



DHG PHARMACEUTICAL JOINT STOCK COMPANY

(Incorporated in the Socialist Republic of Vietnam)

AUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

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”) and its subsidiary (the Company and its subsidiary are referred to as the “Group”) presents this report together with the Group’s consolidated financial statements for the year ended 31 December 2021.

BOARD OF DIRECTORS, AUDIT COMMITTEE AND MANAGEMENT

The members of the Board of Directors, Audit Committee and Management of the Group who held office 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	Member
Ms. Nguyen Thi Viet Thanh	Member (appointed on 19 April 2021)
Mr. Phan Minh Tien	Member (resigned on 19 April 2021)

Audit Committee

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

Management

Mr. Masashi Nakaura	General Director
Mr. Doan Dinh Duy Khuong	Chief Operating Officer
Ms. Nguyen Ngoc Diep	Deputy General Director
Mr. Tomoyuki Kawata	Deputy General Director
Mr. Pham Chi Truc	Deputy General Director (resigned on 4 July 2021)

Legal representative

Legal representative of the Company who held office during the year and to the date of this report is Mr. Masashi Nakaura.

MANAGEMENT’S STATEMENT OF RESPONSIBILITY

The Management is responsible for preparing the consolidated financial statements which give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting. In preparing these consolidated 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 consolidated financial statements;
- prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business; and
- design and implement an effective internal control system for the purpose of properly preparing and presenting the consolidated 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 consolidated financial position of the Group and that the consolidated financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting. The Management is also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

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

For and on behalf of the Management,



Masashi Nakaura
General Director
16 February 2022

No.: 0285 /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 consolidated financial statements of DHG Pharmaceutical Joint Stock Company (the "Company") and its subsidiary (the Company and its subsidiary are referred to as the "Group"), prepared on 16 February 2022 as set out from page 4 to page 36, which comprise the consolidated balance sheet as at 31 December 2021, the consolidated income statement and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Group's preparation and fair presentation of the consolidated 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 Group'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 consolidated financial statements.

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

Auditors' opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting.





Nguyen Thi Thu Sang
Audit Partner
Audit Practising Registration Certificate
No. 1144-2018-001-1
BRANCH OF DELOITTE VIETNAM COMPANY LIMITED
16 February 2022
Ho Chi Minh City, Vietnam



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

CONSOLIDATED BALANCE SHEET
As at 31 December 2021

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
A. CURRENT ASSETS	100		3,727,292,944,320	3,480,799,873,619
I. Cash and cash equivalents	110	4	43,373,518,349	73,054,473,018
1. Cash	111		43,373,518,349	73,054,473,018
II. Short-term financial investments	120	5	2,110,000,000,000	2,074,000,000,000
1. Held-to-maturity investments	123		2,110,000,000,000	2,074,000,000,000
III. Short-term receivables	130		488,071,438,874	496,020,199,824
1. Short-term trade receivables	131	6	364,370,011,094	414,158,635,702
2. Short-term advances to suppliers	132		97,053,188,601	69,081,209,633
3. Short-term loan receivables	135	12	270,872,204	380,542,458
4. Other short-term receivables	136	7	75,634,454,278	63,309,022,728
5. Provision for short-term doubtful debts	137	8	(49,257,087,303)	(50,909,210,697)
IV. Inventories	140	9	1,072,605,509,022	826,585,429,976
1. Inventories	141		1,073,963,422,414	827,650,041,659
2. Provision for devaluation of inventories	149		(1,357,913,392)	(1,064,611,683)
V. Other short-term assets	150		13,242,478,075	11,139,770,801
1. Short-term prepayments	151	10	6,603,126,396	4,042,674,685
2. Value added tax deductibles	152		4,516,420,536	7,078,253,656
3. Taxes and other receivables from the State budget	153	11	2,122,931,143	18,842,460



CONSOLIDATED BALANCE SHEET (Continued)
 As at 31 December 2021

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
B. NON-CURRENT ASSETS	200		890,373,248,382	966,703,597,751
I. Long-term receivables	210		642,061,880	244,240,000
1. Other long-term receivables	216		642,061,880	244,240,000
II. Fixed assets	220		767,930,673,967	849,298,475,010
1. Tangible fixed assets	221	13	562,150,489,910	639,214,010,669
- Cost	222		1,395,439,826,903	1,403,682,695,234
- Accumulated depreciation	223		(833,289,336,993)	(764,468,684,565)
2. Intangible assets	227	14	205,780,184,057	210,084,464,341
- Cost	228		252,779,142,186	252,779,142,186
- Accumulated amortization	229		(46,998,958,129)	(42,694,677,845)
III. Investment property	230	15	14,654,470,364	14,999,958,848
- Cost	231		17,304,956,819	17,304,956,819
- Accumulated depreciation	232		(2,650,486,455)	(2,304,997,971)
IV. Long-term assets in progress	240	16	69,507,677,936	66,472,781,314
1. Construction in progress	242		69,507,677,936	66,472,781,314
V. Long-term financial investments	250		4,577,500,000	4,387,520,000
1. Equity investments in other entities	253	5	24,108,379,057	24,282,104,800
2. Provision for impairment of long-term financial investments	254	5	(19,530,879,057)	(19,894,584,800)
VI. Other long-term assets	260		33,060,864,235	31,300,622,579
1. Long-term prepayments	261	10	15,525,924,704	15,232,901,753
2. Deferred tax assets	262	17	17,534,939,531	16,067,720,826
TOTAL ASSETS (270=100+200)	270		4,617,666,192,702	4,447,503,471,370

