

**DHG PHARMACEUTICAL JOINT STOCK COMPANY**

**INTERIM SEPARATE FINANCIAL STATEMENTS  
FOR THE FISCAL PERIOD ENDED 31 MARCH 2020**



**DHG PHARMACEUTICAL JOINT STOCK COMPANY**

**INTERIM SEPARATE FINANCIAL STATEMENTS  
FOR THE FISCAL PERIOD ENDED 31 MARCH 2020**

<b>CONTENTS</b>	<b>PAGE</b>
Corporate Information	1
Balance Sheet (Form B 01-DN)	2
Income Statement (Form B 02- DN)	4
Cash flow statement (Form B 03-DN)	5
Notes to the financial statements (Form B 09-DN)	6

# 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	Chairwoman
Mr. Jun Kuroda	Member
Mr. Masashi Nakaura	Member
Mr. Maki Kamijo	Member
Mr. Doan Dinh Duy Khuong	Member
Mr. Phan Minh Tien	Member
Mr. Do Le Hung	Member

**Management**

Mr. Masashi Nakaura	General Director
Mr. Doan Dinh Duy Khuong	Chief Operating Officer
Ms. Nguyen Ngoc Diep	Deputy General Director
Mr. Tomoyuki Kawata	Deputy General Director

**Audit Committee**

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

## INTERIM SEPARATE BALANCE SHEET

Codes	ASSETS	Notes	As at 31.03.2020 VND	As at 31.12.2019 VND
<b>100</b>	<b>CURRENT ASSETS</b>		<b>3,172,089,358,620</b>	<b>3,129,997,224,305</b>
<b>110</b>	<b>Cash and cash equivalents</b>	<b>4</b>	<b>142,342,980,432</b>	<b>66,489,589,298</b>
111	Cash		42,342,980,432	66,489,589,298
112	Cash equivalents		100,000,000,000	-
<b>120</b>	<b>Short-term financial investments</b>	<b>5</b>	<b>1,876,000,000,000</b>	<b>1,768,000,000,000</b>
123	Held-to-maturity investments		1,876,000,000,000	1,768,000,000,000
<b>130</b>	<b>Short-term receivables</b>		<b>385,961,553,726</b>	<b>560,703,690,735</b>
131	Trade receivables	6	327,816,213,646	510,101,306,774
132	Advances to suppliers		25,460,231,236	42,468,675,491
135	Short-term loan receivables	7	417,809,928	434,193,523
136	Other short-term receivables	8	84,909,638,584	62,916,898,593
137	Provision for doubtful debts	9	(52,642,339,668)	(55,217,383,646)
<b>140</b>	<b>Inventories</b>	<b>10</b>	<b>748,014,545,323</b>	<b>725,438,891,568</b>
141	Inventories		749,105,648,611	726,529,994,856
149	Provision for devaluation of inventories		(1,091,103,288)	(1,091,103,288)
<b>150</b>	<b>Other short-term assets</b>		<b>19,770,279,139</b>	<b>9,365,052,704</b>
151	Short-term prepayments	11	8,049,450,442	2,828,340,389
152	Value added tax deductibles		6,090,724,716	6,536,161,194
153	Taxes and other receivables from the State budget	12	5,630,103,981	551,121
<b>200</b>	<b>NON-CURRENT ASSETS</b>		<b>1,016,200,078,673</b>	<b>1,011,073,522,116</b>
<b>210</b>	<b>Long-term receivables</b>		<b>566,240,000</b>	<b>459,000,000</b>
216	Other long-term receivables		566,240,000	459,000,000
<b>220</b>	<b>Fixed assets</b>		<b>887,230,860,651</b>	<b>893,209,887,615</b>
221	Tangible fixed assets	13	678,249,867,255	682,757,548,064
222	Cost		1,382,327,567,376	1,364,963,938,259
223	Accumulated depreciation		(704,077,700,121)	(682,206,390,195)
227	Intangible fixed assets	14	208,980,993,396	210,452,339,551
228	Cost		247,918,493,964	247,918,493,964
229	Accumulated amortization		(38,937,500,568)	(37,466,154,413)
<b>230</b>	<b>Investment properties</b>	<b>15</b>	<b>15,259,075,211</b>	<b>15,345,447,332</b>
231	Cost		17,304,956,819	17,304,956,819
232	Accumulated depreciation		(2,045,881,608)	(1,959,509,487)
<b>240</b>	<b>Long-term assets in progress</b>	<b>16</b>	<b>43,157,887,594</b>	<b>28,927,855,544</b>
242	Construction in progress		43,157,887,594	28,927,855,544
<b>250</b>	<b>Long-term financial investments</b>	<b>5</b>	<b>33,163,362,146</b>	<b>33,252,078,214</b>
251	Investments in subsidiary		13,742,460,000	13,742,460,000
252	Investments in associate		3,787,450,000	3,787,450,000
253	Equity investments in other entities		27,908,170,200	27,908,170,200
254	Provision for impairment of long-term financial investments		(12,274,718,054)	(12,186,001,986)
<b>260</b>	<b>Other long-term assets</b>		<b>36,822,653,071</b>	<b>39,879,253,411</b>
261	Long-term prepayments	11	24,865,453,293	27,575,362,385
262	Deferred tax assets	17	11,957,199,778	12,303,891,026
<b>270</b>	<b>TOTAL ASSETS</b>		<b>4,188,289,437,293</b>	<b>4,141,070,746,421</b>

