

IMEXPHARM CORPORATION

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



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IMEXPHARM CORPORATION

CORPORATE INFORMATION

Enterprise registration certificate

No. 1400384433 dated 1 August 2001 was initially issued by the Department of Planning and Investment of Dong Thap Province with the latest 29th amendment dated 20 October 2020.

Board of Directors

Mr. Nguyen Quoc Dinh	Chairman
Mrs. Tran Thi Dao	Vice Chairwoman
Mr. Le Van Nha Phuong	Member
Mr. Huynh Van Nhung	Member (until 6 May 2020)
Mr. Truong Minh Hung	Member (from 30 May 2020)
Mr. Ngo Minh Tuan	Member
Mr. Tran Anh Tuan	Member
Mrs. Han Thi Khanh Vinh	Member
Mr. Vo Huu Tuan	Member (until 18 May 2020)

Board of Supervision

Mr. Nguyen Duc Tuan	Chief Supervisor
Mrs. Le Thi Kim Chung	Member
Mrs. Do Thi Thanh Thuy	Member

Board of Management

Mrs. Tran Thi Dao	General Director
Mr. Nguyen Quoc Dinh	Deputy General Director
Mr. Huynh Van Nhung	Deputy General Director
Mr. Ngo Minh Tuan	Deputy General Director
Mr. Le Van Nha Phuong	Deputy General Director
Mr. Tran Hoai Hanh	Chief Accountant

Legal representative

Mrs. Tran Thi Dao	General Director
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Registered office

No 4, 30/4 Street, Ward 1, Cao Lanh City, Dong Thap Province, Vietnam

Auditor

PwC (Vietnam) Limited

IMEXPHARM CORPORATION

STATEMENT OF THE RESPONSIBILITY OF THE BOARD OF MANAGEMENT OF THE COMPANY IN RESPECT OF THE FINANCIAL STATEMENTS

The Board of Management of Imexpharm Corporation ("the Company") is responsible for preparing financial statements which give a true and fair view of the financial position of the Company as at 31 December 2020, and of the results of its operations and its cash flows for the year then ended. In preparing these financial statements, the Board of Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board of Management is responsible for ensuring that proper accounting records are kept which disclose, with reasonable accuracy at any time, the financial position of the Company and which enable financial statements to be prepared which comply with the basis of accounting set out in Note 2 to the financial statements. The Board of Management is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud or errors.

The Legal Representative authorised the Deputy General Director of the Company to approve the financial statements for the year ended 31 December 2020 in accordance with the Power of Attorney dated 1 January 2020.

APPROVAL OF THE FINANCIAL STATEMENTS

We hereby approve the accompanying financial statements as set out on pages 5 to 48 which give a true and fair view of the financial position of the Company as at 31 December 2020, and of the results of its operations and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements.

On behalf of the Board of Management



Nguyen Quoc Dinh
Deputy General Director
Authorised by Legal Representative

Dong Thap Province, SR Vietnam
9 March 2021



INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF IMEXPHARM CORPORATION

We have audited the accompanying financial statements of Imexpharm Corporation ("the Company") which were prepared on 31 December 2020 and approved by the Board of Management on 9 March 2021. The financial statements comprise the balance sheet as at 31 December 2020, the income statement and the cash flow statement for the year then ended, and explanatory notes to the financial statements including significant accounting policies, as set out on pages 10 to 48.

The Board of Management's Responsibility

The Board of Management of the Company is responsible for the preparation and the true and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on the preparation and presentation of financial statements and for such internal control which the Board of Management determines necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical standards and requirements and plan and perform the audit in order to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Auditor's Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, its financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on the preparation and presentation of financial statements.

Other Matter

This report is prepared in Vietnamese and English. Should there be any conflict between the Vietnamese and English copies, the Vietnamese copy shall take precedence.

For and on behalf of PwC (Vietnam) Limited



Mai Viet Hung Tran
Audit Practising Licence No.
0048-2018-006-1
Authorised signatory

Tran Thi Cam Tu
Audit Practising Licence No.
2713-2018-006-1

Report reference number: HCM10074
Ho Chi Minh City, 9 March 2021

BALANCE SHEET

Code	ASSETS	Note	As at 31 December	
			2020 VND	2019 VND
100	CURRENT ASSETS		981,975,300,723	779,754,902,383
110	Cash and cash equivalents	3	85,268,705,365	75,035,614,726
111	Cash		84,092,597,420	75,035,614,726
112	Cash equivalents		1,176,107,945	-
120	Short-term investments		63,607,855,260	5,187,529,260
121	Trading securities	4(a)	6,476,068,160	6,476,068,160
122	Provision for diminution in value of trading securities	4(a)	(3,208,212,900)	(2,788,538,900)
123	Investments held to maturity	4(b)	60,340,000,000	1,500,000,000
130	Short-term receivables		398,091,289,641	329,717,064,645
131	Short-term trade accounts receivable	5	334,633,890,776	254,243,682,480
132	Short-term prepayments to suppliers	6	41,593,541,046	56,239,591,813
136	Other short-term receivables	7	38,510,075,750	33,666,029,278
137	Provision for doubtful debts – short-term	8	(16,646,217,931)	(14,432,238,926)
140	Inventories	9	424,237,469,275	350,457,017,273
141	Inventories		427,676,097,124	352,429,048,651
149	Provision for decline in value of inventories		(3,438,627,849)	(1,972,031,378)
150	Other current assets		10,769,981,182	19,357,676,479
151	Short-term prepaid expenses		2,031,006,594	487,308,005
152	Value Added Tax ("VAT") to be reclaimed	15(a)	8,738,974,588	18,379,471,234
153	Tax and other receivables from the State	15(a)	-	490,897,240

The notes on pages 10 to 48 are an integral part of these financial statements.

IMEXPHARM CORPORATION

Form B 01 – DN

BALANCE SHEET
(continued)

Code	ASSETS (continued)	Note	As at 31 December	
			2020 VND	2019 VND
200	LONG-TERM ASSETS		1,114,479,966,147	1,067,419,412,879
210	Long-term receivables		50,244,740	2,419,733,410
215	Long-term lending		-	2,369,488,670
216	Other long-term receivables		50,244,740	50,244,740
220	Fixed assets		503,263,217,067	476,963,731,000
221	Tangible fixed assets	10(a)	426,699,912,381	405,881,869,551
222	Historical cost		840,760,619,608	772,901,475,918
223	Accumulated depreciation		(414,060,707,227)	(367,019,606,367)
227	Intangible fixed assets	10(b)	76,563,304,686	71,081,861,449
228	Historical cost		100,218,809,059	93,176,416,886
229	Accumulated amortisation		(23,655,504,373)	(22,094,555,437)
240	Long-term asset in progress		522,446,935,889	490,298,169,896
242	Construction in progress	11	522,446,935,889	490,298,169,896
250	Long-term investments		51,668,587,700	51,677,954,400
252	Investments in associates	4(c)	50,621,446,700	50,621,446,700
253	Investments in other entities	4(c)	1,326,668,000	1,326,668,000
254	Provision for long-term investments	4(c)	(279,527,000)	(270,160,300)
260	Other long-term asset		37,050,980,751	46,059,824,173
261	Long-term prepaid expenses	12	37,050,980,751	46,059,824,173
270	TOTAL ASSETS		2,096,455,266,870	1,847,174,315,262

The notes on pages 10 to 48 are an integral part of these financial statements.


