

2020
GLOBAL GMP
STANDARDS



THE THEME OF DHG PHARMA'S 2020 ANNUAL REPORT

Being persistent with the aim to become “the largest Vietnamese generic pharmaceutical company” and “the leading enterprise in applying technology in operation”, DHG Pharma has marked an outstanding movement in 2020 in improving its quality and enhancing the competitive capacity of its products in accordance with **global GMP standards**. It is this breakthrough that well prepares DHG Pharma for global integration with a mission of upgrading Vietnamese medicines not only in domestic markets but also to reach out international markets with a firm stability. These, in turn, upgrade DHG Pharma's position among the prestigious enterprises worldwide, increase its stakeholders' benefits and at the same improve the general health and living standards for millions of people.

LIST OF ABBREVIATIONS

AC	Audit Committee
AGM	Annual General Meeting
API	Active Pharmaceutical Ingredient
BOD	Board of Directors
BOM	Board of Management
DHG Pharma	DHG Pharmaceutical Joint Stock Company
DHG Pharma Ltd.	DHG Pharmaceutical One Member Limited Company
FOL	Foreign Ownership Limit
GDP	Good Distribution Practice
GDP (*)	Gross Domestic Product
GLP	Good Laboratory Practice
GMP	Good Manufacturing Practice
GMS	General Meeting of Shareholders
GSP	Good Storage Practice
GPP	Good Pharmacy Practice
HOSE	Ho Chi Minh Stock Exchange
IA	Internal Audit
IC	Internal Control
IQVIA	IQVIA Institute (formerly IMS Health and Quintiles)
IR	Investor Relations

ISO/IEC 17025	General requirements for the competence of testing and calibration laboratories
JSC	Joint Stock Company
KPI	Key Performance Indicators
M&A	Mergers and Acquisitions
OECD	Organization for Economic Cooperation and Development
OTC	Over-the-counter drugs (Non-prescription drugs)
P/B	Price-to-Book ratio
P/E	Price-to-Earnings ratio
PAT	Profit after tax
PIC/S	Pharmaceutical Inspection Co-operation Scheme
R&D	Research and Development
RM	Risk Management
ROA	Return On Assets
ROE	Return On Equity
ROS	Return On Sales
VND	Vietnamese Dong
WHO	World Health Organization

DHG PHARMACEUTICAL JOINT STOCK COMPANY

The Company's name in Vietnamese	: Công ty Cổ phần Dược Hậu Giang
Abbreviation	: DHG Pharma
Ticker symbol	: DHG (listed on HOSE)
Headquarters	: 288 Bis Nguyen Van Cu, An Hoa Ward, Ninh Kieu District, Cantho City
Owner's equity (As at 31 Dec 2020)	: VND 3,568,039,364,356
Charter capital (As at 31 Dec 2020)	: VND 1,307,460,710,000
Telephone	: (+84) 2923 891 433
Fax	: (+84) 2923 895 209
Email	: dhgpharma@dhgpharma.com.vn
Website	: www.dhgpharma.com.vn
Certificate of business registration and tax code	: 1800156801



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Dear Shareholders, investors, customers, partners, and all employees!

The year 2020 witnessed major upheavals that affected and fundamentally changed the operation of many socio-economic activities, caused by the Covid-19 pandemic occurring on a global scale.

Many businesses had to change their business plans, lost their financial balance or even declared bankruptcy. However, with continuous efforts to consolidate and promote its internal strength, DHG Pharma has successfully overcome the challenges and excellently completed its business results.



Net sales in 2020
(Unit: VND billion)

3,756

Ending the year 2020, DHG Pharma marked with outstanding achievements: profit before tax reached VND 821 billion, an increase of 15% compared to 2019; 2 production lines met Japan-GMP international standard; the investment expansion for building the Pharmaceutical Factory and DHG Printing and Packaging Factory reaching global GMP standards has been successfully completed, along with many other remarkable awards.



Profit before tax in 2020
(Unit: VND billion)

821

The above results are practical proofs of DHG Pharma's intrinsic strength, its consistent strategic vision grounded on the foundation of a solid management system and the close direction and supervision of the Company's Board of Directors (BOD), the commitment of all employees as well as the meaningful support from our partners and customers. At the same time, these affirm the firm position of a leading brand in the industry together with the effective management and flexible response of the BOD and the Board of Management (BOM) against the extremely complex progress of Covid-19.

Ladies and gentlemen,

With the operating credo and a consistent orientation towards the mission of "For a more beautiful and healthier life", DHG Pharma has always been clearly aware of the role and responsibility of a pharmaceutical enterprise, especially in a stage when the country encountered a double-layer challenge caused by the Covid-19 pandemic compounded by the terrible natural disasters that accumulated difficulties in people's

lives. Therefore, DHG Pharma has experienced a successful year with a double goal: economic development alongside with its shouldered responsibility for the community with most meaningful contributions, fulfilling its part in sharing difficulties and helping people to quickly stabilize their lives. The total budget reserved for activities that support victims from Covid-19 as well as floods and storms in the Central region is nearly VND 12 billion.

Our success in 2020 serves as a stepping stone for DHG Pharma to continue making more significant efforts to overcome rapid changes of the economy, ensuring a rapid but sustainable growth rate, and continuing to maintain its leading position in Vietnam's pharmaceutical industry.

In 2021, DHG Pharma targets its net sales at VND 3,970 billion and profit before tax at VND 821 billion. DHG Pharma will continue to invest in upgrading the remaining production lines to reach international standards and increase the Company's portfolio of products that reach global market. Especially, it will focus on implementing the investment project to expand the factory to meet the global GMP standards so that it will be put into operation soon in 2024.

DHG Pharma firmly believes that the resonance between the beliefs and confidence of shareholders, partners and customers for DHG Pharma over the past 46 years and the devoted contributions of all employees across DHG Pharma's Company as a joint effort for the prosperity of the Company serves as a driving force for DHG Pharma to grow steadily and reach out.

We wish you Health, Peace and Happiness.

Best regards.

Dang Thi Thu Ha

Chairwoman of the Board of Directors

1

OVERVIEW OF DHG PHARMA

GLOBAL INTEGRATION

- 10 Vision - Mission - Core Values
- 12 Financial highlights in 2016 - 2020
- 14 Distinguished and spotlight awards in 2020
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VISION

FOR A MORE

BEAUTIFUL & HEALTHIER LIFE


MISSION

**DHG PHARMA ALWAYS PROVIDES
HIGH-QUALITY PRODUCTS AND SERVICES
TO SATISFY THE ASPIRATION
FOR A MORE BEAUTIFUL AND HEALTHIER LIFE.**


