

DHG PHARMACEUTICAL JOINT STOCK COMPANY

(Incorporated in the Socialist Republic of Vietnam)

AUDITED FINANCIAL STATEMENTS

For the year ended 31 December 2023

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 2023.

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. Toshiyuki Ishii	Member (appointed on 19 April 2023)
Mr. Masashi Nakaura	Member (resigned on 19 April 2023)
Mr. Maki Kamijo	Member
Mr. Doan Dinh Duy Khuong	Member
Mr. Do Le Hung	Independent member
Ms. Nguyen Thi Viet Thanh	Independent 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
Mr. Doan Dinh Duy Khuong	Chief Operating Officer
Ms. Nguyen Ngoc Diep	Deputy General Director
Mr. Tomoyuki Kawata	Deputy General Director
Mr. Tran Duy Hung	Marketing Director (under the Management from 1 May 2023)
Ms. Le Thi Hong Nhung	Finance Director (under the Management from 1 May 2023)
Ms. Vu Thi Huong Lan	Human Resource Director (under the Management from 1 May 2023)

Legal representative

The legal representative of the Company during the year 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 2023, 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
27 February 2024

No.: 0328 /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 27 February 2024 as set out from page 4 to page 37, which comprise the balance sheet as at 31 December 2023, 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.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2023, 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.



Nguyễn Thị Thu Sang
Audit Partner
Audit Practising Registration Certificate
No. 1144-2023-001-1
**BRANCH OF DELOITTE VIETNAM
AUDIT COMPANY LIMITED**
27 February 2024
Ho Chi Minh City, Vietnam

Vong My Thanh
Auditor
Audit Practising Registration Certificate
No. 3460-2020-001-1

BALANCE SHEET
As at 31 December 2023

Unit: VND

ASSETS	Codes	Notes	<u>Closing balance</u>	<u>Opening balance</u>
A. CURRENT ASSETS	100		4,642,192,911,354	4,218,772,327,716
I. Cash and cash equivalents	110	4	94,134,026,358	34,017,813,791
1. Cash	111		94,134,026,358	34,017,813,791
II. Short-term financial investments	120	5	2,230,000,000,000	2,355,000,000,000
1. Held-to-maturity investments	123		2,230,000,000,000	2,355,000,000,000
III. Short-term receivables	130		720,853,339,751	550,503,358,957
1. Short-term trade receivables	131	6	564,316,568,263	320,497,731,135
2. Short-term advances to suppliers	132	7	97,870,766,106	188,966,257,070
3. Short-term loan receivables	135	8	257,622,204	257,622,204
4. Other short-term receivables	136	9	93,865,682,771	81,417,096,027
5. Provision for short-term doubtful debts	137	10	(35,457,299,593)	(40,635,347,479)
IV. Inventories	140	11	1,534,636,314,655	1,250,833,919,138
1. Inventories	141		1,538,803,304,478	1,251,913,300,453
2. Provision for devaluation of inventories	149		(4,166,989,823)	(1,079,381,315)
V. Other short-term assets	150		62,569,230,590	28,417,235,830
1. Short-term prepayments	151	12	10,348,451,125	12,401,507,959
2. Value added tax deductibles	152		38,299,117,713	16,015,727,871
3. Taxes and other receivables from the State budget	153	13	13,921,661,752	-



The accompanying notes are an integral part of these financial statements

BALANCE SHEET (Continued)
As at 31 December 2023

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
B. NON-CURRENT ASSETS	200		1,468,281,309,218	949,414,175,129
I. Long-term receivables	210		205,000,000	822,061,880
1. Other long-term receivables	216		205,000,000	822,061,880
II. Fixed assets	220		816,151,349,895	787,387,089,074
1. Tangible fixed assets	221	14	634,290,806,084	585,574,876,927
- Cost	222		1,605,054,855,405	1,481,802,489,560
- Accumulated depreciation	223		(970,764,049,321)	(896,227,612,633)
2. Intangible assets	227	15	181,860,543,811	201,812,212,147
- Cost	228		234,288,626,721	252,779,142,186
- Accumulated amortization	229		(52,428,082,910)	(50,966,930,039)
III. Investment properties	230	16	31,481,004,375	14,308,981,880
- Cost	231		44,826,611,143	17,304,956,819
- Accumulated depreciation	232		(13,345,606,768)	(2,995,974,939)
IV. Long-term assets in progress	240		553,593,578,887	92,596,259,917
1. Construction in progress	242	17	553,593,578,887	92,596,259,917
V. Long-term financial investments	250		4,175,000,000	3,860,000,000
1. Equity investments in other entities	253	5	24,108,379,057	24,108,379,057
2. Provision for impairment of long-term financial investments	254	5	(19,933,379,057)	(20,248,379,057)
VI. Other long-term assets	260		62,675,376,061	50,439,782,378
1. Long-term prepayments	261	12	45,803,166,017	34,594,969,043
2. Deferred tax assets	262	18	16,872,210,044	15,844,813,335
TOTAL ASSETS (270=100+200)	270		6,110,474,220,572	5,168,186,502,845

