's investments in ordinary shares of the entities over which the Group has no control, joint control, or significant influence.

Equity investments in other entities are carried at cost less provision for impairment. The provision for impairment of these investments is made when the entities made losses, except for loss that was anticipated in their business plan before the date of investment.

Receivables

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

Provision for doubtful debts is made for receivables that are overdue for six months or more, or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to settle the debt.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories comprises cost of purchases and other directly attributable expenses. In the case of manufactured products, cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realizable values as at the balance sheet date.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

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

	<u>Years</u>
Buildings and structures	3 - 50
Machinery and equipment	3 - 20
Motor vehicles	3 - 20
Office equipment	3 - 10

Gain or loss resulting from sales and disposals of tangible fixed assets is the difference between proceeds from sales or disposals of assets and their residual values and is recognized in the interim consolidated income statement.

Operating leases

The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Group as lessee

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Intangible assets and amortization

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

Definite land use rights are amortized using the straight-line method over the terms indicated in the land use right certificate. Indefinite land use rights are carried at cost and not amortized under prevailing regulations.

Computer software is amortized using the straight-line method over its useful life from 3 to 8 years.



Investment properties

Investment properties are buildings, or part of buildings or infrastructure or buildings and land held by the Group to earn rentals or for capital appreciation. Investment properties held to earn rentals are stated at cost less accumulated depreciation while investment properties held for capital appreciation are stated at cost less impairment loss. The costs of purchased investment properties comprise their purchase prices and any directly attributable expenditures, such as professional fees for legal services, property transfer taxes and other related transaction costs. The costs of self-constructed investment properties are the finally accounted construction or directly attributable costs of the properties.

Investment properties held to earn rentals are depreciated using the straight-line method over their estimated useful lives from 10 to 16 years.

Construction in progress

Properties in the course of construction for production, rental or administrative purposes, or for other purposes, are carried at cost. Cost includes costs that are necessary to form the assets in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Prepayments

Prepayments are expenses which have already been paid but relate to results of operations of multiple accounting periods. Prepayments comprise leasehold improvement expenses, land rentals, costs of small tools, supplies and spare parts issued for consumption and other prepaid expenses.

Land rentals represent the prepaid land rentals. The prepaid land rentals are allocated to the interim consolidated income statement using the straight-line method over the lease term.

Others have been capitalized as prepayments, and are allocated to the interim consolidated income statement using the straight-line method in accordance with the current prevailing accounting regulations.

Provisions

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

Severance allowance payable

The severance allowance for employees is accrued at the end of each reporting period for all employees having worked at the Group for full 12 months and above. Working time serving as the basis for calculating severance allowance shall be the total actual working time subtracting the time when the employees have made unemployment insurance contributions as prescribed by law, and the working time when severance allowance has been paid to the employees. The allowance made for each period of service equals to a half of an average monthly salary under the Vietnamese Labour Code, Social Insurance Code and relevant guiding documents. The average monthly salary used for calculation of severance allowance shall be adjusted to be the average of the 6 consecutive months nearest to the date of the interim consolidated financial statements at the end of each reporting period. The increase or decrease in the accrued amount shall be recorded in the interim consolidated income statement.

Provision for dismantling and restoration costs

In accordance with Circular No. 200/2014/TT-BTC issued by Ministry of Finance, since 1 January 2015, the Group is required to provide for dismantling and restoration costs of the Group's leased premises or land. The provision for dismantling and restoration costs is determined based on the estimated dismantling and restoration costs to be incurred at the time of returning the premises or land at the end of the lease term and recognized on a straight-line basis over the period from 1 January 2016 to the time of returning the premises or land.

Unearned revenue

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

Revenue recognition

Revenue from the sale of goods is recognized when all five (5) following conditions are satisfied:

- (a) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the Group; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue of a transaction involving the rendering of services is recognized when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several periods, revenue is recognized in each period by reference to the percentage of completion of the transaction at the balance sheet date of that period. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction will flow to the Group;
- (c) the percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate.

Dividend income from investments is recognized when the Group's right to receive payment has been established.

Sales deductions

Sales deductions include trade discounts, sales returns and allowances. Sales deductions incurred in the same period of sales of products, goods and services are recorded as deduction of revenue of the period.

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

Customer loyalty programs

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

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

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



Foreign currencies

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognized in the interim consolidated income statement.

Borrowing costs

Borrowing costs are recognized in the income statement in the period when incurred unless they are capitalized in accordance with Vietnamese Accounting Standard No. 16 "Borrowing costs". Accordingly, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. For specific borrowings for the purpose of construction of fixed assets and investment properties, borrowing costs are capitalized even when the construction period is under 12 months.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable income for the period. Taxable income differs from profit before tax as reported in the interim consolidated income statement because it excludes items of income or expense that are taxable or deductible in other periods (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognized on significant differences between carrying amounts of assets and liabilities in the interim consolidated financial statements and the corresponding tax bases used in the computation of taxable income and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to the interim consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are applied in accordance with the prevailing tax laws in Vietnam.

