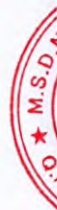


DHG PHARMACEUTICAL JOINT STOCK COMPANY

**INTERIM SEPARATE FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED 30 SEPTEMBER 2021**



DHG PHARMACEUTICAL JOINT STOCK COMPANY

**INTERIM SEPARATE FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED 30 SEPTEMBER 2021**

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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. Do Le Hung Mr. Phan Minh Tien Ms. Nguyen Thi Viet Thanh	Chairwoman Member Member Member Member Member Member (resigned from 19 April 2021) Member (appointed from 19 April 2021)
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 (resigned from 04 July 2021)
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	

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DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 01 – DN

INTERIM SEPARATE BALANCE SHEET

Codes	ASSETS	Notes	As at 30.09.2021	As at 31.12.2020
			VND	VND
100	CURRENT ASSETS		3,630,524,108,944	3,475,797,124,506
110	Cash and cash equivalents	4	56,368,429,705	68,051,723,905
111	Cash		56,368,429,705	68,051,723,905
120	Short-term financial investments	5	2,250,000,000,000	2,074,000,000,000
123	Held-to-maturity investments		2,250,000,000,000	2,074,000,000,000
130	Short-term receivables		366,612,779,178	496,020,199,824
131	Trade receivables	6	312,443,708,657	414,158,635,702
132	Advances to suppliers		34,033,408,884	69,081,209,633
135	Short-term loan receivables	7	270,872,204	380,542,458
136	Other short-term receivables	8	69,617,406,633	63,309,022,728
137	Provision for doubtful debts	9	(49,752,617,200)	(50,909,210,697)
140	Inventories	10	940,492,172,402	826,585,429,976
141	Inventories		941,880,487,769	827,650,041,659
149	Provision for devaluation of inventories		(1,388,315,367)	(1,064,611,683)
150	Other short-term assets		17,050,727,659	11,139,770,801
151	Short-term prepayments	11	12,170,571,310	4,042,674,685
152	Value added tax deductibles		4,880,156,349	7,078,253,656
153	Taxes and other receivables from the State budget	12	-	18,842,460
200	NON-CURRENT ASSETS		905,139,696,852	966,974,205,664
210	Long-term receivables		642,061,880	244,240,000
216	Other long-term receivables		642,061,880	244,240,000
220	Fixed assets		786,489,944,536	845,372,226,657
221	Tangible fixed assets	13	579,714,222,671	635,287,762,316
222	Cost		1,392,812,582,404	1,395,646,660,192
223	Accumulated depreciation		(813,098,359,733)	(760,358,897,876)
227	Intangible fixed assets	14	206,775,721,865	210,084,464,341
228	Cost		252,779,142,186	252,779,142,186
229	Accumulated amortization		(46,003,420,321)	(42,694,677,845)
230	Investment properties	15	14,740,842,485	14,999,958,848
231	Cost		17,304,956,819	17,304,956,819
232	Accumulated depreciation		(2,564,114,334)	(2,304,997,971)
240	Long-term assets in progress	16	66,510,707,010	66,472,781,314
242	Construction in progress		66,510,707,010	66,472,781,314
250	Long-term financial investments	5	7,893,015,293	8,621,437,680
251	Investments in subsidiary		13,742,460,000	13,742,460,000
253	Equity investments in other entities		24,108,379,057	24,282,104,800
254	Provision for impairment of long-term financial investments		(29,957,823,764)	(29,403,127,120)
260	Other long-term assets		28,863,125,648	31,263,561,165
261	Long-term prepayments	11	12,243,647,875	15,232,901,753
262	Deferred tax assets	17	16,619,477,773	16,030,659,412
270	TOTAL ASSETS		4,535,663,805,796	4,442,771,330,170

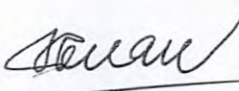
DHG PHARMACEUTICAL JOINT STOCK COMPANY

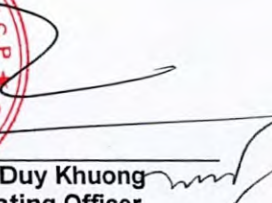
Form B 01 – DN

INTERIM SEPARATE BALANCE SHEET (cont.)

Codes	RESOURCES	Notes	As at 30.09.2021 VND	As at 31.12.2020 VND
300	LIABILITIES		916,149,780,014	878,652,181,871
310	Current liabilities		853,073,172,791	815,621,370,458
311	Short-term trade payables	18	160,274,286,642	252,270,552,909
312	Short-term advances from customers		22,058,792,447	20,694,112,030
313	Taxes and amounts payable to the State budget	12	35,522,426,577	38,150,477,839
314	Payables to employees		136,379,986,261	155,266,843,391
315	Short-term accrued expenses	19	27,858,343,806	38,817,541,041
318	Unearned revenue	20	59,561,058,528	49,532,335,735
319	Other current payables	21	3,511,801,171	1,583,049,307
320	Short-term loans	22	366,866,920,907	212,271,519,448
322	Bonus and welfare funds	23	41,039,556,452	47,034,938,758
330	Long-term liabilities		63,076,607,223	63,030,811,413
342	Long-term provisions	24	52,716,944,628	50,102,720,849
343	Science and technology development fund	25	10,359,662,595	12,928,090,564
400	EQUITY		3,619,514,025,782	3,564,119,148,299
410	Owner's equity	26	3,619,514,025,782	3,564,119,148,299
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		1,668,641,014,030	1,479,946,644,695
421	Retained earnings		636,633,353,752	769,932,845,604
421a	- Retained earnings accumulated to the prior year end		30,057,945,259	29,581,625,459
421b	- Retained earnings of the current period		606,575,408,493	740,351,220,145
440	TOTAL RESOURCES		4,535,663,805,796	4,442,771,330,170


