

DHG PHARMACEUTICAL JOINT STOCK COMPANY

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED 30 SEPTEMBER 2020**



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DHG PHARMACEUTICAL JOINT STOCK COMPANY

CORPORATE INFORMATION

Establishment decision	No. 2405/QD-CT.UB dated 5 August 2004 This decision was issued by the People's Committee of Can Tho City.	
Business registration certificate	No. 5703000111 dated 15 September 2004 issued by the Department of Planning and Investment of Can Tho City. The Business registration certificate has been amended several times, and its latest amendment No. 1800156801 dated 02 January 2020 was issued by the Department of Planning and Investment of Can Tho City.	
Board of Directors	Ms. Dang Thi Thu Ha Mr. Jun Kuroda Mr. Masashi Nakaura Mr. Maki Kamijo Mr. Doan Dinh Duy Khuong Mr. Phan Minh Tien Mr. Do Le Hung	Chairwoman Member Member Member Member Member Member
Management	Mr. Masashi Nakaura Mr. Doan Dinh Duy Khuong Ms. Nguyen Ngoc Diep Mr. Tomoyuki Kawata Mr. Pham Chi Truc	General Director Chief Operating Officer Deputy General Director Deputy General Director Deputy General Director (appointed on 04 July 2020)
Audit Committee	Mr. Do Le Hung Ms. Dang Thi Thu Ha Mr. Maki Kamijo	Head Member Member
Legal representative	Mr. Masashi Nakaura	General Director
Head office	288 Bis Nguyen Van Cu, An Hoa Ward, Ninh Kieu District, Can Tho City, Vietnam	



DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 01 – DN/HN

INTERIM CONSOLIDATED BALANCE SHEET

Codes	ASSETS	Notes	As at 30.09.2020 VND	As at 31.12.2019 VND
100	CURRENT ASSETS		3,417,478,092,557	3,133,924,348,700
110	Cash and cash equivalents	4	314,268,283,806	70,328,408,693
111	Cash		310,568,283,806	66,628,408,693
112	Cash equivalents		3,700,000,000	3,700,000,000
120	Short-term financial investments	5	1,808,000,000,000	1,768,000,000,000
123	Held-to-maturity investments		1,808,000,000,000	1,768,000,000,000
130	Short-term receivables		402,493,976,879	560,791,995,735
131	Short-term trade receivables	6	365,820,847,197	510,101,306,774
132	Short-term advances to suppliers		25,584,206,179	42,468,675,491
135	Short-term loan receivables		391,542,458	434,193,523
136	Other short-term receivables	7	63,008,304,226	63,005,203,593
137	Provision for short-term doubtful debts	8	(52,310,923,181)	(55,217,383,646)
140	Inventories	9	876,200,302,674	725,438,891,568
141	Inventories		876,918,698,881	726,529,994,856
149	Provision for devaluation of inventories		(718,396,207)	(1,091,103,288)
150	Other short-term assets		16,515,529,198	9,365,052,704
151	Short-term prepayments	10	7,429,483,562	2,828,340,389
152	Value added tax deductibles		9,086,045,636	6,536,161,194
153	Taxes and other receivables from the State budget	11	-	551,121
200	NON-CURRENT ASSETS		962,861,023,961	1,012,894,372,557
210	Long-term receivables		256,240,000	459,000,000
216	Other long-term receivables		256,240,000	459,000,000
220	Fixed assets		865,085,111,914	900,116,925,455
221	Tangible fixed assets	12	657,924,042,136	689,664,585,904
222	Cost		1,400,718,243,562	1,376,010,941,578
223	Accumulated depreciation		(742,794,201,426)	(686,346,355,674)
227	Intangible fixed assets	13	207,161,069,778	210,452,339,551
228	Cost		248,591,965,964	247,918,493,964
229	Accumulated amortization		(41,430,896,186)	(37,466,154,413)
230	Investment properties	14	15,086,330,969	15,345,447,332
231	Cost		17,304,956,819	17,304,956,819
232	Accumulated depreciation		(2,218,625,850)	(1,959,509,487)
240	Long-term assets in progress	15	30,629,157,994	28,927,855,544
242	Construction in progress		30,629,157,994	28,927,855,544
250	Long-term financial investments	5	25,504,442,296	28,122,793,643
252	Investments in associate		2,936,506,194	2,929,990,852
253	Equity investments in other entities		25,305,458,316	27,908,170,200
254	Provision for impairment of long-term financial investments		(2,737,522,214)	(2,715,367,409)
260	Other long-term assets		26,299,740,788	39,922,350,583
261	Long-term prepayments	10	13,956,451,528	27,575,362,385
262	Deferred tax assets	16	12,343,289,260	12,346,988,198
270	TOTAL ASSETS		4,380,339,116,518	4,146,818,721,257

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 01 – DN/HN

INTERIM CONSOLIDATED BALANCE SHEET (cont.)

Codes	RESOURCES	Notes	As at 30.09.2020 VND	As at 31.12.2019 VND
300	LIABILITIES		1,021,777,228,270	769,267,239,060
310	Current liabilities		959,449,748,540	704,899,493,292
311	Short-term trade payables	17	134,421,413,428	120,317,315,145
312	Short-term advances from customers		6,724,372,038	16,010,766,057
313	Taxes and amounts payable to the State budget	11	35,250,081,854	30,787,765,604
314	Payables to employees		127,541,181,300	132,481,915,608
315	Short-term accrued expenses	18	32,391,389,658	46,576,741,462
318	Short-term unearned revenue	19	53,175,043,945	29,295,047,003
319	Other current payables	20	2,209,617,565	1,907,128,227
320	Short-term loans	21	515,000,000,000	264,666,851,754
322	Bonus and welfare funds	22	52,736,648,752	62,855,962,432
330	Long-term liabilities		62,327,479,730	64,367,745,768
342	Long-term provisions	23	48,539,201,563	47,943,012,779
343	Science and technology development fund	24	13,788,278,167	16,424,732,989
400	EQUITY		3,358,561,888,248	3,377,551,482,197
410	Owner's equity	25	3,358,561,888,248	3,377,551,482,197
411	Owner's contributed capital		1,307,460,710,000	1,307,460,710,000
411a	- Ordinary shares carrying voting rights		1,307,460,710,000	1,307,460,710,000
412	Share premium		6,778,948,000	6,778,948,000
418	Investment and development fund		1,479,946,644,695	1,392,604,475,464
421	Retained earnings		558,917,397,623	665,297,795,718
421a	- Retained earnings accumulated to the prior year end		29,909,699,604	29,909,699,604
421b	- Retained earnings of the current year		529,007,698,019	635,388,096,114
429	Non-controlling interests	26	5,458,187,930	5,409,553,015
440	TOTAL RESOURCES		4,380,339,116,518	4,146,818,721,257