Profit distribution

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

Dividends are declared and paid from retained earnings based on the approval of shareholders at the Company's Annual General Meeting.

Segment reporting

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

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

4. CASH AND CASH EQUIVALENTS

	Closing balance	Opening balance
	VND	VND
Cash on hand	11,471,931,444	11,739,260,444
Demand deposits	41,020,255,031	54,889,148,249
Cash equivalents (*)	3,700,000,000	3,700,000,000
	<u>56,192,186,475</u>	<u>70,328,408,693</u>

(*) Cash equivalents represent term deposits at banks with the original maturity terms not exceeding 3 months.

5. FINANCIAL INVESTMENTS

Held-to-maturity investments

Short-term held-to maturity investments represent term deposits with the original maturity terms from more than 3 months and remaining maturity terms of less than 12 months from reporting date.

As at 30 June 2020, the Group mortgaged the cash deposit contract at Vietnam Prosperity Joint Stock Commercial Bank ("VPBank") with the amount of VND 20,000,000,000 to provide guarantee to customers who have borrowings at VPBank. Loan balance of customers guaranteed by the Company at the interim consolidated balance sheet date is as follows:

	Closing balance	Opening balance
	VND	VND
Unsecured guarantee	5,942,406,050	5,883,260,249
Secured guarantee	398,898,684	691,567,932
	<u>6,341,304,734</u>	<u>6,574,828,181</u>

As at 30 June 2020, term deposits with maturity term of over 3 months of VND 261,000,000,000 were pledged as collaterals for the short-term loans from the banks (Note 22) (as at 31 December 2019: VND 140,000,000,000).

Investments in associate

Movements in the investment in associate during the current period and prior year were as follows:

	Current period	Prior year
	VND	VND
Opening balance	2,929,990,852	3,042,620,558
Share of losses	(17,126,701)	(272,755,733)
Adjustment for gain from prior years	-	160,126,027
Closing balance	<u>2,912,864,151</u>	<u>2,929,990,852</u>

Equity investments in other entities

	Closing balance		Opening balance	
	Cost	Provision	Cost	Provision
	VND	VND	VND	VND
Equity investments in other entities	<u>27,908,170,200</u>	<u>(2,621,644,316)</u>	<u>27,908,170,200</u>	<u>(2,715,367,409)</u>

Details of equity investments in other entities are as follows:

	Closing balance	Opening balance
	VND	VND
ATP Packaging Joint Stock Company	20,000,000,000	20,000,000,000
Enlie Pharmaceutical Joint Stock Company	4,286,800,000	4,286,800,000
TV.Pharm Pharmaceutical Joint Stock Company	2,575,315,200	2,575,315,200
Ninh Thuan Pharmaceutical & Medical Equipment 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>27,908,170,200</u>

In accordance with Circular No. 200/2014/TT-BTC issued on 22 December 2014, the fair value of investment in subsidiary, associate and other entities needs to be presented. However, the Circular does not provide guidance on determination of fair value of unquoted entities. Accordingly, as at 30 June 2020 and 31 December 2019, fair values of long-term investments in other entities were not determined by the Group as there is no quoted price in the market, except for the following companies which are public in the stock market exchanges:

	Fair value	
	Closing balance	Opening balance
	VND	VND
Enlie Pharmaceutical Joint Stock Company	2,373,800,000	2,282,500,000
TV.Pharm Pharmaceutical Joint Stock Company	3,150,259,200	3,245,721,600
Cuu Long Pharmaceutical Joint Stock Company	145,000,800	197,568,000

The balance of provision as at 30 June 2020 and 31 December 2019 represents the provision for impairment of the investment in following companies:

	Closing balance	Opening balance
	VND	VND
ATP Packaging Joint Stock Company	2,543,417,551	2,715,367,409
Enlie Pharmaceutical Joint Stock Company	78,226,765	-
	<u>2,621,644,316</u>	<u>2,715,367,409</u>

6. SHORT-TERM TRADE RECEIVABLES

	Closing balance	Opening balance
	VND	VND
Receivables from third parties (*)	354,502,202,763	508,481,730,242
Receivables from related parties (Note 41)	-	1,619,576,532
	<u>354,502,202,763</u>	<u>510,101,306,774</u>

(*) As at 30 June 2020 and 31 December 2019, there was no single short-term trade receivables from third parties accounting for 10% or more of total trade accounts receivable.