The accompanying notes are an integral part of these financial statements

BALANCE SHEET (Continued)
As at 31 December 2023

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
C. LIABILITIES	300		1,257,539,546,302	876,649,599,388
I. Current liabilities	310		1,189,241,981,081	811,536,702,268
1. Short-term trade payables	311	19	217,976,497,330	364,379,191,011
2. Short-term advances from customers	312		17,052,802,354	44,183,901,316
3. Taxes and amounts payable to the State budget	313	13	39,328,182,255	37,036,207,791
4. Payables to employees	314	20	200,602,151,395	170,724,651,834
5. Short-term accrued expenses	315	21	64,723,116,636	24,364,389,787
6. Short-term unearned revenue	318	22	43,702,028,314	34,043,466,112
7. Other current payables	319		2,155,779,020	1,844,519,967
8. Short-term loans	320	23	572,164,547,560	114,723,409,074
9. Bonus and welfare funds	322	24	31,536,876,217	20,236,965,376
II. Long-term liabilities	330		68,297,565,221	65,112,897,120
1. Long-term provisions	342	25	64,317,626,290	58,827,249,515
2. Scientific and technological development fund	343	26	3,979,938,931	6,285,647,605
D. EQUITY	400		4,852,934,674,270	4,291,536,903,457
I. Owner's equity	410	27	4,852,934,674,270	4,291,536,903,457
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		2,458,122,657,972	1,958,932,899,782
4. Retained earnings	421		1,080,572,358,298	1,018,364,345,675
- Retained earnings accumulated to the prior year end	421a		29,909,699,603	29,909,699,603
- Retained earnings of the current year	421b		1,050,662,658,695	988,454,646,072
TOTAL RESOURCES (440=300+400)	440		6,110,474,220,572	5,168,186,502,845

Tran Ngoc Hien
Preparer

Ho Bui Huan
Chief Accountant



Toshiyuki Ishii
General Director
27 February 2024

The accompanying notes are an integral part of these financial statements

INCOME STATEMENT
For the year ended 31 December 2023

Unit: VND

ITEMS	Codes	Notes	Current year	Prior year
1. Gross revenue from goods sold and services rendered	01	30	5,767,734,511,921	5,181,739,797,774
2. Deductions	02	30	752,339,471,200	505,723,789,947
3. Net revenue from goods sold and services rendered (10=01-02)	10		5,015,395,040,721	4,676,016,007,827
4. Cost of sales	11	31	2,671,849,997,386	2,418,521,064,699
5. Gross profit from goods sold and services rendered (20=10-11)	20		2,343,545,043,335	2,257,494,943,128
6. Financial income	21	33	217,890,286,468	137,142,907,707
7. Financial expenses	22	34	90,909,165,233	101,162,960,616
- In which: Interest expense	23		29,529,505,062	12,558,694,966
8. Selling expenses	25	35	978,424,470,755	913,204,497,923
9. General and administration expenses	26	35	312,839,173,012	268,212,758,590
10. Operating profit (30=20+(21-22)-(25+26))	30		1,179,262,520,803	1,112,057,633,706
11. Other income	31	36	5,105,942,083	9,673,632,221
12. Other expenses	32	37	25,194,077,802	22,117,946,991
13. Losses from other activities (40=31-32)	40		(20,088,135,719)	(12,444,314,770)
14. Accounting profit before tax (50=30+40)	50		1,159,174,385,084	1,099,613,318,936
15. Current corporate income tax expense	51	38	109,539,123,098	109,468,546,668
16. Deferred corporate tax (income)/expense	52	38	(1,027,396,709)	1,690,126,196
17. Net profit after corporate income tax (60=50-51-52)	60		1,050,662,658,695	988,454,646,072
18. Basic earnings per share	70	39	7,780	7,318

Tran Ngoc Hien
Preparer

Ho Bui Huan
Chief Accountant



Toshiyuki Ishii
General Director
27 February 2024

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CASH FLOW STATEMENT
For the year ended 31 December 2023

Unit: VND

ITEMS	Codes	Current year	Prior year
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	1,159,174,385,084	1,099,613,318,936
2. Adjustments for:			
Depreciation and amortization of fixed assets and investment properties	02	88,703,980,639	81,001,086,959
Provisions	03	3,723,124,554	(16,073,768,863)
Foreign exchange loss/(gain) arising from translating foreign currency items	04	7,141,016	(6,894,188,664)
Gain from investing activities	05	(203,609,379,866)	(112,318,649,197)
Interest expense	06	29,529,505,062	12,558,694,966
3. Operating profit before movements in working capital	08	1,077,528,756,489	1,057,886,494,137
Change in receivables	09	(268,588,751,196)	34,205,818,824
Change in inventories	10	(286,890,004,025)	(177,949,878,039)
Change in payables	11	(129,051,280,927)	160,320,946,149
Change in prepaid expenses	12	772,148,681	(15,714,025,517)
Interest paid	14	(29,298,951,564)	(12,557,573,654)
Corporate income tax paid	15	(104,854,037,567)	(100,998,733,008)
Other cash outflows	17	(19,446,665,124)	(43,908,442,589)
Net cash generated by operating activities	20	240,171,214,767	901,284,606,303
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and other long-term assets	21	(486,342,533,930)	(233,991,633,058)
2. Proceeds from sale, disposal of fixed assets and other long-term assets	22	1,654,183,545	3,334,204,498
3. Cash outflow for lending and time deposits	23	(2,560,000,000,000)	(3,770,000,000,000)
4. Cash recovered from lending and time deposits	24	2,685,000,000,000	3,525,000,000,000
5. Cash recovered from investments in other entities	26	-	3,205,772,441
6. Interest earned, dividends and profits received	27	179,869,198,694	118,722,503,640
Net cash used in investing activities	30	(179,819,151,691)	(353,729,152,479)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from borrowings	33	1,524,390,415,627	737,940,850,410
2. Repayment of borrowings	34	(1,066,949,277,141)	(830,608,618,329)
3. Dividends and profits paid	36	(457,611,248,500)	(457,611,248,500)
Net cash used in financing activities	40	(170,110,014)	(550,279,016,419)
Net increase/(decrease) in cash (50=20+30+40)	50	60,181,953,062	(2,723,562,595)
Cash and cash equivalents at the beginning of the year	60	34,017,813,791	36,963,568,653
Effects of changes in foreign exchange rates	61	(65,740,495)	(222,192,267)
Cash and cash equivalents at the end of the year (70=50+60+61)	70	94,134,026,358	34,017,813,791