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant



Masashi Nakaura
General Director
20 October 2020

INTERIM CONSOLIDATED INCOME STATEMENT

Codes	Notes	For the 3-month period ended		For the 9-month period ended		
		30.09.2020 VND	30.09.2019 VND	30.09.2020 VND	30.09.2019 VND	
01	Gross revenue from goods sold and services rendered	28	972,225,445,213	1,003,451,491,411	2,808,083,048,359	2,969,382,128,557
02	Deductions	28	107,188,670,600	129,094,724,097	264,297,913,826	352,011,709,939
10	Net revenue from goods sold and services rendered	28	865,036,774,613	874,356,767,314	2,543,785,134,533	2,617,370,418,618
11	Cost of sales	29	467,942,009,021	504,152,815,779	1,301,822,602,975	1,467,467,805,730
20	Gross profit		397,094,765,592	370,203,951,535	1,241,962,531,558	1,149,902,612,888
21	Financial income	30	34,737,025,012	32,232,047,096	108,670,622,738	90,506,875,866
22	Financial expenses	31	24,234,477,729	25,696,188,464	72,736,185,798	76,614,192,371
23	<i>Including: Interest expenses</i>		<i>4,829,749,609</i>	<i>7,190,511,486</i>	<i>10,841,821,030</i>	<i>19,674,281,797</i>
24	Share of net profit/(losses) from associate		23,642,043	(8,768,835)	6,515,342	(62,307,169)
25	Selling expenses	32	149,947,970,220	170,006,078,405	465,807,979,256	462,468,996,284
26	General and administrative expenses	32	67,556,676,937	70,962,730,773	218,167,471,746	222,289,447,342
30	Operating profit		190,116,307,761	135,762,232,154	593,928,032,838	478,974,545,588
31	Other income	33	3,323,517,726	1,824,603,483	5,397,058,415	7,399,516,550
32	Other expenses	33	6,449,450,127	1,998,529,992	10,560,329,234	5,200,113,772
40	Profit from other activities		(3,125,932,401)	(173,926,509)	(5,163,270,819)	2,199,402,778
50	Accounting profit before tax		186,990,375,360	135,588,305,645	588,764,762,019	481,173,948,366
51	Current corporate income tax expense	35	20,815,311,404	17,991,899,924	59,704,730,147	56,021,599,647
52	Deferred corporate tax expense	35	(175,168,339)	119,003,201	3,698,938	(2,265,761,283)
60	Net profit after corporate income tax		166,350,232,295	117,477,402,520	529,056,332,934	427,418,110,002

INTERIM CONSOLIDATED INCOME STATEMENT (cont.)

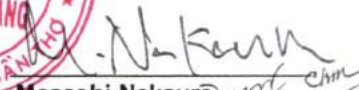
Codes	Notes	For the 3-month period ended		For the 9-month period ended	
		30.09.2020 VND	30.09.2019 VND	30.09.2020 VND	30.09.2019 VND
60	Net profit after corporate income tax	166,350,232,295	117,477,402,520	529,056,332,934	427,418,110,002
	Attributable to:				
61	Owners of the parent company	166,332,615,736	117,670,881,380	529,007,698,019	429,601,662,344
62	Non-controlling interests	17,616,559	(193,478,860)	48,634,915	(2,183,552,342)
70	Basic earnings per share (VND)	1,223	862	3,890	3,153



Tran Ngoc Hien
Preparer



Ho Bui Huan
Chief Accountant





Masashi Nakaura
General Director
20 October 2020

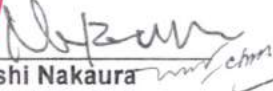


INTERIM CONSOLIDATED CASH FLOW STATEMENT
(Indirect method)

Items	Codes	For the 9-month period ended	
		30.09.2020 VND	30.09.2019 VND
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	588,764,762,019	481,173,948,366
2. Adjustments for:			
Depreciation and amortization of fixed assets and investment properties	02	66,578,087,966	66,552,903,125
Provisions	03	127,060,043	12,574,785,280
Foreign exchange gain arising from translating foreign currency items	04	(99,163,762)	145,849,770
Gain from investing activities	05	(107,841,254,343)	(88,613,760,963)
Interest expense	06	10,841,821,030	19,674,281,797
Operating profit before movements in working capital	08	558,371,312,953	491,508,007,375
3. Changes in receivables	09	154,893,312,833	215,660,576,486
Changes in inventories	10	(150,388,704,025)	20,007,094,521
Changes in payables	11	(588,100,487)	(69,058,821,122)
Changes in prepaid expenses	12	9,535,256,357	4,503,770,913
Interest paid	14	(11,007,772,262)	(19,557,979,540)
Corporate income tax paid	15	(45,840,918,985)	(35,127,820,254)
Other cash outflows	17	(33,236,178,228)	(42,366,277,320)
Net cash generated by operating activities	20	481,738,208,156	565,568,551,059
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and other long-term assets	21	(39,735,143,044)	(36,947,066,048)
2. Proceeds from sale, disposal of fixed assets and other long-term assets	22	3,704,283,635	919,720,404
3. Cash outflow for lending, buying debt instruments of other entities	23	(2,323,000,000,000)	(2,194,173,917,808)
4. Cash recovered from lending, selling debt instruments of other entities	24	2,283,042,651,065	2,187,832,505,086
5. Cash recovered from investments and capital contributions in other entities	26	3,484,361,500	-
6. Interest earned, dividends and profits received	27	107,337,824,813	107,764,402,985
Net cash generated by investing activities	30	34,833,977,969	65,395,644,619
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from borrowings	33	775,098,169,307	1,634,354,302,233
2. Repayment of borrowings	34	(524,765,021,061)	(1,961,060,538,943)
3. Dividends and profits paid	36	(522,984,284,000)	(326,865,177,500)
Net cash used in financing activities	40	(272,651,135,754)	(653,571,414,210)
Net increase/ (decrease) in cash	50	243,921,050,371	(22,607,218,532)
Cash and cash equivalents at the beginning of the year	60	70,328,408,693	75,835,597,431
Effects of changes in foreign exchange rates	61	18,824,742	4,579,931
Cash and cash equivalents at the end of the period/ year	70	314,268,268,806	53,232,958,830


