

DHG PHARMACEUTICAL JOINT STOCK COMPANY

(Incorporated in the Socialist Republic of Vietnam)

AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2022

DHG PHARMACEUTICAL JOINT STOCK COMPANY

No. 288 Bis Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District
Can Tho City, Vietnam

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DHG PHARMACEUTICAL JOINT STOCK COMPANY

No. 288 Bis Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District
Can Tho City, Vietnam

STATEMENT OF THE MANAGEMENT

The Management of DHG Pharmaceutical Joint Stock Company (the “Company”) presents this report together with the Company’s financial statements for the year ended 31 December 2022.

BOARD OF DIRECTORS, AUDIT COMMITTEE AND MANAGEMENT

The members of the Board of Directors, Audit Committee and Management of the Company during the year and to the date of this report are as follows:

Board of Directors

Ms. Dang Thi Thu Ha	Chairwoman
Mr. Jun Kuroda	Member
Mr. Masashi Nakaura	Member
Mr. Maki Kamijo	Member
Mr. Doan Dinh Duy Khuong	Member
Mr. Do Le Hung	Independence member
Ms. Nguyen Thi Viet Thanh	Independence member

Audit Committee

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

Management

Mr. Toshiyuki Ishii	General Director (appointed on 1 January 2023)
Mr. Masashi Nakaura	General Director (resigned on 31 December 2022)
Mr. Doan Dinh Duy Khuong	Chief Operating Officer
Ms. Nguyen Ngoc Diep	Deputy General Director
Mr. Tomoyuki Kawata	Deputy General Director

Legal representative

The legal representative of the Company during the year is Mr. Masashi Nakaura and to the date of this report is Mr. Toshiyuki Ishii.

MANAGEMENT’S STATEMENT OF RESPONSIBILITY

The Management of the Company is responsible for preparing the financial statements which give a true and fair view of the financial position of the Company as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. In preparing these financial statements, the Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the financial statements so as to minimize errors and frauds.

DHG PHARMACEUTICAL JOINT STOCK COMPANY

No. 288 Bis Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District
Can Tho City, Vietnam


STATEMENT OF THE MANAGEMENT (Continued)

The 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 that the financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting. The Management is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Management confirms that the Company has complied with the above requirements in preparing these financial statements.

For and on behalf of the Management,




Toshiyuki Ishii
General Director
20 February 2023



No.: 0299 /VN1A-HC-BC

INDEPENDENT AUDITORS' REPORT

To: The shareholders
The Board of Directors, Audit Committee and Management of
DHG Pharmaceutical Joint Stock Company

We have audited the accompanying financial statements of DHG Pharmaceutical Company Joint Stock Company (the "Company"), prepared on 20 February 2023 as set out from page 4 to page 35, which comprise the balance sheet as at 31 December 2022, the statement of income and statement of cashflows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting, and for such internal control as the Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 requirements and plan and perform the audit to obtain reasonable assurance about 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation 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 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 2022, and its financial performance and its cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting.



Nguyen Thi Thu Sang
Audit Partner
Audit Practising Registration Certificate
No. 1144-2023-001-1
BRANCH OF DELOITTE VIETNAM
AUDIT COMPANY LIMITED
20 February 2023
Ho Chi Minh City, Vietnam

Nguyen Doan Ngoc Diep
Auditor
Audit Practising Registration Certificate
No. 5036-2020-001-1

BALANCE SHEET
As at 31 December 2022

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
A. CURRENT ASSETS	100		4,218,772,327,716	3,720,882,994,624
I. Cash and cash equivalents	110	4	34,017,813,791	36,963,568,653
1. Cash	111		34,017,813,791	36,963,568,653
II. Short-term financial investments	120	5	2,355,000,000,000	2,110,000,000,000
1. Held-to-maturity investments	123		2,355,000,000,000	2,110,000,000,000
III. Short-term receivables	130		550,503,358,957	488,071,438,874
1. Short-term trade receivables	131	6	320,497,731,135	364,370,011,094
2. Short-term advances to suppliers	132	7	188,966,257,070	97,053,188,601
3. Short-term loan receivables	135	8	257,622,204	270,872,204
4. Other short-term receivables	136	9	81,417,096,027	75,634,454,278
5. Provision for short-term doubtful debts	137	10	(40,635,347,479)	(49,257,087,303)
IV. Inventories	140	11	1,250,833,919,138	1,072,605,509,022
1. Inventories	141		1,251,913,300,453	1,073,963,422,414
2. Provision for devaluation of inventories	149		(1,079,381,315)	(1,357,913,392)
V. Other short-term assets	150		28,417,235,830	13,242,478,075
1. Short-term prepayments	151	12	12,401,507,959	6,603,126,396
2. Value added tax deductibles	152		16,015,727,871	4,516,420,536
3. Taxes and other receivables from the State budget	153	13	-	2,122,931,143



The accompanying notes are an integral part of these financial statements

BALANCE SHEET (Continued)
As at 31 December 2022

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
B. NON-CURRENT ASSETS	200		949,414,175,129	893,634,073,316
I. Long-term receivables	210		822,061,880	642,061,880
1. Other long-term receivables	216		822,061,880	642,061,880
II. Fixed assets	220		787,387,089,074	767,930,673,967
1. Tangible fixed assets	221	14	585,574,876,927	562,150,489,910
- Cost	222		1,481,802,489,560	1,395,439,826,903
- Accumulated depreciation	223		(896,227,612,633)	(833,289,336,993)
2. Intangible assets	227	15	201,812,212,147	205,780,184,057
- Cost	228		252,779,142,186	252,779,142,186
- Accumulated amortization	229		(50,966,930,039)	(46,998,958,129)
III. Investment property	230	16	14,308,981,880	14,654,470,364
- Cost	231		17,304,956,819	17,304,956,819
- Accumulated depreciation	232		(2,995,974,939)	(2,650,486,455)
IV. Long-term assets in progress	240		92,596,259,917	69,507,677,936
1. Construction in progress	242	17	92,596,259,917	69,507,677,936
V. Long-term financial investments	250		3,860,000,000	7,838,324,934
1. Investments in subsidiaries	251	5	-	13,742,460,000
2. Equity investments in other entities	253	5	24,108,379,057	24,108,379,057
3. Provision for impairment of long-term financial investments	254	5	(20,248,379,057)	(30,012,514,123)
VI. Other long-term assets	260		50,439,782,378	33,060,864,235
1. Long-term prepayments	261	12	34,594,969,043	15,525,924,704
2. Deferred tax assets	262	18	15,844,813,335	17,534,939,531
TOTAL ASSETS (270=100+200)	270		5,168,186,502,845	4,614,517,067,940

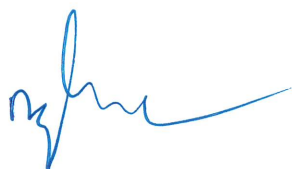
The accompanying notes are an integral part of these financial statements