Tran Ngoc Hien
Preparer


Ho Bui Huan
Chief Accountant


Doan Dinh Duy Khuong
Chief Operating Officer
20 October 2021



DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 02 – DN

INTERIM SEPARATE INCOME STATEMENT

Codes	Notes	For the 3-month period ended		For the 9-month period ended		
		30.09.2021 VND	30.09.2020 VND	30.09.2021 VND	30.09.2020 VND	
01	Gross revenue from goods sold and services rendered	28	1,054,390,435,519	972,225,445,213	3,269,344,789,690	2,808,083,048,359
02	Deductions	28	109,940,691,832	107,188,670,600	359,681,630,419	264,297,913,826
10	Net revenue from goods sold and services rendered	28	944,449,743,687	865,036,774,613	2,909,663,159,271	2,543,785,134,533
11	Cost of sales	29	485,325,463,264	467,942,009,021	1,536,825,043,100	1,301,822,602,975
20	Gross profit		459,124,280,423	397,094,765,592	1,372,838,116,171	1,241,962,531,558
21	Financial income	30	30,635,163,519	34,703,924,445	94,276,941,519	108,555,932,791
22	Financial expenses	31	24,234,393,008	24,192,494,479	75,062,434,516	72,679,219,462
23	<i>In which: Interest expense</i>		3,934,061,470	4,829,749,609	10,212,652,277	10,841,821,030
25	Selling expenses	32	179,774,468,776	149,947,970,220	522,391,081,675	465,807,979,256
26	General and administrative expenses	32	62,616,413,328	67,567,078,832	183,308,535,993	218,174,676,423
30	Operating profit		223,134,168,830	190,091,146,506	686,353,005,506	593,856,589,208
31	Other income	33	188,349,690	3,323,517,726	1,332,808,379	5,397,058,415
32	Other expenses	33	1,313,450,350	6,449,450,127	11,709,823,241	10,560,329,234
40	Losses from other activities		(1,125,100,660)	(3,125,932,401)	(10,377,014,862)	(5,163,270,819)
50	Accounting profit before tax		222,009,068,170	186,965,214,105	675,975,990,644	588,693,318,389
51	Current corporate income tax expense	35	20,975,439,797	20,815,311,404	69,989,400,512	59,704,730,147
52	Deferred corporate tax income	35	(139,075,479)	(176,677,278)	(588,818,361)	(827,880)
60	Net profit after corporate income tax		201,172,703,852	166,326,579,979	606,575,408,493	528,989,416,122

Tran Ngoc Hien

Tran Ngoc Hien
Preparer

Hu Huan

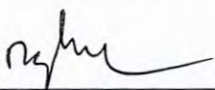
Ho Bui Huan
Chief Accountant

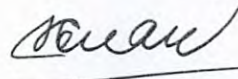


Doan Dinh Duy Khuong
Chief Operating Officer
20 October 2021

INTERIM SEPARATE CASH FLOW STATEMENT
(Indirect method)

Codes	Notes	Fiscal period ended		
		30.09.2021 VND	30.09.2020 VND	
I.	CASH FLOWS FROM OPERATING ACTIVITIES			
1.	Profit before tax	01	675,975,990,644	588,693,318,389
2.	Adjustment for:			
	Depreciation and amortization of fixed assets and investment properties	02	63,280,318,478	66,600,722,057
	Provisions	03	3,055,475,860	70,099,312
	Foreign exchange gains arising from translating foreign currency items	04	(358,158,678)	(99,163,553)
	Gain from investing activities	05	(80,886,759,445)	(107,720,049,054)
	Interest expense	06	10,212,652,277	10,841,821,030
3.	Operating profit before movements in working capital	08	<u>671,279,519,136</u>	<u>558,386,748,181</u>
	Changes in receivables	09	136,562,968,904	154,805,007,833
	Changes in inventories	10	(114,230,446,110)	(150,388,704,025)
	Changes in payables	11	(116,319,899,948)	(1,278,952,811)
	Changes in prepaid expenses	12	(4,335,183,441)	9,535,256,357
	Interest paid	14	(9,993,649,115)	(11,007,772,262)
	Corporate income tax paid	15	(63,637,618,961)	(45,840,918,985)
	Other cash outflows	17	(32,330,340,111)	(33,236,178,228)
	Net cash generated by operating activities	20	<u>466,995,350,354</u>	<u>480,974,486,060</u>
II.	CASH FLOWS FROM INVESTING ACTIVITIES			
1.	Acquisition and construction of fixed assets and other long-term assets	21	(19,809,360,544)	(39,735,143,044)
2.	Proceeds from sale, disposal of fixed assets and other long-term assets	22	2,089,272,726	3,704,283,635
3.	Cash outflow for lending, buying debt instruments of other entities	23	(2,485,000,000,000)	(2,323,000,000,000)
4.	Cash recovered from lending, selling debt instruments of other entities	24	2,309,109,670,254	2,283,042,651,065
5.	Cash recovered from investments and capital contributions in other entities	26	84,720,000	3,484,361,500
6.	Interest earned, dividends and profits received	27	83,254,554,508	107,232,291,866
	Net cash (used in)/ generated by investing activities	30	<u>(110,271,143,056)</u>	<u>34,728,445,022</u>
III.	CASH FLOWS FROM FINANCING ACTIVITIES			
1.	Proceeds from borrowings	33	663,292,902,265	775,098,169,307
2.	Repayment of borrowings	34	(508,697,500,806)	(524,765,021,061)
3.	Dividends and profits paid	36	(522,984,284,000)	(522,984,284,000)
	Net cash used in financing activities	40	<u>(368,388,882,541)</u>	<u>(272,651,135,754)</u>
	Net (decrease)/ increase in cash	50	<u>(11,664,675,243)</u>	<u>243,051,795,328</u>
	Cash and cash equivalents at the beginning of the year	60	68,051,723,905	66,489,589,298
	Effects of changes in foreign exchange rates	61	(18,618,957)	18,824,533
	Cash and cash equivalents at the end of the period/ year	70	<u>56,368,429,705</u>	<u>309,560,209,159</u>


Tran Ngoc Hien
Preparer


Ho Bui Huan
Chief Accountant


ĐOÀN ĐÌNH DUY KHUÔNG
Chief Operating Officer
20 October 2021

**NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED 30 SEPTEMBER 2021**

1 GENERAL INFORMATION

Structure of ownership

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/QD-CT.UB dated 5 August 2004 issued by the People's Committee of Can Tho City. The Company was officially incorporated as a joint stock company under the Business Registration Certificate No.5703000111 dated 15 September 2004 issued by the Department of Planning and Investment of Can Tho City with the initial charter capital of VND 80,000,000,000.