Tran Ngoc Hien
Preparer


Ho Bui Huan
Chief Accountant


Masashi Nakaura
General Director
20 October 2020



NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED 30 SEPTEMBER 2020

1 GENERAL INFORMATION

Ownership Structure

On 2 September 2004, DHG Pharmaceutical Joint Stock Company (the "Company") was equitized from Hau Giang Pharmaceutical United Factory in accordance with Decision No.2405/QĐ-CT.UB dated 05 August 2004 issued by the People's Committee of Can Tho City. The Company was officially incorporated as a joint stock company, according to the Business registration certificate No.5703000111 dated 15 September 2004 issued by the Department of Planning and Investment of Can Tho City with the initial charter capital of VND 80,000,000,000.

The Company's shares were approved to be listed in Ho Chi Minh City Stock Exchange on 01 December 2006 under the Stock Listing License No.93/UBCK-GPNY of the State Securities Commission, with "DHG" ticker.

The largest shareholder of the Company is Taisho Pharmaceutical Co., Ltd which owned 51.01% and the State Capital Investment Corporation ("SCIC") which owned 43.31% of share capital of the Company. SCIC is controlled by Commission for the Management of State Capital at Enterprises.

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

The number of employees of the Group as at 30 September 2020 was 2,750 (as at 31 December 2019: 2,872).

Operating industry and principal activities

The Group's operating industry is to manufacture and sell pharmaceutical products.

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

The Group's structure

As at 30 September 2020 and 31 December 2019, the Company'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 Spirulina Algae Corporation	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.HĐQT 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 consolidated financial statements, the Company is liquidating the assets of Fuji Medic.

1 GENERAL INFORMATION (cont.)**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 consolidated financial statements

Comparative figures on the consolidated balance sheet are the figures of the audited consolidated financial statements for the fiscal year ended 31 December 2019. Comparative figures on the consolidated income statement and consolidated cash flow statement are the figures of the consolidated financial statements for the fiscal period ended 30 September 2019.

2 ACCOUNTING CONVENTION AND FISCAL YEAR**Accounting convention**

The 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 consolidated financial reporting.

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

Fiscal year

The Group's fiscal year begins on 1 January and ends on 31 December.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Estimates

The preparation of consolidated financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting requires the Board of 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 financial period. Although these accounting estimates are based on the Board of 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 subsidiaries) up to 30 September 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 subsidiaries acquired or disposed of during the period are included in the 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 subsidiaries 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 subsidiaries are respectively attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**Basis of consolidation (cont.)**

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 recognized 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 year 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, 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 an 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 an 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 Board of 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 "cash and cash equivalents" item). These investments are measured at cost less provision for impairment of financial investments. Interest income from term deposits is recognized in the income statement on accrual basis.

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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**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 repay 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 labor 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 consolidated 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 consolidated income statement.

Operating leasesThe 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 fixed assets and amortization

Intangible fixed 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**Intangible fixed assets and amortization (cont.)**

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 Company 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 prepayment expenses.

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

Others have been capitalized as prepayments, and are allocated to the 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 Board of Management's best estimate of the expenditure required to settle the obligation as at the consolidated balance sheet date.

Severance allowance payable

The severance allowance for employees is accrued at the end of each reporting year 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 year of service equals to a half of an average monthly salary under the Vietnamese Labor 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 consolidated financial statements. The increase or decrease in the accrued amount shall be recorded in the consolidated income statement.

Provision for dismantling and restoration costs

In accordance with Circular No.200/2014/TT-BTC issued by the 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 2015 to the time of returning the premises or land.



3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**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 consolidated balance sheet date. 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 consolidated 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 the related sales of products, goods and services are recorded as deduction of revenue of that period.

Sales deductions for the products, goods or services which are sold in the previous periods, incurred after the balance sheet date but before the issuance of the financial statements are recorded as deduction of revenue of the current reporting 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 income statement.

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 income statement at the time that obligations to customers are fulfilled, which means goods are delivered and services are rendered to customers.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**Customer loyalty programs (cont.)**

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 income statement 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. The amount paid to the third party is treated as the payment of the liability.

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 consolidated income statement.

Borrowing costs

Borrowing costs are recognized in the income statement in the year 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 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 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 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.

Dividend distribution

The Company's profit after tax is available for appropriation to shareholders as dividends after approval by shareholders at the Company's Annual General Meeting of Shareholders.

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**Dividend distribution (cont.)**

Appropriation of the Company's net profit after tax of 2019 was approved by shareholders at the Company's Annual General Meeting as follows:

- Dividends declared for 2019: 40% of par value
- Appropriation to the bonus and welfare fund: 3% of net profit after tax
- Remuneration payment to the Board of Directors, Audit committee, Committees under the Board of Directors and the Board of Directors' secretary: VND 6,000,000,000
- Remaining net profit after tax was appropriated to the investment and development fund

4 CASH AND CASH EQUIVALENTS

	30.09.2020	31.12.2019
	VND	VND
Cash on hand	10,612,548,944	11,739,260,444
Demand deposits	299,955,734,862	54,889,148,249
Cash equivalents (*)	3,700,000,000	3,700,000,000
	<u>314,268,283,806</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**(a) Short-term financial 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.

Held-to-maturity investments

	30.09.2020		31.12.2019	
	Cost VND	Book value VND	Cost VND	Book value VND
Term deposits	1,808,000,000,000	1,808,000,000,000	1,768,000,000,000	1,768,000,000,000

(b) Long-term financial investments

	30.09.2020		31.12.2019	
	Cost VND	Provision VND	Cost VND	Provision VND
Investments in associate (*)	2,936,506,194	-	2,929,990,852	-
Equity investments in other entities (**)	25,305,458,316	(2,737,522,214)	27,908,170,200	(2,715,367,409)
	<u>28,241,964,510</u>	<u>(2,737,522,214)</u>	<u>30,838,161,052</u>	<u>(2,715,367,409)</u>

5 FINANCIAL INVESTMENTS (cont.)

Long-term financial investments (cont.)