The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED BALANCE SHEET (Continued)
As at 31 December 2021

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
C. LIABILITIES	300		824,522,565,569	879,464,107,014
I. Current liabilities	310		757,715,602,158	816,433,295,601
1. Short-term trade payables	311	18	201,219,543,333	252,270,552,909
2. Short-term advances from customers	312		24,082,624,119	20,694,112,030
3. Taxes and amounts payable to the State budget	313	11	34,408,305,142	38,151,677,839
4. Payables to employees	314	19	162,265,583,931	155,270,500,534
5. Short-term accrued expenses	315	20	39,619,329,167	38,824,609,041
6. Short-term unearned revenue	318	21	49,608,540,605	49,532,335,735
7. Other current payables	319		2,701,326,368	2,383,049,307
8. Short-term loans	320	22	207,391,176,993	212,271,519,448
9. Bonus and welfare funds	322	23	36,419,172,500	47,034,938,758
II. Long-term liabilities	330		66,806,963,411	63,030,811,413
1. Long-term provisions	342	24	57,297,571,580	50,102,720,849
2. Scientific and technological development fund	343	25	9,509,391,831	12,928,090,564
D. EQUITY	400		3,793,143,627,133	3,568,039,364,356
I. Owner's equity	410	26	3,793,143,627,133	3,568,039,364,356
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		1,668,641,014,030	1,479,946,644,695
4. Retained earnings	421		807,129,425,637	769,784,599,949
- Retained earnings accumulated to the prior year end	421a		29,909,699,604	29,909,699,604
- Retained earnings of the current year	421b		777,219,726,033	739,874,900,345
5. Non-controlling interests	429	27	3,133,529,466	4,068,461,712
TOTAL RESOURCES (440=300+400)	440		4,617,666,192,702	4,447,503,471,370

Tran Ngoc Hien
Preparer

Ho Bui Huan
Chief Accountant



Masashi Nakaura
General Director
16 February 2022


The accompanying notes are an integral part of these consolidated financial statements



CONSOLIDATED INCOME STATEMENT
For the year ended 31 December 2021

Unit: VND

ITEMS	Codes	Notes	Current year	Prior year
1. Gross revenue from goods sold and services rendered	01	30	4,522,014,622,470	4,206,732,382,220
2. Deductions	02	30	518,844,205,371	451,113,070,896
3. Net revenue from goods sold and services rendered (10=01-02)	10		4,003,170,417,099	3,755,619,311,324
4. Cost of sales	11	31	2,082,259,824,914	1,944,243,042,082
5. Gross profit from goods sold and services rendered (20=10-11)	20		1,920,910,592,185	1,811,376,269,242
6. Financial income	21	33	122,939,313,054	140,432,017,346
7. Financial expenses	22	34	99,190,812,380	119,182,682,485
- In which: Interest expense	23		12,080,103,631	14,029,596,510
8. Share of net losses from associates	24		-	(500,637,457)
9. Selling expenses	25	35	802,955,208,315	699,298,275,858
10. General and administration expenses	26	35	257,171,743,291	302,861,761,740
11. Operating profit (30=20+(21-22)-(25+26))	30		884,532,141,253	829,964,929,048
12. Other income	31	36	1,931,180,500	6,031,473,208
13. Other expenses	32	37	22,461,429,911	14,972,488,544
14. Losses from other activities (40=31-32)	40		(20,530,249,411)	(8,941,015,336)
15. Accounting profit before tax (50=30+40)	50		864,001,891,842	821,023,913,712
16. Current corporate income tax expense	51	38	89,184,316,760	86,210,837,298
17. Deferred corporate tax income	52	38	(1,467,218,705)	(3,720,732,628)
18. Net profit after corporate income tax (60=50-51-52)	60		776,284,793,787	738,533,809,042
Profit after tax attributable to Parent Company	61		777,219,726,033	739,874,900,345
Losses after tax attributable to non-controlling shareholders	62	27	(934,932,246)	(1,341,091,303)
19. Basic earnings per share	70	39	5,720	5,443


Tran Ngoc Hien
Preparer


Ho Bui Huan
Chief Accountant



Masashi Nakaura
General Director
16 February 2022

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2021

Unit: VND

ITEMS	Codes	Current year	Prior year
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. <i>Profit before tax</i>	01	864,001,891,842	821,023,913,712
2. <i>Adjustments for:</i>			
Depreciation and amortization of fixed assets and investment properties	02	83,863,617,460	88,196,799,144
Provisions	03	6,212,023,553	17,994,453,882
Foreign exchange (gain)/loss arising from translating foreign currency items	04	(428,437,498)	100,670,419
Gain from investing activities	05	(106,217,667,352)	(136,184,864,585)
Interest expense	06	12,080,103,631	14,029,596,510
3. <i>Operating profit before movements in working capital</i>	08	859,511,531,636	805,160,569,082
Changes in receivables	09	22,427,410,406	69,743,246,065
Changes in inventories	10	(246,313,380,755)	(101,120,046,803)
Changes in payables	11	(33,242,143,727)	171,398,479,009
Changes in prepaid expenses	12	(1,749,149,711)	12,429,581,311
Interest paid	14	(12,049,912,729)	(14,279,236,632)
Corporate income tax paid	15	(99,613,058,758)	(78,840,918,985)
Other cash outflows	17	(36,526,894,741)	(38,317,458,516)
<i>Net cash generated by operating activities</i>	20	452,444,401,621	826,174,214,531
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and other long-term assets	21	(24,562,126,487)	(88,805,051,465)
2. Proceeds from sale, disposal of fixed assets and other long-term assets	22	4,631,501,640	5,238,101,817
3. Cash outflow for lending and time deposits	23	(2,980,000,000,000)	(3,198,000,000,000)
4. Cash recovered from lending and time deposits	24	2,944,109,670,254	2,892,053,651,065
5. Cash recovered from investments in other entities	26	84,720,000	8,629,332,200
6. Interest earned, dividends and profits received	27	101,430,251,158	132,791,732,930
<i>Net cash generated by/(used in) investing activities</i>	30	45,694,016,565	(248,092,233,453)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from borrowings	33	794,683,347,097	736,698,389,686
2. Repayment of borrowings	34	(799,563,689,552)	(789,093,721,992)
3. Dividends and profits paid	36	(522,984,284,000)	(522,984,284,000)
<i>Net cash used in financing activities</i>	40	(527,864,626,455)	(575,379,616,306)
Net (decrease)/increase in cash (50=20+30+40)	50	(29,726,208,269)	2,702,364,772
Cash and cash equivalents at the beginning of the year	60	73,054,473,018	70,328,408,693
Effects of changes in foreign exchange rates	61	45,253,600	23,699,553
Cash and cash equivalents at the end of the year (70=50+60+61)	70	43,373,518,349	73,054,473,018