The accompanying notes are an integral part of these financial statements

CASH FLOW STATEMENT (Continued)
For the year ended 31 December 2023


Significant non-cash transactions for the year ended 31 December 2023 are presented in Note 42.



Tran Ngoc Hien
Preparer



Ho Bui Huan
Chief Accountant



Toshiyuki Ishii
General Director
27 February 2024

NOTES 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/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.

As at 31 December 2023, 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 2023 was 2,789 (as at 31 December 2022: 2,700).

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, dietary supplements and pharmaceutical cosmetics.

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 financial statements for the year ended 31 December 2022.

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.

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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.

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 and are not intended to be used 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 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 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 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 years, revenue is recognized in each year by reference to the percentage of completion of the transaction at the balance sheet date of that year. 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.

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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	12,018,469,000	14,087,199,700
Bank demand deposits	82,115,557,358	19,930,614,091
	<u><u>94,134,026,358</u></u>	<u><u>34,017,813,791</u></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 2023, term deposits with maturity term of over 3 months of VND 270,000,000,000 (as at 31 December 2022: VND 90,000,000,000) were pledged as collaterals for the short-term loans from the banks (as disclosed in Note 23).

Investments in others entities

	Closing balance		Opening balance	
	Cost VND	Provision VND	Cost VND	Provision VND
Investments in others entities	24,108,379,057	(19,933,379,057)	24,108,379,057	(20,248,379,057)

Investments in other entities

	Closing balance	Opening balance
	VND	VND
ATP Packaging JSC	20,000,000,000	20,000,000,000
Enlie Pharmaceutical Joint Stock Company	4,108,379,057	4,108,379,057
	24,108,379,057	24,108,379,057

As at 31 December 2023 and 31 December 2022, the fair value of investment in other entities is as below:

	Fair value	
	Closing balance VND	Opening balance VND
ATP Packaging JSC [1]	2,600,000,000	2,600,000,000
Enlie Pharmaceutical Joint Stock Company [2]	1,575,000,000	1,260,000,000
	4,175,000,000	3,860,000,000

[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 2023 and 31 December 2022 represents the provision for impairment of the investments as below:

	Closing balance	Opening balance
	VND	VND
ATP Packaging JSC	17,400,000,000	17,400,000,000
Enlie Pharmaceutical Joint Stock Company	2,533,379,057	2,848,379,057
	19,933,379,057	20,248,379,057

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	20,248,379,057	30,012,514,123
Additional provision	-	772,552,493
Reversal of provision	(315,000,000)	-
Usage of provision	-	(10,536,687,559)
Closing balance	19,933,379,057	20,248,379,057

6. SHORT-TERM TRADE RECEIVABLES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Receivables from related parties (Note 41)	359,198,711	777,311,258
Receivables from third parties	563,957,369,552	319,720,419,877
	<u>564,316,568,263</u>	<u>320,497,731,135</u>

As at 31 December 2023 and 31 December 2022, 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
Tan Huong Trading and Packing Producing Co., Ltd.	19,965,908,314	15,533,515,000
Kien Viet Co., Ltd.	14,101,408,476	-
Tien Tuan Pharmaceutical Machinery Co., Ltd.	11,161,321,471	10,472,911,608
Minh Long Chau Corporation	10,832,677,143	26,087,513,920
TTCL Vietnam Corporation Limited	-	87,721,200,000
PNJ Jewelry production and trading company limited	-	23,782,005,000
Other	41,809,450,702	25,369,111,542
	<u>97,870,766,106</u>	<u>188,966,257,070</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	77,288,046,583	54,984,580,814
Receivables from employees	11,377,183,395	15,756,494,986
Other receivables	5,200,452,793	10,676,020,227
	<u>93,865,682,771</u>	<u>81,417,096,027</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	85,898,997,236	(35,457,299,593)	50,441,697,643
<i>In which</i>			
<i>Account receivables</i>	74,773,217,057	(24,331,519,414)	50,441,697,643
<i>Others</i>	11,125,780,179	(11,125,780,179)	-

	Cost VND	Provision VND	Opening balance Recoverable 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>			
Account receivables	64,919,322,462	(26,212,308,037)	38,707,014,425
Others	14,423,039,442	(14,423,039,442)	-

As at 31 December 2023 and 31 December 2022, 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:

	Current year VND	Prior year VND
Opening balance	40,635,347,479	49,257,087,303
Reversal of provision	(745,684,747)	(5,767,496,131)
Write-off of provision	(4,432,363,139)	(2,854,243,693)
Closing balance	35,457,299,593	40,635,347,479

