

DHG PHARMACEUTICAL JOINT STOCK COMPANY

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED 31 DECEMBER 2020**

M.S.D.M.

DHG PHARMACEUTICAL JOINT STOCK COMPANY

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED 31 DECEMBER 2020**

| CONTENTS | PAGE |
|--|-------------|
| Corporate information | 1 |
| Consolidated balance sheet (Form B 01-DN/HN) | 2 |
| Consolidated income statement (Form B 02- DN/HN) | 4 |
| Consolidated cash flow statement (Form B 03-DN/HN) | 6 |
| Notes to the consolidated financial statements (Form B 09-DN/HN) | 7 |

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

CONSOLIDATED BALANCE SHEET


| Codes | ASSETS | Notes | As at | As at |
|------------|---|-----------|--------------------------|--------------------------|
| | | | 31.12.2020 | 31.12.2019 |
| | | | VND | VND |
| 100 | CURRENT ASSETS | | 3,480,799,873,619 | 3,133,924,348,700 |
| 110 | Cash and cash equivalents | 4 | 73,054,473,018 | 70,328,408,693 |
| 111 | Cash | | 73,054,473,018 | 66,628,408,693 |
| 112 | Cash equivalents | | - | 3,700,000,000 |
| 120 | Short-term financial investments | 5 | 2,074,000,000,000 | 1,768,000,000,000 |
| 123 | Held-to-maturity investments | | 2,074,000,000,000 | 1,768,000,000,000 |
| 130 | Short-term receivables | | 496,020,199,824 | 560,791,995,735 |
| 131 | Short-term trade receivables | 6 | 414,158,635,702 | 510,101,306,774 |
| 132 | Short-term advances to suppliers | | 69,081,209,633 | 42,468,675,491 |
| 135 | Short-term loan receivables | | 380,542,458 | 434,193,523 |
| 136 | Other short-term receivables | 7 | 63,309,022,728 | 63,005,203,593 |
| 137 | Provision for short-term doubtful debts | 8 | (50,909,210,697) | (55,217,383,646) |
| 140 | Inventories | 9 | 826,585,429,976 | 725,438,891,568 |
| 141 | Inventories | | 827,650,041,659 | 726,529,994,856 |
| 149 | Provision for devaluation of inventories | | (1,064,611,683) | (1,091,103,288) |
| 150 | Other short-term assets | | 11,139,770,801 | 9,365,052,704 |
| 151 | Short-term prepayments | 10 | 4,042,674,685 | 2,828,340,389 |
| 152 | Value added tax deductibles | | 7,078,253,656 | 6,536,161,194 |
| 153 | Taxes and other receivables from the State budget | 11 | 18,842,460 | 551,121 |
| 200 | NON-CURRENT ASSETS | | 966,703,597,751 | 1,012,894,372,557 |
| 210 | Long-term receivables | | 244,240,000 | 459,000,000 |
| 216 | Other long-term receivables | | 244,240,000 | 459,000,000 |
| 220 | Fixed assets | | 849,298,475,010 | 900,116,925,455 |
| 221 | Tangible fixed assets | 12 | 639,214,010,669 | 689,664,585,904 |
| 222 | Cost | | 1,403,682,695,234 | 1,376,010,941,578 |
| 223 | Accumulated depreciation | | (764,468,684,565) | (686,346,355,674) |
| 227 | Intangible fixed assets | 13 | 210,084,464,341 | 210,452,339,551 |
| 228 | Cost | | 252,779,142,186 | 247,918,493,964 |
| 229 | Accumulated amortization | | (42,694,677,845) | (37,466,154,413) |
| 230 | Investment properties | 14 | 14,999,958,848 | 15,345,447,332 |
| 231 | Cost | | 17,304,956,819 | 17,304,956,819 |
| 232 | Accumulated depreciation | | (2,304,997,971) | (1,959,509,487) |
| 240 | Long-term assets in progress | 15 | 66,472,781,314 | 28,927,855,544 |
| 242 | Construction in progress | | 66,472,781,314 | 28,927,855,544 |
| 250 | Long-term financial investments | 5 | 4,387,520,000 | 28,122,793,643 |
| 252 | Investments in associate | | - | 2,929,990,852 |
| 253 | Equity investments in other entities | | 24,282,104,800 | 27,908,170,200 |
| 254 | Provision for impairment of long-term financial investments | | (19,894,584,800) | (2,715,367,409) |
| 260 | Other long-term assets | | 31,300,622,579 | 39,922,350,583 |
| 261 | Long-term prepayments | 10 | 15,232,901,753 | 27,575,362,385 |
| 262 | Deferred tax assets | 16 | 16,067,720,826 | 12,346,988,198 |
| 270 | TOTAL ASSETS | | 4,447,503,471,370 | 4,146,818,721,257 |

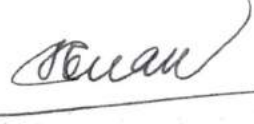
DHG PHARMACEUTICAL JOINT STOCK COMPANY


Form B 01 – DN/HN

CONSOLIDATED BALANCE SHEET (cont.)

| Codes | RESOURCES | Notes | As at | As at |
|------------|---|-----------|--------------------------|--------------------------|
| | | | 31.12.2020 | 31.12.2019 |
| | | | VND | VND |
| 300 | LIABILITIES | | 879,464,107,014 | 769,267,239,060 |
| 310 | Current liabilities | | 816,433,295,601 | 704,899,493,292 |
| 311 | Short-term trade payables | 17 | 252,270,552,909 | 120,317,315,145 |
| 312 | Short-term advances from customers | | 20,694,112,030 | 16,010,766,057 |
| 313 | Taxes and amounts payable to the State budget | 11 | 38,151,677,839 | 30,787,765,604 |
| 314 | Payables to employees | | 155,270,500,534 | 132,481,915,608 |
| 315 | Short-term accrued expenses | 18 | 38,824,609,041 | 46,576,741,462 |
| 318 | Short-term unearned revenue | 19 | 49,532,335,735 | 29,295,047,003 |
| 319 | Other current payables | 20 | 2,383,049,307 | 1,907,128,227 |
| 320 | Short-term loans | 21 | 212,271,519,448 | 264,666,851,754 |
| 322 | Bonus and welfare funds | 22 | 47,034,938,758 | 62,855,962,432 |
| 330 | Long-term liabilities | | 63,030,811,413 | 64,367,745,768 |
| 342 | Long-term provisions | 23 | 50,102,720,849 | 47,943,012,779 |
| 343 | Science and technology development fund | 24 | 12,928,090,564 | 16,424,732,989 |
| 400 | EQUITY | | 3,568,039,364,356 | 3,377,551,482,197 |
| 410 | Owner's equity | 25 | 3,568,039,364,356 | 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 | | 769,784,599,949 | 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 | | 739,874,900,345 | 635,388,096,114 |
| 429 | Non-controlling interests | 26 | 4,068,461,712 | 5,409,553,015 |
| 440 | TOTAL RESOURCES | | 4,447,503,471,370 | 4,146,818,721,257 |