7. OTHER SHORT-TERM RECEIVABLES

	Closing balance	Opening balance
	VND	VND
Accruals of interest income	37,193,321,865	39,427,941,088
Receivables from employees	21,242,009,434	20,788,864,119
Other receivables	1,735,741,279	2,788,398,386
	<u>60,171,072,578</u>	<u>63,005,203,593</u>

8. BAD DEBTS

	Closing balance		
	Cost VND	Provision VND	Recoverable amount VND
Total amount of receivables and loan receivables past due or not past due but impaired	<u>112,167,970,591</u>	<u>(52,327,551,861)</u>	<u>59,840,418,730</u>

	Opening balance		
	Cost VND	Provision VND	Recoverable amount VND
Total amount of receivables and loan receivables past due or not past due but impaired	<u>150,144,912,078</u>	<u>(55,217,383,646)</u>	<u>94,927,528,432</u>

As at 30 June 2020 and 31 December 2019, there was no single receivable accounting for 10% or more of total amount of receivables past due or not past due but impaired.

Movements in the provision for doubtful debts during current period and prior year were as follows:

	Current period VND	Prior year VND
Opening balance	55,217,383,646	34,571,714,247
Additional provision	-	20,645,669,399
Reversal of provision	(30,715,128)	-
Written off	(2,859,116,657)	-
Closing balance	<u>52,327,551,861</u>	<u>55,217,383,646</u>

9. INVENTORIES

	Closing balance		Opening balance	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	74,525,658,621	-	63,594,013,463	-
Raw materials	371,705,060,220	-	265,797,233,287	-
Work in progress	47,436,579,868	-	52,106,518,719	-
Finished goods	386,093,403,490	(718,396,207)	300,316,307,143	(1,091,103,288)
Merchandise	73,954,144,791	-	44,715,922,244	-
	<u>953,714,846,990</u>	<u>(718,396,207)</u>	<u>726,529,994,856</u>	<u>(1,091,103,288)</u>

Movements in the provision for devaluation of inventories during the current period and prior year were as follows:

	Current period VND	Prior year VND
Opening balance	1,091,103,288	814,326,232
Additional provision	-	276,777,056
Reversal in the period/year	(372,707,081)	-
Closing balance	<u>718,396,207</u>	<u>1,091,103,288</u>

The provision for devaluation of inventories was made for inventories of which costs were higher than net realizable value.

10. PREPAYMENTS

	Closing balance	Opening balance
	VND	VND
a. Current		
- Prepayment related to operating lease	3,985,807,451	679,023,036
- Others	6,843,487,263	2,149,317,353
	<u>10,829,294,714</u>	<u>2,828,340,389</u>
b. Non-current		
- Prepaid land rental	9,849,697,440	10,022,421,258
- Tools and supplies	7,000,957,961	8,756,525,105
- Others	7,114,472,702	8,796,416,022
	<u>23,965,128,103</u>	<u>27,575,362,385</u>

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11. TAXES AND OTHER RECEIVABLES FROM/PAYABLES TO THE STATE BUDGET

	Opening balance	Payables during the period	Other payables during the period	Paid during the period	Closing balance
	VND	VND	VND	VND	VND
Value added tax for import goods	(282,282)	24,549,939,933	-	(24,549,657,651)	-
Import and export duties	(268,839)	5,314,820,027	-	(5,314,551,188)	-
Value added tax for domestic goods	14,664,216,055	30,030,174,187	-	(36,317,325,825)	8,377,064,417
Corporate income tax	7,239,643,570	38,889,418,743	14,096,363	(32,000,000,000)	14,143,158,676
Personal income tax	8,866,544,187	24,048,047,518	-	(31,886,610,675)	1,027,981,030
Land rental fee, land use tax	17,361,792	5,655,272,127	-	(2,961,619,730)	2,711,014,189
Other taxes	-	301,084,251	-	(301,084,251)	-
	<u>30,787,214,483</u>	<u>128,788,756,786</u>	<u>14,096,363</u>	<u>(133,330,849,320)</u>	<u>26,259,218,312</u>

In which:

<i>Tax receivables</i>	551,121	-
<i>Tax payables</i>	30,787,765,604	26,259,218,312

12. LOAN RECEIVABLES

Loan receivables represent interest-free loans granted to customers in accordance with the refundable capital support policy of the Group. Provisions for loan receivables have been presented in Note 8.



13. TANGIBLE FIXED ASSETS

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
COST					
Opening balance	526,332,365,066	617,577,456,304	159,527,248,213	72,573,871,995	1,376,010,941,578
Transfer from construction in progress	627,872,000	28,972,294,817	2,661,605,637	122,309,090	32,384,081,544
Disposals	-	-	(1,842,789,635)	-	(1,842,789,635)
Closing balance	<u>526,960,237,066</u>	<u>646,549,751,121</u>	<u>160,346,064,215</u>	<u>72,696,181,085</u>	<u>1,406,552,233,487</u>
ACCUMULATED DEPRECIATION					
Opening balance	209,983,539,467	309,301,510,864	104,320,456,725	62,740,848,618	686,346,355,674
Charge for the period	14,243,783,808	23,564,434,242	5,359,746,139	1,609,152,609	44,777,116,798
Disposals	-	-	(1,842,789,635)	-	(1,842,789,635)
Closing balance	<u>224,227,323,275</u>	<u>332,865,945,106</u>	<u>107,837,413,229</u>	<u>64,350,001,227</u>	<u>729,280,682,837</u>
NET BOOK VALUE					
Opening balance	<u>316,348,825,599</u>	<u>308,275,945,440</u>	<u>55,206,791,488</u>	<u>9,833,023,377</u>	<u>689,664,585,904</u>
Closing balance	<u>302,732,913,791</u>	<u>313,683,806,015</u>	<u>52,508,650,986</u>	<u>8,346,179,858</u>	<u>677,271,550,650</u>