11. INVENTORIES

	Closing balance		Opening balance	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	148,847,734,811	-	176,818,014,490	-
Raw materials	714,496,974,952	(1,363,391,273)	665,502,268,079	-
Work in progress	61,543,767,889	-	71,622,857,577	-
Finished goods	493,464,850,314	(2,803,598,550)	304,758,756,394	(1,079,381,315)
Merchandise	120,449,976,512	-	33,211,403,913	-
	1,538,803,304,478	(4,166,989,823)	1,251,913,300,453	(1,079,381,315)

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

	Current year VND	Prior year VND
Opening balance	1,079,381,315	1,357,913,392
Additional provision	3,087,608,508	-
Reversal provision	-	(278,532,077)
Closing balance	4,166,989,823	1,079,381,315

The provision for devaluation of inventories was made for inventory expiration and 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	2,341,616,129	2,200,784,543
Others	8,006,834,996	10,200,723,416
	<u>10,348,451,125</u>	<u>12,401,507,959</u>
b. Non-current		
Tools and supplies	15,012,818,726	9,960,136,919
Others	30,790,347,291	24,634,832,124
	<u>45,803,166,017</u>	<u>34,594,969,043</u>



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

	Opening balance	Payable during the year	Paid during the year	Waiting for net-off/ refund/other during the year	Closing balance
	VND	VND	VND	VND	VND
a. Tax receivables					
Personal income tax	-	-	-	11,712,427,300	11,712,427,300
Land rental fee	-	-	-	2,125,372,645	2,125,372,645
Others	-	-	-	83,861,807	83,861,807
	-	-	-	13,921,661,752	13,921,661,752
b. Tax payables					
Value added tax for domestic goods	5,041,879,162	67,674,727,638	(62,521,014,242)	-	10,195,592,558
Value added tax for import goods	-	77,624,703,962	(77,624,703,962)	-	-
Import and export duties	-	15,201,678,091	(15,201,678,091)	-	-
Corporate income tax	12,678,129,908	109,539,123,098	(104,854,037,567)	2,000,000	17,365,215,439
Personal income tax	12,069,460,922	56,076,277,808	(62,899,980,214)	-	5,245,758,516
Land rental fee	-	3,118,337,702	(3,118,337,702)	-	-
Others	7,246,737,799	22,902,016,936	(23,627,138,993)	-	6,521,615,742
	37,036,207,791	352,136,865,235	(349,846,890,771)	2,000,000	39,328,182,255



14. TANGIBLE FIXED ASSETS

	Buildings and structures VND	Machinery and equipment VND	Office equipment VND	Motor vehicles VND	Total VND
COST					
Opening balance	578,613,089,225	682,541,039,515	81,140,453,544	139,507,907,276	1,481,802,489,560
Transfer from construction in progress	5,406,899,727	118,798,302,395	2,405,701,054	10,230,942,289	136,841,845,465
Transfer to investment property	(8,531,138,859)	-	-	-	(8,531,138,859)
Disposals	-	-	-	(4,972,702,579)	(4,972,702,579)
Write off	-	-	(85,638,182)	-	(85,638,182)
Closing balance	<u>575,488,850,093</u>	<u>801,339,341,910</u>	<u>83,460,516,416</u>	<u>144,766,146,986</u>	<u>1,605,054,855,405</u>
ACCUMULATED DEPRECIATION					
Opening balance	289,824,233,234	429,607,263,118	70,962,994,218	105,833,122,063	896,227,612,633
Charge for the year	24,418,691,390	51,499,266,358	2,842,323,123	7,954,635,901	86,714,916,772
Transfer to investment property	(7,352,933,895)	-	-	-	(7,352,933,895)
Disposals	-	-	-	(4,755,234,437)	(4,755,234,437)
Write off	-	-	(70,311,752)	-	(70,311,752)
Closing balance	<u>306,889,990,729</u>	<u>481,106,529,476</u>	<u>73,735,005,589</u>	<u>109,032,523,527</u>	<u>970,764,049,321</u>
NET BOOK VALUE					
Opening 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>
Closing balance	<u>268,598,859,364</u>	<u>320,232,812,434</u>	<u>9,725,510,827</u>	<u>35,733,623,459</u>	<u>634,290,806,084</u>

As at 31 December 2023, the cost of tangible fixed assets included VND 423,984,610,315 (as at 31 December 2022: VND 360,830,354,698) of assets which were fully depreciated but are still in use.

15. INTANGIBLE ASSETS

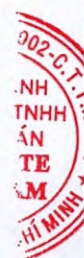
	Land use rights with indefinite term	Land use rights with definite term	Computer software	Total
	VND	VND	VND	VND
COST				
Opening balance	88,310,158,166	143,438,814,993	21,030,169,027	252,779,142,186
Transfer from construction in progress	-	-	500,000,000	500,000,000
Transfer to investment property	(5,189,553,965)	(13,800,961,500)	-	(18,990,515,465)
Closing balance	<u>83,120,604,201</u>	<u>129,637,853,493</u>	<u>21,530,169,027</u>	<u>234,288,626,721</u>
ACCUMULATED DEPRECIATION				
Opening balance	-	32,766,612,466	18,200,317,573	50,966,930,039
Charge for the year	-	2,781,096,174	984,095,773	3,765,191,947
Transfer to investment property	-	(2,304,039,076)	-	(2,304,039,076)
Closing balance	-	<u>33,243,669,564</u>	<u>19,184,413,346</u>	<u>52,428,082,910</u>
NET BOOK VALUE				
Opening 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>
Closing balance	<u>83,120,604,201</u>	<u>96,394,183,929</u>	<u>2,345,755,681</u>	<u>181,860,543,811</u>

As at 31 December 2023, the cost of intangible assets included VND 16,285,369,257 (as at 31 December 2022: VND 16,241,274,257) of assets which were fully amortized but are still in use.