BALANCE SHEET
(continued)

Code	RESOURCES	Note	As at 31 December	
			2020 VND	2019 VND
300	LIABILITIES		365,969,098,434	288,285,048,243
310	Short-term liabilities		346,932,038,104	262,453,980,527
311	Short-term trade accounts payable	13	59,703,520,754	90,858,539,368
312	Short-term advances from customers	14	27,361,129,848	21,421,846,398
313	Tax and other payables to the State	15(b)	15,748,532,937	9,188,452,181
314	Payable to employees		40,462,406,145	47,951,699,128
315	Short-term accrued expenses	16	52,281,719,270	48,304,871,474
319	Other short-term payables	17	6,908,927,444	3,303,579,481
320	Short-term borrowings	18	130,927,621,224	37,579,456,821
322	Bonus and welfare fund	19	13,538,180,482	3,845,535,676
330	Long-term liabilities		19,037,060,330	25,831,067,716
337	Other long-term payables		-	550,000,000
343	Fund for science and technology development	20	19,037,060,330	25,281,067,716
400	OWNERS' EQUITY		1,730,486,168,436	1,558,889,267,019
410	Capital and reserves		1,730,486,168,436	1,558,889,267,019
411	Owners' capital	21, 22	667,053,700,000	494,211,590,000
411a	- Ordinary shares with voting rights		667,053,700,000	494,211,590,000
412	Share premium	22	507,368,247,904	601,241,079,354
414	Owners' other capital	22	2,420,789,142	2,420,789,142
415	Treasury shares	22	(358,600,000)	(358,600,000)
418	Investment and development fund	22	348,765,273,377	303,579,793,377
421	Undistributed earnings	22	205,236,758,013	157,794,615,146
421a	- Undistributed post-tax profits of previous years		414,907,353	407,928,353
421b	- Post-tax profits of current year		204,821,850,660	157,386,686,793
440	TOTAL RESOURCES		2,096,455,266,870	1,847,174,315,262


Duong Hoang Vu
Preparer


Tran Hoai Hanh
Chief Accountant




Nguyen Quoc Dinh
Deputy General Director
Authorised by Legal
Representative
9 March 2021

INCOME STATEMENT

Code	Note	Year ended 31 December	
		2020 VND	2019 VND
01	Revenue from sales of goods	1,420,882,858,393	1,428,206,373,424
02	Less deductions	(51,461,143,612)	(25,751,879,560)
10	Net revenue from sales of goods	1,369,421,714,781	1,402,454,493,864
11	Cost of goods sold	(822,376,136,443)	(874,534,666,490)
20	Gross profit from sales of goods	547,045,578,338	527,919,827,374
21	Financial income	9,605,519,548	10,079,093,563
22	Financial expenses	(19,620,348,994)	(18,694,026,339)
23	- Including: Interest expense	(5,407,738,374)	(3,727,735,820)
25	Selling expenses	(213,142,674,844)	(225,124,875,118)
26	General and administration expenses	(71,348,172,682)	(99,753,066,675)
30	Net operating profit	252,539,901,366	194,426,952,805
31	Other income	3,310,229,133	8,177,907,152
32	Other expenses	(408,793,070)	(175,749,326)
40	Net other income	2,901,436,063	8,002,157,826
50	Net accounting profit before tax	255,441,337,429	202,429,110,631
51	Business income tax ("BIT") - current	(45,744,459,140)	(40,042,423,838)
52	Business income tax - deferred	-	-
60	Net profit after tax	209,696,878,289	162,386,686,793
70	Basic earnings per share	2,773	2,225
71	Diluted earnings per share	2,773	2,225



Duong Hoang Vu
Preparer



Tran Hoai Hanh
Chief Accountant



Nguyen Quoc Dinh
Deputy General Director
Authorised by Legal
Representative
9 March 2021

The notes on pages 10 to 48 are an integral part of these financial statements.

CASH FLOW STATEMENT
(Indirect method)

Code	Note	Year ended 31 December	
		2020 VND	2019 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01		255,441,337,429	202,429,110,631
		Net profit before tax	
		Adjustments for:	
02		53,360,966,033	41,208,658,249
03		4,109,616,176	1,349,704,748
04		71,169,614	296,083,244
05	29	(9,977,230,590)	(14,277,746,820)
06	29	5,407,738,374	3,727,735,820
07		-	20,000,000,000
08		308,413,597,036	254,733,545,872
09		(60,835,559,336)	(64,061,938,449)
10		(75,247,048,473)	(25,446,448,742)
11		(49,525,833,086)	6,749,916,226
12		7,465,144,833	(14,253,355,546)
13		-	(240,490,000)
14		(5,309,674,055)	(3,707,340,260)
15	15	(40,856,105,810)	(42,339,105,925)
17		(10,951,098,329)	(44,844,395,761)
20		73,153,422,780	66,590,387,415
		Net cash inflows from operating activities	
CASH FLOWS FROM INVESTING ACTIVITIES			
21		(89,684,662,322)	(131,124,961,007)
22		4,889,090,910	9,215,909,092
23		(105,940,000,000)	(21,500,000,000)
24		47,675,066,830	26,297,761,332
25		-	(10,587,050,000)
27		6,584,559,369	7,075,276,232
30		(136,475,945,213)	(120,623,064,351)
		Net cash outflows from investing activities	
CASH FLOWS FROM FINANCING ACTIVITIES			
31	22	29,631,600,000	-
32		-	(140,000,000)
33	18	408,997,618,089	218,888,228,325
34	18	(315,649,453,686)	(181,308,771,504)
36	23	(49,387,359,000)	(98,802,718,000)
40		73,592,405,403	(61,363,261,179)
		Net cash inflows/(outflows) from financing activities	
50		10,269,882,970	(115,395,938,115)
		Net increase/(decrease) in cash and cash equivalents	
60	3	75,035,614,726	190,436,654,283
61		(36,792,331)	(5,101,442)
70	3	85,268,705,365	75,035,614,726
		Cash and cash equivalents at end of year	
		Cash and cash equivalents at beginning of year	

Additional information relating to the cash flow statement is presented in Note 35.


Duong Hoang Vu
Preparer


Tran Hoai Hanh
Chief Accountant



Nguyen Quoc Dinh
Deputy General Director
Authorised by Legal
Representative
9 March 2021

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

1 GENERAL INFORMATION

Imexpharm Corporation (the “Company”), formerly known as Dong Thap Pharmaceutical Union incorporated under Decision No. 284/TCCQ dated 28 September 1983 issued by the Health Department of Dong Thap Province, was transformed from a State-Owned company into a joint stock company in accordance with initial Enterprise registration certificate No. 1400384433 dated 1 August 2001 and the latest 29th amendment dated 20 October 2020 issued by the Department of Planning and Investment of Dong Thap Province.

The Company's shares were listed on Ho Chi Minh Stock Exchange (“HOSE”) on 15 November 2006 with the stock code IMP under Decision No. 76/UBCK-GPNY of HOSE.

The principal activities of the Company are manufacturing pharmaceutical products, processing pharmaceutical materials, trading, importing and exporting pharmaceutical products, medical equipment and supplies, chemicals, materials for medicine manufacturing and packaging, chemicals used for sterilization or disinfection in humans (except for those listed under Point A, Part II, Appendix No. 04 accompanying Decision No. 10/2007/QD-BTM dated 21 May 2007 issued by the Ministry of Trade, currently known as the Ministry of Industry and Trade).

The normal business cycle of the Company is 12 months.

As at 31 December 2020, the Company had 25 branches and 3 associates are presented in Note 4c - Investments. Details of the Company's associates are presented below:

Company name	Principal activities	Address of registered office	Percentage of ownership and voting rights	
			31.12.2020	31.12.2019
Agimexpharm Pharmaceutical Joint Stock Company	Manufacturing and trading pharmaceutical products	An Giang Province	32.99%	32.99%
Dong Thap Muoi Research Conservation and Development Pharmaceutical Joint Stock Company	Researching, conserving, and developing pharmaceutical materials	Long An Province	23.56%	23.56%
Gia Dai Pharmaceutical Company Limited	Manufacturing and trading pharmaceutical products	Ho Chi Minh City	26.00%	26.00%

As at 31 December 2020, the Company had 1,246 employees (as at 31 December 2019: 1,287 employees).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements. The financial statements have been prepared under the historical cost convention.

The accompanying financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam. The accounting principles and practices utilised in Vietnam may differ from those generally accepted in countries and jurisdictions other than Vietnam.

The financial statements in Vietnamese language are the official statutory financial statements of the Company. The financial statements in English language have been translated from the Vietnamese version.

2.2 Fiscal year

The Company's fiscal year is from 1 January to 31 December.

2.3 Currency

The financial statements are measured and presented in Vietnamese Dong ("VND"). The Company determines its accounting currency based on the currency which is mainly used in sales of goods, which has a significant impact on selling prices of goods, which is normally used for listing selling prices and receiving payments; which is mainly used in purchases of goods or services, which has a significant impact on cost of labour, materials and other production or operating costs and normally used as payments of those costs.

In addition, the Company also uses this currency to raise financial resources (such as via issuance of shares) and regularly collects this currency from business operation and savings.