## INTERIM SEPARATE BALANCE SHEET (cont.)

Codes	RESOURCES	Notes	As at 31.03.2020 VND	As at 31.12.2019 VND
<b>300</b>	<b>LIABILITIES</b>		<b>664,460,162,890</b>	<b>769,256,891,384</b>
<b>310</b>	<b>Current liabilities</b>		<b>602,636,441,245</b>	<b>704,889,145,616</b>
311	Short-term trade payables	18	167,589,397,388	120,317,315,145
312	Short-term advances from customers		21,404,373,548	16,010,766,057
313	Taxes and amounts payable to the State budget	12	13,492,035,951	30,777,417,928
314	Payables to employees		106,624,971,495	132,481,915,608
315	Short-term accrued expenses	19	22,930,982,025	46,576,741,462
318	Unearned revenue	20	21,724,121,561	29,295,047,003
319	Other current payables	21	1,468,292,770	1,907,128,227
320	Short-term loans	22	182,123,988,346	264,666,851,754
322	Bonus and welfare funds	23	65,278,278,161	62,855,962,432
<b>330</b>	<b>Long-term liabilities</b>		<b>61,823,721,645</b>	<b>64,367,745,768</b>
342	Long-term provisions	24	46,306,588,291	47,943,012,779
343	Science and technology development fund	25	15,517,133,354	16,424,732,989
<b>400</b>	<b>EQUITY</b>		<b>3,523,829,274,403</b>	<b>3,371,813,855,037</b>
<b>410</b>	<b>Owner's equity</b>	<b>26</b>	<b>3,523,829,274,403</b>	<b>3,371,813,855,037</b>
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		1,392,604,475,464	1,392,604,475,464
421	Retained earnings		816,985,140,939	664,969,721,573
421a	- Retained earnings accumulated to the prior year end		640,031,817,967	29,758,750,172
421b	- Retained earnings of the current year		176,953,322,972	635,210,971,401
<b>440</b>	<b>TOTAL RESOURCES</b>		<b>4,188,289,437,293</b>	<b>4,141,070,746,421</b>

Tran Ngoc Hien  
Preparer

Ho Buu Huan  
Chief Accountant



Masashi Nakaura  
General Director  
20 April 2020

## INTERIM SEPARATE INCOME STATEMENT

Codes	Notes	For the 3-month period ended		
		31.03.2020 VND	31.03.2019 VND	
01	Gross revenue from goods sold and services rendered	28	935,538,950,804	853,775,038,253
02	Deductions	28	77,082,602,842	86,986,691,982
<b>10</b>	<b>Net revenue from goods sold and services rendered</b>	<b>28</b>	<b>858,456,347,962</b>	<b>766,788,346,271</b>
11	Cost of sales	29	435,116,398,273	429,417,491,535
20	Gross profit		423,339,949,689	337,370,854,736
21	Financial income	30	36,529,141,377	25,938,318,445
22	Financial expenses	31	27,088,017,383	22,689,797,574
23	<i>In which: Interest expense</i>		3,549,731,421	5,324,257,564
25	Selling expenses	32	154,224,830,489	122,266,907,637
26	General and administrative expenses	32	79,348,142,226	67,350,604,579
<b>30</b>	<b>Operating profit</b>		<b>199,208,100,968</b>	<b>151,001,863,391</b>
31	Other income	33	563,184,110	4,247,128,015
32	Other expenses	33	3,220,959,502	1,346,247,296
40	Profit from other activities		(2,657,775,392)	2,900,880,719
<b>50</b>	<b>Accounting profit before tax</b>		<b>196,550,325,576</b>	<b>153,902,744,110</b>
51	Current corporate income tax expense	35	19,250,311,356	18,467,953,764
52	Deferred corporate tax expense	35	346,691,248	(213,423,442)
<b>60</b>	<b>Net profit after corporate income tax</b>		<b>176,953,322,972</b>	<b>135,648,213,788</b>



Tran Ngoc Hien  
Preparer



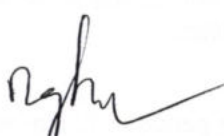
Ho Buu Huan  
Chief Accountant

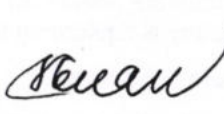



Masashi Nakaura  
General Director  
20 April 2020

INTERIM SEPARATE CASH FLOW STATEMENT  
(Indirect method)