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

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 Company as at 30 September 2021 was 2,668 (as at 31 December 2020: 2,711).

Operating industry and principal activities

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

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

The Company's structure

As at 30 September 2021 and 31 December 2020, the Company's subsidiary was 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%

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 assets for the dissolution of this company. As at the date of these financial statements, the Company is implementing the procedures to dissolve Fuji Medic.

Normal production and business cycle

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

1 GENERAL INFORMATION (cont.)**Disclosure of information comparability in the separate financial statements**

The comparative figures on the balance sheet are the figures of the audited separated financial statements for the fiscal year ended 31 December 2020. The comparative figures on the income statement and cash flow statement are the figures of the interim separated financial statements for the fiscal period ended 30 September 2020.

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

The separate 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 financial reporting.

The separate financial statements are prepared solely to present the separate financial position of the Company as at 30 September 2021, and its separate results of operations and cash flows for the fiscal period ended 30 September 2021. Therefore, the Company did not consolidate its investments in subsidiary in these separate financial statements. The investments of the Company are recorded under the Company's policy and are presented in Note 3 as below.

The separate 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 Company'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 Company in the preparation of the separate financial statements, are as follows:

Estimates

The preparation of separate 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 separate 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.

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, highly liquid investments that are 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 Company's Board of Management has the positive intent or ability to hold to maturity.

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)***Held-to-maturity investments***

Held-to-maturity investments include term deposits to earn periodic interest (except for term deposits presented in Note "Cash and cash equivalents") for the purpose of earning annual interest. 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. Provision for loan receivables is made in accordance with prevailing accounting regulations.

Investments in subsidiary***Investment in subsidiary***

A subsidiary is an entity over which the Company has control. Control is achieved when the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Interests in subsidiary are initially recognized at cost. The Company's share of the net profit of the investee after acquisition is recognized in the separate income statement. Other distributions received other than such profit share are deducted from the cost of the investments as recoverable amounts.

Investments in subsidiary are carried in the separate balance sheet at cost less provision for impairment of such investments (if any). Provisions for impairment of investments in subsidiary and associate are made in accordance with Circular No. 48/2019/TT-BTC dated 08 August 2019 issued by the Ministry of Finance on "Guiding the appropriation and use of provisions for devaluation of inventories, loss of financial investments, bad debts and warranty for products, goods, service and construction works at enterprises".

Equity investments in other entities

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

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

Receivables

Receivables represent the amounts recoverable from customers or other debtors. Receivables 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.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**Inventories**

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 separate 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 separate income statement.

LeasesThe Company 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 Company 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 separate 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 land use rights and computer software that are stated at cost less accumulated amortization.

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

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**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 Company'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 separate income statement using the straight-line method over the lease term.

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

Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company 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 separate balance sheet date.

Severance allowance payable

The severance allowance for employees is accrued at the end of each reporting period for all employees having worked at the Company 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 six consecutive months nearest to the date of the financial statements at the end of each fiscal year. The increase or decrease in the accrued amount shall be recorded in the income statement.

Provision for dismantling and restoration costs

In accordance with Circular 200/2014/TT-BTC issued by the Ministry of Finance, since 1 January 2015, the Company is required to provide for dismantling and restoration costs of the Company'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 Company 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 Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the Company 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 Company; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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

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

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

Dividend income from investments is recognized when the Company'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 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 separate financial statements are recorded as deduction of revenue of the 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 revenue of goods sold and services rendered.

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

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3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 Company does not act as an agent of the third party, the unearned revenue is realized into the revenue of goods sold and services rendered at the time that third party provides the free or discounted goods and services to customers. If the Company acts as an agent of the third party, the Company 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 payable to the third party is settlement for payable.

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 separate 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 profit for the period. Taxable profit differs from profit before tax as reported in the separate 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 separate financial statements and the corresponding tax bases used in the computation of taxable profit 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 profit will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply during the year when the liability is settled or the asset realized. Deferred tax is charged or credited to the separate 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 Company 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.

Final dividends are declared and paid from retained earnings based on the approval of shareholders at the Annual General Meeting of Shareholders.

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

Appropriation of the Company's net profit after tax of 2020 was approved by shareholders at the Company's Annual General Meeting as follows:

- Dividends declared for 2020: 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

	30.09.2021 VND	31.12.2020 VND
Cash on hand	9,997,910,500	9,061,709,500
Demand deposits	37,370,519,205	58,990,014,405
Cash in transit	9,000,000,000	-
	<u>56,368,429,705</u>	<u>68,051,723,905</u>

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

	30.09.2021		31.12.2020	
	Cost VND	Book value VND	Cost VND	Book value VND
Term deposits	<u>2,250,000,000,000</u>	<u>2,250,000,000,000</u>	<u>2,074,000,000,000</u>	<u>2,074,000,000,000</u>

(b) Long-term financial investments

	30.09.2021		31.12.2020	
	Cost VND	Provision VND	Cost VND	Provision VND
Investments in subsidiary (*)	13,742,460,000	(10,479,444,707)	13,742,460,000	(9,508,542,320)
Equity investments in other entities (**)	<u>24,108,379,057</u>	<u>(19,478,379,057)</u>	<u>24,282,104,800</u>	<u>(19,894,584,800)</u>
	<u>37,850,839,057</u>	<u>(29,957,823,764)</u>	<u>38,024,564,800</u>	<u>(29,403,127,120)</u>

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

	30.09.2021 VND	31.12.2020 VND
Fuji Medic Limited Liability Company	<u>13,742,460,000</u>	<u>13,742,460,000</u>
	<u>13,742,460,000</u>	<u>13,742,460,000</u>