(*) Percentages of ownership and voting rights of the Group in associate are presented in Note 1. Detail of investment in associate is as follow:

	30.09.2020 VND	31.12.2019 VND
Vinh Hao Spirulina Algae Corporation	2,936,506,194	2,929,990,852

Movements in investments in associate during the period/year were as follows:

	Fiscal period ended 30.09.2020 VND	Fiscal year ended 31.12.2019 VND
Opening balance	2,929,990,852	3,042,620,558
Share of gain/ (losses)	6,515,342	(272,755,733)
Adjustment for gain from prior periods	-	160,126,027
Closing balance	<u>2,936,506,194</u>	<u>2,929,990,852</u>

(**) Details of investments in other entities were as follows:

	30.09.2020 VND	31.12.2019 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
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	23,316	27,420,000
	<u>25,305,458,316</u>	<u>27,908,170,200</u>

The provision balance as at 30 September 2020 and 31 December 2019 represents the provision for long-term investments in the following other entities:

	30.09.2020 VND	31.12.2019 VND
ATP Packaging Joint Stock Company	2,543,417,551	2,715,367,409
Enlie Pharmaceutical Joint Stock Company	194,104,663	-
	<u>2,737,522,214</u>	<u>2,715,367,409</u>

6 SHORT-TERM TRADE RECEIVABLES

	30.09.2020 VND	31.12.2019 VND
Related parties (Note 38)	1,948,108,838	1,619,576,532
Third parties	363,872,738,359	508,481,730,242
	<u>365,820,847,197</u>	<u>510,101,306,774</u>

As at 30 September 2020 and 31 December 2019, there were no single short-term trade receivables accounting for 10% or more of total trade receivables.

7 OTHER SHORT-TERM RECEIVABLES

	30.09.2020 VND	31.12.2019 VND
Accruals of interest income	35,505,932,344	39,427,941,088
Receivable from employees	21,025,920,434	20,788,864,119
Other receivables	6,476,451,448	2,788,398,386
	<u>63,008,304,226</u>	<u>63,005,203,593</u>

8 BAD DEBTS

	30.09.2020		
	Cost VND	Recoverable amount VND	Provision VND
Total amount of receivables and loan receivables past due or not past due but impaired	115,150,512,020	62,839,588,839	(52,310,923,181)
	<hr/>		
	31.12.2019		
	Cost VND	Recoverable amount VND	Provision VND
Total amount of receivables and loan receivables past due or not past due but impaired	150,144,912,078	94,927,528,432	(55,217,383,646)

As at 30 September 2020 and 31 December 2019, there was no balance of receivables accounting for 10% or more of total past due receivable amount.

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

	Fiscal period ended 30.09.2020 VND	Fiscal year ended 31.12.2019 VND
Opening balance	55,217,383,646	34,571,714,247
Additional provision in the period/year	-	20,645,669,399
Reversal of provision in the period/year	(47,343,808)	-
Written off debts in the period/ year	(2,859,116,657)	-
Closing balance	<u>52,310,923,181</u>	<u>55,217,383,646</u>

9 INVENTORIES

	30.09.2020		31.12.2019	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	63,183,951,852	-	63,594,013,463	-
Raw materials	319,210,594,667	-	265,797,233,287	-
Work in progress	39,633,335,293	-	52,106,518,719	-
Finished goods	430,507,442,427	(718,396,207)	300,316,307,143	(1,091,103,288)
Merchandise	24,383,374,642	-	44,715,922,244	-
	<u>876,918,698,881</u>	<u>(718,396,207)</u>	<u>726,529,994,856</u>	<u>(1,091,103,288)</u>

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

	Fiscal period ended 30.09.2020 VND	Fiscal year ended 31.12.2019 VND
Opening balance	1,091,103,288	814,326,232
Additional provision in the period/year	-	276,777,056
Reversal of provision 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.

As at 30 September 2020 and 31 December 2019, the Group did not have any slow moving, damaged or sub-standard inventories.

10 PREPAYMENTS

Short-term prepayments

	30.09.2020 VND	31.12.2019 VND
Prepayment related to operating lease	2,025,870,396	679,023,036
Others	5,403,613,166	2,149,317,353
	<u>7,429,483,562</u>	<u>2,828,340,389</u>

Prepayments are allocated within 12 months since the time of prepayment.

Long-term prepayments

	30.09.2020 VND	31.12.2019 VND
Prepaid land rental	-	10,022,421,258
Tools and supplies	7,131,037,229	8,756,525,105
Others	6,825,414,299	8,796,416,022
	<u>13,956,451,528</u>	<u>27,575,362,385</u>

Prepayments are allocated in a period of more than 12 months since the time of prepayment.

10 PREPAYMENTS (cont.)

Movements in long-term prepayments during the period/year were as follows:

	Fiscal period ended 30.09.2020 VND	Fiscal year ended 31.12.2019 VND
Opening balance	27,575,362,385	30,170,914,891
Increase in the period/year	6,987,991,633	12,687,711,066
Deduction of land rental in Tra Noc Industrial Zone due to return of land	(4,353,775,928)	-
Allocation in the period/year	(16,253,126,562)	(15,259,577,905)
Reclassifications of opening balance	-	(23,685,667)
Closing balance	<u>13,956,451,528</u>	<u>27,575,362,385</u>

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

	Opening balance	Payables during the period/year	Other payables during the period/year	Paid during the period/year	Closing balance
Value added tax for domestic goods	14,664,216,055	54,411,376,375	-	(58,561,047,872)	10,514,544,558
Value added tax for import goods	(282,282)	34,897,500,463	-	(34,897,218,181)	-
Import and export duties	(268,839)	7,396,756,950	-	(7,396,488,111)	-
Corporate income tax	7,239,643,570	59,704,730,147	14,096,363	(45,840,918,985)	21,117,551,095
Personal income tax	8,866,544,187	29,472,268,870	-	(37,431,841,045)	906,972,012
Land rental fee, land use tax	17,361,792	5,655,729,927	-	(2,962,077,530)	2,711,014,189
Other taxes	-	321,398,641	-	(321,398,641)	-
Total	30,787,214,483	191,859,761,373	14,096,363	(187,410,990,365)	35,250,081,854

