

DHG PHARMACEUTICAL JOINT STOCK COMPANY

**INTERIM SEPARATE FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED 30 SEPTEMBER 2019**

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DHG PHARMACEUTICAL JOINT STOCK COMPANY

CORPORATE INFORMATION

Establishment decision	No. 2405/QD-CT.UB dated 5 August 2004 This decision was issued by the People's Committee of Can Tho City.	
Business registration certificate	No. 5703000111 dated 15 September 2004 issued by the Department of Planning and Investment of Can Tho City. The Business registration certificate has been amended several times, and its latest amendment No. 1800156801 dated 01 July 2019 was issued by the Department of Planning and Investment of Can Tho City.	
The Board of Directors	Mr. Nguyen Chi Thanh Ms. Dang Thi Thu Ha Mr. Jun Kuroda Mr. Masashi Nakaura Mr. Maki Kamijo Mr. Doan Dinh Duy Khuong Mr. Phan Minh Tien Mr. Do Le Hung Mdm. Pham Thi Viet Nga Mr. Tran Chi Liem	Chairman (end of term from 11 June 2019) Chairman (appointed on 11 June 2019) Member Member (appointed on 11 June 2019) Member (appointed on 11 June 2019) Member Member Member (appointed on 11 June 2019) Member (end of term from 11 June 2019) Member (end of term from 11 June 2019)
The Board of Management	Mr. Doan Dinh Duy Khuong Mr. Le Chanh Dao Ms. Nguyen Ngoc Diep Mr. Tomoyuki Kawata	Interim General Director Deputy General Director (retired on 01 Aug 2019) Deputy General Director Deputy General Director
The Board of Supervisory	From 11 June 2019, the Company changed its organizational structure, management and control from the Board of Supervisory model to the Audit Committee model under the Board of Directors. Mr. Tran Quoc Hung Ms. Nguyen Phuong Thao Mr. Tran Trung Kien	
Audit Committee	Mr. Do Le Hung Ms. Dang Thi Thu Ha Mr. Maki Kamijo	Head (appointed from 11 June 2019) Member (appointed from 11 June 2019) Member (appointed from 11 June 2019)
Legal representative	Mr. Doan Dinh Duy Khuong	Interim 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 30.09.2019	As at 31.12.2018
			VND	VND
100	CURRENT ASSETS		2,800,394,331,861	3,140,204,746,425
110	Cash and cash equivalents	4	49,423,050,622	74,532,884,988
111	Cash		49,423,050,622	74,532,884,988
120	Short-term financial investments	5	1,363,500,000,000	1,454,222,000,000
123	Held-to-maturity investments		1,363,500,000,000	1,454,222,000,000
130	Short-term receivables		502,585,103,191	669,575,679,451
131	Trade receivables	6	440,733,445,153	618,500,755,955
132	Advances to suppliers		53,545,047,553	26,832,297,656
135	Short-term loan receivables	7	2,288,813,698	3,395,400,976
136	Other short-term receivables	8	43,469,125,936	55,418,939,111
137	Provision for doubtful debts	9	(37,451,329,149)	(34,571,714,247)
140	Inventories	10	871,187,615,988	891,258,048,542
141	Inventories		872,254,968,649	892,072,374,774
149	Provision for devaluation of inventories		(1,067,352,661)	(814,326,232)
150	Other short-term assets		13,698,562,060	50,616,133,444
151	Short-term prepayments	11	3,839,536,931	3,263,710,674
152	Value added tax deductibles		9,540,386,628	32,191,908,956
153	Taxes and other receivables from the State budget	12	318,638,501	15,160,513,814
200	Non-current assets		1,119,085,229,057	1,055,626,395,175
210	Long-term receivables		469,000,000	1,500,000,000
215	Long-term loans receivable	7	-	1,330,000,000
216	Other long-term receivables		469,000,000	170,000,000
220	Fixed assets		909,048,240,989	964,586,601,565
221	Tangible fixed assets	13	695,890,313,483	729,315,677,578
222	Cost		1,363,066,543,691	1,333,201,404,077
223	Accumulated depreciation		(667,176,230,208)	(603,885,726,499)
227	Intangible fixed assets	14	213,157,927,506	235,270,923,987
228	Cost		249,295,297,964	268,799,316,114
229	Accumulated amortization		(36,137,370,458)	(33,528,392,127)
230	Investment properties	15	18,067,154,377	247,880,293
231	Cost		20,486,466,306	1,249,521,792
232	Accumulated depreciation		(2,419,311,929)	(1,001,641,499)
240	Long-term assets in progress	16	17,848,594,230	14,087,991,804
242	Construction in progress		17,848,594,230	14,087,991,804
250	Long-term financial investments	5	135,623,998,360	34,795,190,535
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		(14,814,081,840)	(10,642,889,665)
255	Held-to-maturity investments		105,000,000,000	-
260	Other long-term assets		38,028,241,101	40,408,730,978
261	Long-term prepayments	11	25,384,136,022	30,034,914,000
262	Deferred tax assets	17	12,644,105,079	10,373,816,978
270	TOTAL ASSETS		3,919,479,560,918	4,195,831,141,600

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 01 – DN

INTERIM SEPARATE BALANCE SHEET (cont.)

Codes	RESOURCES	Notes	As at 30.09.2019 VND	As at 31.12.2018 VND
300	LIABILITIES		753,454,644,609	1,061,254,177,382
310	Current liabilities		689,392,002,959	1,001,039,537,807
311	Short-term trade payables	18	143,839,063,072	145,540,398,538
312	Short-term advances from customers		20,878,009,223	9,728,206,186
313	Taxes and amounts payable to the State budget	12	23,534,168,651	13,629,440,563
314	Payables to employees		122,634,786,635	179,893,955,715
315	Short-term accrued expenses	19	29,415,852,934	39,992,715,726
318	Unearned revenue	20	45,904,436,612	9,030,131,533
319	Other current payables	21	1,888,172,649	1,963,480,753
320	Short-term loans	22	231,195,090,709	557,901,327,419
322	Bonus and welfare funds	23	70,102,422,474	43,359,881,374
330	Long-term liabilities		64,062,641,650	60,214,639,575
342	Long-term provisions	24	46,730,309,010	39,753,692,402
343	Science and technology development fund	25	17,332,332,640	20,460,947,173
400	Equity		3,166,024,916,309	3,134,576,964,218
410	Owner's equity	26	3,166,024,916,309	3,134,576,964,218
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	1,270,235,596,228
421	Retained earnings		459,180,782,845	550,101,709,990
421a	- Retained earnings accumulated to the prior year end		29,758,750,172	140,019,952,072
421b	- Retained earnings of the current year		429,422,032,673	410,081,757,918
440	TOTAL RESOURCES		3,919,479,560,918	4,195,831,141,600