Codes	Notes	Fiscal period ended	
		31.03.2020 VND	31.03.2019 VND
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
1. Profit before tax	01	196,550,325,576	153,902,744,110
2. Adjustment for:			
Depreciation and amortization of fixed assets and investment properties	02	22,127,652,600	21,848,258,005
Provisions	03	(1,728,710,898)	3,575,038,640
Foreign exchange loss arising from translating foreign currency items	04	955,673,025	181,429,776
Gain from investing activities	05	(36,158,294,961)	(25,437,106,298)
Interest expense	06	3,549,731,421	5,324,257,564
3. Operating profit before movements in working capital	08	<b>185,296,376,763</b>	<b>159,394,621,797</b>
Changes in receivables	09	218,881,981,771	146,441,248,978
Changes in inventories	10	(22,575,653,755)	(47,927,697,620)
Changes in payables	11	(44,685,100,928)	(76,780,297,651)
Changes in prepaid expenses	12	(2,502,370,961)	(796,591,932)
Interest paid	14	(3,715,303,277)	(5,134,919,211)
Corporate income tax paid	15	(32,000,000,000)	(20,000,000,000)
Other cash outflows	17	(21,859,472,910)	(18,986,713,786)
Net cash generated by operating activities	20	<b>276,840,456,703</b>	<b>136,209,650,575</b>
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			
1. Acquisition and construction of fixed assets and other long-term assets	21	(31,864,830,167)	(18,670,813,703)
2. Proceeds from sale, disposal of fixed assets and other long-term assets	22	113,909,091	96,909,091
3. Cash outflow for lending, buying debt instruments of other entities	23	(620,000,000,000)	(872,673,917,808)
4. Cash recovered from lending, selling debt instruments of other entities	24	512,016,383,595	720,981,576,441
5. Interest earned, dividends and profits received	27	21,243,288,614	35,370,303,491
Net cash used in investing activities	30	<b>(118,491,248,867)</b>	<b>(134,895,942,488)</b>
<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
1. Proceeds from borrowings	33	202,123,988,346	563,955,932,457
2. Repayment of borrowings	34	(284,666,851,754)	(591,901,327,419)
Net cash used in financing activities	40	<b>(82,542,863,408)</b>	<b>(27,945,394,962)</b>
Net increase/ decrease in cash	50	<b>75,806,344,428</b>	<b>(26,631,686,875)</b>
Cash and cash equivalents at the beginning of the year	60	66,489,589,298	74,532,884,988
Effects of changes in foreign exchange rates	61	47,046,706	(3,489,517)
Cash and cash equivalents at the end of the period/ year	70	<b>142,342,980,432</b>	<b>47,897,708,596</b>

  
Tran Ngoc Hien  
Preparer

  
Ho Buu Huan  
Chief Accountant

  
Masashi Nakaura  
General Director  
20 April 2020

**NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS  
FOR THE FISCAL PERIOD ENDED 31 MARCH 2019**

**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 31 March 2020 was 2,821 (as at 31 December 2019: 2,871).

**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 31 March 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
<b>Subsidiary</b>				
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%
<b>Associate</b>				
Vinh Hao Algae Processing Joint Stock Company	Manufacturing and trading spirulina algae	No. 4803000150 issued by the Planning and Investment Department of Binh Thuan Province on 4 February 2008	31.36%	31.36%

According to the Resolution of the Board of Directors No. 003/2019/NQ.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 liquidating the assets of 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 financial statements for the fiscal year ended 31 December 2019. The comparative figures on the income statement and cash flow statement are the figures of the financial statements for the fiscal year ended 31 March 2019.

**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 31 March 2020, and its separate results of operations and cash flows for the fiscal year ended 31 March 2020. Therefore, the Company did not consolidate its investments in subsidiary and associate 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 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.

**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"). 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 and associate******Investment in subsidiary***

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

***Investment in associate***

An associate is an entity over which the Company 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.

Interests in subsidiary and associate 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 and associate 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.

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

**Leases**The 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 period of sales of products, goods and services are recorded as deduction of revenue of that period.

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

**Customer loyalty programs**

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

**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 separate 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 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 year. 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 periods (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognized on significant differences between carrying amounts of assets and liabilities in the 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 in the period 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.

## 4 CASH AND CASH EQUIVALENTS

	31.03.2020 VND	31.12.2019 VND
Cash on hand	9,763,790,500	11,727,878,000
Demand deposits	32,579,189,932	54,761,711,298
Cash equivalents (*)	100,000,000,000	-
	<u>142,342,980,432</u>	<u>66,489,589,298</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

	31.03.2020		31.12.2019	
	Cost VND	Book value VND	Cost VND	Book value VND
Term deposits	<u>1,876,000,000,000</u>	<u>1,876,000,000,000</u>	<u>1,768,000,000,000</u>	<u>1,768,000,000,000</u>

## (b) Long-term financial investments

	31.03.2020		31.12.2019	
	Cost VND	Provision VND	Cost VND	Provision VND
Investments in subsidiary (*)	13,742,460,000	(8,101,586,709)	13,742,460,000	(8,112,537,972)
Investment in associate (**)	3,787,450,000	(1,380,068,311)	3,787,450,000	(1,358,096,605)
Equity investments in other entities (***)	<u>27,908,170,200</u>	<u>(2,793,063,034)</u>	<u>27,908,170,200</u>	<u>(2,715,367,409)</u>
	<u>45,438,080,200</u>	<u>(12,274,718,054)</u>	<u>45,438,080,200</u>	<u>(12,186,001,986)</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:

	31.03.2020 VND	31.12.2019 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>

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

	31.03.2020 VND	31.12.2019 VND
Vinh Hao Algae Processing Joint Stock Company	<u>3,787,450,000</u>	<u>3,787,450,000</u>

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

(\*\*\*) Equity investments in other entities:

	<b>31.03.2020</b>	<b>31.12.2019</b>
	<b>VND</b>	<b>VND</b>
ATP Packaging Joint Stock Company	20,000,000,000	20,000,000,000
Enlie Pharmaceutical Joint Stock Company	4,286,800,000	4,286,800,000
TV. Pharm Pharmaceutical Joint Stock Company	2,575,315,200	2,575,315,200
Ninh Thuan Pharmaceutical & Medical Equipment Joint Stock Company	796,675,000	796,675,000
Tay Ninh Pharmaceutical Joint Stock Company	221,960,000	221,960,000
Cuu Long Pharmaceutical Joint Stock Company	27,420,000	27,420,000
	<u>27,908,170,200</u>	<u>27,908,170,200</u>

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

	<b>31.03.2020</b>	<b>31.12.2019</b>
	<b>VND</b>	<b>VND</b>
Fuji Medic Limited Liability Company	8,101,586,709	8,112,537,972
Vinh Hao Algae Processing Joint Stock Company	1,380,068,311	1,358,096,605
ATP Packaging Joint Stock Company	2,715,367,409	2,715,367,409
Enlie Pharmaceutical Joint Stock Company	77,695,625	-
	<u>12,274,718,054</u>	<u>12,186,001,986</u>

**6 SHORT-TERM TRADE RECEIVABLES**

	<b>31.03.2020</b>	<b>31.12.2019</b>
	<b>VND</b>	<b>VND</b>
Receivables from related parties (Note 37)	-	1,619,576,532
Receivables from third parties	327,816,213,646	508,481,730,242
	<u>327,816,213,646</u>	<u>510,101,306,774</u>

As at 31 March 2020 and 31 December 2019, there was no single trade receivable from third parties accounting for 10% or more of total trade receivables.

**7 LOAN RECEIVABLES**

<b>Short-term loan receivables</b>	<b>31.03.2020</b>	<b>31.12.2019</b>
	<b>VND</b>	<b>VND</b>
Loan receivables from customers	417,809,928	434,193,523
	<u>417,809,928</u>	<u>434,193,523</u>

**8 OTHER SHORT-TERM RECEIVABLES**

	<b>31.03.2020</b>	<b>31.12.2019</b>
	<b>VND</b>	<b>VND</b>
Accruals of interest income	54,229,038,344	39,427,941,088
Receivable from employees	27,788,538,504	20,700,559,119
Other receivables	2,892,061,736	2,788,398,386
	<u>84,909,638,584</u>	<u>62,916,898,593</u>



## 9 BAD DEBTS

	31.03.2020		
	Cost VND	Recoverable amount VND	Provision VND
Total amount of receivables and loan receivables past due or not past due but impaired	144,587,482,946	91,945,143,278	(52,642,339,668)

	31.12.2019		
	Cost VND	Recoverable amount VND	Provision VND
Total amount of receivables and loan receivables past due or not past due but impaired	150,144,912,078	94,927,528,432	(55,217,383,646)

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

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

	Fiscal period ended 31.03.2020 VND	Fiscal year ended 31.12.2019 VND
Opening balance	55,217,383,646	34,571,714,247
Additional provision in the period/year	284,072,679	20,645,669,399
Written off debts in the period/year	(2,859,116,657)	-
Closing balance	52,642,339,668	55,217,383,646

## 10 INVENTORIES

	31.03.2020		31.12.2019	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	66,901,068,436	-	63,594,013,463	-
Raw materials	296,316,946,604	-	265,797,233,287	-
Work in progress	56,225,870,886	-	52,106,518,719	-
Finished goods	308,237,925,040	(1,091,103,288)	300,316,307,143	(1,091,103,288)
Merchandise	21,423,837,645	-	44,715,922,244	-
	749,105,648,611	(1,091,103,288)	726,529,994,856	(1,091,103,288)

**10 INVENTORIES (cont.)**

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

	<b>Fiscal period ended 31.03.2020 VND</b>	<b>Fiscal year ended 31.12.2019 VND</b>
Opening balance	1,091,103,288	814,326,232
Additional provision in the period/year	-	276,777,056
Closing balance	<u>1,091,103,288</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 March 2020 and 31 December 2019, the Company did not have any slow moving, damaged or sub-standard inventories.

**11 PREPAYMENTS****Short-term prepayments**

	<b>31.03.2020 VND</b>	<b>31.12.2019 VND</b>
Prepayment related to operating lease	5,243,334,199	679,023,036
Others	2,806,116,243	2,149,317,353
	<u>8,049,450,442</u>	<u>2,828,340,389</u>

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

**Long-term prepayments**

	<b>31.03.2020 VND</b>	<b>31.12.2019 VND</b>
Prepaid land rental	9,936,059,349	10,022,421,258
Tools and supplies	6,985,025,080	8,753,316,776
Others	7,944,368,864	8,799,624,351
	<u>24,865,453,293</u>	<u>27,575,362,385</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:

	<b>Fiscal period ended 31.03.2020 VND</b>	<b>Fiscal year ended 31.12.2019 VND</b>
Opening balance	27,575,362,385	30,034,914,000
Increase in the period/year	959,418,068	12,687,711,066
Allocation in the period/year	(3,669,327,160)	(15,123,577,014)
Reclassifications of opening balance	-	(23,685,667)
Closing balance	<u>24,865,453,293</u>	<u>27,575,362,385</u>