16. INVESTMENT PROPERTIES

	Buildings and land use rights
	VND
COST	
Opening balance	17,304,956,819
Transfer from tangible assets	8,531,138,859
Transfer from intangible assets	18,990,515,465
Closing balance	<u>44,826,611,143</u>
ACCUMULATED DEPRECIATION	
Opening balance	2,995,974,939
Charge for the year	692,658,858
Transfer from tangible assets	7,352,933,895
Transfer from intangible assets	2,304,039,076
Closing balance	<u>13,345,606,768</u>
NET BOOK VALUE	
Opening balance	<u>14,308,981,880</u>
Closing balance	<u>31,481,004,375</u>

As at 31 December 2023, the cost of investment properties included VND 6,008,960,472 (as at 31 December 2022: VND 232,067,069) of assets which were fully depreciated.



Fair value of the Company's investment properties is VND109,233,000,000, which was determined under latest valuation certificate issued on 5 August 2020 by South East Appraisal and Consulting Corporation and valuation certificate issued on 17 January 2023 by VAS Valuation Corporation Limited, independent valuation company, not a related party of the Company. South East Appraisal and Consulting Corporation company and VAS Valuation Corporation Limited company has a valid practicing certificate and has experience in real estate valuation. The real estate valuation is carried out in accordance with current regulations on valuation and valuation standards in Vietnam and 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	531,907,243,205	46,805,512,282
LUS product project	4,876,289,803	1,722,095,670
Renovating departments	3,360,669,025	3,949,522,139
Construction of Gia Lai branch office	3,473,948,774	3,473,948,774
REB product project	3,141,815,687	3,143,357,535
BUD product project	-	1,293,522,895
CTP product project	-	202,029,350
Other machineries	6,833,612,393	32,006,271,272
	<u>553,593,578,887</u>	<u>92,596,259,917</u>

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

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Opening balance	92,596,259,917	69,507,677,936
Purchases	647,041,101,099	150,100,167,202
Transfer to tangible fixed assets (Note 14)	(136,841,845,465)	(105,713,348,334)
Transfer to intangible fixed assets (Note 15)	(500,000,000)	-
Transfer to prepayments and Tools and equipment	(9,927,288,821)	(9,153,400,385)
Transfer to expenses	(38,774,647,843)	(12,144,836,502)
	<u>553,593,578,887</u>	<u>92,596,259,917</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	84,361,050,220	79,224,066,675
Deferred tax assets	<u>16,872,210,044</u>	<u>15,844,813,335</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	15,844,813,335	17,534,939,531
Additional/(Reversal of) provision	1,035,075,355	(1,646,891,427)
Change of eliminated entry of fixed assets	(7,678,646)	(43,234,769)
Closing balance	<u>16,872,210,044</u>	<u>15,844,813,335</u>

19. SHORT-TERM TRADE PAYABLES

	<u>Closing balance</u>		<u>Opening balance</u>	
	Amount	Amount able to	Amount	Amount able to
	VND	be paid off	VND	be paid off
		VND		VND
a. Short-term trade payables from third parties				
Nomura Trading Co., Ltd.	69,114,460,800	69,114,460,800	56,688,597,000	56,688,597,000
APC Pharmaceuticals and Chemical Limited	-	-	64,276,216,447	64,276,216,447
Others	143,323,632,417	143,323,632,417	243,414,377,564	243,414,377,564
b) Trade payables to related parties				
(Note 41)	5,538,404,113	5,538,404,113	-	-
	<u>217,976,497,330</u>	<u>217,976,497,330</u>	<u>364,379,191,011</u>	<u>364,379,191,011</u>

As at 31 December 2023 and 31 December 2022, the Company did not have any short-term trade payables past due.

20. PAYABLE TO EMPLOYEES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Salary expense	78,649,497,647	65,180,568,992
Bonus	117,590,916,521	98,980,102,619
Others	4,361,737,227	6,563,980,223
	<u>200,602,151,395</u>	<u>170,724,651,834</u>

21. SHORT-TERM ACCRUED EXPENSES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Land rental fee (*)	32,560,698,985	-
Payment discount	4,547,353,282	4,520,921,880
Interest payable	340,176,821	109,623,323
Other accruals	27,274,887,548	19,733,844,584
	<u>64,723,116,636</u>	<u>24,364,389,787</u>

(*) Accrued land rental as of 31 December 2023 represents the land rental obligation related to the land area handed-over from the People's Committee of Hau Giang Province for the expanding investment project of DHG Pharmaceutical factory and DHG Packaging Printing Factory. The land rental obligation is estimated based on the land rental and incentives applied according to Land Rental Notice No. 3571/TB-CTHAG dated 26 December 2022 of Hau Giang Provincial Tax Department. At the date of this financial statements, the Company is still in the process of finalising land rental and incentives with the competent authorities as a basis for signing land rental contract.