2.4 Exchange rates

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognised as income or expenses in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are respectively translated at the buying and selling exchange rates at the balance sheet date of the commercial bank where the Company regularly trades. Foreign currencies deposited in bank at the balance sheet date are translated at the buying exchange rate of the commercial bank where the Company opens its foreign currency accounts. Foreign exchange differences arising from these translations are recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.5 Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, cash at bank, cash in transit, demand deposits and other short-term investments with an original maturity of three months or less.

2.6 Receivables

Receivables represent trade receivables from customers arising from sales of goods or non-trade receivables from others and are stated at cost. Provision for doubtful debts is made for each outstanding amount based on overdue days in payment according to the initial payment commitment (exclusive of the payment rescheduling between parties) or based on the estimated losses that may arise. Bad debts are written off when identified.

Receivables are classified into short-term and long-term receivables on the balance sheet based on the remaining period from the balance sheet date to the maturity date.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on normal levels of operating activity. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses.

The Company applies the perpetual method for inventories.

Provision is made, where necessary, for obsolete, slow-moving, and defective inventory items. The difference between the provision of this year and the provision of the previous year are recognised as an increase or decrease of operating expenses in the year.

2.8 Investments**(a) Trading securities**

Trading securities are securities which are held for trading to earn profit.

Trading securities are initially recorded at historical cost including cost of acquisition and any expenditure that is directly attributable to the acquisition. Subsequently, the Board of Management reviews all outstanding investments to determine the amount of provision to recognise at the year end. The provision for diminution in value of trading securities is made when their cost is higher than their fair value. Changes in the provision balance during the fiscal year are recorded as an increase or decrease in financial expenses. A reversal, if any, is made only to the extent the investment is restored to its original cost.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.8 Investments (continued)****(a) Trading securities (continued)**

The Company recognises trading securities when it has ownership of the assets, specifically as follows:

- Listed securities are recognised at the time of orders matching; and
- Unlisted securities are recognised at the time when official ownership is established in accordance with regulations.

Profit or loss from liquidation or disposal of trading securities is recorded in the income statement. The costs of trading securities disposed are determined by using the moving weighted average method.

(b) Investments held to maturity

Investments held to maturity are investments which the Company has positive intention and ability to hold until maturity.

Investments held to maturity include term deposits and other held-to-maturity investments. Those investments are initially accounted for at cost. Subsequently, the Board of Management reviews all outstanding investments to determine the amount of provision to recognise at the year end.

Provision for diminution in value of investments held to maturity is made when there is evidence that the investment is uncollectible in whole or in part. Changes in the provision balance during the fiscal year are recorded as an increase or decrease in financial expenses. A reversal, if any, is made only to the extent the investment is restored to its original cost.

Investments held to maturity are classified into short-term and long-term investments held to maturity on the balance sheet based on the remaining period from the balance sheet date to the maturity date.

(c) Investments in associates

Associates are investments that the Company has significant influence but not control and would generally have from 20% to under 50% of the voting rights of the investee. Investments in associates are initially recorded at cost of acquisition including purchase cost plus other expenditure directly attributable to the investments. Subsequently, the Board of Management reviews all outstanding investments to determine the amount of provision to recognise at the year end.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.8 Investment (continued)****(d) Investments in other entities**

Investments in other entities are investments in equity instruments of other entities without controlling rights or co-controlling rights, or without significant influence over the investee. These investments are accounted for initially at cost. Subsequently, the Board of Management reviews all outstanding investments to determine the amount of provision to recognise at the year end.

(e) Provision for investments in associates and other entities

Provision for investments in associates and other entities is made when there is a diminution in value of the investments at the year end. Regarding investments in listed shares or those whose fair value can be determined reliably, the provision for diminution in value is made when cost is higher than market value. For other investments, provision for diminution in value is made when the investees make losses, except when the loss is anticipated by the Board of Management before the date of investment.

Changes in the provision balance during the fiscal year are recorded as an increase or decrease in financial expenses. A reversal, if any, is made only to the extent the investment is restored to its original cost.

2.9 Lending

Lending is loans granted for interest earning under agreements among parties but not being traded as securities.

Lending is initially recognised at cost. Subsequently, the Board of Management reviews all outstanding amounts to determine the amount of provision to recognise at the year end.

Provision for doubtful lending is made for each lending based on overdue days in payment of principals according to the initial payment commitment (exclusive of the payment rescheduling between parties) or based on the estimated losses that may arise. Changes in the provision balance during the fiscal year are recorded as an increase or decrease in financial expenses. A reversal, if any, is made only to the extent the investment is restored to its original cost.

Lending is classified into short-term and long-term lending on the balance sheet based on the remaining term of the lending as at the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.10 Fixed assets***Tangible and intangible fixed assets*

Fixed assets are stated at historical cost less accumulated depreciation or amortisation. Historical cost includes any expenditure that is directly attributable to the acquisition of the fixed assets bringing them to suitable conditions for their intended use. Expenditure incurred subsequently which has resulted in an increase in the future economic benefits expected to be obtained from the use of fixed assets, can be capitalised as an additional historical cost. Otherwise, such expenditure is charged to the income statement when incurred.

Depreciation and amortisation

Fixed assets are depreciated and amortised using the straight-line method so as to write off the historical cost of the fixed assets over their estimated useful lives or over the term of the enterprise registration certificate if shorter. The estimated useful lives of each asset class are as follows:

Plant, buildings and structures	5 – 40 years
Machinery and equipment	3 – 15 years
Motor vehicles	5 – 10 years
Office equipment	3 – 8 years
Computer software	3 – 5 years
Copyright	3 years
Other intangible fixed assets	3 years

Land use rights are comprised of land use rights with an indefinite useful life and land use rights with a definite useful life as follows:

- Land use rights with an indefinite useful life are recorded at historical cost and are not amortised; and
- Land use rights with a definite useful life are recorded in accordance with the terms indicated in the land use rights certificate and amortised using the straight-line method in accordance with such land use rights certificates.

Disposals

Gains or losses on disposals are determined by comparing net disposal proceeds with the carrying amount of the fixed assets and are recognised as income or expense in the income statement.

Construction in progress

Construction in progress represents the cost of assets in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, which are recorded at cost and are comprised of such necessary costs to newly construct, to repair and maintain, to upgrade, to renew or equip the projects with technologies as construction costs; costs of tools and equipment; project management expenditure; construction consulting expenditure; and capitalised borrowing costs for qualifying assets in accordance with the Company's accounting policies. Depreciation of these assets, on the same basis as other fixed assets, commences when they are ready for their intended use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.11 Operating leases**

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the term of the lease.

2.12 Prepaid expenses

Prepaid expenses include short-term and long-term prepayments on the balance sheet. Prepaid expenses are recorded at historical cost and allocated on a straight-line basis over their estimated useful lives.

Additionally, prepayments for land rental contracts, which became effective after 2003, are also recorded as prepaid expenses in accordance with the guidance of Circular No. 45/2013/TT-BTC dated 25 April 2013 issued by the Ministry of Finance and allocated on a straight-line basis in accordance with such land use right certificates.

2.13 Payables

Classifications of payables are based on their nature as follows:

- Trade accounts payable are trade payables arising from purchase of goods and services.
- Other payables are non-trade payables and payables not relating to purchase of goods and services.

Payables are classified into short-term and long-term payables on the balance sheet based on the remaining period from the balance sheet date to the maturity date.

2.14 Borrowings

Borrowings include borrowings from banks.

Borrowings are classified into long-term and short-term based on remaining period from the balance sheet date to the maturity date.

Borrowing costs that are directly attributable to the construction or production of any qualifying assets are capitalised during the year of time that is required to complete and prepare the asset for its intended use. In respect of general-purpose borrowings, a portion of which used for the purpose of construction or production of any qualifying assets, the Company determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the weighted average expenditure on the assets. The capitalisation rate is the weighted average of the interest rates applicable to the Company's borrowings that are outstanding during the year, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Other borrowing costs are recognised in the income statement when incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.15 Accrued expenses**

Accrued expenses include liabilities for goods and services received in the year but not yet paid for due to pending invoices or insufficient records and documents. Accrued expenses are recorded as operating expenses in the reporting year.

2.16 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provision is not recognised for future operating losses.

Provisions are measured at the expenditures expected to be required to settle the obligation. If the time value of money is material, provision will be measured at the present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as financial expenses. Changes in the provision balance during the fiscal year are recorded as an increase or decrease in operating expenses.