Tran Ngoc Hien
Preparer


Ho Bui Huan
Chief Accountant


Masashi Nakaura
General Director
19 January 2021



DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 02 – DN/HH

CONSOLIDATED INCOME STATEMENT

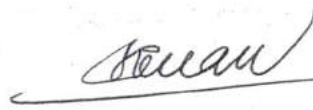
| Codes | Notes | For the 3-month period ended | | Fiscal year ended | | |
|-------|--|------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | 31.12.2020 VND | 31.12.2019 VND | 31.12.2020 VND | 31.12.2019 VND | |
| 01 | Gross revenue from goods sold and services rendered | 28 | 1,398,649,333,861 | 1,444,576,515,061 | 4,206,732,382,220 | 4,413,958,643,618 |
| 02 | Deductions | 28 | 186,815,157,070 | 165,193,104,455 | 451,113,070,896 | 517,204,814,394 |
| 10 | Net revenue from goods sold and services rendered | 28 | 1,211,834,176,791 | 1,279,383,410,606 | 3,755,619,311,324 | 3,896,753,829,224 |
| 11 | Cost of sales | 29 | 642,420,439,107 | 716,993,801,913 | 1,944,243,042,082 | 2,184,461,607,643 |
| 20 | Gross profit | | 569,413,737,684 | 562,389,608,693 | 1,811,376,269,242 | 1,712,292,221,581 |
| 21 | Financial income | 30 | 31,761,394,608 | 31,980,940,049 | 140,432,017,346 | 122,487,815,915 |
| 22 | Financial expenses | 31 | 46,446,496,687 | 22,244,820,236 | 119,182,682,485 | 98,859,012,607 |
| 23 | <i>Including: Interest expenses</i> | | <i>3,187,775,480</i> | <i>3,040,920,271</i> | <i>14,029,596,510</i> | <i>22,715,202,068</i> |
| 24 | Share of net (losses) from associate | | (507,152,799) | (50,322,537) | (500,637,457) | (112,629,706) |
| 25 | Selling expenses | 32 | 233,490,296,602 | 224,576,225,710 | 699,298,275,858 | 687,045,221,994 |
| 26 | General and administrative expenses | 32 | 84,694,289,994 | 111,540,461,424 | 302,861,761,740 | 333,829,908,766 |
| 30 | Operating profit | | 236,036,896,210 | 235,958,718,835 | 829,964,929,048 | 714,933,264,423 |
| 31 | Other income | 33 | 634,414,793 | 8,183,610,818 | 6,031,473,208 | 15,583,127,368 |
| 32 | Other expenses | 33 | 4,412,159,310 | 12,121,182,115 | 14,972,488,544 | 17,321,295,887 |
| 40 | Profit from other activities | | (3,777,744,517) | (3,937,571,297) | (8,941,015,336) | (1,738,168,519) |
| 50 | Accounting profit before tax | | 232,259,151,693 | 232,021,147,538 | 821,023,913,712 | 713,195,095,904 |
| 51 | Current corporate income tax expense | 35 | 26,506,107,151 | 27,834,080,999 | 86,210,837,298 | 83,855,680,646 |
| 52 | Deferred corporate tax expense/(income) | 35 | (3,724,431,566) | 341,722,993 | (3,720,732,628) | (1,924,038,290) |
| 60 | Net profit after corporate income tax | | 209,477,476,108 | 203,845,343,546 | 738,533,809,042 | 631,263,453,548 |

CONSOLIDATED INCOME STATEMENT (cont.)

| Codes | Notes | For the 3-month period ended | | Fiscal year ended | |
|-------|---------------------------------------|------------------------------|-------------------|-------------------|-------------------|
| | | 31.12.2020 VND | 31.12.2019 VND | 31.12.2020 VND | 31.12.2019 VND |
| 60 | Net profit after corporate income tax | 209,477,476,108 | 203,845,343,546 | 738,533,809,042 | 631,263,453,548 |
| | Attributable to: | | | | |
| 61 | Owners of the parent company | 210,867,202,326 | 205,786,433,770 | 739,874,900,345 | 635,388,096,114 |
| 62 | Non-controlling interests | (1,389,726,218) | (1,941,090,224) | (1,341,091,303) | (4,124,642,566) |
| 70 | Basic earnings per share (VND) | 1,553 | 1,515 | 5,443 | 4,668 |



Tran Ngoc Hien
Preparer



Ho Bui Huan
Chief Accountant



Masashi Nakaura
General Director
19 January 2021

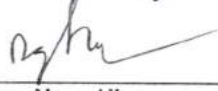
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DHG PHARMACEUTICAL JOINT STOCK COMPANY