5 FINANCIAL INVESTMENTS (cont.)
(b) Long-term financial investments (cont.)

(**) Equity investments in other entities:

	30.09.2021 VND	31.12.2020 VND
ATP Packaging Joint Stock Company	20,000,000,000	20,000,000,000
Enlie Pharmaceutical Joint Stock Company	4,108,379,057	4,282,104,800
	<u>24,108,379,057</u>	<u>24,282,104,800</u>

The provision balance as at 30 September 2021 and 31 December 2020 represents the provision for long-term investments in the following other entities:

	30.09.2021 VND	31.12.2020 VND
Fuji Medic Limited Liability Company	10,479,444,707	9,508,542,320
ATP Packaging Joint Stock Company	17,400,000,000	17,400,000,000
Enlie Pharmaceutical Joint Stock Company	2,078,379,057	2,494,584,800
	<u>29,957,823,764</u>	<u>29,403,127,120</u>

6 SHORT-TERM TRADE RECEIVABLES

	30.09.2021 VND	31.12.2020 VND
Receivables from related parties (Note 37)	-	1,576,719,144
Receivables from third parties	312,443,708,657	412,581,916,558
	<u>312,443,708,657</u>	<u>414,158,635,702</u>

As at 30 September 2021 and 31 December 2020, there was no single trade receivable from third parties accounting for 10% or more of total trade receivables.

7 LOAN RECEIVABLES

Short-term loan receivables	30.09.2021 VND	31.12.2020 VND
Loan receivables from customers	270,872,204	380,542,458
	<u>270,872,204</u>	<u>380,542,458</u>

8 OTHER SHORT-TERM RECEIVABLES

	30.09.2021 VND	31.12.2020 VND
Accruals of interest income	44,777,736,993	40,494,673,974
Receivable from employees	21,164,106,655	18,314,170,360
Other receivables	3,675,562,985	4,500,178,394
	<u>69,617,406,633</u>	<u>63,309,022,728</u>



9 BAD DEBTS

	30.09.2021		
	Cost VND	Recoverable amount VND	Provision VND
Total amount of receivables and loan receivables past due or not past due but impaired	110,276,051,479	60,523,434,279	(49,752,617,200)

	31.12.2020		
	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)

As at 30 September 2021 and 31 December 2020, 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 30.09.2021 VND	Fiscal year ended 31.12.2020 VND
Opening balance	50,909,210,697	55,217,383,646
Additional provision in the period/year	1,664,157,622	-
Reversal of provision in the period/year	-	(1,449,056,292)
Write off in the period/ year	(2,820,751,119)	(2,859,116,657)
Closing balance	49,752,617,200	50,909,210,697

10 INVENTORIES

	30.09.2021		31.12.2020	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	101,745,505,366	-	121,226,935,043	-
Raw materials	542,689,147,981	-	302,896,326,728	-
Work in progress	38,517,965,026	-	54,939,723,503	-
Finished goods	225,983,208,065	(1,388,315,367)	302,980,473,638	(1,064,611,683)
Merchandise	32,944,661,331	-	45,606,582,747	-
	941,880,487,769	(1,388,315,367)	827,650,041,659	(1,064,611,683)

10 INVENTORIES (cont.)

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

	Fiscal period ended 30.09.2021 VND	Fiscal year ended 31.12.2020 VND
Opening balance	1,064,611,683	1,091,103,288
Additional provision in the period/year	323,703,684	-
Reversal of provision in the period/year	-	(26,491,605)
Closing balance	<u>1,388,315,367</u>	<u>1,064,611,683</u>

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

As at 30 September 2021 and 31 December 2020, the Company did not have any slow moving, damaged or sub-standard inventories.

11 PREPAYMENTS

Short-term prepayments

	30.09.2021 VND	31.12.2020 VND
Prepayment related to operating lease	2,445,356,792	715,600,001
Others	9,725,214,518	3,327,074,684
	<u>12,170,571,310</u>	<u>4,042,674,685</u>

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

Long-term prepayments

	30.09.2021 VND	31.12.2020 VND
Tools and supplies	4,438,302,381	7,257,962,228
Others	7,805,345,494	7,974,939,525
	<u>12,243,647,875</u>	<u>15,232,901,753</u>

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

Movements in long-term prepayments were as follows:

	Fiscal period ended 30.09.2021 VND	Fiscal year ended 31.12.2020 VND
Opening balance	15,232,901,753	27,575,362,385
Increase in the period/year	6,189,469,355	11,378,280,826
Deduction of land rental in Tra Noc Industrial Zone due to return of land	-	(4,353,775,928)
Allocation in the period/year	<u>(9,178,723,233)</u>	<u>(19,366,965,530)</u>
Closing balance	<u>12,243,647,875</u>	<u>15,232,901,753</u>

DHG PHARMACEUTICAL JOINT STOCK COMPANY

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

	Opening balance	Payable during the period/year	Other payables during the period/year	Paid during the period/year	Closing balance
	VND	VND	VND	VND	VND
Output value added tax	14,606,561,461	63,191,283,134	-	(69,380,510,297)	8,417,334,298
Value added tax for import goods	(18,842,460)	42,943,473,749	-	(42,924,631,289)	-
Import and export duties	-	7,994,558,912	-	(7,994,558,912)	-
Corporate income tax	14,623,658,246	69,989,400,512	13,400,000	(63,637,618,961)	20,988,839,797
Personal income tax	8,920,258,132	33,973,678,839	-	(40,315,903,059)	2,578,033,912
Land rental fee, land use tax	-	7,299,601,798	-	(3,761,383,228)	3,538,218,570
Other taxes	-	386,575,276	-	(386,575,276)	-
	<u>38,131,635,379</u>	<u>225,778,572,220</u>	<u>13,400,000</u>	<u>(228,401,181,022)</u>	<u>35,522,426,577</u>
In which:					
Tax receivables	18,842,460				-
Tax payables	38,150,477,839				35,522,426,577