The accompanying notes are an integral part of these consolidated financial statements



CONSOLIDATED CASH FLOW STATEMENT (Continued)
For the year ended 31 December 2021

Significant non-cash transactions for the year ended 31 December 2021 are presented in Note 42.



Tran Ngoc Hien
Preparer



Ho Bui Huan
Chief Accountant


Masashi Nakaura
General Director
16 February 2022

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

These notes are an integral part of and should be read in conjunction with the consolidated 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 in 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 2021, 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 the 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 Group as at 31 December 2021 was 2,678 (as at 31 December 2020: 2,712).

Operating industry and principal activities

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

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

The Group's structure

As at the balance sheet date, the Group'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 Liability Company	Health care services	No. 1801472944 issued by the Planning and Investment Department of Can Tho City on 27 July 2016	51%	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. As at the date of these consolidated financial statements, Fuji Medic dissolution proceedings are in process.

Normal production and business cycle

The Group's normal production and business cycle is carried out for a time period of 12 months or less.

Characteristics of the business activities in the fiscal year which have impact on the consolidated financial statements

The Covid-19 pandemic is resulting in an economic slowdown and adversely impacting most businesses across industries. The Management has assessed the impact of Covid-19 on the financial situation and business activities, and also kept track of the Government's support policies to take appropriate measures to minimize the negative impact of the pandemic on the Group's operations during the financial year. The Management has continuously monitored ongoing developments related to Covid-19 and assessed that the pandemic does not affect the Group's ability to continue to operate as a going concern.

Disclosure of information comparability in the consolidated financial statements

Comparative figures are the figures of the audited consolidated financial statements for the year ended 31 December 2020.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The consolidated 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 consolidated financial reporting.

The consolidated financial statements are not intended to present the consolidated financial position, results of consolidated operations and consolidated 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 Group in the preparation of these consolidated financial statements, are as follows:

Estimates

The preparation of consolidated financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated 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 balance sheet date and the reported amounts of revenues and expenses during the year. Although these accounting estimates are based on the Management's best knowledge, actual results may differ from those estimates.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Group (its subsidiary) up to 31 December each year. Control is achieved where the Group has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

The results of subsidiary acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiary to bring the accounting policies used in line with those used by the Group.

Intra-group transactions and balances are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiary are identified separately from the parent's ownership interests in them. Non-controlling interests consist of the amount of those non-controlling interests at the date of the original business combination (see below) and the non-controlling interests' share of changes in equity since the date of the combination. Losses in subsidiary are respectively attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combination

Assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to the consolidated profit and loss in the year of acquisition.

The non-controlling interests are initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in transit, demand deposits and short-term investments with maturity term not exceeding 3 months from the date of investment, which are highly liquid, 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 Management 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. These investments are measured at cost less provision for impairment of financial investments. Interest income from term deposits is recognized in the consolidated income statement on accrual basis.

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 Group's investments in ordinary shares of the entities over which the Group has no control, joint control, or significant influence.

Equity investments in other entities are carried at cost less provision for impairment. The provision for impairment of investments is made when there is a reliable evidence for 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
Motor vehicles	3 - 20
Office equipment	3 - 10

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

Operating leases

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

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

Construction in progress

Properties in the course of construction for production, rental or administrative purposes, or for other purposes, are carried at cost. Cost includes costs that are necessary to form the assets in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Prepayments

Prepayments are expenses which have already been paid but relate to results of operations of multiple accounting periods. Prepayments comprise leasehold improvement expenses, land rentals, costs of small tools, supplies and spare parts issued for consumption and other prepaid expenses.

Land rentals represent the prepaid land rentals. The prepaid land rentals are allocated to the consolidated income statement using the straight-line method over the lease term.

Others have been capitalized as prepayments, and are allocated to the consolidated income statement using the straight-line method in accordance with the current prevailing accounting regulations.

Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group 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 Group for full 12 months and above. Working time serving as the basis for calculating severance allowance shall be the total actual working time subtracting the time when the employees have made unemployment insurance contributions as prescribed by law, and the working time when severance allowance has been paid to the employees. The allowance made for each year of service equals to a half of an average monthly salary under the Vietnamese Labour Code, Social Insurance Code and relevant guiding documents. The average monthly salary used for calculation of severance allowance shall be adjusted to be the average of the 6 consecutive months nearest to the date of the consolidated financial statements at the end of each reporting period. The increase or decrease in the accrued amount shall be recorded in the consolidated 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 Group is required to provide for dismantling and restoration costs of the Group'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 Group 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 Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the Group 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 Group; 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 Group;
- (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 Group's right to receive payment has been established.