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant

Le Thi Hong Nhung
Finance Director
18 October 2019

DHG PHARMACEUTICAL JOINT STOCK COMPANY

Form B 02 – DN

INTERIM SEPARATE INCOME STATEMENT

Codes	Notes	For the 3-month period ended		For the 9-month period ended		
		30.09.2019	30.09.2018	30.09.2019	30.09.2018	
		VND	VND	VND	VND	
01	Gross revenue from goods sold and services rendered	28	1,003,451,491,411	946,301,605,921	2,968,762,980,444	3,146,802,991,807
02	Deductions	28	129,094,724,097	118,753,547,461	352,011,709,939	342,990,933,874
10	Net revenue from goods sold and services rendered	28	874,356,767,314	827,548,058,460	2,616,751,270,505	2,803,812,057,933
11	Cost of sales	29	504,152,815,779	447,040,473,611	1,466,095,487,899	1,859,408,330,497
20	Gross profit		370,203,951,535	380,507,584,849	1,150,655,782,606	944,403,727,436
21	Financial income	30	32,203,062,103	28,580,665,686	90,426,015,893	83,858,333,548
22	Financial expenses	31	25,906,385,896	25,241,346,728	79,110,698,829	78,150,858,543
23	<i>In which: Interest expense</i>		<i>7,190,511,486</i>	<i>6,848,467,518</i>	<i>19,674,281,797</i>	<i>21,823,828,097</i>
25	Selling expenses	32	170,006,078,405	165,155,713,848	462,327,838,317	487,325,207,898
26	General and administrative expenses	32	70,555,843,661	69,769,859,313	218,732,763,151	188,966,060,296
30	Operating profit		135,938,705,676	148,921,330,646	480,910,498,202	273,819,934,247
31	Other income	33	1,834,011,483	3,616,096,706	7,401,424,539	10,216,350,881
32	Other expenses	33	1,998,529,992	1,453,896,238	5,138,578,522	3,123,273,096
40	Profit from other activities		(164,518,509)	2,162,200,468	2,262,846,017	7,093,077,785
50	Accounting profit before tax		135,774,187,167	151,083,531,114	483,173,344,219	280,913,012,032
51	Current corporate income tax expense	35	17,991,899,924	12,683,197,747	56,021,599,647	38,919,437,996
52	Deferred corporate tax expense	35	117,494,262	(138,087,023)	(2,270,288,101)	(283,675,773)
60	Net profit after corporate income tax		117,664,792,981	138,538,420,390	429,422,032,673	242,277,249,809

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant

Le Thi Hong Nhung
Finance Director
18 October 2019

INTERIM SEPARATE CASH FLOW STATEMENT
(Indirect method)

	Codes	Fiscal period ended	
		30.09.2019 VND	30.09.2018 VND
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	483,173,344,219	280,913,012,032
2. Adjustment for:			
Depreciation and amortization of fixed assets and investment properties	02	65,466,935,855	55,454,243,997
Provisions	03	15,071,291,738	12,018,309,405
Foreign exchange loss arising from translating foreign currency items	04	145,858,407	167,048,296
Gain from investing activities	05	(88,597,727,174)	(86,162,337,293)
Loss transferred from subsidiaries	05	-	140,350,390
Interest expense	06	19,674,281,797	21,823,828,097
3. Operating profit before movements in working capital	08	494,933,984,842	284,354,454,924
Changes in receivables	09	215,570,230,802	396,833,574,093
Changes in inventories	10	19,817,406,125	(182,302,642,031)
Changes in payables	11	(68,616,508,941)	(39,917,706,975)
Changes in prepaid expenses	12	4,179,251,721	4,869,845,094
Interest paid	14	(19,557,979,540)	(21,940,387,577)
Corporate income tax paid	15	(35,127,820,254)	(46,378,834,402)
Other cash outflows	17	(42,366,277,320)	(61,470,734,362)
Net cash generated by operating activities	20	568,832,287,435	334,047,568,764
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and other long-term assets	21	(36,947,066,048)	(31,843,769,624)
2. Proceeds from sale, disposal of fixed assets and other long-term assets	22	919,720,404	7,071,090,910
3. Cash outflow for lending, buying debt instruments of other entities	23	(2,194,173,917,808)	(2,101,872,583,232)
4. Cash recovered from lending, selling debt instruments of other entities	24	2,182,332,505,086	1,620,130,304,650
5. Equity investments in other entities	25	-	(160,000,000)
6. Interest earned, dividends and profits received	27	107,493,479,481	67,225,765,987
Net cash generated by/ (used in) investing activities	30	59,624,721,115	(439,449,191,309)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from borrowings	33	1,634,354,302,233	2,169,939,831,596
2. Repayment of borrowings	34	(1,961,060,538,943)	(2,033,415,400,470)
3. Dividends and profits paid	36	(326,865,177,500)	(392,238,213,000)
Net cash used in financing activities	40	(653,571,414,210)	(255,713,781,874)
Net decrease in cash	50	(25,114,405,660)	(361,115,404,419)
Cash and cash equivalents at the beginning of the year	60	74,532,884,988	419,183,311,635
Effects of changes in foreign exchange rates	61	4,571,294	25,843,236
Cash and cash equivalents at the end of the period/ year	70	49,423,050,622	58,093,750,452

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant

Le Thi Hong Nhung
Finance Director
18 October 2019

**NOTES TO THE INTERIM SEPARATE FINANCIAL STATEMENTS
FOR THE FISCAL PERIOD ENDED 30 SEPTEMBER 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 30 September 2019 was 2,936 (as at 31 December 2018: 3,026).

Operating industry and principal activities

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

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

The Company’s structure

As at 30 September 2019 and 31 December 2018, the Company’s subsidiary and associate were as follows:

Name	Principal activities	Business Registration Certificate	Proportion of ownership interest and voting power held	
			Closing balance	Opening balance
Subsidiary				
Fuji Medic Limited Liability Company	Health care services	No. 1801472944 issued by the Planning and Investment Department of Can Tho City on 27 July 2016	51%	51%
Associate				
Vinh Hao 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 interim separate 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 interim separate financial statements**

The figures on the balance sheet are the figures of the audited financial statement for the fiscal year ended 31 December 2018, the comparative figures on the income statement and the cash flow statement are the figures of financial statement for the fiscal period ended 30 September 2018.