As at 30 June 2020, the cost of tangible fixed assets included VND 234,158,938,706 (as at 31 December 2019: VND 232,330,033,046) of assets which were fully depreciated but are still in use.



14. INTANGIBLE ASSETS

	Land use rights with indefinite term VND	Land use rights with definite term VND	Computer software VND	Total VND
COST				
Opening balance	89,790,627,646	141,958,345,513	16,169,520,805	247,918,493,964
Transfer from construction in progress	-	-	453,676,000	453,676,000
Closing balance	<u>89,790,627,646</u>	<u>141,958,345,513</u>	<u>16,623,196,805</u>	<u>248,372,169,964</u>
ACCUMULATED DEPRECIATION				
Opening balance	-	23,625,735,602	13,840,418,811	37,466,154,413
Charge for the period	-	1,642,972,762	1,065,570,521	2,708,543,283
Closing balance	-	<u>25,268,708,364</u>	<u>14,905,989,332</u>	<u>40,174,697,696</u>
NET BOOK VALUE				
Opening balance	<u>89,790,627,646</u>	<u>118,332,609,911</u>	<u>2,329,101,994</u>	<u>210,452,339,551</u>
Closing balance	<u>89,790,627,646</u>	<u>116,689,637,149</u>	<u>1,717,207,473</u>	<u>208,197,472,268</u>

As at 30 June 2020, the cost of intangible assets included VND 6,793,449,005 (as at 31 December 2019: VND 6,007,417,805) of assets which were fully amortized but are still in use.

15. INVESTMENT PROPERTIES

	Buildings and land use rights VND
COST	
Opening and closing balance	<u>17,304,956,819</u>
ACCUMULATED DEPRECIATION	
Opening balance	1,959,509,487
Charge for the period	172,744,242
Closing balance	<u>2,132,253,729</u>
NET BOOK VALUE	
Opening balance	<u>15,345,447,332</u>
Closing balance	<u>15,172,703,090</u>

As at 30 June 2020, the cost of investment properties included VND 232,067,069 (as at 31 December 2019: VND 232,067,069) of assets which were fully depreciated but are still for lease.

Fair value of the Company's investment properties as at 30 June 2020 was VND 38,724,445,120, which was determined by Century Valuation Joint Stock Company, an independent valuation company, not a related party of the Group. Century Valuation Joint Stock Company has a valid practicing certificate and has experience in real estate valuation. The real estate valuation in accordance with International Valuation Standards is made in reference to market prices of similar properties.

16. CONSTRUCTION IN PROGRESS

	Closing balance	Opening balance
	VND	VND
Construction of DHG Pharmaceutical Plant Branch at Hau Giang province	11,866,031,495	11,773,591,495
Construction of Gia Lai branch office	623,948,774	623,948,774
Repairing package production warehouses	-	320,925,000
Renovating departments	648,245,842	1,141,681,818
Other machineries	15,383,914,703	12,602,353,083
REB product project	874,864,861	858,768,402
CTP product project	202,029,350	202,029,350
BUD product project	1,293,522,895	1,293,522,895
GX Project	193,664,727	111,034,727
LST product project	64,454,000	-
PGT product project	148,231,359	-
Other constructions in progress	1,714,286	-
	<u>31,300,622,292</u>	<u>28,927,855,544</u>

Movements in the construction in progress during the current period and prior year were as follows:

	Current period	Prior year
	VND	VND
Opening balance	28,927,855,544	14,087,991,804
Purchases	36,951,908,419	56,081,518,800
Transfer to tangible fixed assets (Note 13)	(32,384,081,544)	(40,747,562,248)
Transfer to intangible fixed assets (Note 14)	(453,676,000)	-
Transfer to prepayments	(436,888,673)	(244,300,000)
Transfer to expenses	(1,304,495,454)	(249,792,812)
Closing balance	<u>31,300,622,292</u>	<u>28,927,855,544</u>

17. DEFERRED TAX ASSETS

The deferred tax assets mainly arise from deductible temporary differences relating to provisions and unrealized profits arising from intra-group transactions between the Group and its subsidiary in the Group when consolidating the interim financial statements. The corporate income tax rate used for determining deferred tax assets is 20%.