Sales deductions

Sales deductions include trade discounts, sales returns and allowances. Sales deductions incurred in the same period of sales of products, goods and services are recorded as deduction of revenue of the year.

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

When customers meet all the required conditions and the Group is the one providing the free or discounted goods and services to customers, the unearned revenue is realized into the Group's revenue at the time that obligations to customers are fulfilled, which means goods are delivered and services are rendered to customers.

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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 Group does not act as an agent of the third party, the unearned revenue is realized into the Group's revenue at the time that third party provides the free or discounted goods and services to customers. If the Group acts as an agent of the third party, the Group 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 on the same date. Exchange differences arising from the translation of these accounts are recognized in the consolidated 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 consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years (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 consolidated 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 consolidated 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 Group 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 Group's Annual General Meeting.

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

Segment reporting

A segment is a distinct business segment of the Group that provides a single product or service or a group 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 Group is product segment.

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

4. CASH AND CASH EQUIVALENTS

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Cash on hand	5,755,836,500	9,061,709,500
Bank demand deposits	37,617,681,849	63,992,763,518
	<u><u>43,373,518,349</u></u>	<u><u>73,054,473,018</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 2021, term deposits with maturity term of over 3 months of VND 135,000,000,000 were pledged as collaterals for the short-term loans from the banks (Note 22) (as at 31 December 2020: VND 100,000,000,000) 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 2020: nil).

Equity investments in other entities

	<u>Closing balance</u>		<u>Opening balance</u>	
	Cost	Provision	Cost	Provision
	VND	VND	VND	VND
Investments in other entities	<u>24,108,379,057</u>	<u>(19,530,879,057)</u>	<u>24,282,104,800</u>	<u>(19,894,584,800)</u>

Details of equity investments in other entities are as follows:

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
ATP Packaging JSC	20,000,000,000	20,000,000,000
Enlie Pharmaceutical Joint Stock Company	4,108,379,057	4,282,104,800
	<u><u>24,108,379,057</u></u>	<u><u>24,282,104,800</u></u>

As at 31 December 2021 and 31 December 2020, 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]	1,977,500,000	1,787,520,000
	4,577,500,000	4,387,520,000

[1] The fair value of investment in ATP Packaging Joint Stock Company was determined by P/E 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 2021 and 31 December 2020 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	2,130,879,057	2,494,584,800
	19,530,879,057	19,894,584,800

6. SHORT-TERM TRADE RECEIVABLES

	Closing balance	Opening balance
	VND	VND
Receivables from related parties (Note 41)	279,917,338	1,576,719,144
Receivables from third parties	364,090,093,756	412,581,916,558
	364,370,011,094	414,158,635,702

As at 31 December 2021 and 31 December 2020, there was no single short-term trade receivables from third parties accounting for 10% or more of total trade accounts receivable.

7. OTHER SHORT-TERM RECEIVABLES

	Closing balance	Opening balance
	VND	VND
Accruals of interest income	53,370,038,356	40,494,673,974
Receivables from employees	16,937,299,736	18,314,170,360
Other receivables	5,327,116,186	4,500,178,394
	75,634,454,278	63,309,022,728

8. BAD DEBTS

	Closing balance	
	Cost VND	Provision VND
Total amount of receivables and loans past due or not past due but impaired	92,048,675,046	(49,257,087,303)
		Recoverable amount VND
		42,791,587,743

	Opening balance	
	Cost VND	Provision VND
Total amount of receivables and loans past due or not past due but impaired	96,627,799,467	(50,909,210,697)
		Recoverable amount VND
		45,718,588,770

As at 31 December 2021 and 31 December 2020, 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	50,909,210,697	55,217,383,646
Additional provision	1,168,627,725	-
Reversal of provision	-	(1,449,056,292)
Written off provision	(2,820,751,119)	(2,859,116,657)
Closing balance	49,257,087,303	50,909,210,697

9. INVENTORIES

	Closing balance		Opening balance	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	89,121,663,921	-	121,226,935,043	-
Raw materials	641,208,881,858	-	302,896,326,728	-
Work in progress	74,081,738,915	-	54,939,723,503	-
Finished goods	170,484,518,266	(1,357,913,392)	302,980,473,638	(1,064,611,683)
Merchandise	99,066,619,454	-	45,606,582,747	-
	1,073,963,422,414	(1,357,913,392)	827,650,041,659	(1,064,611,683)

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	1,064,611,683	1,091,103,288
Additional provision	293,301,709	-
Reversal of provision	-	(26,491,605)
Closing balance	<u>1,357,913,392</u>	<u>1,064,611,683</u>

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

10. PREPAYMENTS

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
a. Current		
Prepayment related to operating lease	776,601,256	715,600,001
Others	5,826,525,140	3,327,074,684
	<u>6,603,126,396</u>	<u>4,042,674,685</u>
b. Non-current		
Tools and supplies	6,719,718,519	7,257,962,228
Others	8,806,206,185	7,974,939,525
	<u>15,525,924,704</u>	<u>15,232,901,753</u>