Form B 03 – DN/HN

CONSOLIDATED CASH FLOW STATEMENT
(Indirect method)

| Items | Codes | Fiscal year ended | |
|--|-----------|--------------------------|--------------------------|
| | | 31.12.2020 VND | 31.12.2019 VND |
| I. CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| 1. Profit before tax | 01 | 821,023,913,712 | 713,195,095,904 |
| 2. Adjustments for: | | | |
| Depreciation and amortization of fixed assets and investment properties | 02 | 88,196,799,144 | 88,710,979,693 |
| Provisions | 03 | 17,994,453,882 | 26,907,747,769 |
| Foreign exchange loss arising from translating foreign currency items | 04 | 100,670,419 | 42,737,167 |
| Gain from investing activities | 05 | (136,184,864,585) | (122,667,908,308) |
| Interest expense | 06 | 14,029,596,510 | 22,715,202,068 |
| Operating profit before movements in working capital | 08 | 805,160,569,082 | 728,903,854,293 |
| 3. Changes in receivables | 09 | 69,743,246,065 | 119,150,350,172 |
| Changes in inventories | 10 | (101,120,046,803) | 165,771,307,812 |
| Changes in payables | 11 | 171,398,479,009 | (41,251,889,486) |
| Changes in prepaid expenses | 12 | 12,429,581,311 | 3,463,741,092 |
| Interest paid | 14 | (14,279,236,632) | (22,858,370,847) |
| Corporate income tax paid | 15 | (78,840,918,985) | (65,982,154,011) |
| Other cash outflows | 17 | (38,317,458,516) | (48,956,622,398) |
| Net cash generated by operating activities | 20 | 826,174,214,531 | 838,240,216,627 |
| II. CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| 1. Acquisition and construction of fixed assets and other long-term assets | 21 | (88,805,051,465) | (57,101,418,800) |
| 2. Proceeds from sale, disposal of fixed assets and other long-term assets | 22 | 5,238,101,817 | 11,584,129,859 |
| 3. Cash outflow for lending, buying debt instruments of other entities | 23 | (3,198,000,000,000) | (3,015,673,917,808) |
| 4. Cash recovered from lending, selling debt instruments of other entities | 24 | 2,892,053,651,065 | 2,711,687,125,261 |
| 5. Cash recovered from investments and capital contributions in other entities | 26 | 8,629,332,200 | - |
| 6. Interest earned, dividends and profits received | 27 | 132,791,732,930 | 125,848,754,578 |
| Net cash used in investing activities | 30 | (248,092,233,453) | (223,655,326,910) |
| III. CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| 1. Proceeds from borrowings | 33 | 987,369,688,755 | 1,916,023,391,699 |
| 2. Repayment of borrowings | 34 | (1,039,765,021,061) | (2,209,257,867,364) |
| 3. Dividends and profits paid | 36 | (522,984,284,000) | (326,865,177,500) |
| Net cash used in financing activities | 40 | (575,379,616,306) | (620,099,653,165) |
| Net increase/ (decrease) in cash | 50 | 2,702,364,772 | (5,514,763,448) |
| 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 | 23,699,553 | 7,574,710 |
| Cash and cash equivalents at the end of the period/ year | 70 | 73,054,473,018 | 70,328,408,693 |


Tran Ngoc Hien
Preparer


Ho Buu Huan
Chief Accountant


Masashi Nakaura
General Director
19 January 2021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED 31 DECEMBER 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 31 December 2020 was 2,712 (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 31 December 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% |

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

The comparative figures are the figures of the audited consolidated financial statements for the year ended 31 December 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 31 December 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.

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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 year of the related sales of products, goods and services are recorded as deduction of revenue of that year.

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

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 year. 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 years (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 year 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.

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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

| | 31.12.2020 VND | 31.12.2019 VND |
|----------------------|-----------------------|-----------------------|
| Cash on hand | 9,061,709,500 | 11,739,260,444 |
| Demand deposits | 63,992,763,518 | 54,889,148,249 |
| Cash equivalents (*) | - | 3,700,000,000 |
| | <u>73,054,473,018</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

| | 31.12.2020 | | 31.12.2019 | |
|---------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Cost VND | Book value VND | Cost VND | Book value VND |
| Term deposits | <u>2,074,000,000,000</u> | <u>2,074,000,000,000</u> | <u>1,768,000,000,000</u> | <u>1,768,000,000,000</u> |

(b) Long-term financial investments

| | 31.12.2020 | | 31.12.2019 | |
|---|-----------------------|-------------------------|-----------------------|------------------------|
| | Cost VND | Provision VND | Cost VND | Provision VND |
| Investments in associate (*) | - | - | 2,929,990,852 | - |
| Equity investments in other entities (**) | 24,282,104,800 | (19,894,584,800) | 27,908,170,200 | (2,715,367,409) |
| | <u>24,282,104,800</u> | <u>(19,894,584,800)</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:

| | 31.12.2020 VND | 31.12.2019 VND |
|--------------------------------------|-------------------|-------------------|
| Vinh Hao Spirulina Algae Corporation | - | 2,929,990,852 |

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

| | Fiscal year ended 31.12.2020 VND | Fiscal year ended 31.12.2019 VND |
|--|---|---|
| Opening balance | 2,929,990,852 | 3,042,620,558 |
| Share of gain/ (losses) | - | (272,755,733) |
| Recovery of invested capital | (3,787,450,000) | - |
| Adjustment for gain from prior periods/ year | 857,459,148 | 160,126,027 |
| Closing balance | - | 2,929,990,852 |

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

| | 31.12.2020 VND | 31.12.2019 VND |
|--|-----------------------|-----------------------|
| ATP Packaging Joint Stock Company | 20,000,000,000 | 20,000,000,000 |
| Enlie Pharmaceutical Joint Stock Company | 4,282,104,800 | 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 |
| Tay Ninh Pharmaceutical Joint Stock Company | - | 221,960,000 |
| Cuu Long Pharmaceutical Joint Stock Company | - | 27,420,000 |
| | <u>24,282,104,800</u> | <u>27,908,170,200</u> |

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

| | 31.12.2020 VND | 31.12.2019 VND |
|--|-----------------------|----------------------|
| ATP Packaging Joint Stock Company | 17,400,000,000 | 2,715,367,409 |
| Enlie Pharmaceutical Joint Stock Company | 2,494,584,800 | - |
| | <u>19,894,584,800</u> | <u>2,715,367,409</u> |

6 SHORT-TERM TRADE RECEIVABLES

| | 31.12.2020 VND | 31.12.2019 VND |
|---------------------------|------------------------|------------------------|
| Related parties (Note 38) | 1,576,719,144 | 1,619,576,532 |
| Third parties | 412,581,916,558 | 508,481,730,242 |
| | <u>414,158,635,702</u> | <u>510,101,306,774</u> |