BALANCE SHEET (Continued)
As at 31 December 2022

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
C. LIABILITIES	300		876,649,599,388	824,506,970,274
I. Current liabilities	310		811,536,702,268	757,700,006,863
1. Short-term trade payables	311	19	364,379,191,011	201,219,543,333
2. Short-term advances from customers	312		44,183,901,316	24,082,624,119
3. Taxes and amounts payable to the State budget	313	13	37,036,207,791	34,408,305,142
4. Payables to employees	314	20	170,724,651,834	162,249,988,636
5. Short-term accrued expenses	315	21	24,364,389,787	39,619,329,167
6. Short-term unearned revenue	318	22	34,043,466,112	49,608,540,605
7. Other current payables	319		1,844,519,967	2,701,326,368
8. Short-term loans	320	23	114,723,409,074	207,391,176,993
9. Bonus and welfare funds	322	24	20,236,965,376	36,419,172,500
II. Long-term liabilities	330		65,112,897,120	66,806,963,411
1. Long-term provisions	342	25	58,827,249,515	57,297,571,580
2. Scientific and technological development fund	343	26	6,285,647,605	9,509,391,831
D. EQUITY	400		4,291,536,903,457	3,790,010,097,666
I. Owner's equity	410	27	4,291,536,903,457	3,790,010,097,666
1. Owner's contributed capital	411		1,307,460,710,000	1,307,460,710,000
- Ordinary shares carrying voting rights	411a		1,307,460,710,000	1,307,460,710,000
2. Share premium	412		6,778,948,000	6,778,948,000
3. Investment and development fund	418		1,958,932,899,782	1,668,641,014,030
4. Retained earnings	421		1,018,364,345,675	807,129,425,636
- Retained earnings accumulated to the prior year end	421a		29,909,699,603	30,057,945,259
- Retained earnings of the current year	421b		988,454,646,072	777,071,480,377
TOTAL RESOURCES (440=300+400)	440		5,168,186,502,845	4,614,517,067,940




Tran Ngoc Hien
Preparer



Ho Bui Huan
Chief Accountant




Toshiyuki Ishii
General Director
20 February 2023

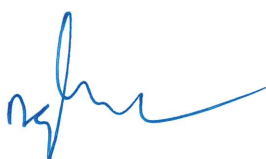
The accompanying notes are an integral part of these financial statements


INCOME STATEMENT

For the year ended 31 December 2022

Unit: VND

ITEMS	Codes	Notes	Current year	Prior year
1. Gross revenue from goods sold and services rendered	01	30	5,181,739,797,774	4,522,008,123,146
2. Deductions	02	30	505,723,789,947	518,844,205,371
3. Net revenue from goods sold and services rendered (10=01-02)	10		4,676,016,007,827	4,003,163,917,775
4. Cost of sales	11	31	2,418,521,064,699	2,082,259,824,914
5. Gross profit from goods sold and services rendered (20=10-11)	20		2,257,494,943,128	1,920,904,092,861
6. Financial income	21	33	137,142,907,707	122,927,139,276
7. Financial expenses	22	34	101,162,960,616	100,163,749,092
- In which: Interest expense	23		12,558,694,966	12,080,103,631
8. Selling expenses	25	35	913,204,497,923	802,955,208,315
9. General and administration expenses	26	35	268,212,758,590	257,166,882,284
10. Operating profit (30=20+(21-22)-(25+26))	30		1,112,057,633,706	883,545,392,446
11. Other income	31	36	9,673,632,221	1,931,180,500
12. Other expenses	32	37	22,117,946,991	20,725,055,928
13. Losses from other activities (40=31-32)	40		(12,444,314,770)	(18,793,875,428)
14. Accounting profit before tax (50=30+40)	50		1,099,613,318,936	864,751,517,018
15. Current corporate income tax expense	51	38	109,468,546,668	89,184,316,760
16. Deferred corporate tax expense/(income)	52	38	1,690,126,196	(1,504,280,119)
17. Net profit after corporate income tax (60=50-51-52)	60		988,454,646,072	777,071,480,377
18. Basic earnings per share	70	39	7,318	5,719


Tran Ngoc Hien
Preparer

Ho Bui Huan
Chief Accountant

Toshiyuki Ishii
General Director
20 February 2023

CASH FLOW STATEMENT
For the year ended 31 December 2022

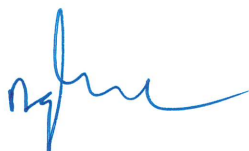
Unit: VND

ITEMS	Codes	Current year	Prior year
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	1,099,613,318,936	864,751,517,018
2. Adjustments for:			
Depreciation and amortization of fixed assets and investment properties	02	81,001,086,959	83,876,191,955
Provisions	03	(16,073,768,863)	7,185,116,299
Foreign exchange gain arising from translating foreign currency items	04	(6,894,188,664)	(428,421,247)
Gain from investing activities	05	(112,318,649,197)	(107,818,015,508)
Interest expense	06	12,558,694,966	12,080,103,631
3. Operating profit before movements in working capital	08	1,057,886,494,137	859,646,492,148
Change in receivables	09	34,205,818,824	22,427,410,406
Change in inventories	10	(177,949,878,039)	(246,313,380,755)
Change in payables	11	160,320,946,149	(32,417,885,879)
Change in prepaid expenses	12	(15,714,025,517)	(1,749,149,711)
Interest paid	14	(12,557,573,654)	(12,049,912,729)
Corporate income tax paid	15	(100,998,733,008)	(99,613,058,758)
Other cash outflows	17	(43,908,442,589)	(36,526,894,741)
Net cash generated by operating activities	20	901,284,606,303	453,403,619,981
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and other long-term assets	21	(233,991,633,058)	(24,562,126,487)
2. Proceeds from sale, disposal of fixed assets and other long-term assets	22	3,334,204,498	2,277,272,726
3. Cash outflow for lending and time deposits	23	(3,770,000,000,000)	(2,980,000,000,000)
4. Cash recovered from lending and time deposits	24	3,525,000,000,000	2,944,109,670,254
5. Cash recovered from investments in other entities	26	3,205,772,441	84,720,000
6. Interest earned, dividends and profits received	27	118,722,503,640	101,418,077,380
Net cash (used in)/generated by investing activities	30	(353,729,152,479)	43,327,613,873
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from borrowings	33	737,940,850,410	794,683,347,097
2. Repayment of borrowings	34	(830,608,618,329)	(799,563,689,552)
3. Dividends and profits paid	36	(457,611,248,500)	(522,984,284,000)
Net cash used in financing activities	40	(550,279,016,419)	(527,864,626,455)
Net decreases in cash (50=20+30+40)	50	(2,723,562,595)	(31,133,392,601)
Cash and cash equivalents at the beginning of the year	60	36,963,568,653	68,051,723,905
Effects of changes in foreign exchange rates	61	(222,192,267)	45,237,349
Cash and cash equivalents at the end of the year (70=50+60+61)	70	34,017,813,791	36,963,568,653

The accompanying notes are an integral part of these financial statements

CASH FLOW STATEMENT (Continued)
For the year ended 31 December 2022


Significant non-cash transactions for the year ended 31 December 2022 are presented in Note 42.



Tran Ngoc Hien
Preparer



Ho Bui Huan
Chief Accountant



Toshiyuki Ishii
General Director
20 February 2023



NOTE TO THE FINANCIAL STATEMENTS*These notes are an integral part of and should be read in conjunction with the financial statements***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/QĐ-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.

As at 31 December 2022, the largest shareholders of the Company are Taisho Pharmaceutical Co., Ltd., which owns 51.01% and the State Capital Investment Corporation ("SCIC"), which owns 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, Vietnam.