In which

Tax receivables

551,121

-

Tax payables

30,787,765,604

35,250,081,854



12 TANGIBLE FIXED ASSETS

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	Total
	VND	VND	VND	VND	VND
Cost					
As at 01 January 2020	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 (Note 15)	1,409,570,867	31,053,171,217	2,661,605,637	202,309,090	35,326,656,811
Disposals	-	-	(10,619,354,827)	-	(10,619,354,827)
As at 30 September 2020	<u>527,741,935,933</u>	<u>648,630,627,521</u>	<u>151,569,499,023</u>	<u>72,776,181,085</u>	<u>1,400,718,243,562</u>
Accumulated depreciation					
As at 01 January 2020	209,983,539,467	309,301,510,864	104,320,456,725	62,740,848,618	686,346,355,674
Charge for the period/year	21,356,179,057	35,346,800,268	7,859,141,225	2,373,342,437	66,935,462,987
Disposals	-	-	(10,487,617,235)	-	(10,487,617,235)
As at 30 September 2020	<u>231,339,718,524</u>	<u>344,648,311,132</u>	<u>101,691,980,715</u>	<u>65,114,191,055</u>	<u>742,794,201,426</u>
Net book value					
As at 01 January 2020	<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>
As at 30 September 2020	<u>296,402,217,409</u>	<u>303,982,316,389</u>	<u>49,877,518,308</u>	<u>7,661,990,030</u>	<u>657,924,042,136</u>

The cost of fully depreciated tangible fixed assets but still in use as at 30 September 2020 was VND 243,537,619,035 (as at 31 December 2019 was VND 232,330,033,046).

13 INTANGIBLE FIXED ASSETS

	Land use rights with indefinite term VND	Land use rights with definite term VND	Computer software VND	Total VND
Cost				
As at 01 January 2020	89,790,627,646	141,958,345,513	16,169,520,805	247,918,493,964
Transfer from construction in progress (Note 15)	-	-	673,472,000	673,472,000
As at 30 September 2020	89,790,627,646	141,958,345,513	16,842,992,805	248,591,965,964
Accumulated amortization				
As at 01 January 2020	-	23,625,735,602	13,840,418,811	37,466,154,413
Charge for the period/year	-	2,394,205,288	1,570,536,485	3,964,741,773
As at 30 September 2020	-	26,019,940,890	15,410,955,296	41,430,896,186
Net book value				
As at 01 January 2020	89,790,627,646	118,332,609,911	2,329,101,994	210,452,339,551
As at 30 September 2020	89,790,627,646	115,938,404,623	1,432,037,509	207,161,069,778

As at 30 September 2020, the cost of intangible fixed assets 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.

14 INVESTMENT PROPERTIES

	Buildings and land use rights VND
Cost	
As at 01 January 2020	17,304,956,819
As at 30 September 2020	17,304,956,819
Accumulated depreciation	
As at 01 January 2020	1,959,509,487
Charge for the period/year	259,116,363
As at 30 September 2020	2,218,625,850
Net book value	
As at 01 January 2020	15,345,447,332
As at 30 September 2020	15,086,330,969

As at 30 September 2020 and 31 December 2019, the cost of investment properties included VND 232,067,069 of assets which were fully depreciated but are still in active use.

Fair value of the Company's investment properties was VND 38,724,445,120, which was determined according to the Valuation Certificate issued by Century Valuation Joint Stock Company on 31 March 2020. The Century Valuation Joint Stock Company is an independent valuation company, not a related party of the Group. This 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.

15 CONSTRUCTION IN PROGRESS

	30.09.2020 VND	31.12.2019 VND
Construction of office and auxiliary works at DHG Pharmaceutical Plant Branch in Hau Giang	11,893,304,222	11,773,591,495
Construction of branch office Gia Lai	623,948,774	623,948,774
Renovating and repairing warehouses	-	320,925,000
Renovating offices	22,570,000	1,141,681,818
Purchasing machineries	15,441,936,462	12,602,353,083
REB product project	919,456,646	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	-	111,034,727
LST product project	82,444,000	-
PGT product project	148,231,359	-
Other construction in progress	1,714,286	-
	<u>30,629,157,994</u>	<u>28,927,855,544</u>

Movements of construction in progress in the period/year

	Fiscal period ended 30.09.2020 VND	Fiscal year ended 31.12.2019 VND
Opening balance	28,927,855,544	14,087,991,804
Purchases	39,735,143,044	56,081,518,800
Transfer to tangible fixed assets (Note 12)	(35,326,656,811)	(40,747,562,248)
Transfer to intangible fixed assets (Note 13)	(673,472,000)	-
Transfer to prepaid expenses	(517,488,673)	(244,300,000)
Transfer to expenses in the period/year	(1,516,223,110)	(249,792,812)
Closing balance	<u>30,629,157,994</u>	<u>28,927,855,544</u>

16 DEFERRED TAX ASSETS

The deferred tax assets mainly arise from deductible temporary differences relating to provisions and unrealized profits of intra-group transactions when consolidation.