As at 31 December 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

| | 31.12.2020 VND | 31.12.2019 VND |
|-----------------------------|-----------------------|-----------------------|
| Accruals of interest income | 40,494,673,974 | 39,427,941,088 |
| Receivable from employees | 18,314,170,360 | 20,788,864,119 |
| Other receivables | 4,500,178,394 | 2,788,398,386 |
| | <u>63,309,022,728</u> | <u>63,005,203,593</u> |

8 BAD DEBTS

| | <u>31.12.2020</u> | | |
|--|-------------------|------------------------------|------------------|
| | Cost VND | Recoverable amount VND | Provision VND |
| Total amount of receivables and loan receivables past due or not past due but impaired | 96,627,799,467 | 45,718,588,770 | (50,909,210,697) |
| | <u>31.12.2019</u> | | |
| | 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 31 December 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 year ended 31.12.2020 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 | (1,449,056,292) | - |
| Written off debts in the period/ year | (2,859,116,657) | - |
| Closing balance | <u>50,909,210,697</u> | <u>55,217,383,646</u> |

9 INVENTORIES

| | 31.12.2020 | | 31.12.2019 | |
|------------------|------------------------|------------------------|------------------------|------------------------|
| | Cost VND | Provision VND | Cost VND | Provision VND |
| Goods in transit | 121,226,935,043 | - | 63,594,013,463 | - |
| Raw materials | 302,896,326,728 | - | 265,797,233,287 | - |
| Work in progress | 54,939,723,503 | - | 52,106,518,719 | - |
| Finished goods | 302,980,473,638 | (1,064,611,683) | 300,316,307,143 | (1,091,103,288) |
| Merchandise | 45,606,582,747 | - | 44,715,922,244 | - |
| | <u>827,650,041,659</u> | <u>(1,064,611,683)</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 year ended 31.12.2020 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 | (26,491,605) | - |
| Closing balance | <u>1,064,611,683</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 31 December 2020 and 31 December 2019, the Group did not have any slow moving, damaged or sub-standard inventories.

10 PREPAYMENTS

Short-term prepayments

| | 31.12.2020 VND | 31.12.2019 VND |
|---------------------------------------|----------------------|----------------------|
| Prepayment related to operating lease | 715,600,001 | 679,023,036 |
| Others | 3,327,074,684 | 2,149,317,353 |
| | <u>4,042,674,685</u> | <u>2,828,340,389</u> |

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

Long-term prepayments

| | 31.12.2020 VND | 31.12.2019 VND |
|---------------------|-----------------------|-----------------------|
| Prepaid land rental | - | 10,022,421,258 |
| Tools and supplies | 7,257,962,228 | 8,756,525,105 |
| Others | 7,974,939,525 | 8,796,416,022 |
| | <u>15,232,901,753</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 year ended 31.12.2020 VND | Fiscal year ended 31.12.2019 VND |
|--|---|---|
| Opening balance | 27,575,362,385 | 30,170,914,891 |
| Increase in the period/year | 11,378,280,826 | 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 | (19,366,965,530) | (15,259,577,905) |
| Reclassifications of opening balance | - | (23,685,667) |
| Closing balance | <u>15,232,901,753</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 | Tax refund during the period/year | Closing balance |
|------------------------------------|-----------------------|---------------------------------|---------------------------------------|-----------------------------|-----------------------------------|-----------------------|
| | VND | VND | VND | VND | VND | VND |
| Value added tax for domestic goods | 14,664,216,055 | 88,553,530,653 | - | (88,611,185,247) | - | 14,606,561,461 |
| Value added tax for import goods | (282,282) | 48,194,129,518 | - | (48,212,689,696) | - | (18,842,460) |
| Import and export duties | (268,839) | 9,087,902,894 | - | (7,802,300,860) | (1,285,333,195) | - |
| Corporate income tax | 7,239,643,570 | 86,210,837,298 | 14,096,363 | (78,840,918,985) | - | 14,623,658,246 |
| Personal income tax | 8,866,544,187 | 42,305,549,370 | - | (42,250,635,425) | - | 8,921,458,132 |
| Land rental fee, land use tax | 17,361,792 | 8,623,340,196 | - | (8,640,701,988) | - | - |
| Other taxes | - | 1,208,166,853 | - | (1,208,166,853) | - | - |
| Total | 30,787,214,483 | 284,183,456,782 | 14,096,363 | (275,566,599,054) | (1,285,333,195) | 38,132,835,379 |
| In which | | | | | | |
| <i>Tax receivables</i> | 551,121 | | | | | 18,842,460 |
| <i>Tax payables</i> | 30,787,765,604 | | | | | 38,151,677,839 |

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) | 2,132,079,151 | 37,944,974,714 | 2,661,605,637 | 410,905,226 | 43,149,564,728 |
| Disposals | - | - | (12,355,832,361) | (111,010,434) | (12,466,842,795) |
| Revaluation of fixed assets based on the net realizable value (*) | - | (2,596,037,270) | (359,556,171) | (55,374,836) | (3,010,968,277) |
| As at 31 December 2020 | <u>528,464,444,217</u> | <u>652,926,393,748</u> | <u>149,473,465,318</u> | <u>72,818,391,951</u> | <u>1,403,682,695,234</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 | 28,404,193,308 | 46,958,944,926 | 10,206,360,662 | 3,115,138,798 | 88,684,637,694 |
| Disposals | - | - | (10,456,943,892) | (105,364,911) | (10,562,308,803) |
| As at 31 December 2020 | <u>238,387,732,775</u> | <u>356,260,455,790</u> | <u>104,069,873,495</u> | <u>65,750,622,505</u> | <u>764,468,684,565</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 31 December 2020 | <u>290,076,711,442</u> | <u>296,665,937,958</u> | <u>45,403,591,823</u> | <u>7,067,769,446</u> | <u>639,214,010,669</u> |

(*) The historical cost of tangible fixed assets decreased during the year due to revaluation of fixed assets of Fuji Medic Co., Ltd. ("Fuji Medic") in order to dissolve Fuji Medic. Pursuant to the Resolution No.025/2020/NQ.HĐQT of Board of Directors on 22 October 2020 on the minimum value to liquidate Fuji Medic's tangible fixed assets.