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

	Opening balance	Payable during the year	Other payables during the year	Paid during the year	Closing balance
	VND	VND	VND	VND	VND
Value added tax for domestic goods	14,606,561,461	86,017,566,728	-	(88,090,589,397)	12,533,538,792
Value added tax for import goods	(18,842,460)	56,562,573,963	-	(56,543,731,503)	-
Import and export duties	-	11,822,467,888	-	(11,822,467,888)	-
Corporate income tax	14,623,658,246	89,184,316,760	13,400,000	(99,613,058,758)	4,208,316,248
Personal income tax	8,921,458,132	48,564,863,378	-	(46,938,521,278)	10,547,800,232
Land rental fee	-	5,185,845,074	-	(7,308,776,217)	(2,122,931,143)
Others	-	7,804,006,405	-	(685,356,535)	7,118,649,870
	<u>38,132,835,379</u>	<u>305,141,640,196</u>	<u>13,400,000</u>	<u>(311,002,501,576)</u>	<u>32,285,373,999</u>
In which					
<i>Tax receivables</i>	<i>18,842,460</i>				<i>2,122,931,143</i>
<i>Tax payables</i>	<u><i>38,151,677,839</i></u>				<u><i>34,408,305,142</i></u>

12. LOAN RECEIVABLES

Loan receivables represent interest-free loans granted to customers in accordance with the refundable capital support policy of the Group. Provisions for loan receivables have been presented in Note 8.

13. TANGIBLE FIXED ASSETS

	Buildings and structures	Machinery and equipment	Office equipment	Motor vehicles	Total
	VND	VND	VND	VND	VND
COST					
Opening balance	528,464,444,217	652,926,393,748	72,818,391,951	149,473,465,318	1,403,682,695,234
Transfer from construction in progress	-	20,134,788,551	288,116,363	-	20,422,904,914
Disposals	-	(23,148,370,593)	(133,668,994)	(5,383,733,658)	(28,665,773,245)
Closing balance	<u>528,464,444,217</u>	<u>649,912,811,706</u>	<u>72,972,839,320</u>	<u>144,089,731,660</u>	<u>1,395,439,826,903</u>
ACCUMULATED DEPRECIATION					
Opening balance	238,387,732,775	356,260,455,790	65,750,622,505	104,069,873,495	764,468,684,565
Charge for the year	27,367,239,555	46,088,309,214	2,906,334,704	8,555,782,479	84,917,665,952
Disposals	-	(11,222,341,996)	(72,999,994)	(4,801,671,534)	(16,097,013,524)
Closing balance	<u>265,754,972,330</u>	<u>391,126,423,008</u>	<u>68,583,957,215</u>	<u>107,823,984,440</u>	<u>833,289,336,993</u>
NET BOOK VALUE					
Opening balance	<u>290,076,711,442</u>	<u>296,665,937,958</u>	<u>7,067,769,446</u>	<u>45,403,591,823</u>	<u>639,214,010,669</u>
Closing 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>

As at 31 December 2021, the cost of tangible fixed assets included VND 302,501,744,242 (as at 31 December 2020: VND 279,535,717,069) of assets which were fully depreciated but are still in use.

14. INTANGIBLE ASSETS

	Land use rights with indefinite term	Land use rights with definite term	Computer software	Total
	VND	VND	VND	VND
COST				
Opening balance and closing balance	88,314,253,166	143,434,719,993	21,030,169,027	252,779,142,186
ACCUMULATED DEPRECIATION				
Opening balance	-	26,771,173,416	15,923,504,429	42,694,677,845
Charge for the year	-	3,004,930,104	1,299,350,180	4,304,280,284
Closing balance	-	29,776,103,520	17,222,854,609	46,998,958,129
NET BOOK VALUE				
Opening balance	88,314,253,166	116,663,546,577	5,106,664,598	210,084,464,341
Closing balance	88,314,253,166	113,658,616,473	3,807,314,418	205,780,184,057

As at 31 December 2021, the cost of intangible assets included VND 16,169,520,805 (as at 31 December 2020: VND 6,793,449,005) of assets which were fully amortized but are still in use.

15. INVESTMENT PROPERTIES

	Total VND
COST	
Opening balance and closing balance	17,304,956,819
ACCUMULATED DEPRECIATION	
Opening balance	2,304,997,971
Charge for the year	345,488,484
Closing balance	2,650,486,455
NET BOOK VALUE	
Opening balance	14,999,958,848
Closing balance	14,654,470,364

As at 31 December 2021, the cost of investment properties included VND 232,067,069 of assets which were fully depreciated but are still for lease (as at 31 December 2020: VND 232,067,069).

Fair value of the Company's investment properties was 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 Group. 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.

16. CONSTRUCTION IN PROGRESS

	Closing balance	Opening balance
	VND	VND
Construction of Branch DHG Pharmaceutical Plant at Hau Giang province	15,525,527,491	11,893,304,222
Expansion of DHG Pharmaceutical Plant and DHG Printing and Packaging Plant	8,307,690,763	1,778,218,986
Construction of Gia Lai branch office	3,473,948,774	623,948,774
REB product project	3,125,907,325	2,983,810,627
BUD product project	1,293,522,895	1,293,522,895
Renovating departments	1,974,192,771	466,766,087
CTP product project	202,029,350	202,029,350
PGT Project	-	148,231,359
Other machineries	35,604,858,567	47,082,949,014
	69,507,677,936	66,472,781,314

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

	Current year	Prior year
	VND	VND
Opening balance	66,472,781,314	28,927,855,544
Purchases	30,521,376,238	88,805,051,465
Transfer to tangible fixed assets (Note 13)	(20,422,904,914)	(43,149,564,728)
Transfer to intangible assets (Note 14)	-	(4,860,648,222)
Transfer to prepayments	(1,104,324,951)	(1,301,454,975)
Transfer to expenses	(5,959,249,751)	(1,948,457,770)
	69,507,677,936	66,472,781,314

17. DEFERRED TAX ASSETS

The deferred tax assets mainly arise from deductible temporary differences relating to provisions and unrealized profits arising from intra-group transactions between the Company and its subsidiary in the Group when consolidating the financial statements. The corporate income tax rate used for determining deferred tax assets is 20%.