Our highest
commitments are
quality, safety, &
effectiveness


Our ways of doing
business are with
responsibility,
cooperation, &
promotion


Our foundation
for development
is knowledge &
creativity

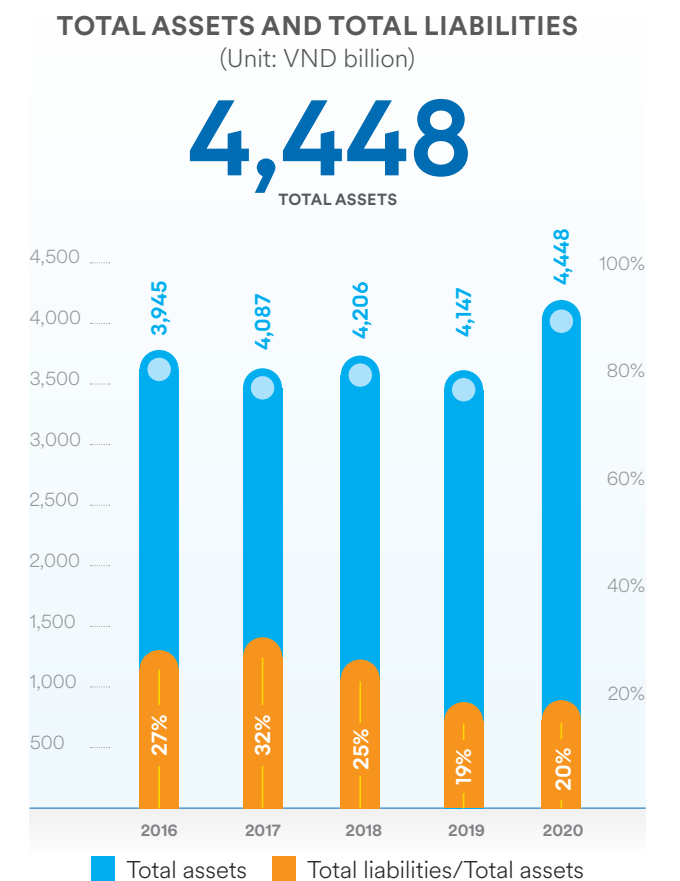
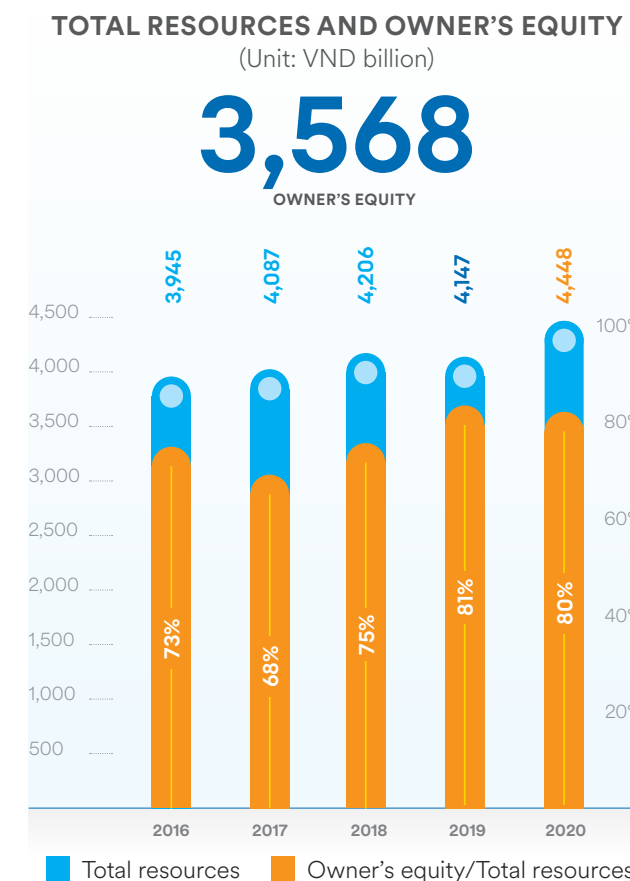
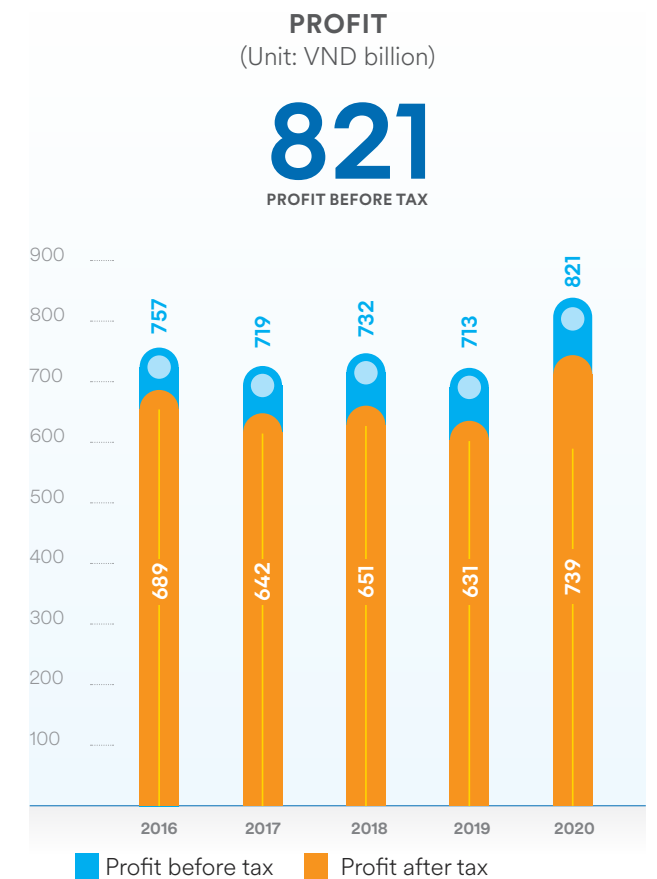
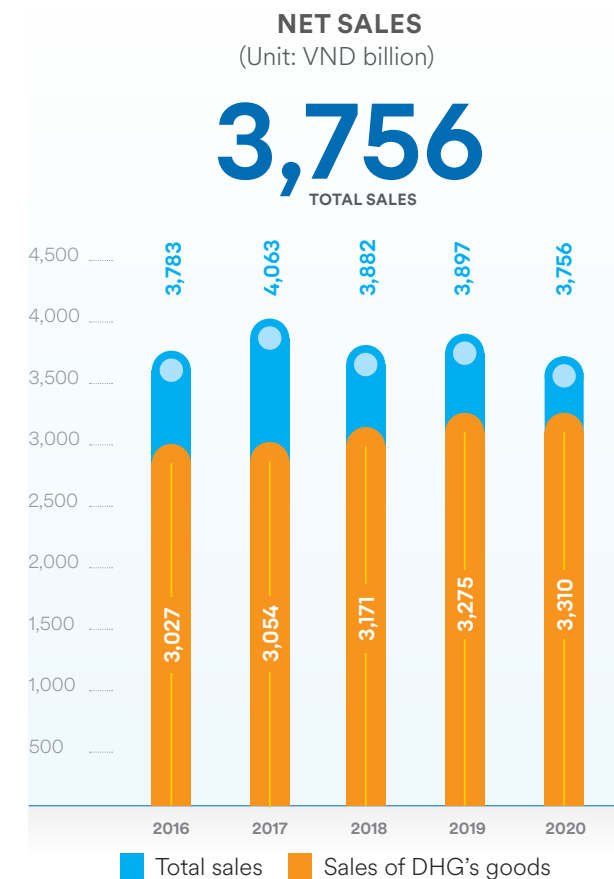

Our long-term
goal is mutual
prosperity with
partners


Our pride is
DHG Pharma's
cultures and
identity


Our activities all
centered around
the benefits of the
community


Our competitive
advantage is
the superior
differentiation

Indicators	Unit	2016	2017	2018	2019	2020
Income statement						
Net sales	VND Billion	3,783	4,063	3,882	3,897	3,756
Gross profit	VND Billion	1,713	1,783	1,717	1,712	1,811
Profit before tax	VND Billion	757	719	732	713	821
Profit after tax	VND Billion	689	642	651	631	739
Balance sheet						
Total assets	VND Billion	3,945	4,087	4,206	4,147	4,448
Current assets	VND Billion	2,746	2,939	3,148	3,134	3,481
Non-currents assets	VND Billion	1,199	1,148	1,058	1,013	967
Liabilities	VND Billion	1,076	1,328	1,062	769	879
Owner's equity	VND Billion	2,870	2,759	3,144	3,378	3,568
Charter capital	VND Billion	872	1,307	1,307	1,307	1,307
Cash flow						
Net cash inflows from operating activities	VND Billion	645	460	291	838	826
Net cash outflows from investing activities	VND Billion	-278	-192	-461	- 224	-248
Net cash outflows from financing activities	VND Billion	-185	-322	-304	- 620	-575
Net (decrease)/increase in cash and cash equivalents	VND Billion	182	-53	-474	- 6	3
Cash and cash equivalent at the beginning of the period	VND Billion	421	603	550	76	70
Cash and cash equivalent at the end of the period	VND Billion	603	550	76	70	73
Basic financial ratios						
Gross profit margin	%	45.3%	43.9%	44.2%	43.9%	48.2%
Pre-tax profit margin	%	20.0%	17.7%	18.9%	18.3%	21.9%
ROS	%	18.2%	15.8%	16.8%	16.2%	19.7%
ROA	%	18.8%	16.0%	15.7%	15.1%	17.2%
ROE	%	25.5%	22.8%	22.1%	19.4%	21.3%
Shares information						
Market price at the end of the year	VND/share	61,450	113,350	79,000	91,500	104,000
Basic earnings per share	VND/share	4,485	4,378	4,445	4,668	5,443
Dividend	VND/share	3,500	3,000	3,500	4,000	4,000



05 CONSECUTIVE YEARS

TOP 50

LEADING BRANDS
IN VIETNAM

voted by
Forbes Vietnam



03 CONSECUTIVE YEARS OF

SCORING HAT-TRICKS

at the Vietnam Listed Company Award
(2018 - 2019 - 2020) with the following awards

TOP 10

Best Annual
Reports
(Midcap)

1ST PRIZE for Best
Corporate
Governance
Report

(Midcap)

TOP 05

Best Sustainable
Development
Reports

03 CONSECUTIVE YEARS

TOP 15

LISTED ENTERPRISES
WITH BEST PERFORMANCES

(2017 - 2019)

08
CONSECUTIVE YEARS

TOP 50

BEST LISTED COMPANIES

voted by
Forbes Vietnam



09
CONSECUTIVE YEARS

TOP 50

VIETNAM'S BEST
PERFORMING COMPANIES

organized and voted by
Vietnam Investment Review
Magazine



24
CONSECUTIVE YEARS

VIETNAMESE
HIGH-QUALITY GOODS

voted by
consumers



05
CONSECUTIVE YEARS

TOP 10

PRESTIGIOUS PHARMACEUTICAL
COMPANIES

voted by
Vietnam Report

**CERTIFICATE OF MERIT
FROM THE STATE
SECURITIES COMMISSION**

for the contribution to the
development of HoChiMinh
Stock Exchange (HOSE) and
the stock market in the period
2015 - 2020

HISTORICAL MILESTONES



1974

Established and was formerly known as the 2/9 Pharmaceutical SOE Factory.