The cost of fully depreciated tangible fixed assets but still in use as at 31 December 2020 was VND 279,535,717,069 (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 |
| Reclassification | (1,476,374,480) | 1,476,374,480 | - | - |
| Transfer from construction in progress (Note 15) | - | - | 4,860,648,222 | 4,860,648,222 |
| As at 31 December 2020 | <u>88,314,253,166</u> | <u>143,434,719,993</u> | <u>21,030,169,027</u> | <u>252,779,142,186</u> |
| Accumulated amortization | | | | |
| As at 01 January 2020 | - | 23,625,735,602 | 13,840,418,811 | 37,466,154,413 |
| Charge for the period/year | - | 3,145,437,814 | 2,083,085,618 | 5,228,523,432 |
| As at 31 December 2020 | - | <u>26,771,173,416</u> | <u>15,923,504,429</u> | <u>42,694,677,845</u> |
| Net book value | | | | |
| As at 01 January 2020 | <u>89,790,627,646</u> | <u>118,332,609,911</u> | <u>2,329,101,994</u> | <u>210,452,339,551</u> |
| As at 31 December 2020 | <u>88,314,253,166</u> | <u>116,663,546,577</u> | <u>5,106,664,598</u> | <u>210,084,464,341</u> |

As at 31 December 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 | <u>17,304,956,819</u> |
| As at 31 December 2020 | <u>17,304,956,819</u> |
| Accumulated depreciation | |
| As at 01 January 2020 | 1,959,509,487 |
| Charge for the period/year | <u>345,488,484</u> |
| As at 31 December 2020 | <u>2,304,997,971</u> |
| Net book value | |
| As at 01 January 2020 | <u>15,345,447,332</u> |
| As at 31 December 2020 | <u>14,999,958,848</u> |

As at 31 December 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.

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 09 – DN/HN

| 15 CONSTRUCTION IN PROGRESS | 31.12.2020 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 | 466,766,087 | 1,141,681,818 |
| Purchasing machineries | 47,082,949,014 | 12,602,353,083 |
| REB product project | 2,983,810,627 | 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 |
| PGT product project | 148,231,359 | - |
| Investment for the expansion of DHG Pharmaceutical Plant and DHG Printing and Packaging Plant | 1,778,218,986 | - |
| | <u>66,472,781,314</u> | <u>28,927,855,544</u> |

Movements of construction in progress in the period/year

| | Fiscal year ended 31.12.2020 VND | Fiscal year ended 31.12.2019 VND |
|---|---|---|
| Opening balance | 28,927,855,544 | 14,087,991,804 |
| Purchases | 88,805,051,465 | 56,081,518,800 |
| Transfer to tangible fixed assets (Note 12) | (43,149,564,728) | (40,747,562,248) |
| Transfer to intangible fixed assets (Note 13) | (4,860,648,222) | - |
| Transfer to prepaid expenses | (1,301,454,975) | (244,300,000) |
| Transfer to expenses in the period/year | (1,948,457,770) | (249,792,812) |
| Closing balance | <u>66,472,781,314</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.

| | 31.12.2020 VND | 31.12.2019 VND |
|--|-----------------------|-----------------------|
| Corporate income tax rate used for determining deferred tax assets | 20% | 20% |
| Deductible temporary differences | 80,338,604,130 | 61,734,940,990 |
| Deferred tax assets | <u>16,067,720,826</u> | <u>12,346,988,198</u> |

16 DEFERRED TAX ASSETS (cont.)

Movements of deferred tax assets in the period/year:

| | Fiscal year ended 31.12.2020 VND | Fiscal year ended 31.12.2019 VND |
|---|---|---|
| Opening balance | 12,346,988,198 | 10,422,949,908 |
| Additional provision | 3,875,366,641 | 1,946,486,540 |
| Change of eliminated entries of consolidation | (154,634,013) | (22,448,250) |
| Closing balance | <u>16,067,720,826</u> | <u>12,346,988,198</u> |

17 SHORT-TERM TRADE PAYABLES

| | 31.12.2020 | | 31.12.2019 | |
|-------------------|------------------------|--------------------------------------|------------------------|--------------------------------------|
| | Amount VND | Amount able to be paid off VND | Amount VND | Amount able to be paid off VND |
| Third parties (*) | <u>252,270,552,909</u> | <u>252,270,552,909</u> | <u>120,317,315,145</u> | <u>120,317,315,145</u> |
| | 252,270,552,909 | 252,270,552,909 | 120,317,315,145 | 120,317,315,145 |

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

| | 31.12.2020 VND | 31.12.2019 VND |
|---|-------------------|-------------------|
| Apc Pharmaceuticals and Chemical Limited | 8,440,469,074 | 15,665,540,764 |
| Centrient Pharmaceuticals India Private Limited | 17,768,761,000 | 13,322,405,000 |
| Centrient Pharmaceuticals Netherlands B.V | 53,966,749,750 | - |

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

18 SHORT-TERM ACCRUED EXPENSES

| | 31.12.2020 VND | 31.12.2019 VND |
|------------------|-----------------------|-----------------------|
| Interest expense | 78,311,109 | 327,951,231 |
| Payment discount | 8,153,790,426 | 6,557,465,332 |
| Other accruals | 30,592,507,506 | 39,691,324,899 |
| | <u>38,824,609,041</u> | <u>46,576,741,462</u> |

19 SHORT-TERM UNEARNED REVENUE

| | 31.12.2020 VND | 31.12.2019 VND |
|---|-------------------|-------------------|
| Unearned revenue from customer loyalty programs (Note 3) | 49,532,335,735 | 29,295,047,003 |

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 09 – DN/HN

20 OTHER SHORT-TERM PAYABLES

| | 31.12.2020 VND | 31.12.2019 VND |
|-------------------------|----------------------|----------------------|
| Insurance and union fee | 548,081,634 | 578,813,579 |
| Others | 1,834,967,673 | 1,328,314,648 |
| | <u>2,383,049,307</u> | <u>1,907,128,227</u> |