2.17 Fund for scientific and technological development

Fund for scientific and technological development is appropriated for scientific and technological development activities. The fund is set up on the basis of maximum 10% of profit before tax and charged to operating expenses when appropriated.

2.18 Provision for severance allowances

In accordance with Labour Law of Vietnam, employees of the Company who have worked regularly for a period of 12 months or longer are entitled to severance allowance. The working period used for the calculation of severance allowance is the period during which the employee actually works for the Company less the period during which the employee participates in the unemployment insurance scheme in accordance with labour regulations and the working period for which the employee has received severance allowance from the Company.

Severance allowance is accrued on the basis that each employee is entitled to half of an average monthly salary for each working year. The average monthly salary used for calculating severance allowance is the employee's average salary for the year prior to the balance sheet date. As at 31 December 2020, the estimated provision for severance allowances to be accrued is VND11,232,770,000.

However, the Company follows the guidance of Circular No. 180/2012/TT-BTC dated 24 October 2012 issued by the Ministry of Finance, not to recognise provision for severance allowances. The Company records and pays severance allowances when employees leave the Company.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.19 Capital and reserves**

Owners' capital is recorded according to the actual amounts contributed at par value of the shares.

Share premium is the difference between the par value and the issue price of shares; the difference between the repurchase price and re-issuing price of treasury shares.

Owners' other capital represents other capital of the owners at the reporting date.

Treasury shares are shares issued by the Company and bought back by itself, but these are not cancelled and may be re-issued subsequently in accordance with the Law on securities.

Undistributed earnings record the Company's results after BIT at the reporting date.

2.20 Appropriation of profit

The Company's dividends are recognised as a liability in the Company's financial statements in the year in which the dividends are approved by the Company's General Meeting of shareholders.

Profit after BIT could be distributed to shareholders after approval at the General Meeting of shareholders, and after appropriation to other funds in accordance with the Company's charter and Vietnamese regulations.

The Company's funds are as below:

(a) Investment and development fund

Investment and development fund is appropriated from the Company's profit after BIT as approved by shareholders at the General Meeting of Shareholders. This fund is appropriated for investment and business expansion activities, and offsetting against damages incurred during the course of business (if any). The fund's disbursement is decided by the Board of Directors and the General Director depending on utilisation purpose.

(b) Bonus and welfare fund

Bonus and welfare fund is appropriated from the Company's profit after BIT and subject to shareholders' approval at the Company's General Meeting. This fund is presented as a liability on the balance sheet. The fund is set aside for the purpose of rewarding, encouragement and improvement of the employees' welfare.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.21 Revenue recognition

(a) Revenue from sales of goods

Revenue from sale of goods is recognised in the income statement when all the following five (5) conditions are satisfied:

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

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the possible return of goods.

Revenue is recognised based on principle of “substance over form” and allocated to each sales obligation. In case that the Company gives promotional goods to customers associated with customers’ purchase, the Company allocates total consideration received for goods sold and promotional goods. Cost of promotional goods is recognised as cost of sales in the income statement.

(b) Interest income

Interest income is recognised on an earned basis.

(c) Dividend income

Income from dividend is recognised when the Company has established the receiving right from investees.

2.22 Sales deductions

Sales deductions include sales returns and allowances. Sales deductions incurred in the same year of the related sales of products and goods and services are recorded as deduction of revenue of that year.

Sales deductions for sale of products and goods which are sold in the year but are incurred after the balance sheet date but before the issuance of the financial statements are recorded as deduction of revenue of the year.

2.23 Cost of goods sold

Cost of goods sold are cost of finished goods, merchandises and materials sold during the year, and recorded on the basis of matching with revenue and on a prudence basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.24 Financial expenses**

Financial expenses are expenses incurred in the year for financial activities mainly including interest expenses, loss from disposal financial investments, provision for diminution in value of investments in other entities and losses from foreign exchange differences and payment discounts.

2.25 Selling expenses

Selling expenses represent expenses that are incurred in the process of selling products and goods.

2.26 General and administration expenses

General and administration expenses represent expenses for administrative purposes.

2.27 Current and deferred income tax

Income taxes include all income taxes which are based on taxable profits including profits generated from production and trading activities in other countries with which the Socialist Republic of Vietnam has not signed any double taxation agreement. Income tax expense comprises current income tax expense and deferred income tax expense.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profits at the current year tax rates. Current and deferred income tax should be recognised as an income or an expense and included in the profit or loss of the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different year, directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of occurrence affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the fiscal year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**2.28 Related parties**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, key management personnel, including Board of Directors and Board of Management of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

In considering relationships with each related party, the Company considers the substance of the relationship not merely the legal form.

2.29 Segment reporting

A segment is a component, which can be separated by the Company, engaged in sales of goods or rendering of services (business segment) or sales of goods or rendering of services within a particular economic environment (geographical segment). Each segment is subject to risks and returns that are different from those of other segments.

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

2.30 Accounting estimates

The preparation of financial statements in conformity with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements 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 date of the financial statements and the reported amounts of revenues and expenses during the year.

The areas involving significant estimates and assumptions are as follows:

- Estimation of provision for doubtful debt (Note 8);
- Estimation of provision for decline in value of inventories (Note 9); and
- Estimated useful life of fixed assets (Note 10).

Such estimates and assumptions are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Company and that are believed to be reasonable under the circumstances.

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3 CASH AND CASH EQUIVALENTS

	2020 VND	2019 VND
Cash on hand	1,159,224,741	1,108,904,944
Cash at bank	82,909,095,679	73,926,709,782
Cash in transit	24,277,000	-
Cash equivalents	1,176,107,945	-
	<u>85,268,705,365</u>	<u>75,035,614,726</u>

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4 INVESTMENTS

(a) Trading securities

	2020			2019		
	Cost VND	Fair value VND	Provision VND	Cost VND	Fair value VND	Provision VND
Mekophar Chemical Pharmaceutical Joint-Stock Company	6,069,637,900	2,920,320,000	(3,149,317,900)	6,069,637,900	3,343,464,000	(2,726,173,900)
Bach Tuyet Cotton Corporation	239,465,000	180,570,000	(58,895,000)	239,465,000	177,100,000	(62,365,000)
OPC Pharma Joint Stock Company	166,965,260	557,812,500	-	166,965,260	449,062,500	-
	<u>6,476,068,160</u>	<u>3,658,702,500</u>	<u>(3,208,212,900)</u>	<u>6,476,068,160</u>	<u>3,969,626,500</u>	<u>(2,788,538,900)</u>

(b) Investments held to maturity

	2020		2019	
	Cost VND	Book value VND	Cost VND	Book value VND
Term deposits at banks	<u>60,340,000,000</u>	<u>60,340,000,000</u>	<u>1,500,000,000</u>	<u>1,500,000,000</u>

The term deposits represent bank deposits with maturity of more than three months and less than one year and earn interest at the fixed interest rate in Vietnamese Dong.

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4 INVESTMENTS (continued)

(c) Long-term investments

	2020			2019		
	Cost VND	Fair value VND	Provision VND	Cost VND	Fair value VND	Provision VND
(i) Investments in associates						
Agimexpharm Pharmaceutical Joint Stock Company	46,631,446,700	62,408,542,340	-	46,631,446,700	67,757,120,000	-
Dong Thap Muoi Research Conservation and Development Pharmaceutical Joint Stock Company	3,808,000,000	-	-	3,808,000,000	-	-
Gia Dai Pharmaceutical Company Limited	182,000,000	-	(182,000,000)	182,000,000	-	(182,000,000)
	<u>50,621,446,700</u>	<u>62,408,542,340</u>	<u>(182,000,000)</u>	<u>50,621,446,700</u>	<u>67,757,120,000</u>	<u>(182,000,000)</u>

Operational status of associates

Gia Dai Pharmaceutical Company Limited stopped its operations in 2015. Other associates are operating in their normal course of business.

Fair value

As at 31 December 2020 and 31 December 2019, the fair value of investment in Agimexpharm Pharmaceutical Joint Stock Company was VND62,408,542,340 and VND67,757,120,000, respectively. The Company has not determined the fair value of remaining investments since such information is not available.