18. SHORT-TERM TRADE PAYABLES

	Closing balance		Opening balance	
	Amount	Amount able to be paid off	Amount	Amount able to be paid off
	VND	VND	VND	VND
Apc Pharmaceuticals and Chemical Limited	3,938,865,000	3,938,865,000	15,665,540,764	15,665,540,764
Centrient Pharmaceuticals India Private Limited	23,798,620,000	23,798,620,000	13,322,405,000	13,322,405,000
Others	137,009,450,596	137,009,450,596	91,329,369,381	91,329,369,381
	<u>164,746,935,596</u>	<u>164,746,935,596</u>	<u>120,317,315,145</u>	<u>120,317,315,145</u>

As at 30 June 2020 and 31 December 2019, the Group did not have any short-term trade payables past due.

19. SHORT-TERM ACCRUED EXPENSES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Payment discount	4,722,021,133	6,557,465,332
Interest payable	239,669,981	327,951,231
Other accruals	23,061,362,473	39,691,324,899
	<u>28,023,053,587</u>	<u>46,576,741,462</u>

20. SHORT-TERM UNEARNED REVENUE

Short-term unearned revenue represents the unearned revenue for customer loyalty programs (as presented in Note 3).

21. OTHER SHORT-TERM PAYABLES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Union fee	560,368,033	578,813,579
Dividends payable	130,746,071,000	-
Others	1,129,483,012	1,328,314,648
	<u>132,435,922,045</u>	<u>1,907,128,227</u>

22. SHORT-TERM LOANS

	<u>Opening balance</u>	<u>Increases in period</u>	<u>Decreases in period</u>	<u>Closing balance</u>
	VND	VND	VND	VND
Loans from banks	264,666,851,754	650,098,169,307	(466,790,840,100)	447,974,180,961
	<u>264,666,851,754</u>	<u>650,098,169,307</u>	<u>(466,790,840,100)</u>	<u>447,974,180,961</u>

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Can Tho Branch	447.974.180.961	254.666.851.754
HSBC Bank (Vietnam) Ltd.	-	10.000.000.000
	<u>447.974.180.961</u>	<u>264.666.851.754</u>

As at 30 June 2020, short-term loans from banks represent the loans from Joint Stock Commercial Bank for Foreign Trade of Vietnam - Can Tho Branch with a maximum credit limit of VND 700,000,000,000. This facility can be withdrawn in Vietnam Dong and withdrawal deadline will due on 16 May 2020. The duration for each withdrawal is from 3 to 4 months. These loans are secured by term deposits, as presented in Note 5.

These loans bear interests at the rates ranging from 0.32% per month to 0.47% per month (as at 31 December 2019: from 0.4% per month to 0.72% per month).

23. BONUS AND WELFARE FUNDS

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



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

	Bonus and welfare fund	Bonus fund for Board of Directors	Welfare fund in form of assets	Total
	VND	VND	VND	VND
Opening balance	41,960,913,376	5,935,538,846	14,959,510,210	62,855,962,432
Appropriation to the funds (Note 26)	19,061,642,883	6,000,000,000	-	25,061,642,883
Depreciation of assets formed from the funds	-	-	(1,306,643,663)	(1,306,643,663)
Utilization	(22,126,809,358)	(6,834,264,860)	-	(28,961,074,218)
Closing balance	38,895,746,901	5,101,273,986	13,652,866,547	57,649,887,434

24. LONG-TERM PROVISIONS

	Provision for dismantling and restoration cost	Severance allowance	Total
	VND	VND	VND
Opening balance	19,489,521,187	28,453,491,592	47,943,012,779
Additional provision for the period	1,968,845,058	246,005,028	2,214,850,086
Utilization of provisions	-	(2,613,895,250)	(2,613,895,250)
Closing balance	21,458,366,245	26,085,601,370	47,543,967,615

25. SCIENCE AND TECHNOLOGY DEVELOPMENT FUNDS

In accordance with Circular No.12/2016/ TLT-BKHCN-BTC dated 28 June 2016, enterprises are allowed to establish the science and technology development funds for research and development activities. Funds are utilized when disbursement are paid for research and development activities.

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

	Scientific and technological development fund in form of assets
	VND
Opening balance	16,424,732,989
Depreciation of assets formed from the scientific and technological development fund	(1,776,267,219)
Closing balance	14,648,465,770