DHG PHARMACEUTICAL JOINT STOCK COMPANY

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13 TANGIBLE FIXED ASSETS

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
Cost					
As at 01 January 2021	528,464,444,217	646,198,932,246	148,257,660,772	72,725,622,957	1,395,646,660,192
Transfer from construction in progress (Note 16)	-	17,064,108,597	-	124,806,363	17,188,914,960
Disposals	-	(16,380,000,000)	(3,642,992,748)	-	(20,022,992,748)
As at 30 September 2021	528,464,444,217	646,883,040,843	144,614,668,024	72,850,429,320	1,392,812,582,404
Accumulated depreciation					
As at 01 January 2021	238,387,732,775	352,861,291,822	103,391,350,768	65,718,522,511	760,358,897,876
Charge for the period/ year	20,753,246,331	34,730,642,403	6,435,292,997	2,222,995,082	64,142,176,813
Disposals	-	(7,800,525,240)	(3,602,189,716)	-	(11,402,714,956)
As at 30 September 2021	259,140,979,106	379,791,408,985	106,224,454,049	67,941,517,593	813,098,359,733
Net book value					
As at 01 January 2021	290,076,711,442	293,337,640,424	44,866,310,004	7,007,100,446	635,287,762,316
As at 30 September 2021	269,323,465,111	267,091,631,858	38,390,213,975	4,908,911,727	579,714,222,671

As at 30 September 2021, the cost of tangible fixed assets included VND was VND 297,031,280,410 (as at 31 December 2020: VND 279,535,717,069) of assets which were fully depreciated but are still in active use.

DHG PHARMACEUTICAL JOINT STOCK COMPANY

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14 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 2021	88,314,253,166	143,434,719,993	21,030,169,027	252,779,142,186
As at 30 September 2021	88,314,253,166	143,434,719,993	21,030,169,027	252,779,142,186
Accumulated amortization				
As at 01 January 2021	-	26,771,173,416	15,923,504,429	42,694,677,845
Charge for the period/year	-	2,253,697,578	1,055,044,898	3,308,742,476
As at 30 September 2021	-	29,024,870,994	16,978,549,327	46,003,420,321
Net book value				
As at 01 January 2021	88,314,253,166	116,663,546,577	5,106,664,598	210,084,464,341
As at 30 September 2021	88,314,253,166	114,409,848,999	4,051,619,700	206,775,721,865

As at 30 September 2021, the cost of intangible fixed assets included VND 16,169,520,805 (as at 31 December 2020: VND 6,793,449,005) of assets which were fully amortized but are still in use.

15 INVESTMENT PROPERTIES

	Buildings and land use rights VND
Cost	
As at 01 January 2021	17,304,956,819
As at 30 September 2021	17,304,956,819
Accumulated depreciation	
As at 01 January 2021	2,304,997,971
Charge for the period/ year	259,116,363
As at 30 September 2021	2,564,114,334
Net book value	
As at 01 January 2021	14,999,958,848
As at 30 September 2021	14,740,842,485

As at 30 September 2021 and 31 December 2020, 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

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16 LONG-TERM ASSETS IN PROGRESS

	30.09.2021 VND	31.12.2020 VND
Construction of office and auxiliary works at DHG Pharmaceutical Plant Branch in Hau Giang	15,174,618,400	11,893,304,222
Construction of Gia Lai branch office	3,473,948,774	623,948,774
Renovating offices	1,962,192,771	466,766,087
Purchasing machineries	33,068,187,503	47,082,949,014
REB product project	3,023,551,375	2,983,810,627
CTP product project	202,029,350	202,029,350
BUD product project	1,293,522,895	1,293,522,895
PGT product project	-	148,231,359
Investment for the expansion of DHG Pharmaceutical Plant and DHG Printing and Packaging Plant	8,312,655,942	1,778,218,986
	<u>66,510,707,010</u>	<u>66,472,781,314</u>

Movements of construction in progress in the period/year:

	Fiscal period ended 30.09.2021 VND	Fiscal year ended 31.12.2020 VND
Opening balance	66,472,781,314	28,927,855,544
Purchases	19,809,360,544	88,805,051,465
Transfer to tangible fixed assets (Note 13)	(17,188,914,960)	(43,149,564,728)
Transfer to intangible fixed assets (Note 14)	-	(4,860,648,222)
Transfer to prepayments	(803,459,306)	(1,301,454,975)
Transfer to expenses in the period/year	(1,779,060,582)	(1,948,457,770)
Closing balance	<u>66,510,707,010</u>	<u>66,472,781,314</u>

17 DEFERRED TAX ASSETS

	30.09.2021 VND	31.12.2020 VND
Corporate income tax rates used for determination of value of deferred tax assets	20%	20%
Deductible temporary differences of provisions	83,097,388,865	80,153,297,060
Deferred tax assets	<u>16,619,477,773</u>	<u>16,030,659,412</u>

Movements of deferred tax assets in the period/year were as follows:

	Fiscal period ended 30.09.2021 VND	Fiscal year ended 31.12.2020 VND
Opening balance	16,030,659,412	12,303,891,026
Increase in deferred tax assets	633,784,084	3,875,366,641
Change of eliminated entry of fixed assets	(44,965,723)	(148,598,255)
Closing balance	<u>16,619,477,773</u>	<u>16,030,659,412</u>

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18 SHORT-TERM TRADE PAYABLES

	30.09.2021		31.12.2020	
	Amount VND	Amount able to be paid off VND	Amount VND	Amount able to be paid off VND
Third parties (*)	160,274,286,642	160,274,286,642	252,270,552,909	252,270,552,909
	<u>160,274,286,642</u>	<u>160,274,286,642</u>	<u>252,270,552,909</u>	<u>252,270,552,909</u>

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

	30.09.2021 VND	31.12.2020 VND
KHS Synchemica Corp.	18,546,203,700	8,074,641,300
Apc Pharmaceuticals and Chemical Limited	6,944,739,984	8,440,469,074
Centrient Pharmaceuticals India Private Limited	12,738,735,000	17,768,761,000
Centrient Pharmaceuticals Netherlands B.V	-	53,966,749,750

As at 30 September 2021 and 31 December 2020, there was no balance of short-term trade payables that were past due.