21 SHORT-TERM LOANS

| | 31.12.2020 | | 31.12.2019 | |
|------------------|------------------------|--------------------------------------|------------------------|--------------------------------------|
| | Amount VND | Amount able to be paid off VND | Amount VND | Amount able to be paid off VND |
| Loans from banks | 212,271,519,448 | 212,271,519,448 | 264,666,851,754 | 264,666,851,754 |
| | <u>212,271,519,448</u> | <u>212,271,519,448</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 31.12.2020 VND |
|----------------------|----------------------------|------------------------|----------------------------|----------------------------|
| Loans from banks (*) | 264,666,851,754 | 987,369,688,755 | (1,039,765,021,061) | 212,271,519,448 |
| | <u>264,666,851,754</u> | <u>987,369,688,755</u> | <u>(1,039,765,021,061)</u> | <u>212,271,519,448</u> |

(*) These loans bear interests at the rates ranging from 0.28% to 0.47% per month (in 2019: from 0.4% to 0.72% per month).

As at 31 December 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 | - | (2,565,208,041) | - | (2,565,208,041) |
| Utilization of funds | (30,732,880,950) | - | (7,584,577,566) | (38,317,458,516) |
| Closing balance | <u>30,289,675,309</u> | <u>12,394,302,169</u> | <u>4,350,961,280</u> | <u>47,034,938,758</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 | 3,937,690,122 | 1,212,210,923 | 5,149,901,045 |
| Utilization of provisions | - | (2,990,192,975) | (2,990,192,975) |
| Closing balance | <u>23,427,211,309</u> | <u>26,675,509,540</u> | <u>50,102,720,849</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>(3,496,642,425)</u> |
| Closing balance | <u>12,928,090,564</u> |

25 OWNER'S EQUITY

Movements in owner's equity

| | Owner's contributed capital | Share premium | Investment and development fund | Retained earnings | Total |
|---|--------------------------------|----------------------|------------------------------------|------------------------|--------------------------|
| | VND | VND | VND | VND | 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 | - | - | - | 739,874,900,345 | 739,874,900,345 |
| 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 31 December 2020 | 1,307,460,710,000 | 6,778,948,000 | 1,479,946,644,695 | 769,784,599,949 | 3,563,970,902,644 |

25 Charter capital

Charter capital

| | 31.12.2020 | | 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 have 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 year ended 31.12.2020 VND | Fiscal year ended 31.12.2019 VND |
|---|--|--|
| Opening balance | 5,409,553,015 | 9,534,195,581 |
| Net loss attributable to non-controlling interests during the period/year | (1,341,091,303) | (4,124,642,566) |
| Closing balance | 4,068,461,712 | 5,409,553,015 |

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 09 – DN/HN

27 OFF BALANCE SHEET ITEMS

Foreign currencies

Cash and cash equivalents include the following foreign currencies:

| | 31.12.2020 | 31.12.2019 |
|----------------------------|-----------------------------|-----------------------------|
| United states Dollar (USD) | 517,671 | 276,958 |
| Euro (EUR) | 937 | 32,087 |
| Yen (JPY) | 31,427 | 32,879 |
| | <u> </u> | <u> </u> |

28 GROSS REVENUE FROM GOODS SOLD AND SERVICES RENDERED

| | For the 3-month period ended | | Fiscal year ended | |
|--|------------------------------|--------------------------|--------------------------|--------------------------|
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | VND | VND | VND | VND |
| Sales of merchandise and services | | | | |
| Sales of finished goods | 1,225,285,562,903 | 1,202,152,815,955 | 3,758,696,971,798 | 3,788,505,284,333 |
| Sales of merchandise | 172,910,225,830 | 238,841,832,320 | 446,317,168,626 | 619,260,064,265 |
| Others | 453,545,128 | 3,581,866,786 | 1,718,241,796 | 6,193,295,020 |
| | <u>1,398,649,333,861</u> | <u>1,444,576,515,061</u> | <u>4,206,732,382,220</u> | <u>4,413,958,643,618</u> |
| Deductions | | | | |
| Sales discount | 185,948,270,095 | 164,252,720,696 | 448,592,655,344 | 511,544,456,173 |
| Sales return | 866,886,975 | 940,383,759 | 2,520,415,552 | 5,660,358,221 |
| | <u>186,815,157,070</u> | <u>165,193,104,455</u> | <u>451,113,070,896</u> | <u>517,204,814,394</u> |
| Net sales | <u>1,211,834,176,791</u> | <u>1,279,383,410,606</u> | <u>3,755,619,311,324</u> | <u>3,896,753,829,224</u> |
| In which: | | | | |
| Sales of finished goods | 1,039,447,072,087 | 1,037,557,420,382 | 3,310,410,993,860 | 3,275,187,421,488 |
| Sales of merchandise | 171,933,559,576 | 238,244,123,438 | 443,490,075,668 | 615,373,112,716 |
| Others | 453,545,128 | 3,581,866,786 | 1,718,241,796 | 6,193,295,020 |

Goods in transit's revenue have not been recognized as at 31 December 2020: VND 16,841,663,951 (as at 31 December 2019: VND 6,909,422,690)

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 09 – DN/HN

29 COST OF GOODS SOLD AND SERVICES RENDERED

| | For the 3-month period ended | | Fiscal year ended | |
|---|------------------------------|------------------------|--------------------------|--------------------------|
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | VND | VND | VND | VND |
| Cost of finished goods sold | 476,375,036,798 | 482,904,781,102 | 1,526,031,626,232 | 1,585,905,697,944 |
| Cost of merchandise sold | 165,699,186,833 | 231,381,910,913 | 418,237,570,330 | 594,174,991,925 |
| Others | - | 2,683,359,271 | 337,125 | 4,104,140,718 |
| Addition/(Reversal) of Provision for devaluation of inventories | 346,215,476 | 23,750,627 | (26,491,605) | 276,777,056 |
| | <u>642,420,439,107</u> | <u>716,993,801,913</u> | <u>1,944,243,042,082</u> | <u>2,184,461,607,643</u> |