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

The separate financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.

The separate financial statements are prepared solely to present the separate financial position of the Company as at 30 September 2019, and its separate results of operations and cash flows for the 9-month period ended 30 September 2019. 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.

Financial year

The Company's financial 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 these 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 year. 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, 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 separate 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" effective from 10 October 2019 and applied from the fiscal year 2019.

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 and are stated at book value less provision for doubtful debts.

Provision for doubtful debts is made for receivables that are overdue for six months or more, or when the debtor is in dissolution, in bankruptcy, or is experiencing similar difficulties and so may be unable to repay the debt.

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 labour 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.

LeaseThe 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.

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 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 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 Labour Code, Social Insurance Code and relevant guiding documents. The average monthly salary used for calculation of severance allowance shall be adjusted to be the average of the 6 consecutive months nearest to the date of the financial statements at the end of each financial 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.

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

Appropriation of the Company's net profit after tax of 2018 was approved by the Board of Directors as follows:

- Dividends declared for 2018: 35% of par value.
- Appropriation to the bonus and welfare fund: 10% of net profit after tax.
- Remuneration payment to the Board of Directors, Board of Supervisory, members of Committees under the Board of Directors and the Board of Directors' Secretary: VND 6,000,000,000.

Remaining net profit after tax was appropriated to the investment and development fund

4 CASH AND CASH EQUIVALENTS

	30.09.2019	31.12.2018
	VND	VND
Cash on hand	12,192,345,000	27,957,108,000
Demand deposits	37,230,705,622	46,575,776,988
	<u>49,423,050,622</u>	<u>74,532,884,988</u>

5 FINANCIAL INVESTMENTS**(a) Short-term financial investments**

Short-term held-to-maturity investments represent term deposits with original maturity terms more than 3 months to 12 months.

Held-to-maturity investments

	30.09.2019		31.12.2018	
	Cost	Book value	Cost	Book value
	VND	VND	VND	VND
Term deposits	1,363,500,000,000	1,363,500,000,000	1,454,222,000,000	1,454,222,000,000
	<u>1,363,500,000,000</u>	<u>1,363,500,000,000</u>	<u>1,454,222,000,000</u>	<u>1,454,222,000,000</u>

(b) Long-term financial investments

	30.09.2019		31.12.2018	
	Cost	Provision	Cost	Provision
	VND	VND	VND	VND
Investments in subsidiary (*)	13,742,460,000	(6,092,263,062)	13,742,460,000	(3,819,635,054)
Investment in associate (**)	3,787,450,000	(1,316,271,298)	3,787,450,000	(1,092,392,848)
Equity investments in other entities (***)	27,908,170,200	(7,405,547,480)	27,908,170,200	(5,730,861,763)
	<u>45,438,080,200</u>	<u>(14,814,081,840)</u>	<u>45,438,080,200</u>	<u>(10,642,889,665)</u>

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

	30.09.2019	31.12.2018
	VND	VND
Fuji Medic Limited Liability Company	13,742,460,000	13,742,460,000
	<u>13,742,460,000</u>	<u>13,742,460,000</u>

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

(**) 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:

	30.09.2019	31.12.2018
	VND	VND
Vinh Hao Algae Processing Joint Stock Company	3,787,450,000	3,787,450,000

(***) Equity investments in other entities:

	30.09.2019	31.12.2018
	VND	VND
ATP Packaging Joint Stock Company	20,000,000,000	20,000,000,000
Enlie Pharmaceutical Joint Stock Company (*)	4,286,800,000	4,286,800,000
Tra Vinh 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>

(*) Formerly Becamex Pharmaceutical Joint Stock Company

Provision balance as at 30 September 2019 and 31 December 2018 represents the provision for impairment of the long-term investment in Fuji Medic Limited Liability Company, ATP Packaging Joint Stock Company and Vinh Hao Algae Processing Joint Stock Company:

	30.09.2019	31.12.2018
	VND	VND
Fuji Medic Limited Liability Company	6,092,263,062	3,819,635,054
Vinh Hao Algae Processing Joint Stock Company	1,316,271,298	1,092,392,848
ATP Packaging Joint Stock Company	7,405,547,480	5,730,861,763
	<u>14,814,081,840</u>	<u>10,642,889,665</u>

Held-to-maturity investments – long-term

Long-term held-to-maturity investments represent term deposits with a remaining maturity term exceeding 12 months from balance sheet date.

	30.09.2019		31.12.2018	
	Cost	Book value	Cost	Book value
	VND	VND	VND	VND
Term deposits	105,000,000,000	105,000,000,000	-	-

6 SHORT-TERM TRADE RECEIVABLES

	30.09.2019	31.12.2018
	VND	VND
Receivables from third parties	440,733,445,153	618,500,755,955
	<u>440,733,445,153</u>	<u>618,500,755,955</u>

As at 30 September 2019 and 31 December 2018, there was no single trade receivable from third parties accounting for 10% or more of total trade accounts receivable balance.

7 LOAN RECEIVABLES

Short-term loan receivables	30.09.2019	31.12.2018
	VND	VND
Loan receivables from customers	2,288,813,698	3,395,400,976
	<u>2,288,813,698</u>	<u>3,395,400,976</u>
Long-term loan receivables	30.09.2019	31.12.2018
	VND	VND
Loan receivables from customers	-	1,330,000,000
	<u>-</u>	<u>1,330,000,000</u>

8 OTHER SHORT-TERM RECEIVABLES

	30.09.2019	31.12.2018
	VND	VND
Interest income receivable	26,281,054,746	46,074,305,205
Receivable from employees	8,638,088,786	5,712,580,521
Other receivables	8,549,982,404	3,632,053,385
	<u>43,469,125,936</u>	<u>55,418,939,111</u>

9 BAD DEBTS

	30.09.2019		
	Cost	Recoverable	Provision
	VND	amount	VND
		VND	VND
Total amount of receivables and loan receivables past due or not past due but impaired	180,921,799,041	143,470,469,892	(37,451,329,149)
	<u>180,921,799,041</u>	<u>143,470,469,892</u>	<u>(37,451,329,149)</u>
	31.12.2018		
	Cost	Recoverable	Provision
	VND	amount	VND
		VND	VND
Total amount of receivables and loan receivables past due or not past due but impaired	205,852,717,492	171,281,003,245	(34,571,714,247)
	<u>205,852,717,492</u>	<u>171,281,003,245</u>	<u>(34,571,714,247)</u>