	Closing balance	Opening balance
	VND	VND
Corporate income tax rates used for determination of value of deferred tax assets	20%	20%
Deductible temporary differences	87,674,697,655	80,338,604,130
Deferred tax assets	17,534,939,531	16,067,720,826



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

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Opening balance	16,067,720,826	12,346,988,198
Additional provision	1,560,847,547	3,875,366,641
Change of eliminated entry of fixed assets	(93,628,842)	(154,634,013)
Closing balance	<u>17,534,939,531</u>	<u>16,067,720,826</u>

18. SHORT-TERM TRADE PAYABLES

	<u>Closing balance</u>	<u>Opening balance</u>		
Amount	Amount able to	Amount able to		
VND	be paid off	be paid off		
	VND	VND		
a. Short-term trade payables from third parties				
Sinobright				
Pharmaceucal Co., Ltd	35,755,200,000	35,755,200,000	7,289,510,000	7,289,510,000
Centrient Pharmaceuticals				
Netherlands B.V	-	-	53,966,749,750	53,966,749,750
Others	163,950,915,106	163,950,915,106	191,014,293,159	191,014,293,159
b) Trade payables to related parties				
(Note 41)	1,513,428,227	1,513,428,227	-	-
	<u>201,219,543,333</u>	<u>201,219,543,333</u>	<u>252,270,552,909</u>	<u>252,270,552,909</u>

As at 31 December 2021 and 31 December 2020, the Group did not have any short-term trade payables past due.

19. PAYABLES TO EMPLOYEES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Salary expense	40,213,693,364	48,762,437,635
Bonus	96,950,487,541	80,249,831,324
Others	25,101,403,026	26,258,231,575
	<u>162,265,583,931</u>	<u>155,270,500,534</u>

20. SHORT-TERM ACCRUED EXPENSES

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Payment discount	7,444,886,014	8,153,790,426
Interest payable	108,502,011	78,311,109
Other accruals	32,065,941,142	30,592,507,506
	<u>39,619,329,167</u>	<u>38,824,609,041</u>

21. SHORT-TERM UNEARNED REVENUE

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

22. 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>212,271,519,448</u>	<u>931,383,347,097</u>	<u>(936,263,689,552)</u>	<u>207,391,176,993</u>

As at 31 December 2021, 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 660,000,000,000. This facility can be withdrawn in Vietnam Dong and withdrawal deadline expired on 9 July 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 0.18% per month to 0.33% per month (2020: from 0.28% per month to 0.47% per month).

23. BONUS AND WELFARE FUNDS

The funds are established through appropriation from retained earnings upon approval of shareholders at the Group's Annual General Meetings ("AGM"). Bonus and welfare funds of the subsidiaries are established from retained earnings upon decision from their Board of Directors. The funds are used to pay bonus and welfare to the Group's employees in accordance with the Group's bonus and welfare policies and to pay bonus to the Board of Directors in accordance with the Group's AGM Resolution.

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

	<u>Bonus and welfare fund</u>	<u>Bonus fund for Board of Directors</u>	<u>Welfare fund in form of assets</u>	<u>Total</u>
	VND	VND	VND	VND
Opening balance	30,289,675,309	4,350,961,280	12,394,302,169	47,034,938,758
Appropriation to the funds (Note 26)	22,196,247,010	6,000,000,000	-	28,196,247,010
Depreciation of assets formed from the funds	-	-	(2,285,118,527)	(2,285,118,527)
Utilization	(28,253,010,425)	(8,273,884,316)	-	(36,526,894,741)
Closing balance	<u>24,232,911,894</u>	<u>2,077,076,964</u>	<u>10,109,183,642</u>	<u>36,419,172,500</u>

24. LONG-TERM PROVISIONS

	<u>Provision for dismantling and restoration cost</u>	<u>Severance allowance</u>	<u>Total</u>
	VND	VND	VND
Opening balance	23,427,211,309	26,675,509,540	50,102,720,849
Additional provision for the year	3,937,690,152	3,996,860,829	7,934,550,981
Utilization	-	(739,700,250)	(739,700,250)
Closing balance	<u>27,364,901,461</u>	<u>29,932,670,119</u>	<u>57,297,571,580</u>

25. SCIENCE AND TECHNOLOGY DEVELOPMENT FUNDS

In accordance with Circular No. 12/2016/TTLT-BKHCB-BTC dated 28 June 2016, enterprises are allowed to establish the science and technology development funds for research and development activities. Funds are utilized when disbursement 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	12,928,090,564
Depreciation of assets formed from the fund	(3,418,698,733)
Closing balance	9,509,391,831

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26. 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	1,392,604,475,464	665,297,795,718	3,372,141,929,182
Profit for the year	-	-	-	739,874,900,345	739,874,900,345
Dividends distribution for 2019	-	-	-	(522,984,284,000)	(522,984,284,000)
Fund distribution	-	-	87,342,169,231	(87,342,169,231)	-
Appropriation to bonus and welfare fund	-	-	-	(19,061,642,883)	(19,061,642,883)
Appropriation to bonus fund for the Boards of Management	-	-	-	(6,000,000,000)	(6,000,000,000)
Current year's opening balance	<u>1,307,460,710,000</u>	<u>6,778,948,000</u>	<u>1,479,946,644,695</u>	<u>769,784,599,949</u>	<u>3,563,970,902,644</u>
Profit for the year	-	-	-	777,219,726,033	777,219,726,033
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 closing balance	<u><u>1,307,460,710,000</u></u>	<u><u>6,778,948,000</u></u>	<u><u>1,668,641,014,030</u></u>	<u><u>807,129,425,637</u></u>	<u><u>3,790,010,097,667</u></u>



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 001/2021/NQ.ĐHĐCĐ dated 19 April 2021, the shareholders of the Company have approved payment of dividends from profit after tax of 2020 at 40% of par value in cash, equivalent to VND 522,984,284,000. On 18 May 2021, the Company paid full dividends to shareholders.