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

	Opening balance	Payable during the period/year	Other payable during the period/year	Paid during the period/year	Decreases during the period/year	Closing balance
	VND	VND	VND	VND	VND	VND
Output value added tax	14,653,868,379	15,919,910,161	-	(22,700,967,581)	-	7,872,810,959
Value added tax for import goods	(282,282)	10,123,539,831	-	(10,123,257,549)	-	-
Import and export duties	(268,839)	1,360,054,567	-	(1,359,785,728)	-	-
Corporate income tax	7,239,643,570	19,250,311,356	14,096,363	(32,000,000,000)	-	(5,495,948,711)
Personal income tax	8,866,544,187	12,901,788,029	-	(15,565,574,121)	(6,336,913,365)	(134,155,270)
Land rental fee, land use tax	17,361,792	5,650,691,835	-	(48,828,635)	-	5,619,224,992
Other taxes	-	164,500,000	-	(164,500,000)	-	-
	<u>30,776,866,807</u>	<u>65,370,795,779</u>	<u>14,096,363</u>	<u>(81,962,913,614)</u>	<u>(6,336,913,365)</u>	<u>7,861,931,970</u>
In which:						
Tax receivables		551,121				5,630,103,981
Tax payables		30,777,417,928				13,492,035,951

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 09 – DN

13 TANGIBLE FIXED ASSETS

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
<b>Cost</b>					
As at 01 January 2020	526,332,365,066	608,253,957,532	157,951,887,496	72,425,728,165	1,364,963,938,259
Transfer from construction in progress (Note 16)	627,872,000	15,574,217,754	1,332,523,818	91,354,545	17,625,968,117
Disposals	-	-	(262,339,000)	-	(262,339,000)
As at 31 March 2020	<u>526,960,237,066</u>	<u>623,828,175,286</u>	<u>159,022,072,314</u>	<u>72,517,082,710</u>	<u>1,382,327,567,376</u>
<b>Accumulated depreciation</b>					
As at 01 January 2020	209,983,539,467	305,881,713,561	103,632,388,543	62,708,748,624	682,206,390,195
Charge for the period/ year	7,129,570,248	11,524,672,813	2,674,944,232	804,461,633	22,133,648,926
Disposals	-	-	(262,339,000)	-	(262,339,000)
As at 31 March 2020	<u>217,113,109,715</u>	<u>317,406,386,374</u>	<u>106,044,993,775</u>	<u>63,513,210,257</u>	<u>704,077,700,121</u>
<b>Net book value</b>					
As at 01 January 2020	<u>316,348,825,599</u>	<u>302,372,243,971</u>	<u>54,319,498,953</u>	<u>9,716,979,541</u>	<u>682,757,548,064</u>
As at 31 March 2020	<u>309,847,127,351</u>	<u>306,421,788,912</u>	<u>52,977,078,539</u>	<u>9,003,872,453</u>	<u>678,249,867,255</u>

As at 31 March 2020, the cost of tangible fixed assets included VND 235,816,395,825 (as at 31 December 2019: VND 232,330,033,046) of assets which were fully depreciated but are still in active use.

## 14 INTANGIBLE FIXED ASSETS

	Land use rights with indefinite term VND	Land use rights with definite term VND	Computer software VND	Total VND
<b>Cost</b>				
As at 01 January 2020	89,790,627,646	141,958,345,513	16,169,520,805	247,918,493,964
As at 31 March 2020	89,790,627,646	141,958,345,513	16,169,520,805	247,918,493,964
<b>Accumulated amortization</b>				
As at 01 January 2020	-	23,625,735,602	13,840,418,811	37,466,154,413
Charge for the period/year	-	891,740,236	579,605,919	1,471,346,155
As at 31 March 2020	-	24,517,475,838	14,420,024,730	38,937,500,568
<b>Net book value</b>				
As at 01 January 2020	89,790,627,646	118,332,609,911	2,329,101,994	210,452,339,551
As at 31 March 2020	89,790,627,646	117,440,869,675	1,749,496,075	208,980,993,396

As at 31 March 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

## 15 INVESTMENT PROPERTIES

	Investment properties VND
<b>Cost</b>	
As at 01 January 2020	17,304,956,819
As at 31 March 2020	17,304,956,819
<b>Accumulated depreciation</b>	
As at 01 January 2020	1,959,509,487
Charge for the period/ year	86,372,121
As at 31 March 2020	2,045,881,608
<b>Net book value</b>	
As at 01 January 2020	15,345,447,332
As at 31 March 2020	15,259,075,211

As at 31 March 2020, the cost of investment properties included VND 232,067,069 (as at 31 December 2019: VND 232,067,069) of assets which were fully depreciated but are still in active use.