2004

Hau Giang Pharmaceutical Integrated Factory was equitized to become DHG Pharmaceutical Joint Stock Company.

2006

DHG Pharma's stocks were listed on HOSE.



2007

Reconfirmed the vision, mission and 7 core values.
Increased the charter capital from VND 80 billion to VND 200 billion.

2008

Implemented modern and effective management tools: 10.5S and Balance Score Card.

2009

Successfully implemented the strategy - 20/80 products, customers and personnel.



2010

Successfully implemented the strategy "tripod": shareholders, customers and employees.

2011

Successfully implemented the "Factory Productivity Improvement Project" and the "Project to improve performance of subsidiaries".

2012

The topic "Today's solution is tomorrow's issue" brought high efficiency to the Company in cost control, risk management and policies.



2013

Completed the construction of the new Non-Betalactam factory and DHG Printing and Packaging 1 Plant Project in Tan Phu Thanh Industrial Zone.

2014

Celebrated 40th years of establishing DHG Pharmaceutical Joint Stock Company and 10 years of equitization.

2015

Laid the groundwork for restructuring and internally prepared for the new growth period.



2016

The first year of the five-year strategy 2016-2020, the beginning of a sustainable and effective development.

2017

Smooth transitions of the 2 senior positions in the Company: Chairman of the BOD and General Director.

2018

FOL Lifting at DHG Pharma from 49% to 100% of charter capital.

Production lines were granted PIC/s-GMP and Japan-GMP standards.



2019

Marked the 45th historical milestone and the first year to become a member of Multinational Pharmaceutical Companies when Taisho has officially owned 51.01% of shares.

2020

The film-coated tablet production line was certified Japan-GMP and the tablet line continued to be re-granted Japan-GMP certificate.



 **15** COUNTRIES
EXPORT MARKETS

 **2** PRODUCTION LINES
CERTIFIED JAPAN-GMP

 **2,712**
TOTAL EMPLOYEES

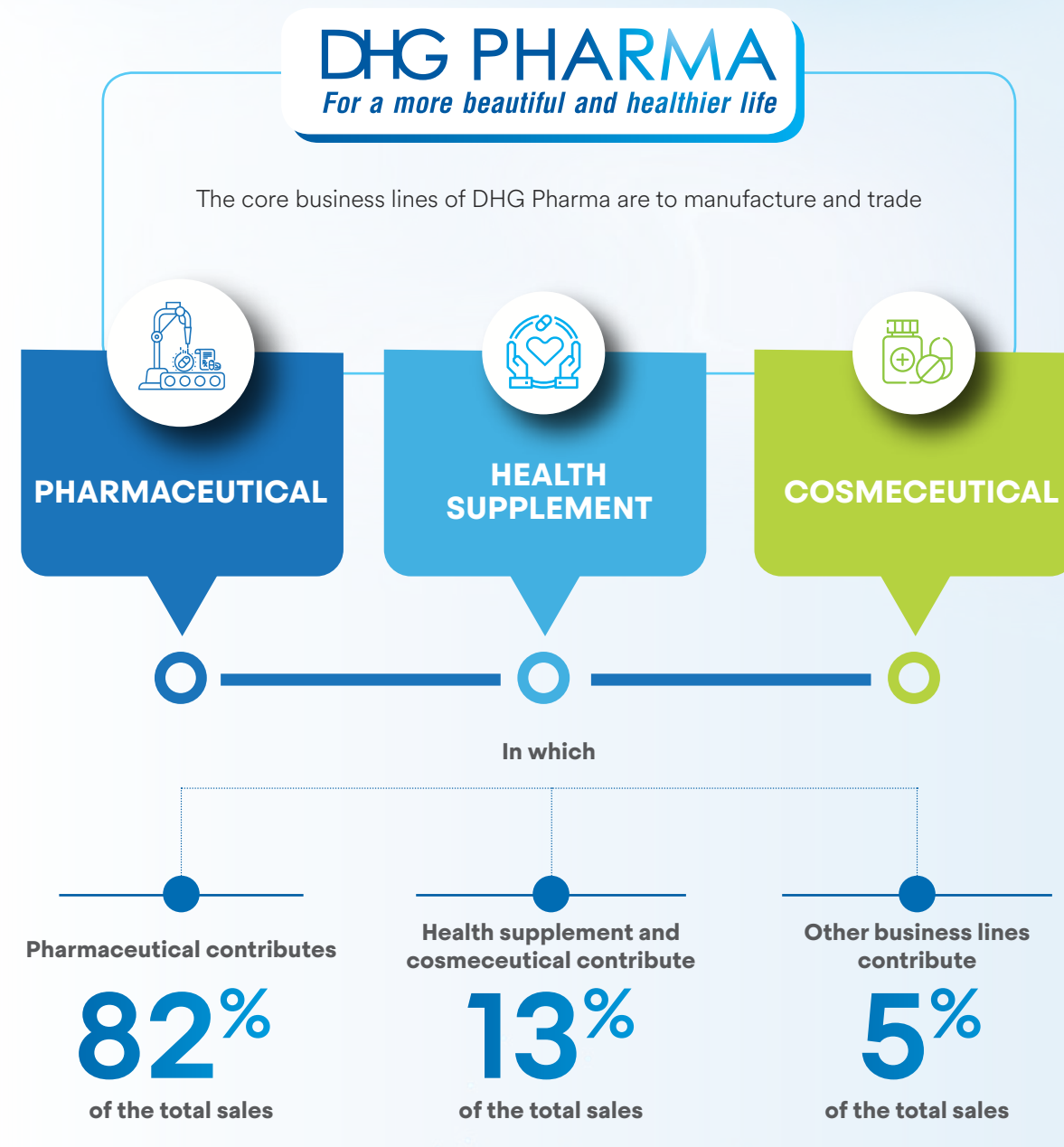
 **34**
SALES BRANCHES

THE YEAR 2020 - JOINING HANDS WITH THE COMMUNITY TO **OVERCOME** THE PANDEMIC & **ALLEVIATE** LOSSES CAUSED BY THE HISTORIC FLOOD

- It can be said that the world and Vietnam spent the whole year to cope with the Covid-19 pandemic. In this same year, alongside with the massive impact from Covid-19 pandemic, the Central provinces in Vietnam have been compounded by heavy losses caused by severe floods and rains.
- Bearing the responsibility of a Pharmaceutical Enterprise with the motto "Our activities all centered around the benefits of the community", millions of DHG Pharma's hearts were with the people of the country. Over the whole year, DHG Pharma has delivered to medical facilities and schools across the country from the urgent sponsorship of the body temperature meters and propaganda panels to the series of anti-pandemic products (Bioskin antibacterial sanitizer, Bocalex effervescent vitamin supplement). When the Central Region was swallowed by the historic flood, DHG Pharma has quickly taken actions to remedies the difficulties with the victims. Free medical examinations and treatment and free medical kits have been timely delivered and donations and salary contributions have been called for.
- With the total sponsoring fund for Covid-19 and the Central region up to nearly VND 12 billion, it can be said that DHG Pharma has contributed a helping hand to alleviate the "scar" left by the pandemic and the flood.