	30.09.2020 VND	31.12.2019 VND
Corporate income tax rate used for determining deferred tax assets	20%	20%
Deductible temporary differences	61,716,446,300	61,734,940,990
Deferred tax assets	<u>12,343,289,260</u>	<u>12,346,988,198</u>

16 DEFERRED TAX ASSETS (cont.)

Movements of deferred tax assets in the period/year:

	Fiscal period ended 30.09.2020 VND	Fiscal year ended 31.12.2019 VND
Opening balance	12,346,988,198	10,422,949,908
Additional provision	112,276,572	1,946,486,540
Change of eliminated entries of consolidation	(115,975,510)	(22,448,250)
Closing balance	<u>12,343,289,260</u>	<u>12,346,988,198</u>

17 SHORT-TERM TRADE PAYABLES

	30.09.2020		31.12.2019	
	Amount VND	Amount able to be paid off VND	Amount VND	Amount able to be paid off VND
Third parties (*)	134,421,413,428	134,421,413,428	120,317,315,145	120,317,315,145
	<u>134,421,413,428</u>	<u>134,421,413,428</u>	<u>120,317,315,145</u>	<u>120,317,315,145</u>

(*) Suppliers accounting for 10% or more of total balance of trade payables were as follows:

	30.09.2020 VND	31.12.2019 VND
Apc Pharmaceuticals and Chemical Limited	11,797,840,202	15,665,540,764
Centrient Pharmaceuticals India Private Limited	30,986,332,000	13,322,405,000
Covalent Laboratories Pvt Ltd	18,969,704,000	8,107,270,000

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

18 SHORT-TERM ACCRUED EXPENSES

	30.09.2020 VND	31.12.2019 VND
Interest expense	161,999,999	327,951,231
Payment discount	5,147,758,778	6,557,465,332
Other accruals	27,081,630,881	39,691,324,899
	<u>32,391,389,658</u>	<u>46,576,741,462</u>

19 SHORT-TERM UNEARNED REVENUE

	30.09.2020 VND	31.12.2019 VND
Unearned revenue from customer loyalty programs (Note 3)	53,175,043,945	29,295,047,003

20 OTHER SHORT-TERM PAYABLES

	30.09.2020 VND	31.12.2019 VND
Insurance and union fee	552,631,190	578,813,579
Others	1,656,986,375	1,328,314,648
	<u>2,209,617,565</u>	<u>1,907,128,227</u>

21 SHORT-TERM LOANS

	30.09.2020		31.12.2019	
	Amount VND	Amount able to be paid off VND	Amount VND	Amount able to be paid off VND
Loans from banks	515,000,000,000	515,000,000,000	264,666,851,754	264,666,851,754
	<u>515,000,000,000</u>	<u>515,000,000,000</u>	<u>264,666,851,754</u>	<u>264,666,851,754</u>

Movements in short-term loans during the period/year were as follows:

	As at 01.01.2020 VND	Increases VND	Decreases VND	As at 30.09.2020 VND
Loans from banks (*)	264,666,851,754	775,098,169,307	(524,765,021,061)	515,000,000,000
	<u>264,666,851,754</u>	<u>775,098,169,307</u>	<u>(524,765,021,061)</u>	<u>515,000,000,000</u>

(*) These loans bear interests at the rates ranging from 0.3% to 0.47% per month (in 2019: from 0.4% to 0.72% per month).

As at 30 September 2020 and 31 December 2019, there was no short-term loan that was past due.

22 BONUS AND WELFARE FUNDS

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

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

	Bonus and welfare fund VND	Welfare fund in form of assets VND	Bonus fund for the Board of Directors VND	Total VND
Opening balance	41,960,913,376	14,959,510,210	5,935,538,846	62,855,962,432
Appropriation to the funds	19,061,642,883	-	6,000,000,000	25,061,642,883
Depreciation of assets formed from the funds	-	(1,944,778,335)	-	(1,944,778,335)
Utilization of funds	(26,440,273,228)	-	(6,795,905,000)	(33,236,178,228)
Closing balance	<u>34,582,283,031</u>	<u>13,014,731,875</u>	<u>5,139,633,846</u>	<u>52,736,648,752</u>

23 LONG-TERM PROVISIONS

	Provision for dismantling and restoration costs VND	Severance allowance VND	Total VND
Opening balance	19,489,521,187	28,453,491,592	47,943,012,779
Additional provision for the period/year	2,953,267,587	430,805,197	3,384,072,784
Utilization of provisions	-	(2,787,884,000)	(2,787,884,000)
Closing balance	<u>22,442,788,774</u>	<u>26,096,412,789</u>	<u>48,539,201,563</u>

24 SCIENCE AND TECHNOLOGY DEVELOPMENT FUND

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

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

	Science and technology development fund in form of assets VND
Opening balance	16,424,732,989
Depreciation of assets formed from fund	<u>(2,636,454,822)</u>
Closing balance	<u>13,788,278,167</u>



25 OWNER'S EQUITY

Movements in owner's equity

	Owner's contributed capital VND	Share premium VND	Investment and development fund VND	Retained earnings VND	Total VND
As at 01 January 2019	1,307,460,710,000	6,778,948,000	1,270,235,596,228	550,252,659,422	3,134,727,913,650
Net 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 funds	-	-	-	(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)
As at 31 December 2019	1,307,460,710,000	6,778,948,000	1,392,604,475,464	665,297,795,718	3,372,141,929,182
Net profit for the period/year	-	-	-	529,007,698,019	529,007,698,019
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 funds	-	-	-	(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)
As at 30 September 2020	1,307,460,710,000	6,778,948,000	1,479,946,644,695	558,917,397,623	3,353,103,700,318

25 Charter capital

Charter capital

	30.09.2020		31.12.2019	
	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 Company. Ordinary shares are ranked equally with regard to the Company's residual assets.

Dividends

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

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

Fund distribution

According to Resolution of the Annual General Meeting of Shareholders 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 Committees 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.

26 NON-CONTROLLING INTERESTS

	Fiscal period ended 30.09.2020 VND	Fiscal year ended 31.12.2019 VND
Opening balance	5,409,553,015	9,534,195,581
Net profit/ (loss) attributable to non-controlling interests during the period/year	48,634,915	(4,124,642,566)
Closing balance	5,458,187,930	5,409,553,015

27 OFF BALANCE SHEET ITEMS

Foreign currencies

Cash and cash equivalents include the following foreign currencies:

	30.09.2020	31.12.2019
United states Dollar (USD)	214,624	276,958
Euro (EUR)	939	32,087
Yen (JPY)	31,790	32,879
	<u> </u>	<u> </u>