26. OWNERS' EQUITY

Movement in owners' equity

	Owner's contributed capital VND	Share premium VND	Investment and development fund VND	Retained earnings VND	Total VND
Prior year's opening balance	1,307,460,710,000	6,778,948,000	1,270,235,596,228	550,252,659,422	3,134,727,913,650
Profit for the year	-	-	-	635,388,096,114	635,388,096,114
Second and third interim dividends for 2018	-	-	-	(326,865,177,500)	(326,865,177,500)
Fund distribution	-	-	122,368,879,236	(122,368,879,236)	-
Appropriation to bonus and welfare fund	-	-	-	(65,108,903,082)	(65,108,903,082)
Appropriation to bonus fund for the Board of Directors	-	-	-	(6,000,000,000)	(6,000,000,000)
Current period's opening balance	1,307,460,710,000	6,778,948,000	1,392,604,475,464	665,297,795,718	3,372,141,929,182
Profit for the period	-	-	-	362,675,082,283	362,675,082,283
Dividends for 2019	-	-	-	(522,984,284,000)	(522,984,284,000)
Fund distribution	-	-	87,342,169,231	(87,342,169,231)	-
Appropriation to bonus and welfare fund	-	-	-	(19,061,642,883)	(19,061,642,883)
Appropriation to bonus fund for the Board of Directors	-	-	-	(6,000,000,000)	(6,000,000,000)
Current period's closing balance	1,307,460,710,000	6,778,948,000	1,479,946,644,695	392,584,781,887	3,186,771,084,582



Charter capital

According to the amended Business Registration Certificate, the Parent Company's charter capital is VND 1,307,460,710,000. The value and number of shares of the Parent Company are as follows:

	Closing balance		Opening balance	
	Number of shares	VND	Number of shares	VND
Authorized and issued share capital	130,746,071	1,307,460,710,000	130,746,071	1,307,460,710,000
Ordinary shares currently in circulation	130,746,071	1,307,460,710,000	130,746,071	1,307,460,710,000

All ordinary shares have a par value of VND 10,000. Each share is entitled to one vote at shareholders' meetings. Shareholders are eligible to receive dividends declared by the Parent Company. Ordinary shares are ranked equally with regard to the Parent Company's residual assets.

Dividends

According to Resolution of the Parent Company's Annual General Meeting No. 001/2020/NQ.ĐHĐCĐ dated 29 June 2020, the shareholders of the Parent Company have approved payment of dividends from profit after tax of 2019 at 40% in cash, equivalent to VND 522,984,284,000.

The Parent Company paid cash dividends of 2019 for the first payment at the rate of 30% of par value, equivalent to VND 392,238,213,000. On 30 July 2020, the Parent Company paid the remaining 10% of dividends with an amount of VND 130,746,071,000.

Fund distribution

According to Resolution of the Parent Company's Annual General Meeting No. 001/2020/NQ.ĐHĐCĐ dated on 29 June 2020, the shareholders of the Parent Company have approved the appropriation to bonus and welfare fund of employees from profit after tax of 2019 at the rate of 3%, equivalent to the amount of VND 19,061,642,883, remuneration for the Board of Directors, Audit committee, members of other subcommittees under the Board of Directors, secretary of the Board of Directors with the amount of VND 6,000,000,000. The remaining profit after tax of 2019 is distributed to Investment and development fund.

27. NON-CONTROLLING INTERESTS

	Current period VND	Prior year VND
Opening balance	5,409,553,015	9,534,195,581
Net profit/(loss) attributable to non-controlling interests	31,018,356	(4,124,642,566)
Closing balance	5,440,571,371	5,409,553,015

28. OFF BALANCE SHEET ITEMS

Foreign currencies

	Closing balance	Opening balance
United States Dollar ("USD")	537,081	276,958
Euros ("EUR")	54,642	32,087
Yen ("JPY")	32,153	32,879



29. SEGMENT REPORTING

The primary format, product segments, is based on the Group's management and internal reporting structure.

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

Product segments

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

	Current period VND	Prior period VND
Net sales		
Pharmaceutical products	1,350,295,125,081	1,332,078,408,873
Dietary supplements	253,670,874,541	194,605,079,943
Others	74,782,360,298	216,330,162,488
	<u>1,678,748,359,920</u>	<u>1,743,013,651,304</u>
Cost of sales		
Pharmaceutical products	(651,193,951,189)	(652,342,301,479)
Dietary supplements	(122,335,433,214)	(120,672,169,085)
Others	(60,351,209,551)	(190,300,519,387)
	<u>(833,880,593,954)</u>	<u>(963,314,989,951)</u>
Gross profit		
Pharmaceutical products	699,101,173,892	679,736,107,394
Dietary supplements	131,335,441,327	73,932,910,858
Others	14,431,150,747	26,029,643,101
	<u>844,867,765,966</u>	<u>779,698,661,353</u>

30. NET REVENUE OF GOODS SOLD AND SERVICES RENDERED

	Current period VND	Prior period VND
Sales of goods and services		
Sales of finished goods	1,675,123,585,918	1,728,954,175,500
Sales of merchandise	159,947,122,429	234,890,455,856
Others	786,894,799	2,086,005,790
	<u>1,835,857,603,146</u>	<u>1,965,930,637,146</u>
Deductions		
Sales discount	155,824,311,361	219,475,505,622
Sales return	1,284,931,865	3,441,480,220
	<u>157,109,243,226</u>	<u>222,916,985,842</u>
Net revenue sales of goods and services		
<i>In which:</i>		
Sales of finished goods	1,519,176,280,790	1,508,236,920,432
Sales of merchandise	158,785,184,331	232,690,725,082
Others	786,894,799	2,086,005,790
	<u>1,678,748,359,920</u>	<u>1,743,013,651,304</u>