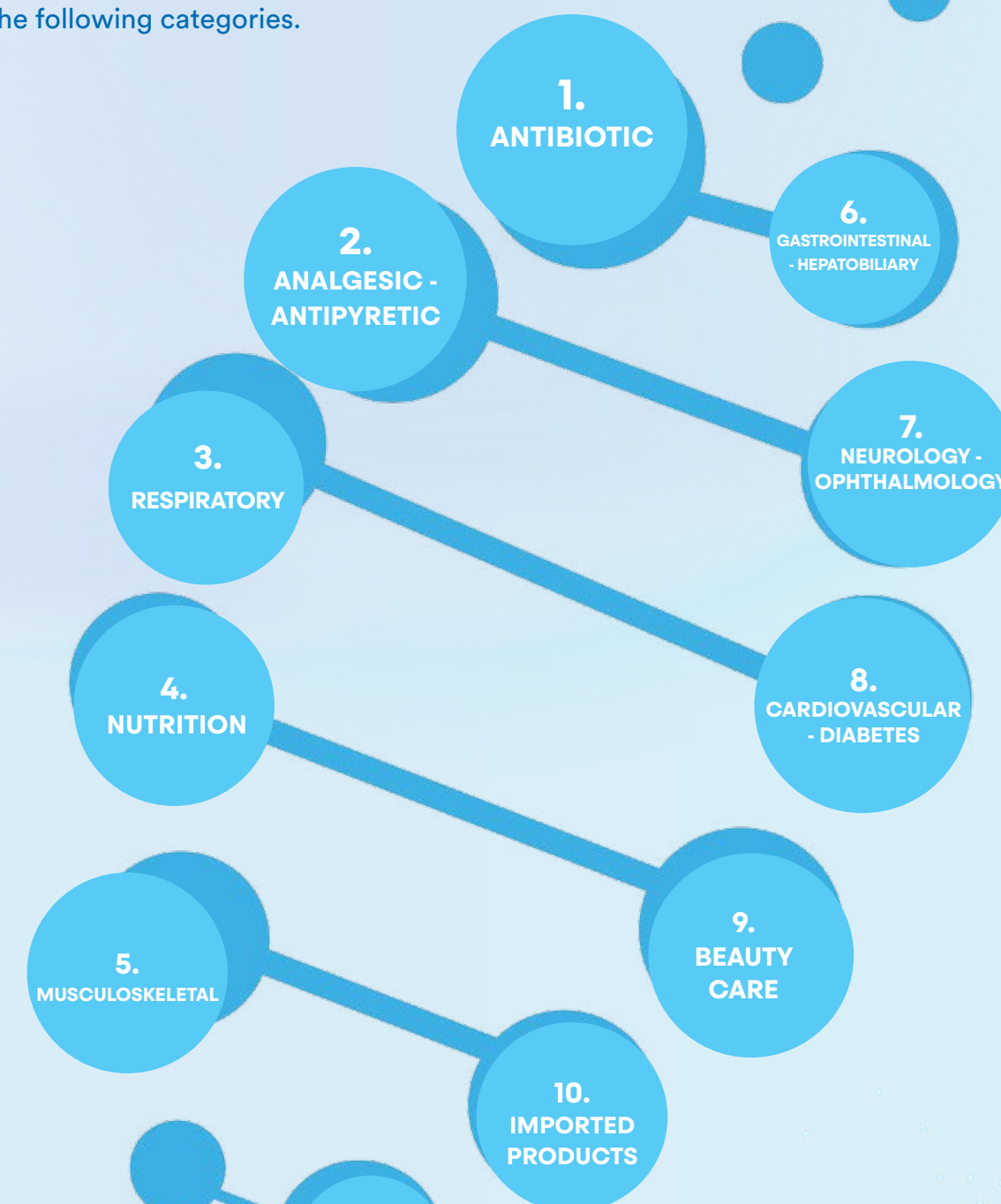


CORE BUSINESS LINES



At the beginning of 2021, DHG Pharma owned a diversified product portfolio with nearly 300 products.

In order to easily manage and invest in branding, DHG Pharma divides its product portfolio by treatment functions into the following categories.



1. ANTIBIOTIC

Antibiotic is one of the key categories that accounts for more than 35% of the sales of DHG's goods. Over the past 15 years, Klamentin - Haginat have always been trusted by health workers, doctors and large hospitals. These two brands have been available in more than 98% of drugstores nationwide. Many products of the Antibiotic category are proven to be bioequivalent to the invention drugs and are always present in the Top 200 market leading products (according to IQVIA research).

Outstanding products: Klamentin - Haginat, Zaromax500, Clabact.



2. ANALGESIC - ANTIPYRETIC

In Vietnam, DHG Pharma is the first enterprise to launch a diverse line of analgesics - antipyretics for all ages. As for the sachet product for children in the form of sweetened orange-flavored effervescent powder, which conquers the trust of doctors, pharmacies and consumers. With more than 20 products meeting Japan-GMP standard, this category has offered its customers the choice of international quality products at affordable prices.

Outstanding products: Hapacol 250, Hapacol 650, Hapacol 650 Extra, Hapacol Blue, Hapacol Extra.



3. RESPIRATORY

More than 70% of sales of the Respiratory category are manufactured on Japan-GMP production lines, effectively meeting the demands of treating a wide variety of respiratory diseases. Recently, Cozz IVY syrup with France-originated imported materials is effective in treating cough with phlegm and is well-welcomed by doctors, pharmacies, and consumers.

Outstanding products: Telfor, Medlon, Cozz IVY.



4. NUTRITION

With the desire to provide nutrition for the health of the community, the nutrition industry is always innovating and developing many new products to best meet the demands of every single family member. Among them, Bocalex is taking the lead in sales of effervescent tablets with vitamin supplements. Bipp leads the sales of children's vitamin candy product. Furthermore, Nutrition category develops new products from Spirulina such as Spivital, Pimum, and Anomin Gold to promptly meet the demands of all family members.

Outstanding products: Bocalex, Bipp, Pimum.



5. MUSCULOSKELETAL

The category has more than 70% of products meeting Japan-GMP and bioequivalence. DHG Pharma is proud to own AlphaDHG - one of the leading products in the domestic market and the first choice of doctors. This product helps increase treatment efficiency but still saves costs for patients. In addition, the Atocib product group (Etoricoxib, new generation of painkillers) are certified 2 standards that are first bioequivalence in the Vietnamese market and Japan-GMP standard.

Outstanding products: Atocib, Mebilax, AlphaDHG.

6. GASTROINTESTINAL - HEPATOBILIARY

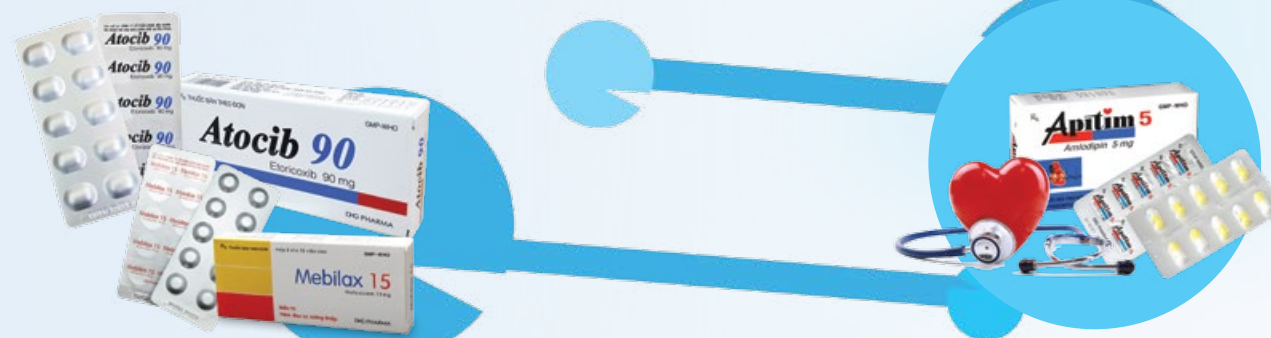
This is the 3rd sales contributing category of DHG Pharma with more than 10 products manufactured on the production line meeting international Japan-GMP standard and treatment needs on prescription and non-prescription products. Several products of this category reach scientific and technical content such as Naturenz - cooperation with Vietnam Institute of Biotechnology, Haxium - New generation of proton pump inhibitor, etc.

Outstanding products: DilodinDHG, Naturenz, Haxium.

7. NEUROLOGY - OPHTHALMOLOGY

NattoEnzym is the only product in Vietnam to be granted with JNKA (Japan NattoKinase Association) Japan certification for stroke prevention. Magnesi-B6, Neni, Betahistine are familiar products that have been accepted by consumers for many years and now they are manufactured on Japan-GMP certified production line, helping consumers feel secure and trust more.

Outstanding products: NattoEnzym, Magnesi-B6, Neni.