28 GROSS REVENUE FROM GOODS SOLD AND SERVICES RENDERED

	For the 3-month period ended		For the 9-month period ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	VND	VND	VND	VND
Sales of merchandise and services				
Sales of finished goods	858,287,822,977	857,398,292,878	2,533,411,408,895	2,586,352,468,378
Sales of merchandise	113,459,820,367	145,527,776,089	273,406,942,796	380,418,231,945
Others	477,801,869	525,422,444	1,264,696,668	2,611,428,234
	<u>972,225,445,213</u>	<u>1,003,451,491,411</u>	<u>2,808,083,048,359</u>	<u>2,969,382,128,557</u>
Deductions				
Sales discount	106,820,073,888	127,816,229,855	262,644,385,249	347,291,735,477
Sales return	368,596,712	1,278,494,242	1,653,528,577	4,719,974,462
	<u>107,188,670,600</u>	<u>129,094,724,097</u>	<u>264,297,913,826</u>	<u>352,011,709,939</u>
Net sales	<u>865,036,774,613</u>	<u>874,356,767,314</u>	<u>2,543,785,134,533</u>	<u>2,617,370,418,618</u>
In which:				
Sales of finished goods	751,787,640,983	729,393,080,674	2,270,963,921,773	2,237,630,001,106
Sales of merchandise	112,771,331,761	144,438,264,196	271,556,516,092	377,128,989,278
Others	477,801,869	525,422,444	1,264,696,668	2,611,428,234

Goods in transit's revenue have not been recognized as at 30 September 2020: VND 1,040,241,127 (as at 30 September 2019: VND 74,832,542,887)

29 COST OF GOODS SOLD AND SERVICES RENDERED

	For the 3-month period ended		For the 9-month period ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	VND	VND	VND	VND
Cost of finished goods sold	360,916,922,584	365,103,560,466	1,049,656,589,434	1,103,000,916,842
Cost of merchandise sold	107,025,086,437	139,036,492,410	252,538,383,497	362,793,081,012
Others	-	12,762,903	337,125	1,420,781,447
Provision for devaluation of inventories	-	-	(372,707,081)	253,026,429
	<u>467,942,009,021</u>	<u>504,152,815,779</u>	<u>1,301,822,602,975</u>	<u>1,467,467,805,730</u>

30 FINANCIAL INCOME

	For the 3-month period ended		For the 9-month period ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	VND	VND	VND	VND
Interest income	32,624,897,406	30,802,896,584	103,089,118,049	87,010,565,936
Dividends, profits received	149,645,500	173,511,100	326,698,020	768,004,044
Gain from investment liquidation	881,649,616	-	881,649,616	-
Foreign exchange gain	1,080,832,490	1,242,508,424	4,373,157,053	2,715,174,898
Other financial incomes	-	13,130,988	-	13,130,988
	<u>34,737,025,012</u>	<u>32,232,047,096</u>	<u>108,670,622,738</u>	<u>90,506,875,866</u>

31 FINANCIAL EXPENSES

	For the 3-month period ended		For the 9-month period ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	VND	VND	VND	VND
Interest expense	4,829,749,609	7,190,511,486	10,841,821,030	19,674,281,797
Foreign exchange loss	1,670,518,220	1,272,611,044	6,609,604,616	4,494,518,220
Settlement discount	17,602,397,298	17,217,904,233	55,202,770,587	50,692,456,500
Provision for impairment of long-term financial investments	115,877,898	-	22,154,805	1,674,685,717
Other financial expenses	15,934,704	15,161,701	59,834,760	78,250,137
	<u>24,234,477,729</u>	<u>25,696,188,464</u>	<u>72,736,185,798</u>	<u>76,614,192,371</u>

32 SELLING AND GENERAL AND ADMINISTRATIVE EXPENSES

Selling expenses

	For the 3-month period ended		For the 9-month period ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	VND	VND	VND	VND
Staff cost	75,332,307,111	87,615,158,519	261,348,648,583	251,517,114,040
Advertising expenses	26,552,981,863	15,388,452,962	70,393,614,095	54,393,137,933
Others	48,062,681,246	67,002,466,924	134,065,716,578	156,558,744,311
	<u>149,947,970,220</u>	<u>170,006,078,405</u>	<u>465,807,979,256</u>	<u>462,468,996,284</u>

32 SELLING AND GENERAL AND ADMINISTRATIVE EXPENSES (cont.)

General and administrative expenses

	For the 3-month period ended		For the 9-month period ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	VND	VND	VND	VND
Staff cost	48,294,098,299	50,299,855,414	157,625,862,897	163,400,918,167
Others	19,262,578,638	20,662,875,359	60,541,608,849	58,888,529,175
	<u>67,556,676,937</u>	<u>70,962,730,773</u>	<u>218,167,471,746</u>	<u>222,289,447,342</u>

33 OTHER INCOME AND EXPENSES

Other income

	For the 3-month period ended		For the 9-month period ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	VND	VND	VND	VND
Gain from disposals of fixed assets and other long-term assets	2,853,046,044	520,581,061	3,537,273,316	875,044,697
Others	470,471,682	1,304,022,422	1,859,785,099	6,524,471,853
	<u>3,323,517,726</u>	<u>1,824,603,483</u>	<u>5,397,058,415</u>	<u>7,399,516,550</u>

Other expenses

	For the 3-month period ended		For the 9-month period ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	VND	VND	VND	VND
Depreciation expenses	215,521,417	161,088,278	540,376,542	498,869,447
Others	6,233,928,710	1,837,441,714	10,019,952,692	4,701,244,325
	<u>6,449,450,127</u>	<u>1,998,529,992</u>	<u>10,560,329,234</u>	<u>5,200,113,772</u>

34 PRODUCTION AND OPERATING COSTS BY NATURE

	Fiscal period ended	
	30.09.2020	30.09.2019
	VND	VND
Raw materials and consumables	1,249,299,502,239	1,343,947,567,944
Labor	625,673,771,652	614,542,983,009
Depreciation and amortization	66,037,711,424	66,054,033,678
Out-sourced services	137,269,713,306	137,117,742,242
Other expenses	138,944,589,671	139,448,330,263
	<u>2,217,225,288,292</u>	<u>2,301,110,657,136</u>

35 CORPORATE INCOME TAX EXPENSE

	Fiscal period ended	
	30.09.2020	30.09.2019
	VND	VND
Accounting profit before tax	588,764,762,019	481,173,948,366
Tax calculated at a normal rate of 20%	117,752,952,404	96,234,789,673
Adjustments for:		
Impact of negative taxable income	-	891,245,854
Non-assessable income	(85,190,590)	(153,600,809)
Impact of non-deductible expenses	2,194,318,806	7,559,483,966
Tax incentives	(60,162,912,733)	(48,018,952,354)
Adjustments for consolidation	5,562,260	(491,366,683)
Corporate income tax expense	<u>59,704,730,147</u>	<u>56,021,599,647</u>