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4 INVESTMENTS (continued)

(c) Long-term investments (continued)

	2020			2019		
	Cost VND	Fair value VND	Provision VND	Cost VND	Fair value VND	Provision VND
(ii) Investments in equity of other entities						
TV.Pharm Pharmaceutical Joint Stock Company	581,428,000	1,412,411,534	-	581,428,000	1,205,592,060	-
Vidipha Central Pharmaceutical Joint Stock Company	503,000,000	599,260,674	-	503,000,000	583,386,100	-
Saigon Thuong Tin Commercial Joint Stock Bank	127,690,000	135,873,369	-	127,690,000	125,635,050	(2,054,950)
No. 25 Central Pharmaceutical Joint Stock Company	114,550,000	17,023,000	(97,527,000)	114,550,000	28,444,650	(86,105,350)
	<u>1,326,668,000</u>	<u>2,164,568,577</u>	<u>(97,527,000)</u>	<u>1,326,668,000</u>	<u>1,943,057,860</u>	<u>(88,160,300)</u>

Equity investments in other entities represent the investments that hold less than 20% voting rights in those entities.

5 SHORT-TERM TRADE ACCOUNTS RECEIVABLE

	2020 VND	2019 VND
Third parties (*)	328,364,004,175	249,830,542,400
Related parties (Note 36(b))	6,269,886,601	4,413,140,080
	<u>334,633,890,776</u>	<u>254,243,682,480</u>

(*) Details of customers accounting for 10% or more of total short-term trade accounts receivable balance are as follows:

	2020 VND	2019 VND
Orgalife Nutritional Science Co, Ltd.	60,148,026,539	40,208,252,051
Newzilan Trading JSC	59,027,952,000	17,366,381,600
	<u>60,148,026,539</u>	<u>17,366,381,600</u>

As at 31 December 2020 and 31 December 2019, the balances of short-term trade accounts receivable which were past due, amounting to VND12,860,872,119 and VND11,315,056,683, respectively, and are presented in Note 8.

6 SHORT-TERM PREPAYMENTS TO SUPPLIERS

	2020 VND	2019 VND
Third parties (*)	41,593,541,046	56,239,591,813
	<u>41,593,541,046</u>	<u>56,239,591,813</u>

(*) Details of suppliers accounting for 10% or more of total balance of short-term prepayments to suppliers are as follows:

	2020 VND	2019 VND
Orioled International Pte. Ltd.	27,177,480,866	22,205,436,866
STV Machine Co, Ltd.	6,045,419,600	-
	<u>27,177,480,866</u>	<u>22,205,436,866</u>

7 OTHER SHORT-TERM RECEIVABLES

	2020		2019	
	Book value VND	Provision VND	Book value VND	Provision VND
Advances to employees	10,713,756,395	-	15,642,374,971	-
Interest income from banks	351,079,865	-	43,106,302	-
Others	27,445,239,490	(10,145,851,116)	17,980,548,005	(7,765,648,379)
	<u>38,510,075,750</u>	<u>(10,145,851,116)</u>	<u>33,666,029,278</u>	<u>(7,765,648,379)</u>

As at 31 December 2020 and 31 December 2019, the balances of other short-term receivables which were not past due but doubtful, amounting to VND10,145,851,116 and VND8,882,705,886, respectively, and are presented in Note 8.

8 DOUBTFUL DEBTS

	2020			2019		
	Cost VND	Recoverable amount VND	Provision VND	Cost VND	Recoverable amount VND	Provision VND
i) Receivables that were past due	12,860,872,119	6,360,505,304	(6,500,366,815)	11,315,056,683	4,648,466,136	(6,666,590,547)
From 6 months to 1 year	7,460,623,550	5,222,436,485	(2,238,187,065)	3,698,904,363	2,589,233,054	(1,109,671,309)
From 1 year to 2 years	1,265,281,210	632,640,605	(632,640,605)	2,363,353,362	1,181,676,681	(1,181,676,681)
From 2 years to 3 years	532,799,741	159,839,922	(372,959,819)	1,773,227,029	531,968,109	(1,241,258,920)
Over 3 years	3,602,167,618	345,588,292	(3,256,579,326)	3,479,571,929	345,588,292	(3,133,983,637)
ii) Receivables that were not past due but doubtful	10,145,851,116	-	(10,145,851,116)	8,882,705,886	1,117,057,507	(7,765,648,379)
	<u>23,006,723,235</u>	<u>6,360,505,304</u>	<u>(16,646,217,931)</u>	<u>20,197,762,569</u>	<u>5,765,523,643</u>	<u>(14,432,238,926)</u>

9 INVENTORIES

	2020		2019	
	Cost VND	Provision VND	Cost VND	Provision VND
Raw materials	293,054,174,055	(3,438,627,849)	202,186,070,567	(1,972,031,378)
Finished goods	102,134,863,725	-	103,023,542,433	-
Work in progress	17,266,285,446	-	13,670,237,076	-
Goods in transit	9,081,018,258	-	28,166,118,388	-
Tools and supplies	3,450,770,759	-	4,100,876,318	-
Merchandise	2,688,984,881	-	1,282,203,869	-
	<u>427,676,097,124</u>	<u>(3,438,627,849)</u>	<u>352,429,048,651</u>	<u>(1,972,031,378)</u>

Movements in the provision for decline in value of inventories during the year are as follows:

	2020 VND	2019 VND
Beginning of year	1,972,031,378	3,173,492,815
Increase (Note 27)	1,466,596,471	-
Reversal (Note 27)	-	(1,201,461,437)
End of year	<u>3,438,627,849</u>	<u>1,972,031,378</u>

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10 FIXED ASSETS

(a) Tangible fixed assets

	Plant, buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
Historical cost					
As at 1 January 2020	249,146,053,789	391,631,061,745	89,996,246,228	42,128,114,156	772,901,475,918
New purchases	5,151,123,697	8,510,473,000	2,580,573,409	1,043,820,273	17,285,990,379
Transfers from construction in progress (Note 11)	9,485,301,412	42,245,610,868	3,919,254,546	195,287,000	55,845,453,826
Disposals	(1,401,968,182)	(1,971,402,606)	(1,898,929,727)	-	(5,272,300,515)
As at 31 December 2020	<u>262,380,510,716</u>	<u>440,415,743,007</u>	<u>94,597,144,456</u>	<u>43,367,221,429</u>	<u>840,760,619,608</u>
Accumulated depreciation					
As at 1 January 2020	106,118,151,354	180,651,013,542	61,863,560,667	18,386,880,804	367,019,606,367
Charge for the year	9,382,072,756	29,512,447,359	6,661,701,187	6,330,462,461	51,886,683,763
Disposals	(1,401,968,182)	(1,971,402,606)	(1,472,212,115)	-	(4,845,582,903)
As at 31 December 2020	<u>114,098,255,928</u>	<u>208,192,058,295</u>	<u>67,053,049,739</u>	<u>24,717,343,265</u>	<u>414,060,707,227</u>
Net book value					
As at 1 January 2020	<u>143,027,902,435</u>	<u>210,980,048,203</u>	<u>28,132,685,561</u>	<u>23,741,233,352</u>	<u>405,881,869,551</u>
As at 31 December 2020	<u>148,282,254,788</u>	<u>232,223,684,712</u>	<u>27,544,094,717</u>	<u>18,649,878,164</u>	<u>426,699,912,381</u>

Historical cost of fully depreciated tangible fixed assets but still in use as at 31 December 2020 was VND240,544,076,763 (as at 31 December 2019: VND227,167,229,246).

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10 FIXED ASSETS (continue)

(b) Intangible fixed assets

	Land use rights VND	Copyright VND	Computer software VND	Others VND	Total VND
Historical cost					
As at 1 January 2020	75,549,435,195	744,712,823	15,440,088,868	1,442,180,000	93,176,416,886
New purchases	-	-	67,000,000	-	67,000,000
Transfers from construction in progress (Note 11)	8,140,392,173	-	-	335,000,000	8,475,392,173
Disposals	(1,500,000,000)	-	-	-	(1,500,000,000)
As at 31 December 2020	82,189,827,368	744,712,823	15,507,088,868	1,777,180,000	100,218,809,059
Accumulated amortisation					
As at 1 January 2020	6,078,129,465	744,712,823	14,081,274,815	1,190,438,334	22,094,555,437
Charge for the year	533,405,448	-	690,427,932	337,115,556	1,560,948,936
As at 31 December 2020	6,611,534,913	744,712,823	14,771,702,747	1,527,553,890	23,655,504,373
Net book value					
As at 1 January 2020	69,471,305,730	-	1,358,814,053	251,741,666	71,081,861,449
As at 31 December 2020	75,578,292,455	-	735,386,121	249,626,110	76,563,304,686

Historical cost of fully amortised intangible fixed assets but still in use as at 31 December 2020 was VND15,497,017,899 (as at 31 December 2019: VND13,220,010,899).