30 FINANCIAL INCOME

| | For the 3-month period ended | | Fiscal year ended | |
|----------------------------------|------------------------------|-----------------------|------------------------|------------------------|
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | VND | VND | VND | VND |
| Interest income | 30,442,649,747 | 31,231,237,935 | 133,531,767,796 | 118,241,803,871 |
| Dividends, profits received | - | - | 326,698,020 | 768,004,044 |
| Gain from investment liquidation | 336,902,384 | - | 1,218,552,000 | - |
| Foreign exchange gain | 980,799,917 | 749,702,114 | 5,353,956,970 | 3,464,877,012 |
| Other financial incomes | 1,042,560 | - | 1,042,560 | 13,130,988 |
| | <u>31,761,394,608</u> | <u>31,980,940,049</u> | <u>140,432,017,346</u> | <u>122,487,815,915</u> |

31 FINANCIAL EXPENSES

| | For the 3-month period ended | | Fiscal year ended | |
|--|------------------------------|-----------------------|------------------------|-----------------------|
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | VND | VND | VND | VND |
| Interest expense | 3,187,775,480 | 3,040,920,271 | 14,029,596,510 | 22,715,202,068 |
| Foreign exchange loss | 1,710,165,217 | 1,102,167,909 | 8,319,769,833 | 5,596,686,129 |
| Settlement discount | 25,746,700,683 | 22,791,737,644 | 80,949,471,270 | 73,484,194,144 |
| Addition/(Reversal) of Provision for impairment of long-term financial investments | 15,798,965,981 | (4,690,180,071) | 15,821,120,786 | (3,015,494,354) |
| Loss on disposal of investment | 2,735,200 | - | 2,735,200 | - |
| Other financial expenses | 154,126 | 174,483 | 59,988,886 | 78,424,620 |
| | <u>46,446,496,687</u> | <u>22,244,820,236</u> | <u>119,182,682,485</u> | <u>98,859,012,607</u> |

32 SELLING AND GENERAL AND ADMINISTRATIVE EXPENSES

Selling expenses

| | For the 3-month period ended | | Fiscal year ended | |
|----------------------|------------------------------|------------------------|------------------------|------------------------|
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | VND | VND | VND | VND |
| Staff cost | 115,855,921,527 | 97,203,571,982 | 377,204,570,110 | 348,720,686,022 |
| Advertising expenses | 48,742,281,329 | 61,394,118,826 | 119,135,895,424 | 115,787,256,759 |
| Others | 68,892,093,746 | 65,978,534,902 | 202,957,810,324 | 222,537,279,213 |
| | <u>233,490,296,602</u> | <u>224,576,225,710</u> | <u>699,298,275,858</u> | <u>687,045,221,994</u> |

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32 SELLING AND GENERAL AND ADMINISTRATIVE EXPENSES (cont.)

General and administrative expenses

| | For the 3-month period ended | | Fiscal year ended | |
|------------|------------------------------|------------------------|------------------------|------------------------|
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | VND | VND | VND | VND |
| Staff cost | 63,958,418,406 | 69,492,405,022 | 221,584,281,303 | 232,893,323,189 |
| Others | 20,735,871,588 | 42,048,056,402 | 81,277,480,437 | 100,936,585,577 |
| | <u>84,694,289,994</u> | <u>111,540,461,424</u> | <u>302,861,761,740</u> | <u>333,829,908,766</u> |

33 OTHER INCOME AND EXPENSES

Other income

| | For the 3-month period ended | | Fiscal year ended | |
|---|------------------------------|----------------------|----------------------|-----------------------|
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | VND | VND | VND | VND |
| Gain/(loss) from disposals of fixed assets and other long-term assets | (273,182,218) | 6,189,903,952 | 3,264,091,098 | 7,064,948,649 |
| Others | 907,597,011 | 1,993,706,866 | 2,767,382,110 | 8,518,178,719 |
| | <u>634,414,793</u> | <u>8,183,610,818</u> | <u>6,031,473,208</u> | <u>15,583,127,368</u> |

Other expenses

| | For the 3-month period ended | | Fiscal year ended | |
|--|------------------------------|-----------------------|-----------------------|-----------------------|
| | 31.12.2020 | 31.12.2019 | 31.12.2020 | 31.12.2019 |
| | VND | VND | VND | VND |
| Losses due to fair value revaluation of liquidating assets of Fuji Medic | 3,010,968,277 | 3,455,837,681 | 3,010,968,277 | 3,455,837,681 |
| Severance allowances | - | 5,622,651,750 | - | 5,622,651,750 |
| Write off of intangible fixed assets | - | 220,936,610 | - | 220,936,610 |
| Depreciation expenses | 347,080,229 | 376,234,158 | 887,456,771 | 875,103,605 |
| Others | 1,054,110,804 | 2,445,521,916 | 11,074,063,496 | 7,146,766,241 |
| | <u>4,412,159,310</u> | <u>12,121,182,115</u> | <u>14,972,488,544</u> | <u>17,321,295,887</u> |

34 PRODUCTION AND OPERATING COSTS BY NATURE

| | Fiscal year ended | |
|-------------------------------|--------------------------|--------------------------|
| | 31.12.2020 | 31.12.2019 |
| | VND | VND |
| Raw materials and consumables | 1,713,581,255,219 | 1,926,821,900,103 |
| Labor | 880,844,256,246 | 851,669,219,473 |
| Depreciation and amortization | 87,309,342,373 | 87,974,994,516 |
| Out-sourced services | 192,849,007,869 | 195,153,522,073 |
| Other expenses | 224,007,579,948 | 252,294,636,498 |
| | <u>3,098,591,441,655</u> | <u>3,313,914,272,663</u> |