As at 30 September 2019 and 31 December 2018, 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	Fiscal year
	ended	ended
	30.09.2019	31.12.2018
	VND	VND
Opening balance	34,571,714,247	19,797,719,098
Additional provision during the period/year	2,879,614,902	12,198,225,485
Transfer from subsidiaries	-	2,575,769,664
Closing balance	<u>37,451,329,149</u>	<u>34,571,714,247</u>

10 INVENTORIES

	30.09.2019		31.12.2018	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	64,366,017,966	-	66,470,323,130	-
Raw materials	334,301,577,254	-	376,538,041,655	-
Work in progress	60,205,606,153	-	54,189,946,414	-
Finished goods	370,377,535,015	(1,067,352,661)	346,534,828,838	(814,326,232)
Merchandise	43,004,232,261	-	48,339,234,737	-
	<u>872,254,968,649</u>	<u>(1,067,352,661)</u>	<u>892,072,374,774</u>	<u>(814,326,232)</u>

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

	Fiscal period ended 30.09.2019 VND	Fiscal year ended 31.12.2018 VND
Opening balance	814,326,232	3,328,368,066
Additional provision in the period/year	253,026,429	-
Utilisation of provisions in the period/year	-	(1,294,938,769)
Reversal in the period/year	-	(1,219,103,065)
Closing balance	<u>1,067,352,661</u>	<u>814,326,232</u>

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

As at 30 September 2019 and 31 December 2018, the Company did not have any slow moving, damaged or sub-standard inventories.

11 PREPAYMENTS

Short-term prepayments

	30.09.2019 VND	31.12.2018 VND
Prepayment related to operating lease	1,925,338,148	101,800,010
Others	1,914,198,783	3,161,910,664
	<u>3,839,536,931</u>	<u>3,263,710,674</u>

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

Long-term prepayments

	30.09.2019 VND	31.12.2018 VND
Prepaid land rental	10,108,783,167	10,367,868,894
Tools and supplies	8,806,536,489	11,828,145,326
Leasehold improvement	-	47,927,928
Others	6,468,816,366	7,790,971,852
	<u>25,384,136,022</u>	<u>30,034,914,000</u>

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

11 PREPAYMENTS (cont.)

Movements in long-term prepayments were as follows:

	Fiscal period ended 30.09.2019 VND	Fiscal year ended 31.12.2018 VND
Opening balance	30,034,914,000	25,968,452,669
Increase	6,741,357,176	12,694,541,439
Transferred from subsidiaries	-	4,297,359,154
Allocation during the period/year	(11,361,741,154)	(12,939,859,048)
Reclassifications of opening balance	(30,394,000)	14,419,786
Closing balance	<u>25,384,136,022</u>	<u>30,034,914,000</u>

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

	Opening balance VND	Payable during the period/year VND	Refund/ Other decreases during the period/year VND	Paid during the period/year VND	Closing balance VND
Receivables					
Value added tax for import goods	3,713,591,537	(37,739,372,015)	-	34,089,337,857	63,557,379
Import and export duties	926,396,477	(9,895,215,127)	3,318,303,170	5,905,596,602	255,081,122
Corporate income tax – current	10,504,843,481	(45,761,703,319)	129,039,584	35,127,820,254	-
Land rental fee, land use tax	15,682,319	(15,682,319)	-	-	-
	<u>15,160,513,814</u>	<u>(93,411,972,780)</u>	<u>3,447,342,754</u>	<u>75,122,754,713</u>	<u>318,638,501</u>
Payables					
Output value added tax	13,499,506,643	35,778,401,874	-	(42,127,716,701)	7,150,191,816
Corporate income tax – current	-	10,259,896,328	-	-	10,259,896,328
Personal income tax	129,933,920	34,393,453,952	-	(31,003,239,935)	3,520,147,937
Land rental fee, land use tax	-	5,524,386,446	-	(2,920,453,876)	2,603,932,570
Other taxes	-	453,317,025	-	(453,317,025)	-
	<u>13,629,440,563</u>	<u>86,409,455,625</u>	<u>-</u>	<u>(76,504,727,537)</u>	<u>23,534,168,651</u>

13 TANGIBLE FIXED ASSETS

	Buildings and structures VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
Cost					
As at 01 January 2019	523,308,829,235	579,265,383,302	160,671,502,625	69,955,688,915	1,333,201,404,077
Purchase during the period/year	-	985,000,000	-	34,900,000	1,019,900,000
Transferred from construction in progress (Note 16)	3,788,276,789	22,712,131,802	2,910,487,273	2,467,974,946	31,878,870,810
Transferred from investment properties (Note 15)	267,073,636	-	-	-	267,073,636
Disposals	(363,374,367)	(729,446,519)	(2,145,094,673)	(62,789,273)	(3,300,704,832)
As at 30 September 2019	<u>527,000,805,293</u>	<u>602,233,068,585</u>	<u>161,436,895,225</u>	<u>72,395,774,588</u>	<u>1,363,066,543,691</u>
Accumulated depreciation					
As at 01 January 2019	182,276,573,936	261,752,989,050	100,416,305,688	59,439,857,825	603,885,726,499
Charge for the period/ year	21,828,319,352	33,619,036,599	8,111,703,618	2,742,853,084	66,301,912,653
Transferred from investment properties (Note 15)	267,073,636	-	-	-	267,073,636
Disposals	(363,374,367)	(707,224,267)	(2,145,094,673)	(62,789,273)	(3,278,482,580)
As at 30 September 2019	<u>204,008,592,557</u>	<u>294,664,801,382</u>	<u>106,382,914,633</u>	<u>62,119,921,636</u>	<u>667,176,230,208</u>
Net book value					
As at 01 January 2019	<u>341,032,255,299</u>	<u>317,512,394,252</u>	<u>60,255,196,937</u>	<u>10,515,831,090</u>	<u>729,315,677,578</u>
As at 30 September 2019	<u>322,992,212,736</u>	<u>307,568,267,203</u>	<u>55,053,980,592</u>	<u>10,275,852,952</u>	<u>695,890,313,483</u>