19 SHORT-TERM ACCRUED EXPENSES

	30.09.2021 VND	31.12.2020 VND
Interest payable	297,314,271	78,311,109
Payment discount	9,197,677,582	8,153,790,426
Other accruals	18,363,351,953	30,585,439,506
	<u>27,858,343,806</u>	<u>38,817,541,041</u>

20 SHORT-TERM UNEARNED REVENUE

	30.09.2021 VND	31.12.2020 VND
Unearned revenue from customer loyalty programs (Note 3)	59,561,058,528	49,532,335,735

21 OTHER SHORT-TERM PAYABLES

	30.09.2021 VND	31.12.2020 VND
Union fee	552,204,885	548,081,634
Others	2,959,596,286	1,034,967,673
	<u>3,511,801,171</u>	<u>1,583,049,307</u>

22 SHORT-TERM LOANS

	30.09.2021		31.12.2020	
	Amount VND	Amount able to be paid off VND	Amount VND	Amount able to be paid off VND
Loans from banks	366,866,920,907	366,866,920,907	212,271,519,448	212,271,519,448
	<u>366,866,920,907</u>	<u>366,866,920,907</u>	<u>212,271,519,448</u>	<u>212,271,519,448</u>

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

	As at 01.01.2021 VND	Increases VND	Decreases VND	As at 30.09.2021 VND
Loans from banks (*)	212,271,519,448	783,492,902,265	(628,897,500,806)	366,866,920,907
	<u>212,271,519,448</u>	<u>783,492,902,265</u>	<u>(628,897,500,806)</u>	<u>366,866,920,907</u>

(*) These loans bear interests at the rates ranging from 0.18% to 0.29% per month (in 2020: from 0.28% to 0.47% per month).

As at 30 September 2021 and 31 December 2020, there was no short-term loan that was past due.

23 BONUS AND WELFARE FUNDS

The funds are established through appropriation from retained earnings upon approval of shareholders at the Company's Annual General Meetings ("AGM"). The funds are used to pay bonus and welfare to the Company's employees in accordance with the Company's bonus and welfare policies and 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	Bonus fund for the Board of Directors VND	Welfare fund in form of assets VND	Total VND
Opening balance	30,289,675,309	4,350,961,280	12,394,302,169	47,034,938,758
Appropriation to the funds in the period/year	22,196,247,010	6,000,000,000	-	28,196,247,010
Depreciation of assets formed from the funds	-	-	(1,861,289,205)	(1,861,289,205)
Utilization	(24,855,247,415)	(7,475,092,696)	-	(32,330,340,111)
Closing balance	<u>27,630,674,904</u>	<u>2,875,868,584</u>	<u>10,533,012,964</u>	<u>41,039,556,452</u>

24 LONG-TERM PROVISIONS

	Provision for dismantling and restoration cost VND	Severance allowance VND	Total VND
Opening balance	23,427,211,309	26,675,509,540	50,102,720,849
Additional provision in the period/year	2,953,267,614	380,401,415	3,333,669,029
Utilization of provisions	-	(719,445,250)	(719,445,250)
Closing balance	<u>26,380,478,923</u>	<u>26,336,465,705</u>	<u>52,716,944,628</u>

25 SCIENCE AND TECHNOLOGY DEVELOPMENT FUNDS

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

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

	Science and technology development fund in form of assets VND
Opening balance	12,928,090,564
Depreciation of assets formed from the funds	<u>(2,568,427,969)</u>
Closing balance	<u>10,359,662,595</u>

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 09 – DN

26 OWNER'S EQUITY

Movements in owners' equity

	Owner's contributed capital VND	Share premium VND	Investment and development fund VND	Retained earnings VND	Total VND
Balance as at 01 January 2020	1,307,460,710,000	6,778,948,000	1,392,604,475,464	664,969,721,573	3,371,813,855,037
Net profit for the year	-	-	-	740,351,220,145	740,351,220,145
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)
Balance as at 31 December 2020	1,307,460,710,000	6,778,948,000	1,479,946,644,695	769,932,845,604	3,564,119,148,299
Net profit for the period/year	-	-	-	606,575,408,493	606,575,408,493
Dividends for 2020	-	-	-	(522,984,284,000)	(522,984,284,000)
Fund distribution	-	-	188,694,369,335	(188,694,369,335)	-
Appropriation to bonus and welfare funds	-	-	-	(22,196,247,010)	(22,196,247,010)
Appropriation to bonus fund for the Board of Directors	-	-	-	(6,000,000,000)	(6,000,000,000)
Balance as at 30 September 2021	1,307,460,710,000	6,778,948,000	1,668,641,014,030	636,633,353,752	3,619,514,025,782

26 OWNER'S EQUITY (cont.)

Charter capital

	30.09.2021		31.12.2020	
	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 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. 001/2021/NQ.ĐHĐCĐ dated 19 April 2021, the General Meeting of Shareholders of the Company approved payment of dividends from profit after tax of 2020 at 40% in cash, equivalent to VND 522,984,284,000. On 18 May 2021, the Company paid all the dividends of the year 2020.

Fund distribution

According to Resolution of the Annual General Meeting of Shareholders No. 001/2021/NQ.ĐHĐCĐ dated 19 April 2021, the General Meeting of Shareholders of the Company approved the appropriation to bonus and welfare fund of employees from profit after tax of 2020 at the rate of 3%, equivalent to the amount of VND 22,196,247,010, and also deducted 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 2020 is distributed to the Investment and Development Fund.

27 OFF BALANCE SHEET ITEMS

Foreign currencies

	30.09.2021	31.12.2020
United states Dollar (USD)	270,008	517,263
Euros (EUR)	928	937
Yen (JPY)	30,338	31,427

Bad debts written off

	30.09.2021 VND	31.12.2020 VND
Bad debts written off	5,673,750,056	2,858,998,937

During the period/year, Company wrote off bad debts and bad credits due to the difficulty of recovery.