Fund distribution

According to the Resolution of the Company's Annual General Meeting 001/2021/NQ.ĐHĐCĐ dated 19 April 2021, the shareholders of the Company approved distribution of bonus, welfare fund out of profit after tax of 2020 at the rate of 3%, equivalent to VND 22,196,247,010, remuneration for the Board of Directors, the Audit Committee and members of the subcommittees 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 2020 is appropriated to the Investment and Development Fund.

27. NON-CONTROLLING INTERESTS

	Current year	Prior year
	VND	VND
Opening balance	4,068,461,712	5,409,553,015
Net loss attributable to non-controlling interests	(934,932,246)	(1,341,091,303)
Closing balance	3,133,529,466	4,068,461,712

28. OFF BALANCE SHEET ITEMS

Foreign currencies

Cash and cash equivalents included the following foreign currencies:

	Closing balance	Opening balance
United states Dollar ("USD")	155,102	517,671
Euros ("EUR")	926	937
Yen ("JPY")	29,975	31,427

Bad debt written-off

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Bad debts written-off	<u>5,647,750,056</u>	<u>2,858,998,937</u>

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

29. SEGMENT REPORTING

The primary format, product segments, is based on the Group'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.

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Net sales		
Pharmaceutical products	3,281,990,962,431	3,090,801,474,172
Functional foods	502,067,455,613	484,451,854,688
Others	219,111,999,055	180,365,982,464
	<u>4,003,170,417,099</u>	<u>3,755,619,311,324</u>
Cost of sales		
Pharmaceutical products	(1,593,561,077,427)	(1,511,977,821,190)
Functional foods	(298,880,854,397)	(278,869,640,331)
Others	(189,817,893,090)	(153,395,580,561)
	<u>(2,082,259,824,914)</u>	<u>(1,944,243,042,082)</u>
Gross profit		
Pharmaceutical products	1,688,429,885,004	1,578,823,652,982
Functional foods	203,186,601,216	205,582,214,357
Others	29,294,105,965	26,970,401,903
	<u>1,920,910,592,185</u>	<u>1,811,376,269,242</u>

30. NET REVENUE OF GOODS SOLD AND SERVICES RENDERED

	Current year VND	Prior year VND
Revenue from goods sold and services rendered		
Sales of finished goods	4,030,991,402,338	3,758,696,971,798
Sales of merchandise	489,154,134,521	446,317,168,626
Others	1,869,085,611	1,718,241,796
	4,522,014,622,470	4,206,732,382,220
Deductions		
Sales discount	517,090,466,029	448,592,655,344
Sales return	1,753,739,342	2,520,415,552
	518,844,205,371	451,113,070,896
Net revenue		
<i>In which:</i>		
Sales of finished goods	3,513,525,982,096	3,310,410,993,860
Sales of merchandise	487,775,349,392	443,490,075,668
Others	1,869,085,611	1,718,241,796
	4,003,170,417,099	3,755,619,311,324

31. COST OF GOODS SOLD AND SERVICES RENDERED

	Current year VND	Prior year VND
Cost of finished goods sold	1,620,339,395,582	1,526,031,626,232
Cost of merchandise sold	461,627,127,623	418,237,570,330
Others	-	337,125
Additional/(reversal) of provision	293,301,709	(26,491,605)
	2,082,259,824,914	1,944,243,042,082

32. OPERATING COSTS BY NATURE

	Current year VND	Prior year VND
Raw materials and consumables	1,729,636,884,198	1,713,581,255,219
Staff cost	914,007,929,462	880,844,256,246
Depreciation and amortization	82,066,899,063	87,309,342,373
Out-sourced services	190,717,233,360	192,849,007,869
Other expenses	268,929,086,766	224,007,579,948
	3,185,358,032,849	3,098,591,441,655

33. FINANCIAL INCOME

	Current year VND	Prior year VND
Interest income	114,305,615,540	133,531,767,796
Foreign exchange gain	8,633,697,514	5,353,956,970
Gain from disposal of investment	-	1,218,552,000
Dividends and profits earned	-	326,698,020
Others	-	1,042,560
	122,939,313,054	140,432,017,346

34. FINANCIAL EXPENSES

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Settlement discount	82,856,640,509	80,949,471,270
Interest expense	12,080,103,631	14,029,596,510
Foreign exchange loss	4,473,986,614	8,319,769,833
(Reversal)/additional provision for impairment of investments	(363,705,743)	15,821,120,786
Loss on sale of investments	89,005,743	2,735,200
Others	54,781,626	59,988,886
	<u>99,190,812,380</u>	<u>119,182,682,485</u>