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

	<u>Opening balance</u>	<u>Increase in year</u>	<u>Decrease in year</u>	<u>Closing balance</u>
	VND	VND	VND	VND
Loans from banks	<u>114,723,409,074</u>	<u>2,010,535,541,031</u>	<u>(1,553,094,402,545)</u>	<u>572,164,547,560</u>

As at 31 December 2023, 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 900,000,000,000. This facility can be withdrawn in Vietnam Dong and withdrawal deadline expired on 19 July 2024. 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 0.26% per month to 0.58% per month (2022: from 0.27% per month to 0.58% 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 and to operating expenses of the Board of Directors in accordance with the Company's bonus and welfare policies and the Company's AGM Resolution, respectively.

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

	<u>Bonus and welfare fund</u>	<u>Operation fund for Board of Directors</u>	<u>Welfare fund in form of assets</u>	<u>Total</u>
	VND	VND	VND	VND
Opening balance	4,117,498,016	7,600,640,034	8,518,827,326	20,236,965,376
Appropriation to the funds (Note 27)	29,653,639,382	2,000,000,000	-	31,653,639,382
Depreciation of assets formed from the funds	-	-	(907,063,417)	(907,063,417)
Utilization	(18,673,987,931)	(772,677,193)	-	(19,446,665,124)
Closing balance	<u>15,097,149,467</u>	<u>8,827,962,841</u>	<u>7,611,763,909</u>	<u>31,536,876,217</u>

25. LONG-TERM PROVISIONS

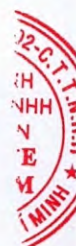
	<u>Provision for dismantling and restoration cost</u>	<u>Severance allowance</u>	<u>Total</u>
	VND	VND	VND
Opening balance	31,302,591,613	27,524,657,902	58,827,249,515
Additional provision	3,937,690,152	2,190,873,780	6,128,563,932
Utilization	-	(638,187,157)	(638,187,157)
Closing balance	<u>35,240,281,765</u>	<u>29,077,344,525</u>	<u>64,317,626,290</u>

26. SCIENCE AND TECHNOLOGY DEVELOPMENT FUNDS

In accordance with Circular No. 05/2022/TTLT-BKHCB-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	6,285,647,605
Depreciation of assets formed from the fund	(2,305,708,674)
Closing balance	3,979,938,931



27. SHAREHOLDERS' EQUITY

Movement in shareholders' equity

	Owner's contributed capital	Share premium	Investment and development fund	Retained earnings	Total
	VND	VND	VND	VND	VND
Prior 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 distribution 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 operation fund for the Board of Directors	-	-	-	(6,000,000,000)	(6,000,000,000)
Current year's opening 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
Profit for the year	-	-	-	1,050,662,658,695	1,050,662,658,695
Dividends declared for 2022	-	-	-	(457,611,248,500)	(457,611,248,500)
Fund distribution	-	-	499,189,758,190	(499,189,758,190)	-
Appropriation to bonus and welfare fund	-	-	-	(29,653,639,382)	(29,653,639,382)
Appropriation to operation fund for the Board of Directors	-	-	-	(2,000,000,000)	(2,000,000,000)
Current year's closing balance	1,307,460,710,000	6,778,948,000	2,458,122,657,972	1,080,572,358,298	4,852,934,674,270

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. 001/2023/NQ.DHDCD dated 19 April 2023, the shareholders of the Company have approved payment of dividends from profit after tax of 2022 at 35% in cash, equivalent to VND 457,611,248,500.

The Company paid cash dividends of 2022 on 19 May 2023.

Fund distribution

According to Resolution of the Company's Annual General Meeting No. 001/2023/NQ.DHDCD dated 19 April 2023, the shareholders of the Company have approved the appropriation to bonus and welfare fund of employees from profit after tax of 2022 at the rate of 3%, equivalent to the amount of VND 29,653,639,382, operation fund for the Board of Directors, Audit Committee, members of other committees under the Board of Directors, secretary of the Board of Directors with the amount of VND 2,000,000,000. The remaining profit after tax of 2022 is distributed to 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")	277,633	127,152
Euros ("EUR")	1,500	796
Yen ("JPY")	<u>283,574</u>	<u>28,523</u>

Bad debts written off:

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Bad debts written off	<u>12,879,556,888</u>	<u>8,501,993,749</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 revenue		
Pharmaceutical products	4,378,398,636,900	3,928,556,418,163
Health supplement foods	396,440,200,945	528,029,517,752
Others	240,556,202,876	219,430,071,912
	<u>5,015,395,040,721</u>	<u>4,676,016,007,827</u>
Cost of sales		
Pharmaceutical products	(2,210,880,647,468)	(1,935,670,291,200)
Health supplement foods	(259,413,302,132)	(301,918,372,270)
Others	(201,556,047,786)	(180,932,401,229)
	<u>(2,671,849,997,386)</u>	<u>(2,418,521,064,699)</u>
Gross profit		
Pharmaceutical products	2,167,517,989,432	1,992,886,126,963
Health supplement foods	137,026,898,813	226,111,145,482
Others	39,000,155,090	38,497,670,683
	<u>2,343,545,043,335</u>	<u>2,257,494,943,128</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 goods and services		
Sales of finished goods	5,157,905,537,774	4,674,068,394,415
Sales of merchandise	607,797,471,503	505,553,260,115
Others	2,031,502,644	2,118,143,244
	<u>5,767,734,511,921</u>	<u>5,181,739,797,774</u>
Deductions		
Sales discount	750,774,864,059	503,283,761,465
Sales return	1,564,607,141	2,440,028,482
	<u>752,339,471,200</u>	<u>505,723,789,947</u>
Net revenue		
<i>In which:</i>		
Sales of finished goods	4,412,391,121,835	4,173,279,672,475
Sales of merchandise	600,972,416,242	500,618,192,108
Others	2,031,502,644	2,118,143,244
	<u>5,015,395,040,721</u>	<u>4,676,016,007,827</u>