Fair value of the Company's investment properties was VND 36,262,694,400, which was determined according to the Valuation Certificate issued by Century Valuation Joint Stock Company on 26 July 2019. 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

## 16 LONG-TERM ASSETS IN PROGRESS

	31.03.2020 VND	31.12.2019 VND
Construction of office and auxiliary works at DHG Pharmaceutical Plant Branch in Hau Giang	11,866,031,495	11,773,591,495
Construction of Gia Lai branch office	623,948,774	623,948,774
Renovating and repairing warehouses	641,850,000	320,925,000
Renovating offices	505,075,478	1,141,681,818
REB product project	908,887,458	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	166,764,727	111,034,727
Raw materials for testing new machines	832,273,072	719,784,577
Purchasing machineries	24,913,708,240	11,882,568,506
Purchasing motor vehicles	1,202,081,819	-
Other construction in progress	1,714,286	-
	<u>43,157,887,594</u>	<u>28,927,855,544</u>

## Movements of construction in progress in the period/year:

	Fiscal period ended 31.03.2020 VND	Fiscal year ended 31.12.2019 VND
Opening balance	28,927,855,544	14,087,991,804
Purchases	31,864,830,167	56,081,518,800
Transfer to tangible fixed assets (Note 13)	(17,625,968,117)	(40,747,562,248)
Transfer to prepayments	(8,830,000)	(244,300,000)
Transfer to expenses in the period/year	-	(249,792,812)
Closing balance	<u>43,157,887,594</u>	<u>28,927,855,544</u>

## 17 DEFERRED TAX ASSETS

	31.03.2020 VND	31.12.2019 VND
Corporate income tax rates used for determination of value of deferred tax assets	20%	20%
Deductible temporary differences of provisions	59,785,998,890	61,519,455,130
Deferred tax assets	<u>11,957,199,778</u>	<u>12,303,891,026</u>

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

	Fiscal period ended 31.03.2020 VND	Fiscal year ended 31.12.2019 VND
Opening balance	12,303,891,026	10,373,816,978
(Reversal)/ Additional provision	(309,541,684)	1,946,486,540
Change of eliminated entry of fixed assets	(37,149,564)	(16,412,492)
Closing balance	<u>11,957,199,778</u>	<u>12,303,891,026</u>

## 18 SHORT-TERM TRADE PAYABLES

	31.03.2020		31.12.2019	
	Amount VND	Amount able to be paid off VND	Amount VND	Amount able to be paid off VND
Payables to related parties (Note 37)	167,400,000	167,400,000	-	-
Third parties (*)	167,421,997,388	167,421,997,388	120,317,315,145	120,317,315,145
	<u>167,589,397,388</u>	<u>167,589,397,388</u>	<u>120,317,315,145</u>	<u>120,317,315,145</u>

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

	31.03.2020 VND	31.12.2019 VND
Apc Pharmaceuticals and Chemical Limited	3,999,723,000	15,665,540,764
Centrient Pharmaceuticals India Private Limited	12,364,716,000	13,322,405,000
Sinobright Pharmaceucal Co., Ltd	18,218,200,000	-

As at 31 March 2020 and 31 December 2019, there was no balance of short-term trade payables that were past due.

## 19 SHORT-TERM ACCRUED EXPENSES

	31.03.2020 VND	31.12.2019 VND
Interest payable	162,379,375	327,951,231
Payment discount	4,664,126,261	6,557,465,332
Other accruals	18,104,476,389	39,691,324,899
	<u>22,930,982,025</u>	<u>46,576,741,462</u>

## 20 SHORT-TERM UNEARNED REVENUE

	31.03.2020 VND	31.12.2019 VND
Unearned revenue from customer loyalty programs (Note 3)	21,724,121,561	29,295,047,003

## 21 OTHER SHORT-TERM PAYABLES

	31.03.2020 VND	31.12.2019 VND
Union fee	567,333,346	578,813,579
Others	900,959,424	1,328,314,648
	<u>1,468,292,770</u>	<u>1,907,128,227</u>

## 22 SHORT-TERM LOANS

	31.03.2020		31.12.2019	
	Amount VND	Amount able to be paid off VND	Amount VND	Amount able to be paid off VND
Loans from banks	182,123,988,346	182,123,988,346	264,666,851,754	264,666,851,754
	<u>182,123,988,346</u>	<u>182,123,988,346</u>	<u>264,666,851,754</u>	<u>264,666,851,754</u>

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

	As at 01.01.2020 VND	Increases VND	Decreases VND	As at 31.03.2020 VND
Loans from banks (*)	264,666,851,754	202,123,988,346	(284,666,851,754)	182,123,988,346
	<u>264,666,851,754</u>	<u>202,123,988,346</u>	<u>(284,666,851,754)</u>	<u>182,123,988,346</u>

(\*) These loans bear interests at the rates ranging from 0.32% to 0.47% per month (in 2019: from 0.4% to 0.72% per month).

As at 31 March 2020 and 31 December 2019, 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	41,960,913,376	5,935,538,846	14,959,510,210	62,855,962,432
Appropriation to the funds in the period/year	18,937,903,606	6,000,000,000	-	24,937,903,606
Depreciation of assets formed from the funds	-	-	(656,114,967)	(656,114,967)
Utilization	(19,415,476,910)	(2,443,996,000)	-	(21,859,472,910)
Closing balance	<u>41,483,340,072</u>	<u>9,491,542,846</u>	<u>14,303,395,243</u>	<u>65,278,278,161</u>



## 24 LONG-TERM PROVISIONS

	Provision for dismantling and restoration cost VND	Severance allowance VND	Total VND
Opening balance	19,489,521,187	28,453,491,592	47,943,012,779
Additional / (reversal) provision for the period/year	984,422,529	(226,805,517)	757,617,012
Utilization of provisions	-	(2,394,041,500)	(2,394,041,500)
Closing balance	<u>20,473,943,716</u>	<u>25,832,644,575</u>	<u>46,306,588,291</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	16,424,732,989
Depreciation of assets formed from the funds	(907,599,635)
Closing balance	<u>15,517,133,354</u>