31. COST OF GOODS SOLD AND SERVICES RENDERED

	Current period VND	Prior period VND
Cost of finished goods sold	688,739,666,850	737,897,356,376
Cost of merchandise sold	145,513,297,060	223,756,588,602
Others	337,125	1,408,018,544
(Reversal)/additional provision for devaluation of inventories	(372,707,081)	253,026,429
	<u>833,880,593,954</u>	<u>963,314,989,951</u>

32. OPERATING COSTS BY NATURE

	Current period VND	Prior period VND
Raw materials and consumables	799,391,626,474	892,362,146,726
Staff cost	435,843,322,967	406,220,998,217
Depreciation and amortization	44,250,638,316	43,985,985,898
Outsourced services	93,622,848,508	86,526,009,281
Other expenses	87,742,998,148	84,735,645,459
	<u>1,460,851,434,413</u>	<u>1,513,830,785,581</u>

33. FINANCIAL INCOME

	Current period VND	Prior period VND
Dividends and profits earned	177,052,520	594,492,944
Interest income	70,464,220,643	56,207,669,352
Foreign exchange gain	3,292,324,563	1,472,666,474
	<u>73,933,597,726</u>	<u>58,274,828,770</u>

34. FINANCIAL EXPENSES

	Current period VND	Prior period VND
Settlement discount	37,600,373,289	33,474,552,267
Interest expense	6,012,071,421	12,483,770,311
Foreign exchange losses	4,939,086,396	3,221,907,176
(Reversal)/additional provision for impairment of investments	(93,723,093)	1,674,685,717
Other financial expenses	43,900,056	63,088,436
	<u>48,501,708,069</u>	<u>50,918,003,907</u>

35. SELLING, GENERAL AND ADMINISTRATION EXPENSES

	Current period VND	Prior period VND
a. Selling expenses		
- Advertising expenses	43,840,632,232	39,004,684,971
- Staff cost	186,016,341,472	163,901,955,521
- Others	86,003,035,332	89,556,277,387
	<u>315,860,009,036</u>	<u>292,462,917,879</u>
b. General and administration expenses		
- Staff cost	109,331,764,598	113,101,062,753
- Others	41,279,030,211	38,225,653,816
	<u>150,610,794,809</u>	<u>151,326,716,569</u>

36. OTHER INCOME

	Current period VND	Prior period VND
Gain from disposals of fixed assets	684,227,272	354,463,636
Others	1,389,313,417	5,220,449,431
	<u>2,073,540,689</u>	<u>5,574,913,067</u>

37. OTHER EXPENSES

	Current period VND	Prior period VND
Depreciation	324,855,125	337,781,169
Others	3,786,023,982	2,863,802,611
	<u>4,110,879,107</u>	<u>3,201,583,780</u>

38. CURRENT CORPORATE INCOME TAX EXPENSE

	Current period VND	Prior period VND
Profit before tax	401,774,386,659	345,585,642,721
Tax calculated at a normal rate of 20%	80,354,877,332	69,117,128,544
Adjustments for:		
Effect of taxable losses at subsidiary	-	812,274,891
Non-assessable income	(48,071,058)	(118,898,589)
Non-deductible expenses	101,965,344	3,551,880,006
Tax incentive	(41,522,756,954)	(34,883,113,104)
Adjustments for consolidation	3,404,079	(449,572,025)
Corporate income tax expense	<u>38,889,418,743</u>	<u>38,029,699,723</u>

Changes in deferred tax expense/(income) in the current and prior period are as follows:

	Current period VND	Prior period VND
Deferred corporate tax expense/(income)	101,550,269	(2,289,917,181)
Change of eliminated entries of fixed assets	77,317,008	(94,847,303)
	<u>178,867,277</u>	<u>(2,384,764,484)</u>

The corporate income tax expense for the period is estimated based on taxable income and is subject to adjustments upon review of the tax authorities.

Applicable tax rates

From 1 April 2018, DHG Pharmaceutical One Member Limited Company ("DHG Pharmaceutical") and DHG Packaging and Printing 1 One Member Limited Company ("DHG Packaging and Printing 1") were merged into the Company and still entitled to tax incentives as follows:

- Pursuant to the Investment Certificate, DHG Packaging and Printing 1 is obliged to pay corporate income tax at the rate of 10% of taxable income from 2014 to 2028. Under terms in Investment Certificate granted to DHG Packaging and Printing 1, DHG Packaging and Printing 1 is entitled to corporate income tax exemption from 2014 to 2017 and 50% reduction of corporate income tax from 2018 to 2026.
- Pursuant to Investment Certificate No. 642041000005 issued by the Management Board of Hau Giang Industrial Zone, DHG Pharmaceutical is entitled to corporate income tax at the rate of 10% of taxable income for 15 years from the date of starting its operation. DHG Pharmaceutical is entitled to the corporate income tax exemption for 4 years and 50% reduction for the following 9 years commencing from the first year of having taxable income. DHG Pharmaceutical has registered to the tax department of Hau Giang province to apply the above tax incentives effective from 2015.