8. CARDIOVASCULAR - DIABETES

Apitim is an outstanding brand. It is currently trusted by many doctors, pharmacists and more than 25% of patients with hypertension. In addition, DHG Pharma is very proud that all remaining products of the Cardiovascular - Diabetes category are manufactured on the Japan-GMP production line, increasing winning opportunities in bidding at leading hospitals across the country.

Outstanding products: Lipvar, Rotorlip, Apitim, Vastec.

9. BEAUTY CARE

Apart from skin treatment products, the industry has expanded to beauty care, helping consumers trust quality products from the reputable pharmaceutical company. Among these, Medskin is the product line for treating skin, virus and bacteria diseases. The most outstanding product among these is Medskin Clovir tablets manufactured on Japan-GMP certified production line. The Bioskin sanitizer line is a great combination of Nano Silver and natural herbal essential oils which provides an effective solution for preventing against many strains of bacteria and maintaining hand moisturize. Nano Silver is highly antibacterial, deodorant and safe for skin. Bioskin brand has been and will always accompany agencies and people to take care of their health and prevent the Covid-19 pandemic.

Outstanding products: Medskin, Bioskin.

10. IMPORTED PRODUCTS

In order to diversify products, increase sales and competitiveness of DHG Pharma in the market, DHG Pharma outsources its products at foreign pharmaceutical manufacturers such as Mitoyo, Yunpro, Hoshi, etc then distribute in the Vietnamese market.

Outstanding products: Yunpro, Hoshi, Mitoyo,...

DOMESTIC MARKET

Domestic sales
in 2020

3,132
VND billion

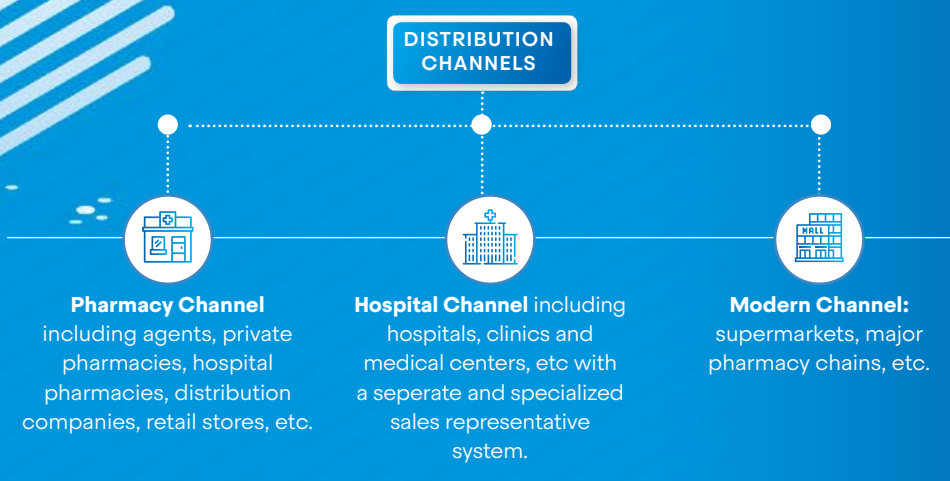
Contributed
98%
to the total sales

The business network of DHG Pharma spreads over the country and is known as an enterprise with the most widespread and largest distribution network in Vietnam. As of early 2021, DHG Pharma has 34 branches distributing goods nationwide from city to countryside (distributing to 3 stages: City, District, Commune).

One of the remarkable activities of DHG Pharma is to support technology for sales staff and customers in the context of competition in the 4.0 Technology Revolution. DHG Pharma's Co-Prosperity App is designed to be data-linked, allowing customers to actively track sales, debts, invoices, product information, promotional news,... via mobile devices.

Thanks to the professionalism and dedication of more than 500 salesmen, DHG Pharma's products have covered pharmacies and hospitals nationwide with a total of over 30,000 customers.

DHG Pharma's products are distributed to customers through the following channels:



● List of 34 distribution branches of DHG Pharma: Please refer to page 188 for more information.

EXPORT MARKET

Export sales
in 2020

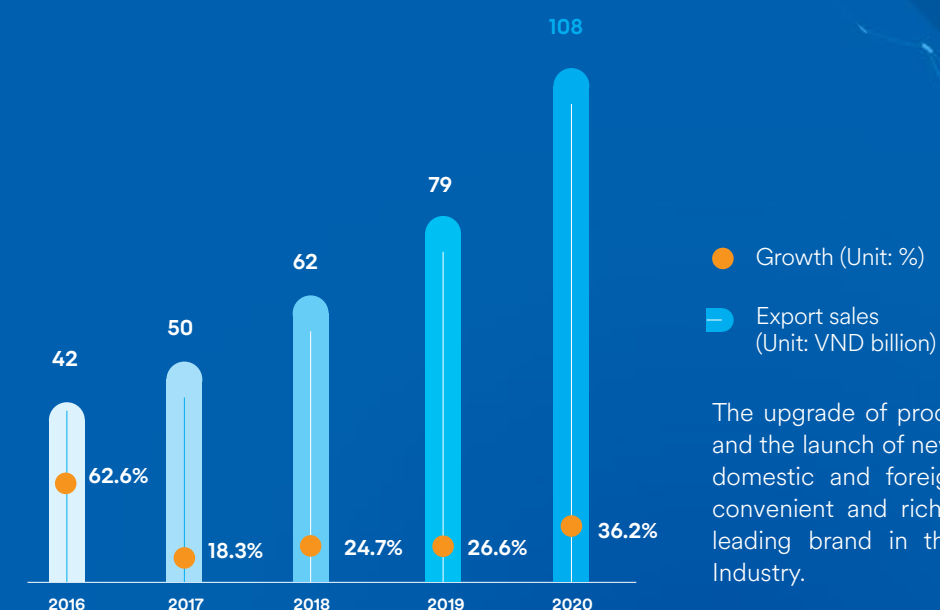
108
VND billion

Contributed
2%
to the total sales

The year 2020 continued to be a fruitful year of DHG Pharma's export. Accordingly, DHG Pharma has distributed its products to 15 countries with typical export markets such as Singapore, Cambodia, Laos, Myanmar, Moldova, Mongolia, Nigeria, Yemen, Indonesia, Malaysia, Russia, etc with approximately 117 registered visa numbers.

In 2020, DHG Pharma's export saw a significant growth when recording VND 108 billion in sales, up 36.2% over the same period.

EXPORT SALES AND GROWTH THROUGHOUT THE YEARS



The upgrade of production lines to Japan-GMP and the launch of new products promise to bring domestic and foreign consumers a variety of convenient and rich experiences, affirming the leading brand in the Vietnam Pharmaceutical Industry.



MAJOR CHANGES OF THE COMPANY IN 2020



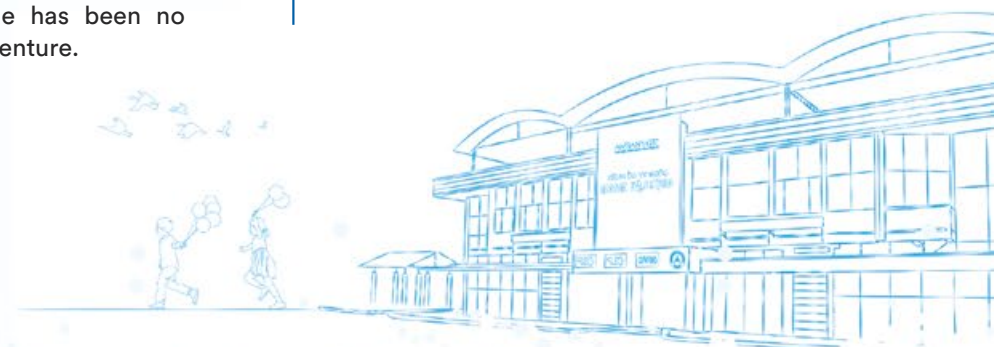
On 28 Aug 2020, DHG Pharma's BOD approved the divestment policy at Vinh Hao Algae Corporation (Vinh Hao Algae) under the public offering method.

- **Divestment reason:** restructuring financial investments and joint-venture investments of DHG Pharma.
- On 07 Oct 2020, all DHG Pharma's shares at Vinh Hao Algae (376,300 shares, equivalent to 31.36% of Vinh Hao Algae's charter capital) were successfully auctioned. At present, Vinh Hao Algae has been no longer DHG Pharma's joint-venture.



On 16 Nov 2020, the BOD approved the dissolution of DHG Pharma's branch in Nam Dinh province.

- **Dissolution reason:** Merging Nam Dinh branch into Thai Binh branch to streamline the organizational structure and improve the operational efficiency.
- Merging procedures have been completed. The current distribution system of DHG Pharma has 34 branches.