The number of employees of the Company as at 31 December 2022 was 2,700 (As at 31 December 2021: 2,677).

Operating industry and principal activities

The operating industry of the Company are to manufacture and sell pharmaceutical products.

The principal activities of the Company are to manufacture and trade pharmaceuticals, medical tools and supplies, medical equipment, dietary supplements and pharmaceutical cosmetics.

The Company's structure

The Company's subsidiary was as follows:

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

According to the Resolution of the Board of Directors No.003/2019/NQ.HĐQT dated 1 April 2019, the Board of Directors of the Company approved the plan to transfer its interest in Fuji Medic Limited Liability Company ("Fuji Medic") or to liquidate its assets for dissolution of this company. On 14 November 2022, Fuji Medic dissolution proceedings was completed. Hence, the company does not need to prepare consolidated financial statement for the year ended 31 December 2022.

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.

Disclosure of information comparability in the financial statements

Comparative figures are the figures of the audited separate financial statements for the year ended 31 December 2021.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The accompanying 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 accompanying 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 financial statements, are as follows:

Estimates

The preparation of financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to financial reporting requires the 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 financial statement and the reported amounts of revenues and expenses during the financial year. Although these accounting estimates are based on the 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, cash in transit and short-term, highly liquid investments not exceeding 3 months that are readily convertible to known amounts of cash and which 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 has the positive intent or ability to hold to maturity.

Held-to-maturity investments include term deposits (except for term deposits presented in Note "Cash and cash equivalents") to earn periodic interest. Interest income from term deposits is recognized in the income statement on accrual basis. These investments are measured at cost less provision for impairment of financial investments. Provision for doubtful debts relating to held-to-maturity investments is made in accordance with prevailing accounting regulations.



Loan receivables

Loan receivables are measured at cost less provision for doubtful debts. Provision for doubtful debts relating to loan receivables is made in accordance with prevailing accounting regulations.

Investments in subsidiaries

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.

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. Provisions for impairment of investments in subsidiaries, joint ventures and associates are made when there is reliable evidence for a declining in value of these investments at the balance sheet date.

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 settle the debt.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories comprises cost of purchases and other directly attributable expenses. In the case of manufactured products, cost comprises direct materials and where applicable, direct 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 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
Office equipment	3 - 10
Motor vehicles	3 - 20

Gain or loss resulting from sales and disposals of tangible fixed assets is the difference between profit from sales or disposals of assets and their residual values and is recognized in the income statement.



Operating leases

The Company as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized on a straight-line basis over the lease term.

The Company as lessee

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Intangible assets and amortization

Intangible assets represent the value of land use rights and computer software that are stated at cost less accumulated amortization.

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

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

Investment properties

Investment properties are buildings, or part of buildings or infrastructure or buildings and land held by the Company to earn rentals or for capital appreciation. Investment properties held to earn rentals are stated at cost less accumulated depreciation while investment properties held for capital appreciation are stated at cost less impairment loss. The costs of purchased investment properties comprise their purchase prices and any directly attributable expenditures, such as professional fees for legal services, property transfer taxes and other related transaction costs. The costs of self-constructed investment properties are the finally accounted construction or directly attributable costs of the properties.

Investment properties held to earn rentals are depreciated using the straight-line method over their estimated useful lives from 10 to 16 years.

No depreciation is recorded for investment properties held for capital appreciation.

Construction in progress

Properties in the course of construction for production, rental or administrative purposes, or for other purposes, are carried at cost 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 land rentals, costs of small tools, supplies and spare parts issued for consumption and other prepaid expenses.

Land rentals represent the prepaid land rentals. The prepaid land rentals are allocated to the 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 Management's best estimate of the expenditure required to settle the obligation as at these balance sheet dates.

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 the 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 period of service equals half of an average monthly salary under the Vietnamese Labour Code, Social Insurance Code and relevant guiding documents. The average monthly salary used for the 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 reporting period. 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 No. 200/2014/TT-BTC issued by 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 year from 1 January 2015 to the time of returning the premises or land.

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 allowances and sales returns.

Sales deductions incurred in the same year of the related revenue from sales of products, goods and rendering of services are recorded as a deduction from the revenue of that year. In case that sales deductions for sales of products, goods or rendering of services sold in the year incurred after the balance sheet date but before the issuance of the financial statements, the Company recorded as revenue deductions for the year.

Customer loyalty programs

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

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 revenue at the time that obligations to customers are fulfilled, which means goods are delivered and services are rendered to customers.

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 Company's revenue 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.

Foreign currencies

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates of commercial bank where the Company usually transacts on the same date. Exchange differences arising from the translation of these accounts are recognized in the income statement.

Borrowing costs

Borrowing costs are recognized in the income statement in the year when incurred unless they are capitalized in accordance with Vietnamese Accounting Standard No. 16 "Borrowing costs". Accordingly, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. For specific borrowings for the purpose of construction of fixed assets and investment properties, borrowing costs are capitalized even when the construction period is under 12 months.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable income for the year. Taxable income differs from profit before tax as reported in the 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 financial statements and the corresponding tax bases used in the computation of taxable income and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realized. Deferred tax is charged or credited to the 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 paid in accordance with the prevailing tax laws in Vietnam.

Dividend distribution

The Company's net profit after tax is available for appropriation to shareholders as dividends upon approval by shareholders at the Company's Annual General Meeting.

Dividends are declared and paid from retained earnings based on the approval of shareholders at the Company's Annual General Meeting.

Bonus and welfare fund

Bonus and welfare fund Bonus and welfare fund is deducted from the profit after corporate income tax of the company to be used for rewarding and encouraging physical benefits, serving the needs of the public, improving and enhancing mental and physical life of employees. The appropriation and use of the bonus and welfare fund must comply with current prevailing accounting and financial regulations.

Investment and development fund

Investment and development fund is deducted from profits after corporate income tax of the Company to be used to invest in expanding the scale of production, business or in-depth investment of the enterprise. The appropriation and use of the investment and development fund must comply with current prevailing accounting and financial regulations.



Segment reporting

A segment is a distinct business segment of the Company that provides a single product or service or a Company of related products and services (product segment), or provides products and services within a particular economic environment (geographical segment). Each segment is subject to risks and returns that are different from those of others. The basic reportable segment of the Company is product segment.

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 to understand and evaluate the operations of the Company in a comprehensive way.

4. CASH AND CASH EQUIVALENTS

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Cash on hand	14,087,199,700	5,755,836,500
Bank demand deposits	19,930,614,091	31,207,732,153
	<u>34,017,813,791</u>	<u>36,963,568,653</u>

5. FINANCIAL INVESTMENTS

Held-to-maturity investments

Short-term held-to maturity investments represent term deposits with the original maturity terms from more than 3 months and remaining maturity terms of less than 12 months from the balance sheet date.

As at 31 December 2022, term deposits with maturity term of over 3 months of VND 90,000,000,000 were pledged as collaterals for the short-term loans from the banks (Note 23) (As at 31 December 2021: VND 135,000,000,000) and VND 10,000,000,000 were pledged as collaterals for guarantee as deposit to implement project expansion of DHG Pharmaceutical Plant and DHG Printing and Packaging Plant (as at 31 December 2021: VND 10,000,000,000).