## 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
<b>Balance as at 01 January 2019</b>	<b>1,307,460,710,000</b>	<b>6,778,948,000</b>	<b>1,270,235,596,228</b>	<b>550,101,709,990</b>	<b>3,134,576,964,218</b>
Net profit for the year	-	-	-	635,210,971,401	635,210,971,401
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)
<b>Balance as at 31 December 2019</b>	<b>1,307,460,710,000</b>	<b>6,778,948,000</b>	<b>1,392,604,475,464</b>	<b>664,969,721,573</b>	<b>3,371,813,855,037</b>
Net profit for the period/year	-	-	-	176,953,322,972	176,953,322,972
Appropriation to bonus and welfare funds (*)	-	-	-	(18,937,903,606)	(18,937,903,606)
Appropriation to bonus fund for the Board of Directors (*)	-	-	-	(6,000,000,000)	(6,000,000,000)
<b>Balance as at 31 March 2020</b>	<b>1,307,460,710,000</b>	<b>6,778,948,000</b>	<b>1,392,604,475,464</b>	<b>816,985,140,939</b>	<b>3,523,829,274,403</b>

(\*) The Company temporarily make appropriation of 3% to the bonus and welfare funds and bonus fund for the Board of Directors in accordance with the Resolution of the General Meeting of Shareholders No. 001/2019/NQ.ĐHĐCĐ dated 11 June 2019.

## 26 OWNER'S EQUITY (cont.)

## Charter capital

	31.03.2020		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 dividends declared by the Company. Ordinary shares are ranked equally with regard to the Company's residual assets.

## 27 OFF BALANCE SHEET ITEMS

## Foreign currencies

Cash and cash equivalents included following foreign currencies:

	31.03.2020 VND	31.12.2019 VND
United states Dollar (USD)	164,813	276,537
Euros (EUR)	187,400	32,087
Yen (JPY)	32,516	32,879

## 28 REVENUE

	For the 3-month period ended	
	31.03.2020 VND	31.03.2019 VND
<b>Sales</b>		
Sales of finished goods	838,989,322,652	736,727,688,613
Sales of merchandise	96,239,634,526	116,651,161,557
Others	309,993,626	396,188,083
	<u>935,538,950,804</u>	<u>853,775,038,253</u>
<b>Deductions</b>		
Sales discount	76,869,493,992	85,830,057,502
Sales return	213,108,850	1,156,634,480
	<u>77,082,602,842</u>	<u>86,986,691,982</u>
<b>Net sales</b>	<u>858,456,347,962</u>	<u>766,788,346,271</u>
<b>In which:</b>		
Sales of finished goods	763,113,375,836	650,763,491,262
Sales of merchandise	95,032,978,500	115,628,666,926
Others	309,993,626	396,188,083

Goods in transit's revenue has not been recognized as at 31 March 2020: VND 34,749,368,722 (as at 31 March 2019: VND 47,954,100,202).

## 29 COST OF SALES

	For the 3-month period ended	
	31.03.2020 VND	31.03.2019 VND
Cost of finished goods sold	345,686,966,381	318,039,027,859
Cost of merchandise sold	89,429,431,892	111,363,681,386
Others	-	14,782,290
	<u>435,116,398,273</u>	<u>429,417,491,535</u>

**30 FINANCIAL INCOME**

	For the 3-month period ended	
	31.03.2020	31.03.2019
	VND	VND
Interest income	35,894,740,370	24,890,084,498
Dividends and profits earned	149,645,500	450,112,709
Foreign exchange gain	484,755,507	598,121,238
	<u>36,529,141,377</u>	<u>25,938,318,445</u>

**31 FINANCIAL EXPENSES**

	For the 3-month period ended	
	31.03.2020	31.03.2019
	VND	VND
Interest expenses	3,549,731,421	5,324,257,564
Foreign exchange losses	2,317,793,033	932,893,848
Settlement discount	21,098,532,133	15,589,007,539
Provision for impairment of long-term financial investments	88,716,068	795,556,608
Other financial expenses	33,244,728	48,082,015
	<u>27,088,017,383</u>	<u>22,689,797,574</u>

**32 SELLING EXPENSES AND GENERAL & ADMINISTRATIVE EXPENSES****Selling expenses**

	For the 3-month period ended	
	31.03.2020	31.03.2019
	VND	VND
Staff cost	94,191,459,485	69,405,105,251
Advertising expenses	15,845,209,434	9,835,840,015
Others	44,188,161,570	43,025,962,371
	<u>154,224,830,489</u>	<u>122,266,907,637</u>

**General & administrative expenses**

	For the 3-month period ended	
	31.03.2020	31.03.2019
	VND	VND
Staff cost	56,207,069,755	46,448,816,698
Others	23,141,072,471	20,901,787,881
	<u>79,348,142,226</u>	<u>67,350,604,579</u>

**33 OTHER INCOME AND EXPENSES****Other income**

	For the 3-month period ended	
	31.03.2020	31.03.2019
	VND	VND
Gain from disposals of fixed assets and other long-term assets	113,909,091	92,909,091
Others	449,275,019	4,154,218,924
	<u>563,184,110</u>	<u>4,247,128,015</u>