28 REVENUE

	For the 3-month period ended		For the 9-month period ended	
	30.09.2021 VND	30.09.2020 VND	30.09.2021 VND	30.09.2020 VND
Sales				
Sales of finished goods	975,489,521,857	858,287,822,977	2,856,606,048,137	2,533,411,408,895
Sales of merchandise	78,810,524,573	113,459,820,367	411,332,440,042	273,406,942,796
Others	90,389,089	477,801,869	1,406,301,511	1,264,696,668
	<u>1,054,390,435,519</u>	<u>972,225,445,213</u>	<u>3,269,344,789,690</u>	<u>2,808,083,048,359</u>
Deductions				
Sales discount	109,534,086,292	106,820,073,888	358,496,776,152	262,644,385,249
Sales return	406,605,540	368,596,712	1,184,854,267	1,653,528,577
	<u>109,940,691,832</u>	<u>107,188,670,600</u>	<u>359,681,630,419</u>	<u>264,297,913,826</u>
Net sales	<u>944,449,743,687</u>	<u>865,036,774,613</u>	<u>2,909,663,159,271</u>	<u>2,543,785,134,533</u>
In which:				
Sales of finished goods	866,044,254,352	751,787,640,983	2,498,873,599,091	2,270,963,921,773
Sales of merchandise	78,315,100,246	112,771,331,761	409,383,258,669	271,556,516,092
Others	90,389,089	477,801,869	1,406,301,511	1,264,696,668

Goods in transit's revenue have not been recognized as at 30 September 2021: VND 37,132,425,643 (as at 30 September 2020: VND 1,040,241,127).

29 COST OF SALES

	For the 3-month period ended		For the 9-month period ended	
	30.09.2021 VND	30.09.2020 VND	30.09.2021 VND	30.09.2020 VND
Cost of finished goods sold	412,426,376,554	360,916,922,584	1,145,596,262,981	1,049,656,589,434
Cost of merchandise sold	72,899,086,710	107,025,086,437	390,905,076,435	252,538,383,497
Others	-	-	-	337,125
Addition/ (Reversal) of provision for devaluation of inventories	-	-	323,703,684	(372,707,081)
	<u>485,325,463,264</u>	<u>467,942,009,021</u>	<u>1,536,825,043,100</u>	<u>1,301,822,602,975</u>

30 FINANCIAL INCOME

	For the 3-month period ended		For the 9-month period ended	
	30.09.2021 VND	30.09.2020 VND	30.09.2021 VND	30.09.2020 VND
Interest income	27,815,288,341	32,591,790,605	87,537,617,527	102,974,428,102
Dividends and profits earned	-	149,645,500	-	326,698,020
Gain from investment liquidation	-	881,649,616	-	881,649,616
Foreign exchange gain	2,819,875,178	1,080,838,724	6,739,323,992	4,373,157,053
	<u>30,635,163,519</u>	<u>34,703,924,445</u>	<u>94,276,941,519</u>	<u>108,555,932,791</u>

31 FINANCIAL EXPENSES

	For the 3-month period ended		For the 9-month period ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	VND	VND	VND	VND
Interest expenses	3,934,061,470	4,829,749,609	10,212,652,277	10,841,821,030
Foreign exchange losses	368,328,545	1,670,512,615	3,702,687,930	6,609,599,011
Settlement discount (Reversal)/ Addition of provision for impairment of long-term financial investments	20,300,905,262	17,602,397,298	60,448,755,196	55,202,770,587
Loss on disposal of investment	(369,047,169)	73,900,253	554,696,644	(34,805,926)
Other financial expenses	-	-	89,005,743	-
	144,900	15,934,704	54,636,726	59,834,760
	<u>24,234,393,008</u>	<u>24,192,494,479</u>	<u>75,062,434,516</u>	<u>72,679,219,462</u>

32 SELLING EXPENSES AND GENERAL & ADMINISTRATIVE EXPENSES

Selling expenses

	For the 3-month period ended		For the 9-month period ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	VND	VND	VND	VND
Staff cost	103,400,013,928	75,332,307,111	305,718,415,352	261,348,648,583
Advertising expenses	28,001,288,749	26,552,981,863	77,627,264,679	70,393,614,095
Others	48,373,166,099	48,062,681,246	139,045,401,644	134,065,716,578
	<u>179,774,468,776</u>	<u>149,947,970,220</u>	<u>522,391,081,675</u>	<u>465,807,979,256</u>

General & administrative expenses

	For the 3-month period ended		For the 9-month period ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	VND	VND	VND	VND
Staff cost	45,754,464,911	48,297,098,299	131,257,744,243	157,613,862,897
Others	16,861,948,417	19,269,980,533	52,050,791,750	60,560,813,526
	<u>62,616,413,328</u>	<u>67,567,078,832</u>	<u>183,308,535,993</u>	<u>218,174,676,423</u>

33 OTHER INCOME AND EXPENSES

Other income

	For the 3-month period ended		For the 9-month period ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	VND	VND	VND	VND
Gain from disposals of fixed assets and other long-term assets	-	2,853,046,044	-	3,537,273,316
Others	188,349,690	470,471,682	1,332,808,379	1,859,785,099
	<u>188,349,690</u>	<u>3,323,517,726</u>	<u>1,332,808,379</u>	<u>5,397,058,415</u>

33 OTHER INCOME AND EXPENSES (cont.)

Other expenses

	For the 3-month period ended		For the 9-month period ended	
	30.09.2021 VND	30.09.2020 VND	30.09.2021 VND	30.09.2020 VND
Loss from disposals of fixed assets	-	-	6,561,852,339	-
Depreciation expense	269,552,551	215,521,417	1,224,209,666	540,376,542
Loss due to early termination of land lease	-	5,438,346,906	-	5,438,346,906
Incurring expenses due to the impact of the Covid-19 pandemic	583,888,749	-	583,888,749	-
Others	460,009,050	795,581,804	3,339,872,487	4,581,605,786
	<u>1,313,450,350</u>	<u>6,449,450,127</u>	<u>11,709,823,241</u>	<u>10,560,329,234</u>