Investments in subsidiary and other entities

	<u>Closing balance</u>		<u>Opening balance</u>	
	Cost	Provision	Cost	Provision
	VND	VND	VND	VND
Investments in subsidiary and other entities				
- Investments in subsidiaries	-	-	13,742,460,000	(10,481,635,066)
- Investments in others entities	24,108,379,057	(20,248,379,057)	24,108,379,057	(19,530,879,057)
	<u>24,108,379,057</u>	<u>(20,248,379,057)</u>	<u>37,850,839,057</u>	<u>(30,012,514,123)</u>

Investments in subsidiaries

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Fuji Medic Limited Liability Company	-	13,742,460,000

Investments in other entities

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
ATP Packaging JSC	20,000,000,000	20,000,000,000
Elie Pharmaceutical Joint Stock Company	4,108,379,057	4,108,379,057
	<u>24,108,379,057</u>	<u>24,108,379,057</u>

As at 31 December 2022 and 31 December 2021, the fair value of investment in other entities is as below:

	Fair value	
	Closing balance	Opening balance
	VND	VND
ATP Packaging JSC [1]	2,600,000,000	2,600,000,000
Enlie Pharmaceutical Joint Stock Company [2]	1,260,000,000	1,977,500,000
	3,860,000,000	4,577,500,000

[1] The fair value of investment in ATP Packaging Joint Stock Company was determined by average P/B method.

[2] The fair value of investment in Enlie Pharmaceutical JSC was determined based on the reference price in the stock market exchange.

The balance of provision As at 31 December 2022 and 31 December 2021 represents the provision for impairment of the investments as below:

	Closing balance	Opening balance
	VND	VND
Fuji Medic Limited Liability Company	-	10,481,635,066
ATP Packaging JSC	17,400,000,000	17,400,000,000
Enlie Pharmaceutical Joint Stock Company	2,848,379,057	2,130,879,057
	20,248,379,057	30,012,514,123

Movements in the provision for impairment of the investments during current year and prior year were as follows:

	Current year	Prior year
	VND	VND
Opening balance	30,012,514,123	29,403,127,120
Additional provision	772,552,493	609,387,003
Usage of provision	(10,536,687,559)	-
Closing balance	20,248,379,057	30,012,514,123

6. SHORT-TERM TRADE RECEIVABLES

	Closing balance	Opening balance
	VND	VND
Receivables from related parties (Note 41)	777,311,258	279,917,338
Receivables from third parties	319,720,419,877	364,090,093,756
	320,497,731,135	364,370,011,094

As at 31 December 2022 and 31 December 2021, there was no single short-term trade receivables from third parties accounting for 10% or more of total trade accounts receivable.



7. SHORT-TERM ADVANCE TO SUPPLIERS

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
TTCL Vietnam Corporation Limited	87,721,200,000	-
Minh Long Chau Corporation	26,087,513,920	39,433,320,772
PNJ Jewelry production and trading company limited	23,782,005,000	1,223,820,000
Tan Huong Trading and Packing producing Co., Ltd.	15,533,515,000	10,240,783,520
Other	35,842,023,150	46,155,264,309
	<u>188,966,257,070</u>	<u>97,053,188,601</u>

8. SHORT-TERM LOAN RECEIVABLES

Loan receivables represent interest-free loans granted to customers in accordance with the refundable capital support policy of the Company. Provisions for loan receivables have been presented in Note 10.

9. OTHER SHORT-TERM RECEIVABLES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Accruals of interest income	54,984,580,814	53,370,038,356
Receivables from employees	15,756,494,986	16,937,299,736
Other receivables	10,676,020,227	5,327,116,186
	<u>81,417,096,027</u>	<u>75,634,454,278</u>

10. BAD DEBTS

	<u>Closing balance</u>		
	<u>Cost</u>	<u>Provision</u>	<u>Recoverable</u>
	VND	VND	amount
			VND
Total amount of receivables and loans past due or not past due but impaired	79,342,361,904	(40,635,347,479)	38,707,014,425
<i>In which</i>			
<i>Account receivables</i>	64,919,322,462	(26,212,308,037)	38,707,014,425
<i>Others</i>	14,423,039,442	(14,423,039,442)	-
	<u>79,342,361,904</u>	<u>(40,635,347,479)</u>	<u>38,707,014,425</u>
	<u>Opening balance</u>		
	<u>Cost</u>	<u>Provision</u>	<u>Recoverable</u>
	VND	VND	amount
			VND
Total amount of receivables and loans past due or not past due but impaired	92,048,675,046	(49,257,087,303)	42,791,587,743
<i>In which</i>			
<i>Account receivables</i>	75,388,414,595	(32,596,826,852)	42,791,587,743
<i>Others</i>	16,660,260,451	(16,660,260,451)	-
	<u>92,048,675,046</u>	<u>(49,257,087,303)</u>	<u>42,791,587,743</u>

As at 31 December 2022 and 31 December 2021, there was no single receivable accounting for 10% or more of total amount of receivables past due or not past due but impaired.



Movements in the provision for doubtful debts during current year and prior year were as follows:

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Opening balance	49,257,087,303	50,909,210,697
Additional provision	-	1,168,627,725
Reversal of provision	(5,767,496,131)	-
Write-off of provision	(2,854,243,693)	(2,820,751,119)
Closing balance	<u>40,635,347,479</u>	<u>49,257,087,303</u>

11. INVENTORIES

	<u>Closing balance</u>		<u>Opening balance</u>	
	Cost	Provision	Cost	Provision
	VND	VND	VND	VND
Goods in transit	176,818,014,490	-	89,121,663,921	-
Raw materials	665,502,268,079	-	641,208,881,858	-
Work in progress	71,622,857,577	-	74,081,738,915	-
Finished goods	304,758,756,394	(1,079,381,315)	170,484,518,266	(1,357,913,392)
Merchandise	33,211,403,913	-	99,066,619,454	-
	<u>1,251,913,300,453</u>	<u>(1,079,381,315)</u>	<u>1,073,963,422,414</u>	<u>(1,357,913,392)</u>

Movements in the provision for devaluation of inventories during the current year and prior year were as follows:

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Opening balance	1,357,913,392	1,064,611,683
Additional provision	-	293,301,709
Reversal	(278,532,077)	-
Closing balance	<u>1,079,381,315</u>	<u>1,357,913,392</u>

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

12. PREPAYMENTS

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
a. Current		
Prepayment related to operating lease	2,200,784,543	776,601,256
Others	10,200,723,416	5,826,525,140
	<u>12,401,507,959</u>	<u>6,603,126,396</u>
b. Non-current		
Tools and supplies	9,960,136,919	6,719,718,519
Others	24,634,832,124	8,806,206,185
	<u>34,594,969,043</u>	<u>15,525,924,704</u>