As at 30 September 2019, the cost of tangible fixed assets included VND 233,674,248,436 (as at 31 December 2018: VND 206,527,246,637) 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
Cost				
As at 01 January 2019	95,158,560,046	157,471,235,263	16,169,520,805	268,799,316,114
Reclassification	(1,560,000,000)	1,560,000,000	-	-
Transfer to investment property (Note 15)	(2,431,128,400)	(17,072,889,750)	-	(19,504,018,150)
As at 30 September 2019	<u>91,167,431,646</u>	<u>141,958,345,513</u>	<u>16,169,520,805</u>	<u>249,295,297,964</u>
Accumulated amortization				
As at 01 January 2019	-	22,026,708,192	11,501,683,935	33,528,392,127
Charge for the period/year	-	2,409,625,350	1,754,051,157	4,163,676,507
Transfer to investment property (Note 15)	-	(1,554,698,176)	-	(1,554,698,176)
As at 30 September 2019	-	<u>22,881,635,366</u>	<u>13,255,735,092</u>	<u>36,137,370,458</u>
Net book value				
As at 01 January 2019	<u>95,158,560,046</u>	<u>135,444,527,071</u>	<u>4,667,836,870</u>	<u>235,270,923,987</u>
As at 30 September 2019	<u>91,167,431,646</u>	<u>119,076,710,147</u>	<u>2,913,785,713</u>	<u>213,157,927,506</u>

As at 30 September 2019 and 31 December 2018, the cost of intangible fixed assets included VND 6,007,417,805 of assets which were fully amortized but are still in use.

15 INVESTMENT PROPERTIES

	Buildings VND
Cost	
As at 01 January 2019	1,249,521,792
Transferred from intangible fixed assets (Note 14)	19,504,018,150
Transferred to tangible fixed assets (Note 13)	(267,073,636)
As at 30 September 2019	<u>20,486,466,306</u>
Accumulated depreciation	
As at 01 January 2019	1,001,641,499
Charge for the period/ year	130,045,890
Transferred from intangible fixed assets (Note 14)	1,554,698,176
Transferred to tangible fixed assets (Note 13)	(267,073,636)
As at 30 September 2019	<u>2,419,311,929</u>
Net book value	
As at 01 January 2019	<u>247,880,293</u>
As at 30 September 2019	<u>18,067,154,377</u>

As at 30 September 2019, the cost of investment properties included VND 232,067,069 of assets which were fully depreciated but are still in active use (as at 31 December 2018: VND 367,140,705).

Fair value of the Company's investment properties as at 30 September 2019 is VND 39,285,197,100, as determined by Century Valuation Joint Stock Company, an independent valuation company, not a related party of the Company. Century Valuation Joint Stock Company has a valid practicing certificate and has experience in real estate valuation. The real estate valuation in accordance with International Valuation Standards is made in reference to market prices of similar properties.

DHG PHARMACEUTICAL JOINT STOCK COMPANY

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16 LONG-TERM ASSETS IN PROGRESS

	30.09.2019	31.12.2018
	VND	VND
Construction of effervescent tablets plant - stage 2	-	83,100,000
Office and auxiliary works at DHG Pharmaceutical Plant Branch in Hau Giang	11,746,318,768	11,746,318,768
Construction of Gia Lai branch office	623,948,774	623,948,774
REB product project	439,610,642	-
CTP product project	202,029,350	202,029,350
BUD product project	1,293,522,895	1,143,281,604
Raw materials for testing new machines	298,018,243	144,235,771
Renovating and repairing the factory	147,979,500	145,077,537
Purchase of new machines	3,097,166,058	-
	<u>17,848,594,230</u>	<u>14,087,991,804</u>

Movements of construction in progress in the period/year:

	Fiscal period ended	Fiscal year ended
	30.09.2019	31.12.2018
	VND	VND
Opening balance	14,087,991,804	17,391,628,650
Purchases	35,927,166,048	29,930,920,306
Transfer from subsidiaries	-	12,688,624,754
Transfer to tangible fixed assets (Note 13)	(31,878,870,810)	(29,103,115,838)
Transfer to intangible fixed assets (Note 14)	-	(2,696,709,627)
Transfer to prepayments	(104,300,000)	(2,283,909,837)
Transfer to expenses in the period/year	(183,392,812)	(11,839,446,604)
Closing balance	<u>17,848,594,230</u>	<u>14,087,991,804</u>

17 DEFERRED TAX ASSETS

	30.09.2019	31.12.2018
	VND	VND
Corporate income tax rates used for determination of value of deferred tax assets	20%	20%
Deductible temporary differences of provisions	63,220,525,395	51,869,084,890
Deferred tax assets	<u>12,644,105,079</u>	<u>10,373,816,978</u>

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

	Fiscal period ended	Fiscal year ended
	30.09.2019	31.12.2018
	VND	VND
Opening balance	10,373,816,978	9,776,044,031
Additional / (Reversal) deferred tax assets	2,229,561,757	(1,171,501,437)
Incurred due to consolidation of fixed assets	40,726,344	294,500,565
Transfer from subsidiaries	-	1,474,773,819
Closing balance	<u>12,644,105,079</u>	<u>10,373,816,978</u>

18 SHORT-TERM TRADE PAYABLES

	30.09.2019		31.12.2018	
	Amount VND	Amount able to be paid off VND	Amount VND	Amount able to be paid off VND
Third parties (*)	143,536,757,472	143,536,757,472	145,540,398,538	145,540,398,538
Related parties (Note 37)	302,305,600	302,305,600	-	-
	<u>143,839,063,072</u>	<u>143,839,063,072</u>	<u>145,540,398,538</u>	<u>145,540,398,538</u>

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

	30.09.2019 VND	31.12.2018 VND
Roquette Freres	606,183,500	15,258,076,053
DSM Sinochem Pharmaceuticals India Pvt ltd	18,308,836,000	18,987,080,000
DSM Sinochem Pharmaceuticals Spain S.A	14,436,708,000	20,246,688,000

As at 30 September 2019 and 31 December 2018, there was no balance of short-term trade payables that were past due.