COMPANY WITH OVER 50% SHARE CAPITAL,
CONTRIBUTED CAPITAL HOLD BY DHG PHARMA

FUJI MEDIC CO., LTD (Fuji Medic)

Official operation date: 27 Jul 2016
Headquarters: Cantho City
Charter capital: VND 26.946 billion
Business lines: Polyclinic and dental clinic
DHG Pharma's equity: 51%

Note: Fuji Medic has been no longer in operation since Apr 2019. Fuji Medic's assets are being liquidated to dissolve Fuji Medic.



COMPANY HOLDS MORE THAN 51% OF DHG PHARMA'S
EQUITY/CONTRIBUTED CAPITAL



TAISHO PHARMACEUTICAL CO., LTD.

TAISHO PHARMACEUTICAL CO., LTD. IS A LEADING JAPANESE
PHARMACEUTICAL COMPANY SPECIALIZING IN MANUFACTURING
PHARMACEUTICALS AND HEALTH SUPPLEMENTS.

WITH A HISTORY OF OVER **100** YEARS Taisho Pharmaceutical Co., Ltd.
always follows the corporate principle
that is **"CONTRIBUTE TO THE HEALTH AND WELFARE OF CONSUMERS"**.

Taisho is currently one of the companies
having largest OTC market share in
Japan, accounting for 12.7% of
the OTC market share with
outstanding products such
as Lipovitan, Biofermin,
Pabron, etc. With the
strategy of expanding
its business in
countries around
ASEAN and East Asia,
Taisho increased its
ownership in DHG
Pharma to 51.01%
on 17 May 2019.

大正製薬

Date of foundation: 12 Oct 1912
Headquarters: Tokyo, Japan



CORE OPERATIONS

01

Self-medication
- OTC drugs and health-related
products.

02

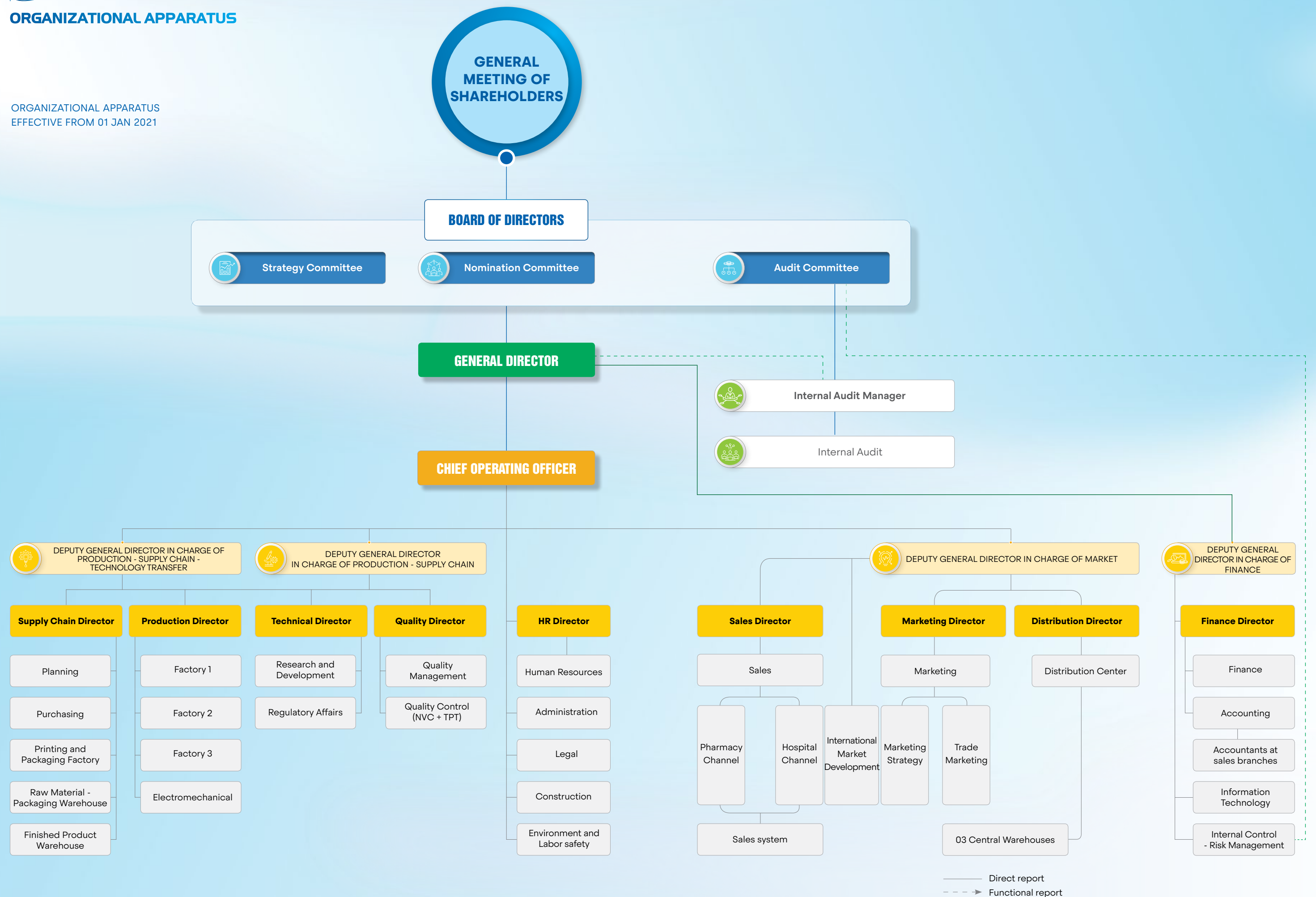
Prescription pharmaceutical -
Development of exclusive
new drugs.

NETWORK OF TAISHO GROUP



ORGANIZATIONAL APPARATUS

ORGANIZATIONAL APPARATUS
EFFECTIVE FROM 01 JAN 2021





Mrs. DANG THI THU HA
BOD Chairwoman
Non-executive BOD member
Member of the Audit Committee

Born in : 1973
Nationality : Vietnamese

Professional qualifications

- Master of Business Administration (MBA), Institute of Management.
- Bachelor of Economics in Business Administration, National Economics University.
- Bachelor's degree in foreign languages (English), National University, Hanoi.
- Practising certificate for corporate finance consultancy, State Security Commission of Vietnam

Join DHG Pharma as a BOD member

- First appointment: Jul/2017
- First re-appointment: Jun/2019
- Term's length as DHG Pharma's BOD member as of Apr/2021: 3 years 9 months
- BOD Chairwoman of DHG Pharma: 11 Jun 2019 - now

Positions held in other organizations

- BOD Member - Vietnam Dairy Products JSC (Vinamilk)
- BOD Member - Benovas Cancer Drugs JSC
- Head of Investment Department 3 - State Capital Investment Corporation (SCIC)



Mr. JUN KURODA
Non-executive BOD member
Head of the Strategy Committee

Born in : 1956
Nationality : Japanese

Professional qualifications

- Master of Business Administration (MBA) Golden Gate University, USA

Join DHG Pharma as a BOD member

- First appointment: Aug/ 2016
- First re-appointment: Jun/ 2019
- Term's length as DHG Pharma's BOD member as of Apr/2021: 4 years 8 months

Positions held in other organizations

- Member of the Board, Senior Executive Officer - Taisho Pharmaceutical Co., Ltd. (Japan).
- Chairman/ President Director/ Managing Director/ Director at Taisho's subsidiaries in China, USA, Malaysia, Singapore, Thailand, Vietnam, Mexico, and France.



Mr. MASASHI NAKAURA
Executive BOD Member
Member of the Strategy Committee
Member of the Nomination Committee
General Director

Born in : 1958
Nationality : Japanese

Professional qualifications

- Bachelor Degree of Economics - Sophia University, Tokyo, Japan

Join DHG Pharma as a BOD member

- First appointment: Jun/2019
- Term's length as DHG Pharma's BOD member as of Apr/2021: 1 year 10 months

Join DHG Pharma as a BOM member

- General Director of DHG Pharma: 01 Jan 2020 - now

Positions held in other organizations: none

Possessing over 28 years of international experience in business development and marketing at multinational companies, including 20 years of experience in managing, developing and leading teams as head of organization at subsidiaries of Taisho Group.