13. TAXES AND OTHER RECEIVABLES FROM/PAYABLES TO THE STATE BUDGET

	Opening balance	Payable during the year	Paid during the year	Closing balance
	VND	VND	VND	VND
Value added tax for domestic goods	12,533,538,792	98,252,011,632	(105,743,671,262)	5,041,879,162
Value added tax for import goods	-	63,092,087,539	(63,092,087,539)	-
Import and export duties	-	13,312,967,959	(13,312,967,959)	-
Corporate income tax	4,208,316,248	109,468,546,668	(100,998,733,008)	12,678,129,908
Personal income tax	10,547,800,232	59,394,503,126	(57,872,842,436)	12,069,460,922
Land rental fee	(2,122,931,143)	7,472,434,274	(5,349,503,131)	-
Others	7,118,649,870	19,498,544,829	(19,370,456,900)	7,246,737,799
	32,285,373,999	370,491,096,027	(365,740,262,235)	37,036,207,791
In which				
<i>Tax receivables</i>	2,122,931,143			-
<i>Tax payables</i>	34,408,305,142			37,036,207,791

14. TANGIBLE FIXED ASSETS

	Buildings and structures VND	Machinery and equipment VND	Office equipment VND	Motor vehicles VND	Total VND
COST					
Opening balance	528,464,444,217	649,912,811,706	72,972,839,320	144,089,731,660	1,395,439,826,903
Transfer from construction in progress	50,347,153,831	41,483,571,973	8,552,777,217	5,329,845,313	105,713,348,334
Disposals	(198,508,823)	(8,855,344,164)	(385,162,993)	(9,911,669,697)	(19,350,685,677)
Closing balance	<u>578,613,089,225</u>	<u>682,541,039,515</u>	<u>81,140,453,544</u>	<u>139,507,907,276</u>	<u>1,481,802,489,560</u>
ACCUMULATED DEPRECIATION					
Opening balance	265,754,972,330	391,126,423,008	68,583,957,215	107,823,984,440	833,289,336,993
Charge for the year	24,254,138,486	46,734,976,005	2,764,199,996	7,748,412,620	81,501,727,107
Disposals	(184,877,582)	(8,254,135,895)	(385,162,993)	(9,739,274,997)	(18,563,451,467)
Closing balance	<u>289,824,233,234</u>	<u>429,607,263,118</u>	<u>70,962,994,218</u>	<u>105,833,122,063</u>	<u>896,227,612,633</u>
NET BOOK VALUE					
Opening balance	<u>262,709,471,887</u>	<u>258,786,388,698</u>	<u>4,388,882,105</u>	<u>36,265,747,220</u>	<u>562,150,489,910</u>
Closing balance	<u>288,788,855,991</u>	<u>252,933,776,397</u>	<u>10,177,459,326</u>	<u>33,674,785,213</u>	<u>585,574,876,927</u>

As at 31 December 2022, the cost of tangible fixed assets included VND 360,830,354,698 (as at 31 December 2021: VND 302,501,744,242) of assets which were fully depreciated but are still in use.

15. INTANGIBLE ASSETS

	Land use rights with indefinite term VND	Land use rights with definite term VND	Computer software VND	Total VND
COST				
Opening balance	88,314,253,166	143,434,719,993	21,030,169,027	252,779,142,186
Reclassification	(4,095,000)	4,095,000	-	-
Closing balance	<u>88,310,158,166</u>	<u>143,438,814,993</u>	<u>21,030,169,027</u>	<u>252,779,142,186</u>
ACCUMULATED DEPRECIATION				
Opening balance	-	29,776,103,520	17,222,854,609	46,998,958,129
Charge for the year	-	2,990,508,946	977,462,964	3,967,971,910
Closing balance	-	<u>32,766,612,466</u>	<u>18,200,317,573</u>	<u>50,966,930,039</u>
NET BOOK VALUE				
Opening balance	<u>88,314,253,166</u>	<u>113,658,616,473</u>	<u>3,807,314,418</u>	<u>205,780,184,057</u>
Closing balance	<u>88,310,158,166</u>	<u>110,672,202,527</u>	<u>2,829,851,454</u>	<u>201,812,212,147</u>

As at 31 December 2022, the cost of intangible assets included VND 16,241,274,257 (as at 31 December 2021: VND 16,169,520,805) of assets which were fully amortized but are still in use.

16. INVESTMENT PROPERTIES

	Buildings and land use rights VND
COST	
Opening balance and closing balance	<u>17,304,956,819</u>
ACCUMULATED DEPRECIATION	
Opening balance	2,650,486,455
Charge for the year	345,488,484
Closing balance	<u>2,995,974,939</u>
NET BOOK VALUE	
Opening balance	<u>14,654,470,364</u>
Closing balance	<u>14,308,981,880</u>

As at 31 December 2022, the cost of investment properties included VND 232,067,069 (as at 31 December 2021: VND 232,067,069) of assets which were fully depreciated but are still for lease.

Fair value of the Company's investment properties is VND 38,724,445,120, which was determined under valuation certificate issued on 31 March 2020 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.

17. CONSTRUCTION IN PROGRESS

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Expansion of DHG Pharmaceutical Plant and DHG Printing and Packaging Plant	46,805,512,282	8,307,690,763
Renovating departments	3,949,522,139	1,974,192,771
Construction of Gia Lai branch office	3,473,948,774	3,473,948,774
REB product project	3,143,357,535	3,125,907,325
LUS product project	1,722,095,670	-
BUD product project	1,293,522,895	1,293,522,895
CTP product project	202,029,350	202,029,350
Construction of office and auxiliary works at DHG Pharmaceutical Plant Branch in Hau Giang	-	15,525,527,491
Other machineries	32,006,271,272	35,604,858,567
	<u>92,596,259,917</u>	<u>69,507,677,936</u>

Movement of construction in progress in the year was as follows:

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Opening balance	69,507,677,936	66,472,781,314
Purchases	150,100,167,202	30,521,376,238
Transfer to tangible fixed assets (Note 14)	(105,713,348,334)	(20,422,904,914)
Transfer to prepayments and Tools and equipment	(9,153,400,385)	(1,104,324,951)
Transfer to expenses	(12,144,836,502)	(5,959,249,751)
	<u>92,596,259,917</u>	<u>69,507,677,936</u>

18. DEFERRED TAX ASSETS

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Corporate income tax rates used for determination of value of deferred tax assets	20%	20%
Deductible temporary differences	79,224,066,675	87,674,697,655
Deferred tax assets	<u>15,844,813,335</u>	<u>17,534,939,531</u>

The deferred tax assets mainly arise from deductible temporary differences relating to provisions and unrealized profits arising from internal asset purchase and sale transactions between previous subsidiaries and the parent company, which is now dissolved.

Movement of deferred tax assets in the year was as follows:

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Opening balance	17,534,939,531	16,030,659,412
(Reversal of)/Additional provision	(1,646,891,427)	1,560,847,547
Change of eliminated entry of fixed assets	(43,234,769)	(56,567,428)
Closing balance	<u>15,844,813,335</u>	<u>17,534,939,531</u>

19. SHORT-TERM TRADE PAYABLES

	Amount VND	Closing balance Amount able to be paid off VND	Amount VND	Opening balance Amount able to be paid off VND
a. Trade payables to third parties				
APC Pharmaceuticals and Chemical Limited	64,276,216,447	64,276,216,447	125,143,200	125,143,200
Nomura Trading Co., Ltd.	56,688,597,000	56,688,597,000	3,248,910,000	3,248,910,000
Sinobright Pharmaceutical Co., Ltd.	-	-	35,755,200,000	35,755,200,000
Others	243,414,377,564	243,414,377,564	160,576,861,906	160,576,861,906
b) Trade payables to related parties (Note 41)				
	-	-	1,513,428,227	1,513,428,227
	364,379,191,011	364,379,191,011	201,219,543,333	201,219,543,333

As at 31 December 2022 and 31 December 2021, the Company did not have any short-term trade payables past due.