19 SHORT-TERM ACCRUED EXPENSES

	30.09.2019 VND	31.12.2018 VND
Interest payable	587,422,267	471,120,010
Selling expenses	5,569,014,033	6,648,030,365
Other accruals	23,259,416,634	32,873,565,351
	<u>29,415,852,934</u>	<u>39,992,715,726</u>

20 SHORT-TERM UNEARNED REVENUE

	30.09.2019 VND	31.12.2018 VND
Unearned revenue from customer loyalty programs (Note 3)	45,904,436,612	9,030,131,533

21 OTHER SHORT-TERM PAYABLES

	30.09.2019 VND	31.12.2018 VND
Union fee	575,541,006	605,764,697
Others	1,312,631,643	1,357,716,056
	<u>1,888,172,649</u>	<u>1,963,480,753</u>

22 SHORT-TERM LOANS

	30.09.2019		31.12.2018	
	Amount VND	Amount able to be paid off VND	Amount VND	Amount able to be paid off VND
Loans from banks	231,195,090,709	231,195,090,709	557,901,327,419	557,901,327,419
	<u>231,195,090,709</u>	<u>231,195,090,709</u>	<u>557,901,327,419</u>	<u>557,901,327,419</u>

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

	As at 01.01.2019 VND	Increases VND	Decreases VND	As at 30.09.2019 VND
Loans from banks (*)	557,901,327,419	1,634,354,302,233	(1,961,060,538,943)	231,195,090,709
	<u>557,901,327,419</u>	<u>1,634,354,302,233</u>	<u>(1,961,060,538,943)</u>	<u>231,195,090,709</u>

(*) These loans bear interests at the rates ranging from 0.4% to 0.72% per month (in 2018: from 0.23% to 0.69% per month)

As at 30 September 2019 and 31 December 2018, 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 Board of Directors VND	Welfare fund in form of assets VND	Total VND
Opening balance	17,760,519,100	7,983,652,438	17,615,709,836	43,359,881,374
Appropriation to the funds during the period/year	65,108,903,082	6,000,000,000	-	71,108,903,082
Depreciation of assets formed from the funds	-	-	(2,000,084,662)	(2,000,084,662)
Utilization	<u>(36,079,230,728)</u>	<u>(6,287,046,592)</u>		<u>(42,366,277,320)</u>
Closing balance	<u>46,790,191,454</u>	<u>7,696,605,846</u>	<u>15,615,625,174</u>	<u>70,102,422,474</u>

24 LONG-TERM PROVISIONS

	Provision for dismantling and restoration cost VND	Severance allowance VND	Total VND
Opening balance	15,535,236,761	24,218,455,641	39,753,692,402
Additional provision during the period/year	2,969,861,897	4,797,596,335	7,767,458,232
Utilization of provisions	-	(790,841,624)	(790,841,624)
Closing balance	<u>18,505,098,658</u>	<u>28,225,210,352</u>	<u>46,730,309,010</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 disbursements are 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	20,460,947,173
Depreciation of assets formed from the funds	(3,128,614,533)
Closing balance	<u>17,332,332,640</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
Balance as at 01 January 2018	1,307,460,710,000	6,778,948,000	1,077,345,255,193	437,893,650,006	2,829,478,563,199
Net profit for the year	-	-	-	441,989,287,693	441,989,287,693
Profit transferred from subsidiaries	-	-	-	185,573,040,197	185,573,040,197
Profit due to impact of merger of subsidiaries (*)	-	-	-	(71,067,756,802)	(71,067,756,802)
Change due to collection of investments in subsidiaries	-	-	34,971,949,716	(17,150,000,000)	17,821,949,716
Change due to adjustment of consolidated assets	-	-	-	(5,303,835,027)	(5,303,835,027)
3 rd dividends declared for 2017 at 5%	-	-	-	(65,373,035,500)	(65,373,035,500)
1 st dividends advance for 2018 at 10%	-	-	-	(130,746,071,000)	(130,746,071,000)
Fund distribution	-	-	157,918,391,319	(157,918,391,319)	-
Appropriation to bonus and welfare funds	-	-	-	(61,795,178,258)	(61,795,178,258)
Appropriation to bonus fund for the Board of Directors	-	-	-	(6,000,000,000)	(6,000,000,000)
Balance as at 31 December 2018	1,307,460,710,000	6,778,948,000	1,270,235,596,228	550,101,709,990	3,134,576,964,218
Net profit for the period/year	-	-	-	429,422,032,673	429,422,032,673
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)
Balance as at 30 September 2019	1,307,460,710,000	6,778,948,000	1,392,604,475,464	459,180,782,845	3,166,024,916,309

(*) This amount is the unrealized profit in the balance of inventories of the Company obtained from the subsidiaries at the effective date of merging.

26 OWNER'S EQUITY (cont.)

Charter capital

	30.09.2019		31.12.2018	
	Number of shares	VND	Number of shares	VND
Authorized and issued share capital	130,746,071	1,307,460,710,000	130,746,071	1,307,460,710,000
Ordinary shares currently in circulation	130,746,071	1,307,460,710,000	130,746,071	1,307,460,710,000

All ordinary shares have a par value of VND 10,000. Each share is entitled to one vote at shareholders' meetings. Shareholders are eligible to dividends declared by the Company. Ordinary shares are ranked equally with regard to the Company's residual assets.

Dividends

According to the Resolution of the General Meeting of Shareholders No. 001/2019/NQ.DHĐCĐ dated 11 June 2019, the General Meeting of Shareholders of the Company approved the plan of dividends from profit after tax of 2018 of 35% in cash, equivalent to VND 457,611,248,500.

The company paid cash dividends of 2018 for the first and second payments at the rate of 10% and 20% of par value, equivalent to VND 392,238,213,000. On 17 July 2019, the Company paid the remaining 5% of dividends with an amount of VND 65,373,035,500.

27 OFF BALANCE SHEET ITEMS

Foreign currencies

Cash and cash equivalents included following foreign currencies:

	30.09.2019 VND	31.12.2018 VND
United states Dollar (USD)	81,881	215,886
Euros (EUR)	514	34,833

28 REVENUE

	For the 3-month period ended		For the 9-month period ended	
	30.09.2019 VND	30.09.2018 VND	30.09.2019 VND	30.09.2018 VND
Sales				
Sales of finished goods	857,398,292,878	855,758,104,900	2,586,352,468,378	1,905,158,220,269
Sales of merchandises	145,527,776,089	90,091,429,076	380,418,231,945	1,224,493,773,703
Leasing, distribution and sales of cheap commodities	525,422,444	452,071,945	1,992,280,121	17,150,997,835
	<u>1,003,451,491,411</u>	<u>946,301,605,921</u>	<u>2,968,762,980,444</u>	<u>3,146,802,991,807</u>
Deductions				
Sales discounts	127,816,229,855	117,909,267,289	347,291,735,477	337,638,413,196
Sales returns	1,278,494,242	844,280,172	4,719,974,462	5,352,520,678
	<u>129,094,724,097</u>	<u>118,753,547,461</u>	<u>352,011,709,939</u>	<u>342,990,933,874</u>
Net sales	<u>874,356,767,314</u>	<u>827,548,058,460</u>	<u>2,616,751,270,505</u>	<u>2,803,812,057,933</u>
In which:				
Sales of finished goods	729,393,080,674	738,005,585,739	2,237,630,001,106	1,676,413,026,162
Sales of merchandises	144,438,264,196	89,090,400,776	377,128,989,278	1,110,248,033,936
Leasing, distribution and sales of cheap commodities	525,422,444	452,071,945	1,992,280,121	17,150,997,835