31. COST OF GOODS SOLD AND SERVICES RENDERED

	Current year VND	Prior year VND
Cost of finished goods sold	2,104,175,068,078	1,953,900,896,261
Cost of merchandise sold	564,587,320,800	464,898,700,515
Additional/(Reversal of) provision for impairment of inventories	3,087,608,508	(278,532,077)
	<u>2,671,849,997,386</u>	<u>2,418,521,064,699</u>

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32. OPERATING COSTS BY NATURE

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Raw materials and consumables	2,613,642,695,128	2,300,681,436,877
Staff cost	1,018,927,992,329	969,929,752,879
Depreciation and amortization	87,993,966,161	79,893,794,721
Out-sourced services	295,989,821,950	276,728,105,018
Other expenses	345,641,420,181	293,218,331,597
	<u>4,362,195,895,749</u>	<u>3,920,451,421,092</u>

33. FINANCIAL INCOME

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Interest income	202,172,664,463	120,337,046,098
Foreign exchange gain	15,717,622,005	16,805,861,609
	<u>217,890,286,468</u>	<u>137,142,907,707</u>

34. FINANCIAL EXPENSES

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Settlement discount	51,502,198,439	74,558,518,072
Interest expense	29,529,505,062	12,558,694,966
Foreign exchange loss	10,137,812,250	13,218,545,603
(Reversal of)/Additional provision for impairment of investments	(315,000,000)	772,552,493
Others	54,649,482	54,649,482
	<u>90,909,165,233</u>	<u>101,162,960,616</u>

35. SELLING, GENERAL AND ADMINISTRATION EXPENSES

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
General and administration expenses		
- Staff cost	198,812,114,685	187,184,736,798
- Others	114,027,058,327	81,028,021,792
	<u>312,839,173,012</u>	<u>268,212,758,590</u>
Selling expenses		
- Advertising expenses	128,161,573,161	138,011,427,976
- Staff cost	492,922,268,110	467,513,227,004
- Others	357,340,629,484	307,679,842,943
	<u>978,424,470,755</u>	<u>913,204,497,923</u>

36. OTHER INCOME

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Gain from disposals of fixed assets	1,436,715,403	2,518,290,658
Technology transfer and product development	199,402,500	1,280,950,000
Income from receiving support from related parties (Note 41)	52,898,599	4,217,453,993
Others	3,416,925,581	1,656,937,570
	<u>5,105,942,083</u>	<u>9,673,632,221</u>

37. OTHER EXPENSES

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Supporting fee for business households	18,510,618,622	18,000,000,000
Depreciation expense	710,014,478	1,107,292,238
Expenses due to impacts of Covid-19	-	58,333,676
Others	5,973,444,702	2,952,321,077
	<u>25,194,077,802</u>	<u>22,117,946,991</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	109,214,197,739	109,404,210,320
Adjustments for corporate income tax expense in previous years to the current year	324,925,359	64,336,348
Total current corporate income tax expense	<u>109,539,123,098</u>	<u>109,468,546,668</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	1,159,174,385,084	1,099,613,318,936
<i>Tax rate</i>	20%	20%
Tax calculated at a normal rate of 20%	231,834,877,017	219,922,663,787
Adjustments for taxable profit		
<i>Add back: 20% of non-deductible expenses</i>	11,696,920,193	8,283,157,549
<i>Less: non-assessable income</i>	(4,236,461,068)	-
<i>Tax incentive</i>	(130,081,138,403)	(118,801,611,016)
Corporate income tax expense based on taxable profit in the current year	<u>109,214,197,739</u>	<u>109,404,210,320</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 (income)/expense	(1,035,075,355)	1,646,891,427
Change of eliminated entries of fixed assets	7,678,646	43,234,769
	<u>(1,027,396,709)</u>	<u>1,690,126,196</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 Company and held as treasury shares.

	<u>Current year</u> VND	<u>Prior year</u> VND
Accounting profit after corporate income tax	1,050,662,658,695	988,454,646,072
Appropriation to fund (*)	(33,519,879,761)	(31,653,639,382)
Profit attributable to ordinary shareholders (VND)	1,017,142,778,934	956,801,006,690
Weighted average ordinary shares in circulation for the period (share)	<u>130,746,071</u>	<u>130,746,071</u>
Basic earnings per share	<u>7,780</u>	<u>7,318</u>

(*) Estimated amounts appropriated to bonus and welfare funds and operation fund of Board of Directors for year ended 31 December 2023 are determined based on the planned appropriation percentage of profit distribution to bonus and welfare funds at the rate of 3% and operation fund of Board of Directors with amount of VND 2,000,000,000 in accordance with Resolution of the Parent Company's Annual General Meeting No. 001/2023/NQ.DHDCD dated 19 April 2023.

b. Diluted earnings per share

The Company 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>2,860,574,856</u>	<u>7,100,437,142</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>	<u>Opening balance</u>
	VND	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	107,988,278,643	115,162,999,634
	<u>143,370,464,353</u>	<u>150,545,185,344</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	45,420,547,978	126,365,032,147
Approved and contracted but not implemented	6,872,383,566	407,802,027,692
	<u>52,292,931,544</u>	<u>534,167,059,839</u>

In addition to the above notes, the Board of Directors has approved the investment plan for Phase 2 - Project "Expansion of DHG Pharmaceutical Factory and DHG Printing and Packaging" with the amount of VND 440,000,000,000 according to decision No. 020/2020/QĐ.HĐQT on 14 July 2020, expected to be implemented after the company completes Phase 1.