20. PAYABLE TO EMPLOYEES

	Closing balance VND	Opening balance VND
Salary expense	65,180,568,992	42,861,456,709
Bonus	98,980,102,619	103,235,487,541
Others	6,563,980,223	16,153,044,386
	170,724,651,834	162,249,988,636

21. SHORT-TERM ACCRUED EXPENSES

	Closing balance VND	Opening balance VND
Payment discount	4,520,921,880	7,444,886,014
Interest payable	109,623,323	108,502,011
Other accruals	19,733,844,584	32,065,941,142
	24,364,389,787	39,619,329,167

22. SHORT-TERM UNEARNED REVENUE

Short-term unearned revenue represents the unearned revenue for customer loyalty programs (as presented in Note 3).

23. SHORT-TERM LOANS

	Opening balance VND	Increase in year VND	Decrease in year VND	Closing balance VND
Loans from banks	207,391,176,993	959,257,499,020	(1,051,925,266,939)	114,723,409,074

As at 31 December 2022, short-term loans from banks represent the loans from Joint Stock Commercial Bank for Foreign Trade of Vietnam - Can Tho Branch with a maximum credit limit of VND 700,000,000,000. This facility can be withdrawn in Vietnam Dong and withdrawal deadline expired on 31 December 2022. The duration for each withdrawal is maximum 6 months. These loans are secured by term deposits, as presented in Note 5. These loans bear interests at the rates ranging from 0.27% per month to 0.58% per month (2021: from 0.18% per month to 0.33% per month).



24. 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 Board of Directors in accordance with the Company's AGM Resolution.

Movements of bonus and welfare funds during the year were as follows:

	Bonus and welfare fund	Bonus fund for Board of management	Welfare fund in form of assets	Total
	VND	VND	VND	VND
Opening balance	24,232,911,894	2,077,076,964	10,109,183,642	36,419,172,500
Appropriation to the funds (Note 27)	23,316,591,781	6,000,000,000	-	29,316,591,781
Depreciation of assets formed from the funds	-	-	(1,590,356,316)	(1,590,356,316)
Utilization	(43,432,005,659)	(476,436,930)	-	(43,908,442,589)
Closing balance	4,117,498,016	7,600,640,034	8,518,827,326	20,236,965,376

25. LONG-TERM PROVISIONS

	Provision for dismantling and restoration cost	Severance allowance	Total
	VND	VND	VND
Opening balance	27,364,901,461	29,932,670,119	57,297,571,580
Additional provision for the year	3,937,690,152	(1,347,052,048)	2,590,638,104
Utilization	-	(1,060,960,169)	(1,060,960,169)
Closing balance	31,302,591,613	27,524,657,902	58,827,249,515

26. SCIENCE AND TECHNOLOGY DEVELOPMENT FUNDS

In accordance with Circular No. 05/2022/TTLT-BKHCHN-BTC dated 31 May 2022 issued by Ministry of Science and Technology and Circular No. 67/2022/TT-BTC dated 07 November 2022 issued by the Ministry of finance of Vietnam, enterprises are allowed to establish the science and technology development funds for research and development activities. Funds are utilized when disbursement are paid for research and development activities.

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

	Scientific and technological development fund in form of assets
	VND
Opening balance	9,509,391,831
Depreciation of assets formed from the fund	(3,223,744,226)
Closing balance	6,285,647,605

27. SHAREHOLDERS' EQUITY

Movement in shareholders' equity

	Owner's contributed capital VND	Share premium VND	Investment and development fund VND	Retained earnings VND	Total VND
Prior year's opening balance	1,307,460,710,000	6,778,948,000	1,479,946,644,695	769,932,845,604	3,564,119,148,299
Profit for the year	-	-	-	777,071,480,377	777,071,480,377
Dividends distribution for 2020	-	-	-	(522,984,284,000)	(522,984,284,000)
Fund distribution	-	-	188,694,369,335	(188,694,369,335)	-
Appropriation to bonus and welfare fund	-	-	-	(22,196,247,010)	(22,196,247,010)
Appropriation to bonus fund for the Boards of Management	-	-	-	(6,000,000,000)	(6,000,000,000)
Current year's opening balance	1,307,460,710,000	6,778,948,000	1,668,641,014,030	807,129,425,636	3,790,010,097,666
Profit for the year	-	-	-	988,454,646,072	988,454,646,072
Dividends declared for 2021	-	-	-	(457,611,248,500)	(457,611,248,500)
Fund distribution	-	-	290,291,885,752	(290,291,885,752)	-
Appropriation to bonus and welfare fund	-	-	-	(23,316,591,781)	(23,316,591,781)
Appropriation to bonus fund for the Boards of Management	-	-	-	(6,000,000,000)	(6,000,000,000)
Current year's closing balance	1,307,460,710,000	6,778,948,000	1,958,932,899,782	1,018,364,345,675	4,291,536,903,457

Charter capital

According to the amended Business Registration Certificate, the Company's charter capital is VND 1,307,460,710,000. The value and number of shares of the Company are as follows:

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

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



Dividends

According to Resolution of the Company's Annual General Meeting No. 001/2022/NQ.DHDCD dated 18 March 2022, the shareholders of the Company have approved payment of dividends from profit after tax of 2021 at 35% in cash, equivalent to VND 457,611,248,500.

The Company paid dividends of 2021 on 15 April 2022 by cash.

Fund distribution

According to Resolution of the Company's Annual General Meeting No. 001/2022/NQ.DHDCD dated 18 March 2022, the shareholders of the Company have approved the appropriation to bonus and welfare fund of employees from profit after tax of 2021 at the rate of 3%, equivalent to the amount of VND 23,316,591,781, remuneration for the Board of Directors, the Audit Committee, members of other committees under the Board of Directors, the secretary of the Board of Directors with an amount of VND 6,000,000,000. The remaining profit after tax of 2021 is distributed to the Investment and Development Fund.

28. OFF BALANCE SHEET ITEMS

Foreign currencies

Cash and cash equivalents included following foreign currencies:

	<u>Closing balance</u>	<u>Opening balance</u>
United States Dollar ("USD")	127,152	154,707
Euros ("EUR")	796	926
Yen ("JPY")	<u>28,523</u>	<u>29,975</u>

Bad debts written off

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Bad debts written off	<u>8,501,993,749</u>	<u>5,647,750,056</u>

During the year, the Company wrote off bad debts and bad credits due to inability to collect.

29. SEGMENT REPORTING

The primary format, product segments, is based on the Company's management and internal reporting structure.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise assets and liabilities, financial income and expenses, selling expenses, general and administration expenses, other income or other expenses, and corporate income tax.

Product segments

In presenting information on the basis of product segments, segment revenue is disclosed for pharmaceutical products, functional foods and others.