Goods in transit's revenue has not been recognized as at 30 September 2019: VND 74,832,542,887 (as at 30 September 2018: VND 0)

29 COST OF SALES

	For the 3-month period ended		For the 9-month period ended	
	30,09,2019 VND	30,09,2018 VND	30,09,2019 VND	30,09,2018 VND
Cost of finished goods sold	365,103,560,466	361,234,976,788	1,103,000,916,878	897,169,129,235
Cost of merchandises sold	139,036,492,410	85,790,714,533	362,793,081,012	962,591,516,734
Cost of services rendered	12,762,903	14,782,290	48,463,580	594,675,029
Provision/(Reversal of provision) for devaluation of inventory	-	-	253,026,429	(946,990,501)
	<u>504,152,815,779</u>	<u>447,040,473,611</u>	<u>1,466,095,487,899</u>	<u>1,859,408,330,497</u>

30 FINANCIAL INCOME

	For the 3-month period ended		For the 9-month period ended	
	30.09.2019 VND	30.09.2018 VND	30.09.2019 VND	30.09.2018 VND
Interest income	30,773,877,725	27,456,492,684	86,932,224,978	73,817,260,646
Dividends and profits earned	173,511,100	150,841,200	768,004,044	7,517,734,785
Foreign exchange gains	1,242,542,290	973,331,802	2,712,655,883	1,911,600,628
Loan interest income from subsidiaries	-	-	-	611,635,740
Other financial income	13,130,988	-	13,130,988	101,749
	<u>32,203,062,103</u>	<u>28,580,665,686</u>	<u>90,426,015,893</u>	<u>83,858,333,548</u>

31 FINANCIAL EXPENSES

	For the 3-month period ended		For the 6-month period ended	
	30.09.2019 VND	30.09.2018 VND	30.09.2019 VND	30.09.2018 VND
Interest expenses	7,190,511,486	6,848,467,518	19,674,281,797	21,823,828,097
Foreign exchange losses	1,272,611,044	2,916,036,700	4,494,518,220	6,005,255,197
Settlement discount	17,217,904,233	15,434,640,449	50,692,456,500	50,030,104,516
Provision for impairment of long-term financial investments	210,197,432	22,193,407	4,171,192,175	38,118,307
Loss from liquidated subsidiaries	-	-	-	140,452,139
Other financial expenses	15,161,701	20,008,654	78,250,137	113,100,287
	<u>25,906,385,896</u>	<u>25,241,346,728</u>	<u>79,110,698,829</u>	<u>78,150,858,543</u>

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

Major items included in selling expenses were:

	For the 3-month period ended		For the 9-month period ended	
	30.09.2019 VND	30.09.2018 VND	30.09.2019 VND	30.09.2018 VND
Staff cost	87,615,158,519	83,815,720,354	251,398,905,473	254,383,095,325
Advertising expenses	15,388,452,962	24,360,549,569	54,393,137,933	86,600,049,879
Others	67,002,466,924	56,979,443,925	156,535,794,911	146,342,062,694
	<u>170,006,078,405</u>	<u>165,155,713,848</u>	<u>462,327,838,317</u>	<u>487,325,207,898</u>

32 SELLING EXPENSES AND GENERAL & ADMINISTRATIVE EXPENSES (cont.)**General & administrative expenses**

Major items included in general & administrative expenses were:

	For the 3-month period ended		For the 9-month period ended	
	30.09.2019 VND	30.09.2018 VND	30.09.2019 VND	30.09.2018 VND
Staff cost	50,299,855,414	48,360,871,149	162,272,859,501	132,784,991,690
Others	20,255,988,247	21,408,988,164	56,459,903,650	56,181,068,606
	<u>70,555,843,661</u>	<u>69,769,859,313</u>	<u>218,732,763,151</u>	<u>188,966,060,296</u>

33 OTHER INCOME AND EXPENSES**Other income**

	For the 3-month period ended		For the 9-month period ended	
	30.09.2019 VND	30.09.2018 VND	30.09.2019 VND	30.09.2018 VND
Gains from disposals of fixed assets and other long-term assets	529,989,061	594,718,193	884,452,697	4,155,106,122
Others	1,304,022,422	3,021,378,513	6,516,971,842	6,061,244,759
	<u>1,834,011,483</u>	<u>3,616,096,706</u>	<u>7,401,424,539</u>	<u>10,216,350,881</u>

Other expenses

	For the 3-month period ended		For the 9-month period ended	
	30.09.2019 VND	30.09.2018 VND	30.09.2019 VND	30.09.2018 VND
Depreciation expense	171,985,618	182,794,540	531,561,469	484,069,230
Others	1,826,544,374	1,271,101,698	4,607,017,053	2,639,203,866
	<u>1,998,529,992</u>	<u>1,453,896,238</u>	<u>5,138,578,522</u>	<u>3,123,273,096</u>

34 PRODUCTION AND OPERATION COSTS BY NATURE

	For the 9-month period ended	
	30.09.2019 VND	30.09.2018 VND
Raw materials and consumables	1,343,723,369,414	1,811,456,766,063
Staff cost	612,917,051,776	545,519,747,169
Depreciation and amortization	64,968,066,408	54,970,174,767
Out-sourced services	135,217,078,175	118,541,008,972
Other expenses	139,369,807,407	176,328,266,896
	<u>2,296,195,373,180</u>	<u>2,706,815,963,867</u>

35 CURRENT AND DEFERRED CORPORATE INCOME TAX

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

	For the 9-month period ended	
	30.09.2019 VND	30.09.2018 VND
Accounting profit before tax	483,173,344,219	280,913,012,032
Tax calculated at a normal rate of 20%	96,634,668,844	56,182,602,406
Adjustments for:		
Expenses not deductible for tax purposes	7,559,483,966	2,914,364,694
Under provision of tax in prior years	-	1,745,455
Non-assessable income	(153,600,809)	(1,503,567,307)
Corporate income tax incentives at branches	(48,018,952,354)	(18,675,707,252)
Corporate income tax expense	<u>56,021,599,647</u>	<u>38,919,437,996</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:

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 financial year 2015.