BOARD PROFILE (Continued)



Mr. DOAN DINH DUY KHUONG

Executive BOD Member
Member of the Strategy Committee
Member of the Nomination Committee
Chief Operating Officer (COO)

Born in : 1974
Nationality : Vietnamese

Professional qualifications

- EMBA - UBI, Belgium

Join DHG Pharma as a BOD Member

- First appointment: Apr/2006
- First re-appointment: Apr/2010
- Second re-appointment: Apr/2014
- Third re-appointment: Jun/2019
- Term's length as DHG Pharma's BOD member as of Apr/2021: 15 years

Join DHG Pharma as a BOM Member

Having over 21 years of experience in Sales and Marketing at DHG Pharma.

- Deputy General Director of DHG Pharma: May/2012 - Sep/2017
- Interim General Director of DHG Pharma: Sep/2017 - 31 Dec 2019
- Chief Operating Officer (COO) of DHG Pharma: 01 Jan 2020 - now

Positions held in other organizations: none.



Mr. MAKI KAMIJO

Non-executive BOD member
Member of the Audit Committee

Born in : 1961
Nationality : Japanese

Professional qualifications

- Bachelor of Civil Engineering - Kobe University, Japan

Join DHG Pharma as a BOD Member

- First appointment: Jun/2019
- Term's length as DHG Pharma's BOD member as of Apr/2021: 1 year 10 months

Positions held in other organizations

Business Planning and Development, ASIA at International Business Headquarters - Taisho Pharmaceutical Co., Ltd. (Japan). He has over 20 years working at Taisho Group - Japan in International Business Development.



Mr. PHAN MINH TIEN

Independent BOD Member
Head of the Nomination Committee
Member of the Strategy Committee

Born in : 1970
Nationality : Vietnamese

Professional qualifications

- Bachelor of Business Studies - Moscow University of Management, Russia

Join DHG Pharma as a BOD Member

- First appointment: Apr/2018
- First re-appointment: Jun/2019
- Term's length as DHG Pharma's BOD member as of Apr/2021: 3 years

Positions held in other organizations

- Marketing Executive Director - Vietnam Dairy Products JSC (Vinamilk)
- BOD Member - Moc Chau Dairy Seed JSC



Mr. DO LE HUNG

Independent BOD member
Head of the Audit Committee

Born in : 1969
Nationality : Vietnamese

Professional qualifications

- Master of Public Administration (France) with majors in Economics, Finance, Budget, Diplomacy, Law, Human Resource Management, etc.
- Accounting Certificate - Paris Dauphine University (France)
- Certificate of Internal Control and Anti-fraud (PwC)
- Certificate of Intensive Audit Committee Program (Myanmar Institute of Directors)
- BOD Member Training Certificate (Vietnam Institute of Directors)

Join DHG Pharma as a BOD Member

- First appointment: Jun/2019
- Term's length as DHG Pharma's BOD member as of Apr/2021: 1 year 10 months

Positions held in other organizations

- Independent BOD Member - Chairman of Audit Committee - Vietnam Dairy Products JSC (Vinamilk)
- Independent BOD Member - Chairman of Audit Committee - An Gia Real Estate Investment and Development JSC
- Independent BOD Member - Chairman of Audit Committee - South Logistics JSC
- Independent BOD Member - GNTFoods JSC
- Ecopark Deputy Chairman of Audit and Compliance Committee - BOD - Ecopark Corporation JSC

Simultaneously, he has been the BOD member of Vietnam Institute of Directors (VIOD) since Apr/2018.

BOARD PROFILE (Continued)



Mr. TOMOYUKI KAWATA

Deputy General Director
in charge of Production, Supply
Chain, and Technology Transfer
Supporting member of the
Strategy Committee

Born in : 1966
Nationality : Japanese

Professional qualifications

- Bachelor Degree of Pharmacology - Tokyo University of Pharmacy and Life Sciences, Japan

Employment history

- 04/1990 - 09/2010: Manager of Domestic Production - Taisho Pharmaceutical Co., Ltd. Japan. (Taisho)
- 10/2010 - 03/2013: Manager of Overseas Production Management - Taisho
- 04/2013-03/2014: General Manager of Okayama Plant - Taisho
- 04/2014 - 09/2014: Head of Quality Control of Domestic of Production - Taisho
- 10/2014 - Now: Director of International Technical Operations - Taisho
- 10/2017 - Now: Deputy General Director in charge of Production, Supply Chain and Technical Transfer - DHG Pharma.



Mrs. NGUYEN NGOC DIEP

Deputy General Director
in charge of Production and
Supply Chain

Born in : 1968
Nationality : Vietnamese

Professional qualifications

- Postgraduate education junior - PGJ., University of Medicine and Pharmacy, Ho Chi Minh City

Employment history

- 12/1991 - 06/1995: Employee of QC Dept. - Hau Giang Pharmaceutical Integrated Factory.
- 07/1995 - 12/1996: Deputy Manager of QC Dept. - Hau Giang Pharmaceutical Integrated Factory.
- 01/1997 - 06/1997: Deputy Manager of R&D Dept. - Hau Giang Pharmaceutical Integrated Factory.
- 06/1997 - 09/2004: Manager of QC Dept. - Hau Giang Pharmaceutical Integrated Factory.
- 09/2004 - 04/2012: Manager of QC Dept. - DHG Pharma.
- 05/2012 - 01/2019: Deputy General Director - DHG Pharma
- 01/2019 - 10/2019: Deputy General Director cum Quality Director - DHG Pharma
- 11/2019 - 01/2021: Deputy General Director cum Production Director - DHG Pharma
- 02/2021 - now: Deputy General Director - DHG Pharma



Mr. PHAM CHI TRUC

Deputy General Director
in charge of Finance

Born in : 1975
Nationality : Vietnamese

Professional qualifications

- Bachelor of Finance, Accounting, and Tax - University of Finance and Accountancy of Ho Chi Minh City

Employment history

- 1997 - 2000: General accountant - Printing Enterprise No. 2
- 2000 - 2001: Chief accountant - Kuo Wie Steel Ltd. Co.
- 2001 - 2006: Finance analyst, General accountant - United Pharma Vietnam
- 2006 - 2015: Finance Analysis and Controlling Manager - Sanofi-Aventis Vietnam Ltd., Co.
- 2015 - 2017: Managerial Accounting Manager - Tan Hiep Phat Beverage Group
- 2017 - 2019: Senior Finance Director - Map Pacific Vietnam Ltd., Co.
- 2019 - 2020: Finance Director - Hanh Phuc International Hospital
- 05/2020 - Now: Deputy General Director in charge of Finance - DHG Pharma



Mrs. LE THI HONG NHUNG

Finance Director
Supporting member
of the Strategy Committee

Born in : 1981
Nationality : Vietnamese

Professional qualifications

- EMBA - UBI (Belgium)
- Bachelor of General Accounting

Employment history

- 2004 - 2005: Credit officer - VietinBank Cantho
- 2006 - 06/2010: Financial and Investment Analyst - DHG Pharma
- 07/2010 - 08/2016: Head of Investor Relations Board (IR) - DHG Pharma, BOD's Secretary (from Nov 2011)
- 11/2011 - 03/2020: BOD's Secretary - DHG Pharma
- 08/2016 - 04/2017: Manager of Finance Dept. - DHG Pharma
- 05/2017 - Now: Finance Director cum Finance Manager - DHG Pharma



Mrs. VU THI HUONG LAN

HR Director
Supporting member
of the Nomination Committee

Born in : 1981
Nationality : Vietnamese

Professional qualifications

- Bachelor of Economics - Foreign Trade - Cantho University

Employment history

- 08/2003 - 09/2004: Sales Supervisor - Nestlé Vietnam Ltd. Co.
- 10/2004 - 01/2010: C&B Executive - Vietnam Dairy Products JSC (Vinamilk)
- 02/2010 - 01/2019: HR Manager - TH True Milk (HCMC Branch)
- 02/2020 - Now: HR Director - DHG Pharma



Mr. HO BUU HUAN

Chief Accountant

Born in : 1980
Nationality : Vietnamese

Professional qualifications

- Master of Finance - Banking (Cantho University)

Employment history

- 2003 - 2004: Accountant - Cantho Motilen Construction Materials
- 12/2004 - 2011: Banking accountant - DHG Pharma.
- 11/2011 - 10/2014: Deputy Head of Financial Management Dept. - DHG Pharma.
- 11/2014-07/2016: Chief Accountant of DHG Pharma Ltd.
- 07/2016 - 12/2016: Person in charge of Accounting cum Manager of Accounting Dept. - DHG Pharma
- 01/2017 - Now: Chief Accountant, Manager of Accounting Dept. - DHG Pharma