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 Pharmaceutical (Thailand) Co., Ltd.	Taisho's related party
UPSA SAS	Taisho's related party
Taisho Viet Nam Company Limited	Taisho's related party
Domesco Medical Import-Export Joint Stock Corporation	SCIC's related party
Traphaco Joint Stock Company	SCIC'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	3,147,109,652	4,103,559,364
Domesco Medical Import-Export Joint Stock Corporation	3,950,227,126	7,052,369,580
Traphaco Joint Stock Company	159,000,000	142,200,000
Taisho Pharmaceutical Co., Ltd.	<u>153,971,549</u>	<u>-</u>
Purchases goods and services		
Taisho Pharmaceutical Co., Ltd.	21,335,482,448	5,683,220,744
Taisho Viet Nam Company Limited	383,080,000	676,792,760
Taisho Pharmaceutical (Thailand) Co., Ltd.	-	12,139,848
Hoe Pharmaceuticals Sdn Bhd	<u>363,143,218</u>	<u>-</u>

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	Current year VND	Prior year VND
Dividends paid		
SCIC	198,191,829,500	198,191,829,500
Taisho Pharmaceutical Co., Ltd.	233,439,682,000	233,439,682,000
Technology transfer and product development		
Hoe Pharmaceuticals Sdn Bhd	199,402,500	1,280,950,000
Receiving support		
UPSA SAS	32,265,848	-
Taisho Pharmaceutical Co., Ltd.	20,632,751	4,217,453,993
Present		
Hoe Pharmaceuticals Sdn Bhd	22,929,029	29,298,309
Loyalty charge		
Hoe Pharmaceuticals Sdn Bhd	160,738,718	-

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	850,000,000	700,000,000
Mr. Jun Kuroda	Board of Directors Member	595,000,000	490,000,000
Mr. Masashi Nakaura	Board of Directors Member cum General Director up to 31 December 2022	1,378,686,904	5,429,405,676
Mr. Toshiyuki Ishii	Board of Directors Member (appointed on 19 April 2023 cum General Director (appointed on 1 January 2023)	3,711,415,463	-
Mr. Maki Kamijo	Board of Directors Member	675,000,000	490,000,000
Mr. Doan Dinh Duy Khuong	Board of Directors Member cum Chief Operating Officer	4,608,311,860	4,675,582,978
Mr. Do Le Hung	Board of Directors Member	765,000,000	765,000,000
Ms. Nguyen Thi Viet Thanh	Board of Directors Member	625,000,000	595,000,000
Ms. Nguyen Ngoc Diep	Deputy General Director	2,991,480,986	2,949,130,423
Mr. Tomoyuki Kawata	Deputy General Director	2,994,189,911	2,860,483,376
Mr. Tran Duy Hung	Marketing Director (under the Management from 1 May 2023)	1,842,560,562	-
Ms. Le Thi Hong Nhung	Finance Director (under the Management from 1 May 2023)	965,221,303	-
Ms. Vu Thi Huong Lan	Human Resource Director (under the Management from 1 May 2023)	1,030,411,910	-
		23,032,278,899	18,954,602,453

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

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Receivables		
Hoe Pharmaceuticals Sdn Bhd	359,198,711	777,311,258
Payables		
Taisho Pharmaceutical Co., Ltd.	5,538,404,113	-
Advances from customers		
Taisho Pharmaceutical Co., Ltd.	604,786,764	-

42. SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

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

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Appropriation to reserves	530,843,397,572	319,608,477,533
Transfers from construction in progress to tangible fixed assets	136,841,845,465	105,713,348,334
Transfers from construction in progress to intangible fixed assets	500,000,000	-
Transfers from construction in progress to prepayment and Tools and equipment	9,927,288,821	9,153,400,385
Transfers from tangible fixed assets to investment property	8,531,138,859	-
Transfers from intangible fixed assets to investment property	18,990,515,465	-
Accrued interest expenses	340,176,821	109,623,323
Accrued interest income	77,288,046,583	54,984,580,814
Accrued land lease	32,560,698,985	-
	<u>815,823,108,571</u>	<u>489,569,430,389</u>

b. Proceeds from borrowings

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Proceeds from borrowings under normal contracts not over 3 months	486,145,125,404	221,316,648,610
Proceeds from borrowings under normal contracts over 3 months	1,524,390,415,627	737,940,850,410
	<u>2,010,535,541,031</u>	<u>959,257,499,020</u>

c. Repayment of borrowings

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Repayment of borrowings under normal contracts not over 3 months	486,145,125,404	221,316,648,610
Repayment of borrowings under normal contracts over 3 months	1,066,949,277,141	830,608,618,329
	<u>1,553,094,402,545</u>	<u>1,051,925,266,939</u>



d. Other supplemental disclosures

Cash outflow for acquisition of fixed assets and construction in progress during the year included the amount of VND 11,236,327,365 (2022: VND 101,343,532,859), 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 101,343,532,859. Consequently, changes in receivables have been adjusted by the same amount.



Tran Ngoc Hien
Preparer



Ho Bui Huan
Chief Accountant



Toshiyuki Ishii
General Director
27 February 2024