11 CONSTRUCTION IN PROGRESS

	2020 VND	2019 VND
Purchases of machinery and equipment	419,989,821,350	403,861,163,236
High-technology pharmaceutical factory	68,541,633,876	68,541,633,876
Others	33,915,480,663	17,895,372,784
	<u>522,446,935,889</u>	<u>490,298,169,896</u>

Movements in the construction in progress during the year are as follows:

	2020 VND	2019 VND
Beginning of year	490,298,169,896	547,705,487,912
Purchase	96,469,611,992	134,627,736,861
Transfers to tangible fixed assets (Note 10(a))	(55,845,453,826)	(190,129,879,631)
Transfers to intangible fixed assets (Note 10(b))	(8,475,392,173)	(341,379,792)
Others	-	(1,563,795,454)
End of year	<u>522,446,935,889</u>	<u>490,298,169,896</u>

12 LONG-TERM PREPAID EXPENSES

	2020 VND	2019 VND
Land rental	11,279,970,653	11,632,367,887
Quality evaluation costs (*)	10,645,733,321	16,928,160,183
Tools and supplies	4,717,234,726	3,641,460,035
Office furniture	3,878,999,929	8,854,421,717
Others	6,529,042,122	5,003,414,351
	<u>37,050,980,751</u>	<u>46,059,824,173</u>

(*) Included the costs incurred in order to obtain the EU-GMP certification for the production lines at high-technology antibiotic factories. The EU-GMP certification is valid for a period of 3 years. These expenses shall be allocated over this period accordingly.

14 SHORT-TERM ADVANCES FROM CUSTOMERS

	2020 VND	2019 VND
Third parties (*)	27,361,129,848	21,421,846,398

(*) Details of customers accounting for 10% or more of the total short-term advances from customers balance are as follows:

	2020 VND	2019 VND
Newzilan Trading Joint Stock Company	7,000,000,000	7,000,000,000
Orgalife Nutritional Science Co, Ltd.	7,080,400,000	6,580,400,000
Moc Tinh Pharmaceutical Joint Stock Company	6,366,650,076	2,512,007,337

15 TAX AND OTHER (RECEIVABLES) FROM/PAYABLES TO THE STATE

Movements in tax and other (receivables) from/payables to the State during the year are as follows:

	As at 1.1.2020 VND	(Receivable)/ payable during the year VND	Payment/net-off during the year VND	As at 31.12.2020 VND
a) Tax receivable				
Personal income tax	(490,897,240)	10,432,173,450	(9,941,276,210)	-
VAT to be reclaimed	(18,379,471,234)	(145,490,881,511)	155,131,378,157	(8,738,974,588)
b) Tax payables				
BIT - current	7,799,151,611	45,744,459,140	(40,856,105,810)	12,687,504,941
VAT for import	-	26,320,991,544	(26,320,991,544)	-
Import tax	-	12,673,770,474	(12,673,770,474)	-
Foreign contractor tax	5,522,261	5,112,727,608	(4,667,341,766)	450,908,103
Other personal income tax	1,383,778,309	9,688,609,127	(9,166,404,536)	1,905,982,900
VAT output	-	157,276,334,900	(156,572,197,907)	704,136,993
Others	-	589,161,362	(589,161,362)	-
	9,188,452,181	257,406,054,155	(250,845,973,399)	15,748,532,937

16 SHORT-TERM ACCRUED EXPENSES

	2020	2019
	VND	VND
Advertising and promotion	35,880,503,584	39,858,328,725
Research and market development	10,268,367,490	5,207,508,748
Royalty fees	6,132,848,196	3,239,034,001
	<u>52,281,719,270</u>	<u>48,304,871,474</u>

17 OTHER SHORT-TERM PAYABLES

	2020	2019
	VND	VND
Remunerations for the Board of Directors and Board of Supervision	4,390,554,350	2,387,698,987
Union fees	618,373,094	615,880,494
Short-term deposits from other enterprises	1,900,000,000	300,000,000
	<u>6,908,927,444</u>	<u>3,303,579,481</u>

18 SHORT-TERM BORROWINGS

	As at			As at
	1.1.2020	Increase	Decrease	31.12.2020
	VND	VND	VND	VND
The Joint Stock Commercial Bank for Investment and Development of Vietnam (i)	-	17,235,889,618	-	17,235,889,618
Shinhan Bank Vietnam Limited (ii)	3,203,209,781	252,603,382,566	(169,599,534,945)	86,207,057,402
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Dong Thap Branch (iii)	-	82,417,262,256	(54,932,588,052)	27,484,674,204
Sai Gon Thuong Tin Commercial Joint Stock Bank	20,000,000,000	30,000,000,000	(50,000,000,000)	-
Vietnam Joint Stock Commercial Bank for Industry and Trade	14,376,247,040	26,741,083,649	(41,117,330,689)	-
	<u>37,579,456,821</u>	<u>408,997,618,089</u>	<u>(315,649,453,686)</u>	<u>130,927,621,224</u>

18 SHORT-TERM BORROWINGS (Continued)

- (i) Representing a short-term loan according to the credit facility with a credit limit of VND37,105,819,488. This loan is unsecured and bears interest rate issued in each credit facility and has a 12 months credit term from 11 November 2020 for the purpose of financing the Company's working capital requirements.
- (ii) Representing a short-term loan according to the credit facility with a credit limit of VND100 billion. This loan is unsecured and bears interest rate at 5.5% per annum, the credit term for each draw-down does not exceed 3 months from the disbursement date for the purpose of financing the Company's working capital requirements.
- (iii) Short-term loan according to the credit facility with a credit limit of VND35billion. This loan is unsecured and bears interest rate at 4.7% per annum, the credit term for each draw-down does not exceed 3 months from the disbursement date for the purpose of financing the Company's working capital requirements.

19 BONUS AND WELFARE FUND

Movements of bonus and welfare fund during the year are as follows:

	2020 VND	2019 VND
Beginning of year	3,845,535,676	13,982,606,062
Appropriated (Note 22)	14,486,402,415	7,641,964,995
Utilised	(4,793,757,609)	(17,779,035,381)
End of year	<u>13,538,180,482</u>	<u>3,845,535,676</u>

20 SCIENCE AND TECHNOLOGY DEVELOPMENT FUND

Movements of science and technology development fund during the year are as follows:

	2020 VND	2019 VND
Beginning of year	25,281,067,716	32,606,428,096
Appropriated	-	20,000,000,000
Utilised	(6,244,007,386)	(27,325,360,380)
End of year	<u>19,037,060,330</u>	<u>25,281,067,716</u>

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21 OWNERS' CAPITAL

(a) Number of shares

	2020		2019	
	Ordinary shares	Preference shares	Ordinary shares	Preference shares
Number of shares registered	66,705,370	-	49,421,159	-
Number of shares issued	66,705,370	-	49,421,159	-
Number of shares repurchased	(33,800)	-	(33,800)	-
Number of existing shares in circulation	66,671,570	-	49,387,359	-

(b) Details of owners' shareholding

	2020		2019	
	Ordinary shares	%	Ordinary shares	%
SK Investment Vina III Pte. Ltd.	16,022,977	24.02	-	-
Vietnam Pharmaceutical Corporation	14,696,534	22.03	11,305,027	22.87
Kwe Beteiligungen AG	10,039,443	15.05	7,041,297	14.25
Balestrand Limited	-	-	2,923,934	5.92
Shareholding owned by other owners	25,946,416	38.90	28,150,901	56.96
Number of shares	66,705,370	100	49,421,159	100

(c) Movements of share capital

	Number of shares	Ordinary shares VND	Preference shares VND	Total VND
As at 1 January 2019 and as at 31 December 2019	49,421,159	494,211,590,000	-	494,211,590,000
New shares issued	17,284,211	172,842,110,000	-	172,842,110,000
As at 31 December 2020	66,705,370	667,053,700,000	-	667,053,700,000

Par value per share: VND10,000.