35. SELLING, GENERAL AND ADMINISTRATION EXPENSES

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
General and administration expenses		
- Staff cost	184,694,669,419	221,584,281,303
- Others	72,477,073,872	81,277,480,437
	<u>257,171,743,291</u>	<u>302,861,761,740</u>
Selling expenses		
- Advertising expenses	138,094,639,519	119,135,895,424
- Staff cost	429,353,784,353	377,204,570,110
- Others	235,506,784,443	202,957,810,324
	<u>802,955,208,315</u>	<u>699,298,275,858</u>

36. OTHER INCOME

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Gain from disposals of fixed assets	-	3,264,091,098
Others	1,931,180,500	2,767,382,110
	<u>1,931,180,500</u>	<u>6,031,473,208</u>

37. OTHER EXPENSES

	<u>Current year</u>	<u>Prior year</u>
	VND	VND
Loss on disposal of fixed assets	7,998,942,445	-
Depreciation	1,509,761,608	887,456,771
Expenses due to impacts of Covid-19	1,488,077,960	-
Loss due to early termination of land lease contract	-	5,438,346,906
Losses due to fair value revaluation of liquidating assets of Fuji Medic	-	3,010,968,277
Others	11,464,647,898	5,635,716,590
	<u>22,461,429,911</u>	<u>14,972,488,544</u>

38. CURRENT CORPORATE INCOME TAX EXPENSE

	Current year VND	Prior year VND
Current corporate income tax expense		
Corporate income tax expense based on taxable profit in the current year	89,174,985,669	86,210,837,298
Adjustments for corporate income tax expense in previous years to the current year	9,331,091	-
Total current corporate income tax expense	89,184,316,760	86,210,837,298
	Current year VND	Prior year VND
Profit before tax	864,001,891,842	821,023,913,712
Tax rate	20%	20%
Tax calculated at a normal rate of 20%	172,800,378,368	164,204,782,742
Adjustments for		
<i>Add: Effect of taxable losses</i>	381,604,998	547,384,205
<i>Less: non-assessable income</i>	-	(65,339,604)
<i>Add back: non-deductible expenses</i>	6,950,548,269	7,487,112,759
<i>Tax incentive</i>	(90,725,866,004)	(85,777,993,668)
<i>Adjustments for consolidation</i>	(231,679,962)	(185,109,136)
Corporate income tax expense based on taxable profit in the current year	89,174,985,669	86,210,837,298

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 Group 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 Pharma is entitled to corporate income tax at the rate of 10% of taxable income for 15 years from the date of starting its operation. DHG Pharma is entitled to the corporate income tax exemption for 4 years and 50% reduction for the following 9 years commencing from the first year of having taxable income. DHG Pharma has registered to the tax department of Hau Giang province to apply the above tax incentives effective from 2015.

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

The subsidiary is obliged to pay corporate income tax at the rate of 20% of taxable income.

Changes in deferred tax income in the current and prior year are as follows:

	Current year VND	Prior year VND
Deferred corporate tax income	1,560,847,547	3,875,366,641
Change of eliminated entries of fixed assets	(93,628,842)	(154,634,013)
	1,467,218,705	3,720,732,628

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>	<u>Prior year</u>
	VND	VND
Accounting profit after corporate income tax	777,219,726,033	739,874,900,345
Appropriation to fund (*)	(29,316,591,781)	(28,196,247,010)
Profit attributable to ordinary shareholders (VND)	747,903,134,252	711,678,653,335
Weighted average ordinary shares in circulation for the period (share)	130,746,071	130,746,071
Basic earnings per share	<u>5,720</u>	<u>5,443</u>

(*) Bonus and welfare fund appropriation for the year ended 31 December 2021 is estimated based on the planned rate of appropriation of 3% profit after tax and bonus fund for Board of Directors of VND 6,000,000,000 in accordance with Resolution of the Company's Annual General Meeting No. 001/2021/NQ-DHĐCĐ dated 19 April 2021.

b. Diluted earnings per share

The Group does not have potentially diluted ordinary shares.

40. COMMITMENTS

a. Operating lease commitment

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Minimum lease payment under operating leases recognized in the consolidated income statement	<u>4,973,905,999</u>	<u>5,436,028,382</u>

At the consolidated balance sheet date, the Group 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	5,422,028,378
In the second to fifth year inclusive	28,305,748,568	21,688,113,512
After five years	122,337,720,625	99,224,658,019
	<u>157,719,906,335</u>	<u>126,334,799,909</u>

b. Capital commitment

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

	<u>Closing balance</u>	<u>Opening balance</u>
	VND	VND
Approved but not contracted	527,603,637,672	67,429,673,077
Approved and contracted but not implemented	46,334,872,017	11,687,315,314
	<u>573,938,509,689</u>	<u>79,116,988,391</u>

42. SUPPLEMENTAL DISCLOSURES OF CONSOLIDATED CASH FLOW INFORMATION

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

	Current year VND	Prior year VND
Appropriation to reserves	216,890,616,345	112,403,812,114
Transfers from construction in progress to tangible fixed assets	20,422,904,914	43,149,564,728
Transfers from construction in progress to intangible assets	-	4,860,648,222
Transfers from construction in progress to prepayments	1,104,324,951	1,301,454,975
Accrued interest expenses	108,502,011	78,311,109
Accrued interest income	53,370,038,356	40,494,673,974

b. Proceeds from borrowings

	Current year VND	Prior year VND
Proceeds from borrowings under normal contracts	931,383,347,097	987,369,688,755

c. Repayment of borrowings

	Current year VND	Prior year VND
Repayment of borrowings under normal contracts	936,263,689,552	1,039,765,021,061



Tran Ngoc Hien
Preparer



Ho Bui Huan
Chief Accountant



Masashi Nakaura
General Director
16 February 2022