35 CORPORATE INCOME TAX EXPENSE

| | Fiscal year ended | |
|--|-----------------------|-----------------------|
| | 31.12.2020 | 31.12.2019 |
| | VND | VND |
| Accounting profit before tax | 821,023,913,712 | 713,195,095,904 |
| Tax calculated at a normal rate of 20% | 164,204,782,742 | 142,639,019,181 |
| Adjustments for: | | |
| Impact of negative taxable income | 547,384,205 | 1,683,527,578 |
| Non-assessable income | (65,339,604) | (153,600,809) |
| Impact of non-deductible expenses | 7,487,112,759 | 12,086,783,085 |
| Tax incentives | (85,777,993,668) | (71,504,817,230) |
| Adjustments for consolidation | (185,109,136) | (895,231,159) |
| Corporate income tax expense | <u>86,210,837,298</u> | <u>83,855,680,646</u> |

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

| | Fiscal year ended | |
|---|------------------------|------------------------|
| | 31.12.2020 | 31.12.2019 |
| | VND | VND |
| Deferred corporate tax (income) | (3,875,366,641) | (1,946,486,540) |
| Change of eliminated entries of consolidation | <u>154,634,013</u> | <u>22,448,250</u> |
| | <u>(3,720,732,628)</u> | <u>(1,924,038,290)</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/year, excluding ordinary shares repurchased by the Group and held as treasury shares.

| | Fiscal year ended | |
|--|------------------------|------------------------|
| | 31.12.2020 | 31.12.2019 |
| | VND | VND |
| Net profit attributable to shareholders (VND) | 739,874,900,345 | 635,388,096,114 |
| The estimated amount appropriated to bonus and welfare funds (*) | (28,196,247,010) | (25,061,642,883) |
| | <u>711,678,653,335</u> | <u>610,326,453,231</u> |
| Weighted average number of ordinary shares currently in circulation (shares) | 130,746,071 | 130,746,071 |
| Basic earnings per share (VND) | 5,443 | 4,668 |

(*) 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 year ended | |
|--|-------------------|---------------|
| | 31.12.2020 | 31.12.2019 |
| | VND | VND |
| Minimum lease payment under operating leases recognized in the income statement for the period | 5,436,028,382 | 5,323,267,288 |

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

| | Land lease | |
|--------------------------------------|------------------------|------------------------|
| | 31.12.2020 | 31.12.2019 |
| | VND | VND |
| Within one year | 5,422,028,378 | 5,422,028,378 |
| In the first to fifth year inclusive | 21,688,113,512 | 21,688,113,512 |
| After five years | 99,224,658,019 | 104,737,053,537 |
| | <u>126,334,799,909</u> | <u>131,847,195,427</u> |

b) Capital commitment

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

| | 31.12.2020 | 31.12.2019 |
|---|-----------------------|----------------------|
| | VND | VND |
| Approved but not contracted | 67,429,673,077 | 1,298,265,181 |
| Approved and contracted but not implemented | 11,687,315,314 | 4,898,999,936 |
| | <u>79,116,988,391</u> | <u>6,197,265,117</u> |

38 TRANSACTIONS WITH RELATED PARTIES

List of related parties:**Related party**

Vinh Hao Spirulina Algae Corporation (*)
 Taisho Pharmaceutical Co., Ltd. ("Taisho")
 The State Capital Investment Corporation ("SCIC")
 Hoe Pharmaceuticals Sdn Bhd
 Taisho Pharmaceutical (Taiwan) Co., Ltd.
 Taisho Viet Nam Co.,Ltd.

Relationship

Associate
 Major shareholder
 Major shareholder
 Taisho's subsidiary
 Taisho's subsidiary
 Taisho's subsidiary

(*) On October 7, 2020, the Company signed a contract to transfer all the shares capital of Vinh Hao Spirulina Algae Corporation to external partner.

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

| | Fiscal year ended | |
|--|--------------------------|-------------------|
| | 31.12.2020 | 31.12.2019 |
| | VND | VND |
| Sales of goods and provision of services | | |
| Hoe Pharmaceuticals Sdn Bhd | - | 3,356,406,686 |
| Taisho Pharmaceuticals (Taiwan) Co., Ltd. | 3,340,734,339 | - |
| Taisho Viet Nam Co.,Ltd. | 3,203,751,040 | - |
| Purchases of goods and services | | |
| Associate | | |
| Vinh Hao Spirulina Algae Corporation | 1,558,291,200 | 2,633,183,600 |
| Support for products development received | | |
| Taisho Pharmaceutical Co., Ltd | - | 1,026,346,453 |
| Capital recovery of investment in associates | | |
| Vinh Hao Spirulina Algae Corporation | 3,787,450,000 | - |
| 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 | 16,625,916,297 | 22,310,288,363 |
| Period/year end balances with related parties | | |
| | 31.12.2020 | 31.12.2019 |
| | VND | VND |
| Trade receivables | | |
| Hoe Pharmaceuticals Sdn.Bhd | - | 1,619,576,532 |
| Taisho Viet Nam Co.,Ltd. | 1,576,719,144 | - |



39 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

a. Non-cash transaction affecting the cash flow statement

| | Fiscal year ended | |
|---|-------------------|-------------------|
| | 31.12.2020 VND | 31.12.2019 VND |
| Appropriation to reserves from profit | 112,403,812,114 | 193,477,782,318 |
| Transfer from construction in progress to tangible fixed assets | 43,149,564,728 | 40,747,562,248 |
| Transfer from construction in progress to intangible fixed assets | 4,860,648,222 | - |
| Transfer from construction in progress to prepaid expenses | 1,301,454,975 | 244,300,000 |
| Transfer from intangible fixed assets to investment properties | - | 19,504,018,150 |
| Accrued interest payables | 78,311,109 | 327,951,231 |
| Interest earned and dividends which have not been received | 40,494,673,974 | 39,427,941,088 |

b. Proceed from borrowings

| | Fiscal year ended | |
|--|-------------------|-------------------|
| | 31.12.2020 VND | 31.12.2019 VND |
| Proceed from borrowings under normal contracts | 987,369,688,755 | 1,916,023,391,699 |

c. Repayment of borrowings

| | Fiscal year ended | |
|---|-------------------|-------------------|
| | 31.12.2020 VND | 31.12.2019 VND |
| Repayment of borrowings under normal contract | 1,039,765,021,061 | 2,209,257,867,364 |



Tran Ngoc Hien
Preparer



Ho Bui Huan
Chief Accountant



Masashi Nakaura
General Director
19 January 2021