## 33 OTHER INCOME AND EXPENSES (cont.)

## Other expenses

	For the 3-month period ended	
	31.03.2020 VND	31.03.2019 VND
Depreciation expense	152,089,195	153,551,890
Others	3,068,870,307	1,192,695,406
	<u>3,220,959,502</u>	<u>1,346,247,296</u>

## 34 PRODUCTION AND OPERATION COSTS BY NATURE

	For the 3-month period ended	
	31.03.2020 VND	31.03.2019 VND
Raw materials and consumables	394,789,526,381	456,670,239,818
Staff cost	217,993,480,187	181,041,229,716
Depreciation and amortization	21,975,563,405	21,694,706,115
Out-sourced services	43,459,665,521	38,663,710,927
Other expenses	39,443,585,390	37,333,181,535
	<u>717,661,820,884</u>	<u>735,403,068,111</u>

## 35 CURRENT AND DEFERRED CORPORATE INCOME TAX

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

	For the 3-month period ended	
	31.03.2020 VND	31.03.2019 VND
Accounting profit before tax	196,550,325,576	153,902,744,110
Tax calculated at a normal rate of 20%	39,310,065,116	30,780,548,822
Adjustments for:		
Expenses not deductible for tax purposes	746,027,169	2,933,670,582
Non-assessable income	(29,929,100)	(90,022,542)
Corporate income tax incentives at branches	<u>(20,775,851,829)</u>	<u>(15,156,243,098)</u>
Corporate income tax expense	<u>19,250,311,356</u>	<u>18,467,953,764</u>

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

	For the 3-month period ended	
	31.03.2020 VND	31.03.2019 VND
Deferred corporate tax (expense)/ income	(309,541,684)	258,960,570
Change of eliminated entry of fixed assets	<u>(37,149,564)</u>	<u>(45,537,128)</u>
	<u>(346,691,248)</u>	<u>213,423,442</u>

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:

**35 CURRENT AND DEFERRED CORPORATE INCOME TAX (cont.)**

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.

**36 COMMITMENTS****a) Operating lease commitment**

	For the 3-month period ended	
	31.03.2020	31.03.2019
	VND	VND
Minimum lease payment under operating leases recognized in the income statement for the period	1,358,707,098	1,356,507,100

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

	31.03.2020	31.12.2019
	VND	VND
Within one year	1,355,507,096	5,422,028,378
In the first to fifth year inclusive	21,688,113,512	21,688,113,512
After five years	103,366,485,251	104,737,053,537
	<u>126,410,105,859</u>	<u>131,847,195,427</u>

**b) Capital commitment**

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

	31.03.2020	31.12.2019
	VND	VND
Approved but not contracted	1,298,265,181	1,298,265,181
Approved and contracted but not implemented	3,738,263,436	4,898,999,936
	<u>5,036,528,617</u>	<u>6,197,265,117</u>

**37 TRANSACTIONS WITH RELATED PARTIES****Related parties**

Fuji Medic Limited Liability Company  
 Vinh Hao Algae Processing Joint Stock Company  
 State Capital Investment Corporation ("SCIC")  
 Taisho Pharmaceutical Co., Ltd  
 Hoe Pharmaceuticals Sdn.Bhd

**Relationship**

Subsidiary  
 Associate  
 Major shareholder  
 Major shareholder  
 Subsidiary of Taisho

## 37 TRANSACTIONS WITH RELATED PARTIES (cont.)

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

	For the 3-month period ended	
	31.03.2020	31.03.2019
	VND	VND
<b>Purchases of goods and services</b>		
Vinh Hao Algae Processing Joint Stock Company	597,131,200	412,951,600
	<u>597,131,200</u>	<u>412,951,600</u>

Remuneration paid to the Board of Directors and Management during the period/year was as follows:

	For the 3-month period ended	
	31.03.2020	31.03.2019
	VND	VND
Salaries and other benefits	<u>5,178,173,311</u>	<u>6,989,061,316</u>

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

	31.03.2020	31.12.2019
	VND	VND
<b>Trade receivables</b>		
Hoe Pharmaceuticals Sdn.Bhd	-	1,619,576,532
	<u>-</u>	<u>1,619,576,532</u>
<b>Payables</b>		
Vinh Hao Algae Processing Joint Stock Company	167,400,000	-
	<u>167,400,000</u>	<u>-</u>

## 38 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

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

	For the 3-month period ended	
	31.03.2020	31.03.2019
	VND	VND
Appropriation to reserves from profit	24,937,903,606	-
Transfers from construction in progress to tangible fixed assets	17,625,968,117	5,689,397,107
Transfers from construction in progress to prepayments	8,830,000	83,100,000
Accrued interest income	54,229,038,344	36,044,198,921

38 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION (cont.)

(b) Proceeds from borrowings

	For the 3-month period ended	
	31.03.2020	31.03.2019
	VND	VND
Proceeds from borrowings under normal contracts	202,123,988,346	563,955,932,457

(c) Repayment of borrowings


	For the 3-month period ended	
	31.03.2020	31.03.2019
	VND	VND
Repayment of borrowings under normal contracts	284,666,851,754	591,901,327,419



Tran Ngoc Hien  
Preparer



Ho Buu Huan  
Chief Accountant

Masashi Nakaura  
General Director  
20 April 2020