	Current year VND	Prior year VND
Net sales		
Pharmaceutical products	3,928,556,418,163	3,281,990,962,431
Functional foods	528,029,517,752	502,067,455,613
Others	219,430,071,912	219,105,499,731
	<u>4,676,016,007,827</u>	<u>4,003,163,917,775</u>
Cost of sales		
Pharmaceutical products	(1,935,670,291,200)	(1,593,561,077,427)
Functional foods	(301,918,372,270)	(298,880,854,397)
Others	(180,932,401,229)	(189,817,893,090)
	<u>(2,418,521,064,699)</u>	<u>(2,082,259,824,914)</u>
Gross profit		
Pharmaceutical products	1,992,886,126,963	1,688,429,885,004
Functional foods	226,111,145,482	203,186,601,216
Others	38,497,670,683	29,287,606,641
	<u>2,257,494,943,128</u>	<u>1,920,904,092,861</u>

Geographical segments

Geographically, the Company mainly operates within the territory of Vietnam, with production activities and major customers in Vietnam, export activities account for less than 10% hence there is no difference in risks and significant economic benefits by geographical location that should be disclosed in the financial statements.

30. NET REVENUE OF GOODS SOLD AND SERVICES RENDERED

	Current year VND	Prior year VND
Sales of merchandise and services		
Sales of finished goods	4,674,068,394,415	4,030,991,402,338
Sales of merchandise	505,553,260,115	489,154,134,521
Others	2,118,143,244	1,862,586,287
	<u>5,181,739,797,774</u>	<u>4,522,008,123,146</u>
Deductions		
Sales discount	503,283,761,465	517,090,466,029
Sales return	2,440,028,482	1,753,739,342
	<u>505,723,789,947</u>	<u>518,844,205,371</u>
Net revenue		
<i>In which:</i>		
Sales of finished goods	4,173,279,672,475	3,513,525,982,096
Sales of merchandise	500,618,192,108	487,775,349,392
Others	2,118,143,244	1,862,586,287
	<u>4,676,016,007,827</u>	<u>4,003,163,917,775</u>

31. COST OF GOODS SOLD AND SERVICES RENDERED

	Current year VND	Prior year VND
Cost of finished goods sold	1,953,900,896,261	1,620,339,395,582
Cost of merchandise sold	464,898,700,515	461,627,127,623
(Reversal of)/ Additional provision	(278,532,077)	293,301,709
	<u>2,418,521,064,699</u>	<u>2,082,259,824,914</u>



32. OPERATING COSTS BY NATURE

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Raw materials and consumables	2,300,681,436,877	1,729,636,884,198
Staff cost	969,929,752,879	913,995,991,310
Depreciation and amortization	79,893,794,721	82,079,473,558
Out-sourced services	276,728,105,018	190,714,736,010
Other expenses	293,218,331,597	268,926,086,766
	<u>3,920,451,421,092</u>	<u>3,185,353,171,842</u>

33. FINANCIAL INCOME

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Interest income	120,337,046,098	114,293,441,762
Foreign exchange gain	16,805,861,609	8,633,697,514
	<u>137,142,907,707</u>	<u>122,927,139,276</u>

34. FINANCIAL EXPENSES

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Settlement discount	74,558,518,072	82,856,640,509
Interest expense	12,558,694,966	12,080,103,631
Foreign exchange loss	13,218,545,603	4,473,830,580
Provision for impairment of investments	772,552,493	609,387,003
Loss on sale of investments	-	89,005,743
Others	54,649,482	54,781,626
	<u>101,162,960,616</u>	<u>100,163,749,092</u>

35. SELLING, GENERAL AND ADMINISTRATION EXPENSES

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
General and administration expenses		
- Staff cost	187,184,736,798	184,682,731,267
- Others	81,028,021,792	72,484,151,017
	<u>268,212,758,590</u>	<u>257,166,882,284</u>
Selling expenses		
- Advertising expenses	138,011,427,976	138,094,639,519
- Staff cost	467,513,227,004	429,353,784,353
- Others	307,679,842,943	235,506,784,443
	<u>913,204,497,923</u>	<u>802,955,208,315</u>

36. OTHER INCOME

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Income from receiving support from Taisho	4,217,453,993	-
Gain from disposals of fixed assets	2,518,290,658	-
Technology transfer and product development	1,280,950,000	-
Others	1,656,937,570	1,931,180,500
	<u>9,673,632,221</u>	<u>1,931,180,500</u>

37. OTHER EXPENSES

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Supporting fee for business households	18,000,000,000	8,834,015,733
Loss disposal of fixed assets	-	6,386,420,511
Depreciation expense	1,107,292,238	1,509,761,608
Expenses due to impacts of Covid-19	58,333,676	1,488,077,960
Others	2,952,321,077	2,506,780,116
	<u>22,117,946,991</u>	<u>20,725,055,928</u>

38. CURRENT CORPORATE INCOME TAX EXPENSE

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Current corporate income tax expense		
Corporate income tax expense based on taxable profit in the current year	109,404,210,320	89,174,985,669
Adjustments for corporate income tax expense in previous years to the current year	64,336,348	9,331,091
Total current corporate income tax expense	<u>109,468,546,668</u>	<u>89,184,316,760</u>

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

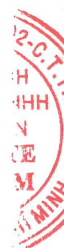
	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Profit before tax	1,099,613,318,936	864,751,517,018
<i>Tax rate</i>	20%	20%
Tax calculated at a normal rate of 20%	219,922,663,787	172,950,303,404
Adjustments for taxable profit		
<i>Add back: 20% of non-deductible expenses</i>	8,283,157,549	6,950,548,269
<i>Tax incentive</i>	<i>(118,801,611,016)</i>	<i>(90,725,866,004)</i>
Corporate income tax expense based on taxable profit in the current year	<u>109,404,210,320</u>	<u>89,174,985,669</u>

Applicable tax rates

From 1 April 2018, DHG Pharmaceutical One Member Limited Company ("DHG Pharma") and DHG Packaging and Printing 1 One Member Limited Company ("DHG Packaging and Printing 1") were merged into the Company and still entitled to tax incentives as follows:

- Pursuant to the Investment Certificate, DHG Packaging and Printing 1 is obliged to pay corporate income tax at the rate of 10% of taxable income from 2014 to 2028. Under terms in Investment Certificate granted to DHG Packaging and Printing 1, DHG Packaging and Printing 1 is entitled to corporate income tax exemption from 2014 to 2017 and 50% reduction of corporate income tax from 2018 to 2026.
- Pursuant to Investment Certificate No. 642041000005 issued by the Management Board of Hau Giang Industrial Zone, DHG Pharmaceutical is entitled to corporate income tax at the rate of 10% of taxable income for 15 years from 2015. DHG Pharmaceutical is entitled to the corporate income tax exemption for 4 years from 2015 and 50% reduction for the following 9 years commencing from 2019.

Pursuant to Official Letter No. 5610/TCT-CS dated 6 December 2017 issued by General Tax Authority, the aforementioned tax incentives are still applicable to the Company after its merger.



All above tax incentives are not applicable to remaining income which is entitled to the normal rate of 20%.

Changes in deferred tax expenses/(income) in the current and prior year are as follows:

	<u>Current year</u> VND	<u>Prior year</u> VND
Deferred corporate tax expense/(income)	1,646,891,427	(1,560,847,547)
Change of eliminated entries of fixed assets	43,234,769	56,567,428
	<u><u>1,690,126,196</u></u>	<u><u>(1,504,280,119)</u></u>

39. BASIC 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 funds by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares repurchased by the Group and held as treasury shares.