Changes in deferred corporate tax expense/ (income) in the period/ year are as follows:

	Fiscal period ended	
	30.09.2020	30.09.2019
	VND	VND
Deferred corporate tax (income)	(112,276,572)	(2,229,561,757)
Change of eliminated entries of consolidation	<u>115,975,510</u>	<u>(36,199,526)</u>
	<u>3,698,938</u>	<u>(2,265,761,283)</u>

Applicable tax rates

Since 01 April 2018, DHG Pharmaceutical One Member Limited Company (DHG Pharma Ltd.) and DHG Packaging and Printing 1 One Member Limited Company (DHG PP1) have been merged into the Company and still have the following preferential tax rates:

- Pursuant to the investment certificate, DHG PP1 is obliged to pay CIT at the rate of 10% of taxable income from 2014 to 2028. Under terms in investment certificate granted to DHG PP1, DHG PP1 is entitled to CIT exemption from 2014 to 2017 and 50% reduction of CIT from 2018 to 2026.
- Pursuant to investment certificate No. 642041000005 issued by the Management Board of Hau Giang Industrial Zone, DHG Pharma Ltd. is obliged to pay CIT at the rate of 10% of taxable income for 15 years from the date of starting its operation. DHG Pharma Ltd. is entitled to the CIT exemption for 4 years and 50% reduction for the following 9 years commencing from the first year of having taxable income. DHG Pharma Ltd. has registered to apply the above tax incentives effective from the fiscal year 2015.

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

Subsidiary in the Group has obligations to pay corporate income tax at the normal rate of 20% of taxable income.



36 BASIC EARNINGS PER SHARE

Basic earnings per share are 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.

	Fiscal period ended	
	30.09.2020	30.09.2019
	VND	VND
Net profit attributable to shareholders (VND)	529,007,698,019	429,601,662,344
The estimated amount appropriated to bonus and welfare funds (*)	(20,370,230,941)	(17,388,049,870)
	<u>508,637,467,078</u>	<u>412,213,612,474</u>
Weighted average number of ordinary shares currently in circulation (shares)	130,746,071	130,746,071
Basic earnings per share (VND)	3,890	3,153

(*) According to the Resolution of the General Meeting of Shareholders No. 001/2020/ NQ.ĐHĐCĐ dated 29 June 2020, the appropriation for bonus and welfare funds for 2020 based on planned appropriation rate for bonus and welfare funds is 3%.

The Group does not have potentially diluted ordinary shares.

37 COMMITMENTS

a) Operating lease commitment

	Fiscal period ended	
	30.09.2020	30.09.2019
	VND	VND
Minimum lease payment under operating leases recognized in the income statement for the period	4,076,921,286	3,964,760,196

Minimum lease payments in the future under non-cancellable operating leases are as follows:

	Land lease	
	30.09.2020	31.12.2019
	VND	VND
Within one year	4,066,521,285	5,422,028,378
In the first to fifth year inclusive	21,688,113,512	21,688,113,512
After five years	100,610,287,493	104,737,053,537
	<u>126,364,922,290</u>	<u>131,847,195,427</u>

b) Capital commitment

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

	30.09.2020		31.12.2019	
	VND		VND	
Approved but not contracted	1,298,265,181	1,298,265,181		
Approved and contracted but not implemented	3,708,263,436	4,898,999,936		
	<u>5,006,528,617</u>	<u>6,197,265,117</u>		

38 TRANSACTIONS WITH RELATED PARTIES

List of related parties:

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

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

	<u>Fiscal period ended</u>	
	<u>30.09.2020</u>	<u>30.09.2019</u>
	VND	VND
Sales of goods and provision of services		
Hoe Pharmaceuticals Sdn Bhd	-	1,728,473,580
Taisho Pharmaceuticals (Taiwan) Co., Ltd	1,948,108,838	-
Purchases of goods and services		
Associate		
Vinh Hao Spirulina Algae Corporation	1,558,291,200	2,134,278,000
Support for products development received		
Taisho Pharmaceutical Co., Ltd	-	1,026,346,453
Dividends paid		
SCIC	226,504,948,000	141,565,592,500
Taisho Pharmaceutical Co., Ltd	266,788,208,000	124,870,698,000
Benefits paid to key management personnel		
Salary and other benefits	12,065,455,816	17,445,876,454
Period/year end balances with related parties		
	<u>30.09.2020</u>	<u>31.12.2019</u>
	VND	VND
Trade receivables		
Hoe Pharmaceuticals Sdn.Bhd	-	1,619,576,532
Taisho Pharmaceuticals (Taiwan) Co., Ltd	1,948,108,838	-

39 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

a. Non-cash transaction affecting the cash flow statement

	<u>Fiscal period ended</u>	
	<u>30.09.2020</u>	<u>30.09.2019</u>
	VND	VND
Appropriation to reserves from profit	112,403,812,114	193,477,782,318
Transfer from construction in progress to tangible fixed assets	35,326,656,811	31,878,870,810
Transfer from construction in progress to intangible fixed assets	673,472,000	-
Transfer from construction in progress to prepaid expenses	517,488,673	104,300,000
Accrued interest payables	161,999,999	587,422,267
Interest earned and dividends which have not been received	35,505,932,344	26,281,054,746

39 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION (cont.)

b. Proceed from borrowings

	Fiscal period ended	
	30.09.2020 VND	30.09.2019 VND
Proceed from borrowings under normal contracts	775,098,169,307	1,634,354,302,233

c. Repayment of borrowings

	Fiscal period ended	
	30.09.2020 VND	30.09.2019 VND
Repayment of borrowings under normal contract	524,765,021,061	1,961,060,538,943

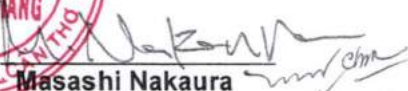


Tran Ngoc Hien
Preparer



Ho Bui Huan
Chief Accountant




Masashi Nakaura
General Director
20 October 2020