34 PRODUCTION AND OPERATION COSTS BY NATURE

	Fiscal period ended	
	30.09.2021 VND	30.09.2020 VND
Raw materials and consumables	1,280,477,279,218	1,249,299,502,239
Staff cost	640,833,344,080	625,661,771,652
Depreciation and amortization	61,769,152,023	66,060,345,515
Out-sourced services	129,875,491,991	137,269,283,892
Other expenses	146,207,494,989	138,941,589,671
	<u>2,259,162,762,301</u>	<u>2,217,232,492,969</u>

35 CURRENT AND DEFERRED CORPORATE INCOME TAX

The current corporate income tax expense for the period/year was computed as follows:

	Fiscal period ended	
	30.09.2021 VND	30.09.2020 VND
Accounting profit before tax	675,975,990,644	588,693,318,389
Tax calculated at a normal rate of 20%	135,195,198,129	117,738,663,678
Adjustments for:		
Non-assessable income	-	(65,339,604)
Expenses not deductible for tax purposes	4,215,165,745	2,194,318,806
Under provision of tax in the prior year	9,331,091	-
Corporate income tax incentives at branches	(69,430,294,453)	(60,162,912,733)
Corporate income tax expense	<u>69,989,400,512</u>	<u>59,704,730,147</u>

Movements in deferred corporate tax expense/ (income) during the period/year were as follows:

	Fiscal period ended	
	30.09.2021 VND	30.09.2020 VND
Deferred corporate tax (income)	(633,784,084)	(112,276,572)
Change of eliminated entry of fixed assets	44,965,723	111,448,692
	<u>(588,818,361)</u>	<u>(827,880)</u>

35 CURRENT AND DEFERRED CORPORATE INCOME TAX (cont.)

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 corporate income tax (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% tax reduction 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%.

36 COMMITMENTS**a) Operating lease commitment**

	Fiscal period ended	
	30.09.2021	30.09.2020
	VND	VND
Minimum lease payment under operating leases recognized in the income statement for the period	5,327,727,855	4,076,921,286

At the balance sheet date, the Company had outstanding commitments under non-cancellable operating leases as follows:

	Land lease	
	30.09.2021	31.12.2020
	VND	VND
Within one year	7,076,437,142	5,422,028,378
In the first to fifth year inclusive	28,305,748,568	21,688,113,512
After five years	124,146,143,451	99,224,658,019
	159,528,329,161	126,334,799,909

b) Capital commitment

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

	30.09.2021	31.12.2020
	VND	VND
Approved but not contracted	571,827,786,395	67,429,673,077
Approved and contracted but not implemented	9,278,986,597	11,687,315,314
	581,106,772,992	79,116,988,391

37 TRANSACTIONS WITH RELATED PARTIES

<u>Related parties</u>	<u>Relationship</u>
Fuji Medic Limited Liability Company	Subsidiary
The State Capital Investment Corporation ("SCIC")	Major shareholder
Taisho Pharmaceutical Co., Ltd.	Major shareholder
Hoe Pharmaceuticals Sdn.Bhd	Subsidiary of Taisho
Taisho Vietnam Co.,Ltd.	Subsidiary of Taisho
Taisho Pharmaceutical (Taiwan) Co.,Ltd	Subsidiary of Taisho

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

	Fiscal period ended	
	30.09.2021 VND	30.09.2020 VND
Sales of goods and provision of services		
Hoe Pharmaceuticals Sdn.Bhd	379,208,649	-
Taisho Vietnam Co.,Ltd.	468,155,712	-
Taisho Pharmaceutical (Taiwan) Co.,Ltd	-	1,948,108,838
	<u> </u>	<u> </u>
Purchases of goods and services		
Taisho Vietnam Co.,Ltd.	401,569,920	-
Taisho Pharmaceutical Co.,Ltd	65,127,370	-
	<u> </u>	<u> </u>
Dividends paid		
SCIC	226,504,948,000	226,504,948,000
Taisho Pharmaceutical Co.,Ltd	266,788,208,000	266,788,208,000
	<u> </u>	<u> </u>
Total remuneration paid to the Company's Management and Board of Directors during the period/ year was as follows:		
Board of Directors	1,960,000,000	2,540,000,000
Management	12,488,168,248	8,780,839,208
	<u> </u>	<u> </u>

Related party balances at the balance sheet date were as follows:

	30.09.2021	31.12.2020
	VND	VND
Trade receivables		
Taisho Vietnam Co.,Ltd.	-	1,576,719,144
	<u> </u>	<u> </u>

38 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

(a) Non-cash transactions affecting the cash flow statement

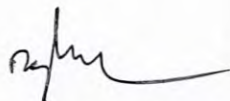
	Fiscal period ended	
	30.09.2021	30.09.2020
	VND	VND
Appropriation to reserves from profit	216,890,616,345	112,403,812,114
Transfers from construction in progress to tangible fixed assets	17,188,914,960	35,326,656,811
Transfers from construction in progress to intangible fixed assets	-	673,472,000
Transfers from construction in progress to prepayments	803,459,306	517,488,673
Accrued interest payables	297,314,271	161,999,999
Accrued interest income	44,777,736,993	35,496,775,344

(b) Proceeds from borrowings

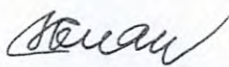
	Fiscal period ended	
	30.09.2021	30.09.2020
	VND	VND
Proceeds from borrowings under normal contracts	783,492,902,265	775,098,169,307

(c) Repayment of borrowings

	Fiscal period ended	
	30.09.2021	30.09.2020
	VND	VND
Repayment of borrowings under normal contracts	628,897,500,806	524,765,021,061



Tran Ngoc Hien
Preparer



Ho Bui Huan
Chief Accountant



Đoàn Đình Duy Khuong
Chief Operating Officer
20 October 2021