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

	For the 9-month period ended	
	30.09.2019 VND	30.09.2018 VND
Deferred corporate tax income	2,229,561,757	283,675,773
Incurred due to consolidation of fixed assets	40,726,344	-
	<u>2,270,288,101</u>	<u>283,675,773</u>

36 COMMITMENTS**a) Operating lease commitment**

	For the 9-month period ended	
	30.09.2019	30.09.2018
	VND	VND
Minimum lease payment under operating leases recognized in the income statement for the period	3,964,760,196	4,099,987,164

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

	30.09.2019	31.12.2018
	VND	VND
Within one year	4,066,521,285	5,422,028,378
In the first to fifth year inclusive	21,688,113,512	21,688,113,512
After five years	106,122,683,012	110,234,387,865
	<u>131,877,317,809</u>	<u>137,344,529,755</u>

b) Capital commitment

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

	30.09.2019	31.12.2018
	VND	VND
Approved but not contracted	120,479,348	6,412,563,066
Approved and contracted but not implemented	3,809,947,436	4,763,046,095
	<u>3,930,426,784</u>	<u>11,175,609,161</u>

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

DHG Travel One Member Limited Company (*)	Subsidiary
Song Hau Pharmaceutical One Member Limited Company (*)	Subsidiary
B&T Pharmaceutical One Member Limited Company (*)	Subsidiary
DHG Pharmaceutical One Member Limited Company (**)	Subsidiary
DHG Packaging and Printing 1 One Member Limited Company (**)	Subsidiary
Fuji Medic Limited Liability Company	Subsidiary
Vinh Hao Algae Processing Joint Stock Company	Associate
State Capital Investment Corporation ("SCIC")	Major shareholder
Taisho Pharmaceutical Co., Ltd	Major shareholder
Hoe Pharmaceuticals Sdn.Bhd	Subsidiary of Taisho

(*) Subsidiaries have been liquidated in 2018

(**) Subsidiaries have been merged in 2018.

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

	For the 9-month period ended	
	30.09.2019	30.09.2018
	VND	VND
Sales of goods and services		
DHG Packaging and Printing 1 One Member Limited Company	-	183,541,022
Song Hau Pharmaceutical One Member Limited Company	-	31,548,452,771
DHG Pharmaceutical One Member Limited Company	-	155,719,582,755
Fuji Medic Limited Liability Company	-	21,790,909
Hoe Pharmaceuticals Sdn.Bhd	1,728,473,580	-
	<u>1,728,473,580</u>	<u>187,473,367,457</u>

37 TRANSACTIONS WITH RELATED PARTIES (cont.)

	For the 9-month period ended	
	30.09.2019 VND	30.09.2018 VND
Purchases of goods and services		
DHG Packaging and Printing 1 One Member Limited Company	-	10,932,029,742
DHG Pharmaceutical One Member Limited Company	-	437,669,886,011
Fuji Medic Limited Liability Company	-	1,873,034,000
Vinh Hao Algae Processing Joint Stock Company	2,134,278,000	647,706,800
	<u>2,134,278,000</u>	<u>451,122,656,553</u>
Loan interest income		
DHG Packaging and Printing 1 One Member Limited Company	-	355,246,388
DHG Pharmaceutical One Member Limited Company	-	256,389,352
	-	<u>611,635,740</u>
Purchase fixed assets		
Song Hau Pharmaceutical One Member Limited Company	-	6,810,351,793
	-	<u>6,810,351,793</u>
Dividend income		
Song Hau Pharmaceutical One Member Limited Company	-	7,313,721,705
	-	<u>7,313,721,705</u>
Loss transferred from subsidiaries		
B&T Pharmaceutical One Member Limited Company	-	140,350,390
	-	<u>140,350,390</u>
Collecting investment		
B&T Pharmaceutical One Member Limited Company	-	5,000,000,000
	-	<u>5,000,000,000</u>
Supporting product development costs		
Taisho Pharmaceutical Co., Ltd	1,026,346,453	-
	<u>1,026,346,453</u>	-
Dividends paid		
SCIC	141,565,592,500	169,878,711,000
Taisho Pharmaceutical Co., Ltd.	124,870,698,000	96,518,288,000
	<u>124,870,698,000</u>	<u>96,518,288,000</u>

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

	For the 9-month period ended	
	30.09.2019 VND	30.09.2018 VND
Salaries and other benefits	<u>17,445,876,454</u>	<u>16,291,345,246</u>

37 TRANSACTIONS WITH RELATED PARTIES (cont.)

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

	30.09.2019 VND	31.12.2018 VND
Other receivables		
Fuji Medic Limited Liability Company	11,382,444	-
	<u>11,382,444</u>	<u>-</u>
	30.09.2019 VND	31.12.2018 VND
Trade payables		
Associate		
Vinh Hao Algae Processing Joint Stock Company	302,305,600	-
	<u>302,305,600</u>	<u>-</u>

38 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

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

	For the 9-month period ended	
	30.09.2019 VND	30.09.2018 VND
Appropriation to reserves from profit	193,477,782,318	225,713,569,577
Transfers from construction in progress to tangible fixed assets	31,878,870,810	17,793,819,979
Transfers from construction in progress to intangible fixed assets	-	2,696,709,627
Transfers from construction in progress to prepayments	104,300,000	791,936,198
Transfers from investment properties to tangible fixed assets	-	94,808,705
Offset payables when receiving dividends and interest income	-	611,737,489
Offset payables when collecting loan receivables	-	49,909,543,097
Offset payables when receiving investment in subsidiaries	-	173,970,000,000
Offset payables when collecting investment in subsidiaries	-	5,000,000,000
Accrued interest income	26,281,054,746	34,943,905,751

(b) Proceeds from borrowings

	For the 9-month period ended	
	30.09.2019 VND	30.09.2018 VND
Proceeds from borrowings under normal contracts	<u>1,634,354,302,233</u>	<u>2,169,939,831,596</u>

(c) Repayment of borrowings

	For the 9-month period ended	
	30.09.2019 VND	30.09.2018 VND
Repayment of borrowings under normal contracts	<u>1,961,060,538,943</u>	<u>2,033,415,400,470</u>

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant

Le Thi Hong Nhung
Finance Director
18 October 2019