22 MOVEMENTS IN OWNERS' EQUITY

	Owners' capital VND	Share premium VND	Owners' other capital VND	Treasury shares VND	Investment and development fund VND	Post-tax undistributed earnings VND	Total VND
As at 1 January 2019	494,211,590,000	601,241,079,354	2,420,789,142	(218,600,000)	281,866,737,047	125,090,969,981	1,504,612,565,524
Net profit for the year	-	-	-	-	-	162,386,686,793	162,386,686,793
Cash dividend declared	-	-	-	-	-	(98,802,718,000)	(98,802,718,000)
Share repurchase	-	-	-	(140,000,000)	-	-	(140,000,000)
Appropriation to investment and development fund	-	-	-	-	21,713,056,330	(21,713,056,330)	-
Appropriation to bonus and welfare fund	-	-	-	-	-	(2,641,964,995)	(2,641,964,995)
Advance to bonus and welfare fund in 2019 (*)	-	-	-	-	-	(5,000,000,000)	(5,000,000,000)
Bonus for the Board of Management and Board of Supervision	-	-	-	-	-	(1,525,302,303)	(1,525,302,303)
As at 31 December 2019	494,211,590,000	601,241,079,354	2,420,789,142	(358,600,000)	303,579,793,377	157,794,615,146	1,558,889,267,019
Net profit for the year	-	-	-	-	-	209,696,878,289	209,696,878,289
Cash dividend declared (*) (Note 23)	-	-	-	-	-	(49,387,359,000)	(49,387,359,000)
Stock dividend declared (*)	49,380,380,000	-	-	-	-	(49,380,380,000)	-
Issue of bonus shares (*)	98,768,730,000	(98,768,730,000)	-	-	-	-	-
Capital increase from ESOP (**)	24,693,000,000	4,938,600,000	-	-	-	-	29,631,600,000
Appropriation to Investment and development fund (*)	-	-	-	-	42,380,243,978	(42,380,243,978)	-
Appropriation to Bonus and welfare fund (*) (Note 19)	-	-	-	-	-	(14,486,402,415)	(14,486,402,415)
Bonus for the Board of Directors and Board of Supervision (*)	-	-	-	-	-	(1,745,322,400)	(1,745,322,400)
Fund utilisation	-	-	-	-	(2,069,791,607)	-	(2,069,791,607)
Others	-	(42,701,450)	-	-	4,875,027,629	(4,875,027,629)	(42,701,450)
As at 31 December 2020	667,053,700,000	507,368,247,904	2,420,789,142	(358,600,000)	348,765,273,377	205,236,758,013	1,730,486,168,436

22 MOVEMENTS IN OWNERS' EQUITY (continued)

- (*) In accordance with Resolution No. 28/NQ-ĐHCĐ-IMP of the General Shareholder's Meeting of the Company dated 30 May 2020 and Resolution No. 29/NQ-HĐQT-IMP of the Board of Directors dated 2 June 2020, the 2019 profit after tax distribution plan was approved as follows:
- a) Dividend at the rate of 10% of the par value of shares in circulation in form of cash of VND49,387,359,000;
 - b) Stock dividend of VND49,380,380,000 at the rate of 10% of the par value of shares in circulation from undistributed earnings;
 - c) Issue bonus shares of VND98,774,710,000 at the rate of 20% of the par value of shares in circulation for existing shareholders from share premium. On 7 October 2020, the Company completed the issue of bonus shares of VND98,774,710,000;
 - d) Appropriation to Investment and development fund at the rate of 26.1% of post-tax undistributed earnings, amounting to VND42,380,243,978;
 - e) Appropriation to Bonus and welfare fund at the rate of 12% of post-tax undistributed earnings, amounting to VND19,486,402,415, in which, an amount of VND5,000,000,000 was appropriated in 2019; and
 - f) Bonus of VND1,745,322,400 for the Board of Directors and Board of Supervision for meeting the Company's profit targets.
- (**) In accordance with Resolution No. 28/NQ-ĐHCĐ-IMP of the General Shareholder's Meeting dated 30 May 2020 and Resolution No. 39/NQ-HĐQT-IMP of the Board of Directors dated 11 August 2020, the General Shareholder's Meeting and the Board of Directors approved the issue of 2,469,300 shares to the Company's employees at 5% of shares in circulation under ESOP. On 7 October 2020, the Company completed the issue at the price of VND12,000 per share.

23 DIVIDENDS PAYABLE

	2020 VND	2019 VND
Beginning of year	-	-
Dividends payable during the year (Note 22)	49,387,359,000	98,802,718,000
Dividends paid in cash	(49,387,359,000)	(98,802,718,000)
	<hr/>	<hr/>
End of year	-	-
	<hr/> <hr/>	<hr/> <hr/>

24 EARNINGS PER SHARE

(a) Basic earnings per share

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

	2020	2019 (**)
Net profit attributable to shareholders (VND)	209,696,878,289	162,386,686,793
Less amount allocated to bonus and welfare fund (VND) (*)	(25,163,625,395)	(19,486,402,415)
Less tax incentive (Note 32)	(4,875,027,629)	-
	<u>179,658,225,265</u>	<u>142,900,284,378</u>
Weighted average number of ordinary shares in issue (shares)	<u>64,783,200</u>	<u>64,231,084</u>
Basic earnings per share (VND)	<u>2,773</u>	<u>2,225</u>

(*) The amount allocated to bonus and welfare fund for the year ended 31 December 2020 was estimated based on the appropriation rate for bonus and welfare fund from post-tax undistributed earnings in accordance with the 2019 profit distribution scheme which was approved at the Annual General Meeting of the Company's shareholders on 30 May 2020.

(**) During the year, the Company paid stock dividend in accordance with Resolution No. 28/NQ-ĐHĐCĐ-IMP dated 30 May 2020 (Note 22). Therefore, the basic earnings per share of the fiscal year ended 31 December 2019 were recalculated as below:

	<u>For the year ended 31.12.2019</u>		
	As previously reported	Adjustments	As restated
Net profit attributable to shareholders (VND)	162,386,686,793	-	162,386,686,793
Less amount allocated to bonus and welfare fund (VND)	(19,486,402,415)	-	(19,486,402,415)
	<u>142,900,284,378</u>	<u>-</u>	<u>142,900,284,378</u>
Weighted average number of ordinary shares in issue (shares)	<u>49,416,173</u>	<u>14,814,911</u>	<u>64,231,084</u>
Basic earnings per share (VND)	<u>2,892</u>	<u>-</u>	<u>2,225</u>

24 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

The Company did not have potential shares which diluted earnings per shares.

25 OFF BALANCE SHEET ITEMS

(a) Foreign currencies

	2020	2019
United States Dollar ("USD")	63,323.49	6,176.99
Euro ("EUR")	20,612.12	20,612.12
	<u> </u>	<u> </u>

(b) Bad debts written off

	2020 VND	2019 VND
Bad debts written off	22,578,163,488	19,935,509,018
	<u> </u>	<u> </u>

26 NET REVENUE FROM SALES OF GOODS

	2020 VND	2019 VND
Revenue		
Sales of finished goods	1,331,309,397,235	1,319,406,228,849
Sale of franchised goods	70,806,752,827	95,936,648,825
Sale of exported goods	-	505,420,095
Sales of others	18,766,708,331	12,358,075,655
	<u> </u>	<u> </u>
	1,420,882,858,393	1,428,206,373,424
	<u> </u>	<u> </u>
Sales deductions		
Trade discounts	(39,900,295,014)	(23,346,466,221)
Sales returns	(11,418,486,598)	(2,405,413,339)
Sales rebates	(142,362,000)	-
	<u> </u>	<u> </u>
	(51,461,143,612)	(25,751,879,560)
	<u> </u>	<u> </u>
Net revenue from sales of goods	<u> </u>	<u> </u>
	1,369,421,714,781	1,402,454,493,864
	<u> </u>	<u> </u>

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27 COST OF GOODS SOLD

	2020 VND	2019 VND
Cost of finished goods sold	678,808,766,070	677,711,111,325
Cost of promotion goods	74,360,393,235	113,943,892,170
Cost of franchised goods	52,113,482,965	72,783,042,299
Cost of others	15,626,897,702	11,020,224,821
Cost of exported products	-	277,857,312
Provision/(reversal of provision) for decline in value of inventories (Note 9)	1,466,596,471	(1,201,461,437)
	<u>822,376,136,443</u>	<u>874,534,666,490</u>