	<u>Current year</u> VND	<u>Prior year</u> VND
Accounting profit after corporate income tax	988,454,646,072	777,071,480,377
Appropriation to fund (*)	(31,653,639,382)	(29,316,591,781)
Profit attributable to ordinary shareholders (VND)	956,801,006,690	747,754,888,596
Weighted average ordinary shares in circulation for the year (share)	<u>130,746,071</u>	<u>130,746,071</u>
Basic earnings per share	<u><u>7,318</u></u>	<u><u>5,719</u></u>

(*) Estimated amounts appropriated to bonus and welfare funds for the year ended 31 December 2022 are determined based on the planned appropriation percentage of profit distribution to bonus and welfare funds at the rate of 3% in accordance with Resolution of the Parent Company's Annual General Meeting No. 001/2022/NQ.DHDCD dated 18 March 2022.

b. Diluted earnings per share

The Group does not have potentially diluted ordinary shares.

40. COMMITMENTS

a. Operating lease commitment

	<u>Current year</u> VND	<u>Prior year</u> VND
Minimum lease payment under operating leases recognized in the income statement	<u>7,100,437,142</u>	<u>4,973,905,999</u>

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

	<u>Closing balance</u> VND	<u>Opening balance</u> VND
Within one year	7,076,437,142	7,076,437,142
In the second to fifth year inclusive	28,305,748,568	28,305,748,568
After five years	<u>115,162,999,634</u>	<u>122,337,720,625</u>
	<u><u>150,545,185,344</u></u>	<u><u>157,719,906,335</u></u>



b. Capital commitment

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

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Approved but not contracted	126,365,032,147	527,603,637,672
Approved and contracted but not implemented	407,802,027,692	46,334,872,017
	<u>534,167,059,839</u>	<u>573,938,509,689</u>

41. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties with significant transactions and balances for the year:

<u>Related party</u>	<u>Relationship</u>
Taisho Pharmaceutical Co., Ltd. ("Taisho")	Major shareholder
The State Capital Investment Corporation ("SCIC")	Major shareholder
Hoe Pharmaceuticals Sdn Bhd	Taisho's related party
Taisho Pharmaceuticals (Thailand) Co., Ltd.	Taisho's related party
Taisho Viet Nam Company Limited	Taisho's related party
Osotspa Taisho Pharmaceutical Co., Ltd.	Taisho's related party

During the year, the Company entered into the following significant transactions with related parties:

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Sales of goods and provision of services		
Hoe Pharmaceuticals Sdn Bhd	4,103,559,364	659,249,625
Taisho Viet Nam Company Limited	-	468,155,712
	<u> </u>	<u> </u>
Purchases		
Taisho Pharmaceutical Co., Ltd.	5,683,220,744	1,535,742,390
Taisho Viet Nam Company Limited	676,792,760	401,569,920
Taisho Pharmaceuticals (Thailand) Co., Ltd.	12,139,848	-
Osotspa Taisho Pharmaceutical Co., Ltd.	-	18,068,866
	<u> </u>	<u> </u>
Dividends paid		
SCIC	198,191,829,500	226,504,948,000
Taisho Pharmaceutical Co., Ltd.	233,439,682,000	266,788,208,000
	<u> </u>	<u> </u>
Technology transfer and product development		
Hoe Pharmaceuticals Sdn Bhd	1,280,950,000	-
	<u> </u>	<u> </u>
Receiving support		
Taisho Pharmaceutical Co., Ltd.	4,217,453,993	-
	<u> </u>	<u> </u>
Present		
Hoe Pharmaceuticals Sdn.Bhd	29,298,309	-
	<u> </u>	<u> </u>

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

Name	Title	Current year VND	Prior year VND
Ms. Dang Thi Thu Ha	Board of Directors Chairwoman	700,000,000	150,000,000
Mr. Jun Kuroda	Board of Directors Member	490,000,000	105,000,000
Mr. Masashi Nakaura	Board of Directors Member cum General Director up to 31 December 2022	5,429,405,676	4,584,800,537
Mr. Maki Kamijo	Board of Directors Member	490,000,000	105,000,000
Mr. Doan Dinh Duy Khuong	Board of Directors Member cum Chief Operating Officer	4,675,582,978	4,470,580,078
Mr. Do Le Hung	Board of Directors Member	765,000,000	765,000,000
Mr. Phan Minh Tien	Board of Directors Member (resigned from 19 April 2021)	-	231,000,000
Ms. Nguyen Thi Viet Thanh	Board of Directors Member (appointed from 19 April 2021)	595,000,000	364,000,000
Ms. Nguyen Ngoc Diep	Deputy General Director	2,949,130,423	2,892,314,022
Mr. Tomoyuki Kawata	Deputy General Director	2,860,483,376	2,820,272,099
Mr. Pham Chi Truc	Deputy General Director (resigned from 04 July 2021)	-	2,291,022,269
		18,954,602,453	18,778,989,005

The balances with related parties at the balance sheet date were as follows:

	Closing balance VND	Opening balance VND
Receivables		
Hoe Pharmaceuticals Sdn Bhd	777,311,258	279,917,338
Payables		
Taisho Pharmaceutical Co., Ltd.	-	1,513,428,227

42. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

a. Significant non-cash transactions affecting the cash flow statement:

	Current year VND	Prior year VND
Appropriation to reserves	319,608,477,533	216,890,616,345
Transfers from construction in progress to tangible fixed assets	105,713,348,334	20,422,904,914
Transfers from construction in progress to prepayment and Tools and equipment	9,153,400,385	1,104,324,951
Accrued interest expenses	109,623,323	108,502,011
Accrued interest income	54,984,580,814	53,370,038,356
	489,569,430,389	291,896,386,577

b. Proceeds from borrowings

	<u>Current year</u> VND	<u>Prior year</u> VND
Proceeds from borrowings under normal contracts not over 3 months	221,316,648,610	136,700,000,000
Proceeds from borrowings under normal contracts not over 3 months	<u>737,940,850,410</u>	<u>794,683,347,097</u>
	<u>959,257,499,020</u>	<u>931,383,347,097</u>

c. Repayment of borrowings

	<u>Current year</u> VND	<u>Prior year</u> VND
Repayment of borrowings under normal contracts not over 3 months	221,316,648,610	136,700,000,000
Repayment of borrowings under normal contracts not over 3 months	<u>830,608,618,329</u>	<u>799,563,689,552</u>
	<u>1,051,925,266,939</u>	<u>936,263,689,552</u>

d. Other supplemental disclosures

Cash outflow for acquisition of fixed assets and construction in progress during the year included the amount of VND 101,343,532,859 (2021: VND 5,307,230,501), representing the advances to suppliers for acquisition of fixed assets and construction in progress during the year which were not performed. However, the acquisition and construction of fixed assets paid during the year exclude the advances to suppliers from prior year with an amount of VND 5,307,230,501. Consequently, changes in receivables have been adjusted by the same amount.




Tran Ngoc Hien
Preparer



Ho Buu Huan
Chief Accountant




Toshiyuki Ishii
General Director
20 February 2023