All above tax incentives are not applicable to remaining income which is entitled to the normal rate of 20%.

The remaining subsidiary in the Group is obliged to pay corporate income tax at the normal rate of 20% of taxable income.

39. BASIC EARNINGS PER SHARE

a. Basic earnings per share

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

	Current period VND	Prior period VND
Accounting profit after corporate income tax (VND)	362,675,082,283	311,930,780,964
Appropriation to fund (*)	(13,880,252,468)	(12,357,923,429)
Profit attributable to ordinary shareholders (VND)	348,794,829,815	299,572,857,535
Weighted average ordinary shares in circulation for the period (share)	130,746,071	130,746,071
Basic earnings per share (VND/share)	2,668	2,291

(*) Estimated amounts appropriated to bonus and welfare funds for the 6-month period ended 30 June 2020 are determined based on the planned appropriation percentage of profit distribution to bonus and welfare funds at the rate of 3% in accordance with Resolution of the Parent Company's Annual General Meeting No. 001/2020/NQ.ĐHĐCĐ dated 29 June 2020.

b. Diluted earnings per share

The Group does not have potentially diluted ordinary shares.

40. COMMITMENTS

a. Operating lease commitment

	Current period VND	Prior period VND
Minimum lease payment under operating leases recognized in the interim consolidated income statement for the period	2,717,814,192	2,715,014,194

At the interim consolidated balance sheet date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Closing balance VND	Opening balance VND
Within one year	2,711,014,189	5,422,028,378
In the second to fifth year inclusive	21,688,113,512	21,688,113,512
After five years	101,995,916,968	104,737,053,537
	126,395,044,669	131,847,195,427

b. Capital commitment

Capital expenditure contracted for at the interim consolidated balance sheet date was as follows:

	Closing balance	Opening balance
	VND	VND
Approved but not contracted	1,298,265,181	1,298,265,181
Approved and contracted but not implemented	3,738,263,436	4,898,999,936
	<u>5,036,528,617</u>	<u>6,197,265,117</u>

41. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties:

<u>Related party</u>	<u>Relationship</u>
Vinh Hao Algae Processing Joint Stock Company	Associate
Taisho Pharmaceutical Co., Ltd. ("Taisho")	Major shareholder
The State Capital Investment Corporation ("SCIC")	Major shareholder
Hoe Pharmaceuticals Sdn Bhd	Taisho's related party

During the period, the Group entered into the following transactions with related parties:

	Current period	Prior period
	VND	VND
Sales of goods and provision of services		
Hoe Pharmaceuticals Sdn Bhd	-	1,728,473,580
Purchases of goods and services		
Vinh Hao Algae Processing Joint Stock Company	1,414,511,200	1,589,972,400
Support for products development received		
Taisho Pharmaceutical Co., Ltd.	-	1,026,346,453
Dividends paid		
SCIC	169,878,711,000	113,252,474,000
Taisho Pharmaceutical Co., Ltd.	200,091,156,000	91,522,172,000

Remuneration paid to the Company's the Board of Directors and the Management during the period was as follows:

Salaries and other benefits	8,877,390,762	11,723,890,740
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The balance with related party at the interim consolidated balance sheet date were as follows:

	Closing balance	Opening balance
	VND	VND
Trade receivables		
Hoe Pharmaceuticals Sdn Bhd	-	1,619,576,532

42. SUPPLEMENTAL DISCLOSURES OF INTERIM CONSOLIDATED CASH FLOW INFORMATION

a. Non-cash transactions affecting the interim consolidated cash flow statement:

	Current period	Prior period
	VND	VND
Appropriation to reserves	112,403,812,114	193,477,782,318
Transfers from construction in progress to tangible fixed assets	32,384,081,544	25,072,735,514
Transfers from construction in progress to intangible assets	453,676,000	-
Transfers from construction in progress to prepayments	436,888,673	83,100,000
Accrued interest payables	239,669,981	913,838,856
Interest earned and dividends which have not been received	37,193,321,865	40,543,432,865
Dividends not yet paid	130,746,071,000	65,373,035,500

b. Proceeds from borrowings

	Current period	Prior period
	VND	VND
Proceeds from borrowings under normal contracts	650,098,169,307	1,347,170,400,345

c. Repayment of borrowings

	Current period	Prior period
	VND	VND
Repayment of borrowings under normal contracts	466,790,840,100	1,187,227,765,711

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Tran Ngoc Hien
Preparer

ho buu huan

Ho Buu Huan
Chief Accountant



Masashi Nakaura
Masashi Nakaura
Chief Executive Officer
10 August 2020