28 FINANCIAL INCOME

	2020 VND	2019 VND
Dividend income	4,510,601,000	4,054,676,900
Realised foreign exchange gains	2,590,662,256	2,541,568,504
Interest income from deposits and lendings	2,504,256,292	2,960,670,159
Gain from disposal financial investments	-	522,178,000
	<u>9,605,519,548</u>	<u>10,079,093,563</u>

29 FINANCIAL EXPENSES

	2020 VND	2019 VND
Payment discounts	12,209,678,399	13,810,323,743
Interest expense	5,407,738,374	3,727,735,820
Realised foreign exchange losses	637,987,026	237,487,232
Provision for diminution in value of investments	429,040,700	619,146,300
Net loss from foreign currency translation at year-end	71,169,614	296,083,244
Others	864,734,881	3,250,000
	<u>19,620,348,994</u>	<u>18,694,026,339</u>

30 SELLING EXPENSES

	2020 VND	2019 VND
Staff costs	94,790,993,924	101,149,659,324
Marketing, research and market development	78,858,001,322	53,587,016,651
Material costs	12,624,426,436	15,332,112,163
Outside services	9,056,882,355	8,820,739,587
Depreciation and amortisation	5,668,407,158	5,639,395,809
Repairs and maintenance	2,088,307,173	2,805,541,298
(Reversal of)/conference and business travel	(4,295,610,949)	21,711,673,187
Other expenses	14,351,267,425	16,078,737,099
	<u>213,142,674,844</u>	<u>225,124,875,118</u>

31 GENERAL AND ADMINISTRATION EXPENSES

	2020 VND	2019 VND
Staff costs	26,158,702,700	27,821,860,721
Outside services	10,734,994,439	11,125,329,792
Remunerations for the Board of Directors and Board of Supervision	5,213,088,519	4,539,369,604
Depreciation and amortisation	4,477,798,336	4,815,816,727
Conference and business travel	2,564,059,160	4,664,601,475
Scientific and technological fund appropriation	-	20,000,000,000
Other expenses	22,199,529,528	26,786,088,356
	<u>71,348,172,682</u>	<u>99,753,066,675</u>

32 BIT

The BIT on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rate of 20% as follows:

	2020 VND	2019 VND
Net accounting profit before tax	255,441,337,429	202,429,110,631
Tax calculated at a rate of 20%	51,088,267,486	40,485,822,126
Effect of:		
Income not subject to tax	(902,120,200)	(810,935,380)
Expenses not deductible for tax purposes	433,339,483	367,537,092
Over-provision in previous years (*)	(4,875,027,629)	-
BIT charge (**)	45,744,459,140	40,042,423,838
Charged to income statement:		
BIT – current	45,744,459,140	40,042,423,838
BIT – deferred	-	-
	45,744,459,140	40,042,423,838

(*) This is the 50% BIT reduction of 2015 and 2016 relating to the business expansion project of the factories of the Company's Branch No. 3 in Binh Duong Province which meets the tax incentive condition (as the Branch operates in industrial zones) in accordance with the guidance of Item 4, Article 10 of Circular No. 96/2015-TT-BTC for the remaining period from year 2015. This amount was appropriated to Investment and development fund in accordance with Document No. 12/TT-HĐQT-IMP which was approved by the Board of Directors on 26 March 2020.

(**) The BIT charge for the year is based on estimated taxable income and is subject to review and possible adjustments by the tax authorities.

33 COST OF OPERATION BY FACTORS

	2020 VND	2019 VND
Raw materials	488,914,528,914	519,012,793,585
Staff costs	242,697,283,048	260,600,140,599
Outside services	57,890,176,582	61,000,381,120
Depreciation and amortisation	53,360,966,033	41,468,658,249
Others	266,711,399,054	322,190,743,123
	1,109,574,353,631	1,204,272,716,676

34 BUSINESS AND GEOGRAPHICAL SEGMENTS

Geographical Segment

The Company's revenue is mainly generated by domestic sales whereas export sales only account for a small portion in the total revenue in the Company's income statement for the year from 1 January 2020 to 31 December 2020 and the comparative periods. Therefore, the Company did not present geographical segment.

Business Segment

The Company's principal activities are to manufacture pharmaceutical products and trade materials used for processing pharmaceutical products. Other business activities only make up a small portion in the total revenue. Therefore, the Company did not present business segment.

35 ADDITIONAL INFORMATION FOR THE ITEMS OF THE STATEMENT OF CASH FLOWS

(a) Non-cash transactions affect the inteim statement of cash flows

	<u>Year ended 31 December</u>	
	2020 VND	2019 VND
Purchases of fixed assets not yet paid	<u>11,435,990,284</u>	<u>17,964,261,159</u>

(b) Amount of loan actually withdrawn during the year

	<u>Year ended 31 December</u>	
	2020 VND	2019 VND
Proceeds from borrowings following normal borrowing contracts	<u>408,997,618,089</u>	<u>378,631,215,425</u>

(c) Amount of loan principal actually paid during the year

	<u>Year ended 31 December</u>	
	2020 VND	2019 VND
Repayments for borrowings following normal borrowing contracts	<u>315,649,453,686</u>	<u>341,051,758,604</u>

36 RELATED PARTY DISCLOSURES (Continued)

(a) Related party transactions (Continued)

		2020 VND	2019 VND
iii) Compensation of key management			
Net salary after tax			
Mrs. Tran Thi Dao	Vice Chairwoman of Board of Directors cum General Director	3,471,649,959	4,053,036,835
Mr. Nguyen Quoc Dinh	Chairman of Board of Directors cum Deputy General Director	2,705,205,515	3,110,884,512
Mr. Ngo Minh Tuan	Member of Board of Directors cum Deputy General Director	1,483,883,853	1,561,924,877
Mr. Huynh Van Nhung	Deputy General Director	1,451,103,768	1,591,041,262
Mr. Le Van Nha Phuong	Member of Board of Directors cum Deputy General Director	1,837,926,131	2,107,711,862
Mr. Tran Hoai Hanh	Chief Accountant	804,135,671	783,647,148
Remuneration and bonuses after tax			
Mrs. Han Thi Khanh Vinh	Member of Board of Directors	243,000,000	225,000,000
Mr. Vo Huu Tuan	Member of Board of Directors	194,000,000	275,000,000
Mr. Tran Anh Tuan	Member of Board of Directors	243,000,000	225,000,000
Mr. Truong Minh Hung	Member of Board of Directors	99,000,000	-
Mr. Nguyen Duc Tuan	Chief Supervisor	288,000,000	270,000,000
Mrs. Le Thi Kim Chung	Member of Board of Supervision	198,000,000	180,000,000
Mrs. Do Thi Thanh Thuy	Member of Board of Supervision	198,000,000	180,000,000
Mrs. Nguyen Thi Kim Le	Secretary of Board of Directors	198,000,000	180,000,000
Total		13,414,904,897	14,743,246,496

36 RELATED PARTY DISCLOSURES (Continued)

(b) Year end balances with related parties

	2020 VND	2019 VND
i) Short-term trade accounts receivable (Note 5)		
Associate		
Agimexpharm Pharmaceutical Joint Stock Company	6,269,886,601	4,413,140,080
	<u>6,269,886,601</u>	<u>4,413,140,080</u>
ii) Short-term trade accounts payable (Note 13)		
Associate		
Agimexpharm Pharmaceutical Joint Stock Company	2,906,289,227	-
	<u>2,906,289,227</u>	<u>-</u>

37 CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure contracted for at the balance sheet date but not recognised in the financial statements was as follows:

	2020 VND	2019 VND
Property, plant and equipment	47,710,581,265	92,493,649,369
	<u>47,710,581,265</u>	<u>92,493,649,369</u>

38 OTHER EVENT

The wide spread of the Covid-19 since after the balance sheet date is a fluid and challenging situation facing all industries. The Group had performed a preliminary assessment of the overall impact of the situation on the Group's operations, including the recoverability of the carrying amount of assets, measurements of its assets and liabilities, as well as implication to its borrowing covenants. At this juncture, the Board of Management is unable to reliably estimate the financial impact on the Group's results for the next financial year. The Group will continue to monitor the situation, take appropriate and timely actions to minimise the impact.

39 COMPARATIVE FIGURES

Certain comparative comparative figures have been reclassified to conform to the current year's presentation.

The financial statements were approved by the Board of Management on 9 March 2021.



Duong Hoang Vu
Preparer



Tran Hoai Hanh
Chief Accountant



Nguyen Quoc Dinh
Deputy General Director
Authorised by Legal
Representative