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REPORT ON PERFORMANCES IN 2020

BREAKTHROUGH FOOTSTEPS

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The AGM 2020 organized on 19 Apr 2021

IMPLEMENTATION RESULTS OF THE AGM RESOLUTION 2019

No.	Resolution content	Implementation progress
1	Business plan of 2020	Results of 2020
	Net sales: VND 3,867 billion	<ul style="list-style-type: none"> Net sales: VND 3,756 billion, reaching 97.1% of the yearly target.
	Profit before tax: VND 720 billion	<ul style="list-style-type: none"> Profit before tax: VND 821 billion, reaching 114.0% of the yearly target.
2	Profit distribution in 2019	Implemented
	Dividend payment in 2019: 40% of par value	<ul style="list-style-type: none"> Advance payment of Phase 1: 30% of par value, payment date: 05 Jun 2020. Last phase: 10% of par value, payment date: 30 Jul 2020.
	Allocation to the Bonus and Welfare Fund, the BOD Remuneration Fund, and the Investment and Development Fund	Allocated in accordance with the AGM's resolution.
3	Selecting Deloitte Vietnam Company Ltd. as the auditor of the financial statements FY 2020.	Signed an audit contract with Deloitte on 30 Jun 2020.
4	Amendments and supplements to the business lines of DHG Pharma.	Completed procedures adding the business lines.
5	Amendments and supplements to the Charter of DHG Pharma.	Supplemented and amended the 23 rd version of the Charter, which was issued on 6 Jul 2020.

ASSESSMENT ON THE BUSINESS PERFORMANCE IN 2020

(Unit: VND billion)

Target	2020 Budget	2020 Actual	2019 Actual	% Actual/Budget 2020	Growth 2020/2019
Net sales	3,867	3,756	3,897	97.1%	-3.6%
Sales of DHG's goods	3,334	3,310	3,275	99.3%	1.1%
Other sales	533	443	621	83.6%	-28.4%
Profit before tax	720	821	713	114.0%	15.1%
Profit after tax		739	631		17.0%



Net sales in 2020
(Unit: VND billion)

3,756
Achieved **97.1%**
of the yearly target



The net sales in 2020 reached VND 3,756 billion, equivalent to 97.1% of the yearly target, down 3.6% over the same period. The reason why the total net sales witnessed a decline over the same period is because the Company followed the Board of Management's policy from the beginning of the year to reduce the proportion of other sales, namely sales of promotional goods with zero gross profit margin. The net sales of DHG's goods and high gross profit margin products which were managed closely by the Board of Management reached VND 3,310 billion (99.3%), up 1.1% over the same period.

The profit before tax in 2020 reached 114% of the yearly plan, up 15.1% over the same period, equivalent to VND 821 billion. This is the highest profit in 46 years of operation of the Company thanks to the concentration on the sales of high-profit margin products, well implementation of projects increasing productivity - efficiency and optimizing costs in the midst of the Covid-19 pandemic.

The business results in 2020 help DHG Pharma continue to retain its leading position in the Vietnam Pharmaceutical Industry for 24 consecutive years in terms of sales and profit. DHG Pharma continued to present in the Top 10 pharmaceutical enterprises with the largest market share in Vietnam Pharmaceutical industry (according to IQVIA's statistics in Quarter 4/2020).



The Covid-19 pandemic has comprehensively and deeply impacted all countries in the world and it continues to progress with much complication. The global economy falls into a serious recession, and Vietnam is not an exception. However, in the midst of difficulties, with the efforts, determination, and courage of the Board of Directors, the Board of Management, and all employees, DHG Pharma successfully achieved the business targets for 2020, assigned by the General Meeting of Shareholders, which created a solid foundation for the development of DHG Pharma in the coming years.

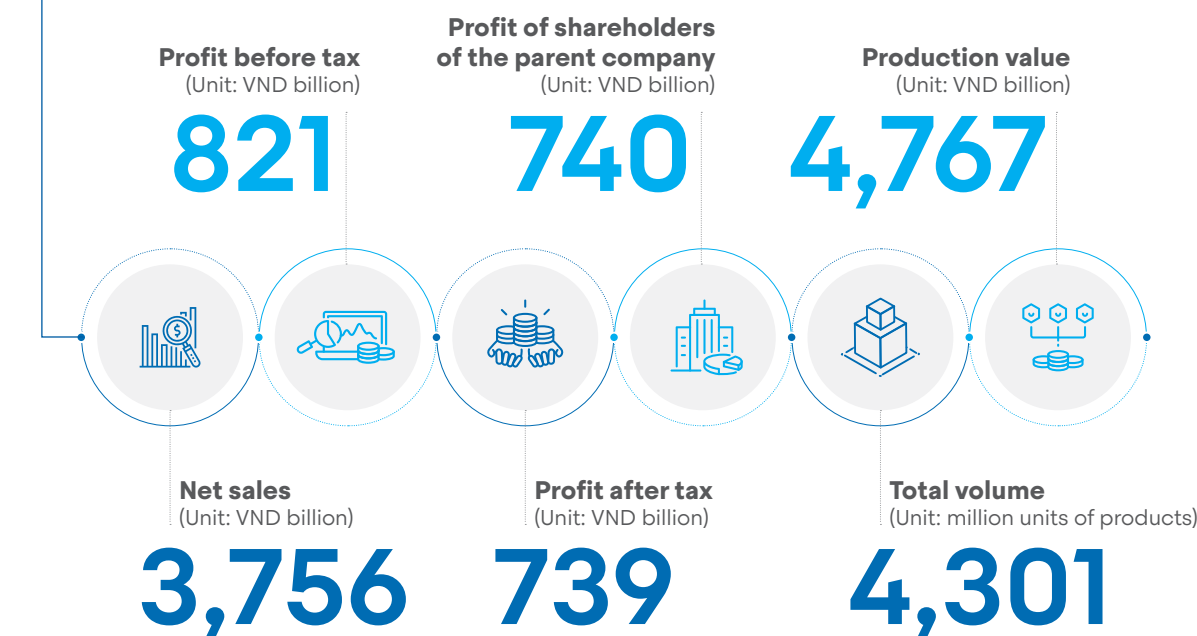
ASSESSMENT ON THE IMPLEMENTATION OF THE STRATEGIC GOALS

1 MAXIMIZING THE ENTERPRISE VALUES AND INCREASING ALL STAKEHOLDERS' BENEFITS:



2 BEING THE BIGGEST GENERIC PHARMACEUTICAL ENTERPRISE IN VIETNAM

DHG Pharma has continued to retain the leading position in the Vietnamese pharmaceutical industry for 24 years in terms of sales and profit.



3 BEING A PHARMACEUTICAL ENTERPRISE WITH THE MOST PROFESSIONAL, DEEPEST, BROADEST, AND DIVERSIFIED DISTRIBUTION CHANNEL



The distribution system includes **34** branches with more than **30,000** customers having transactions during the year.

The export channel has exported to **15 countries** in Asia, Central Asia & Middle East, Europe, America, etc. Several typical markets such as Singapore, Cambodia, Laos, Myanmar, Moldova, Mongolia, Yemen, Indonesia, Malaysia, etc. In 2020, DHG Pharma has approached, offered, and developed several **new markets**, namely Uzbekistan, Kazakhstan, Turkey, Taiwan, Libya, etc.

DHG Pharma is at the forefront in developing the **modern channel** through supermarket chains, e-commerce channel, etc. DHG Pharma's products have been available at more than **860** drug stores of **7** major drugstore chains nationwide.

4 BEING THE LEADING ENTERPRISE IN APPLYING SCIENCE AND TECHNOLOGY IN OPERATION (R&D, PRODUCTION, INFORMATION AND MANAGEMENT)



The tablet and film-coated tablet production lines were certified Japan-GMP by the Drug Administration Department of Vietnam.

DHG Pharma's product quality is always strictly complied with the regulations on ISO/IEC 17025, WHO - GMP, GLP, GSP, GDP, GPP in the process of production, storage and distribution. It is also complied with the regulations of the Ministry of Health, Drug Administration of Vietnam, Food Safety and Hygiene Department and local health departments.

Continuously considering to choose strategic products to upgrade to EU, Japan standards, etc. and strongly facilitating technology transfer cooperation projects with Taisho and partners.

5 WELL-IMPROVING AND DEVELOPING FUNDAMENTAL RESOURCES



Implementing the project - Strengthening the internal control system together with fulfilling policies/processes/internal regulations.

Effectively implementing the Business Continuity Planning (BCP) in the midst of Covid-19 pandemic, which can secure jobs for employees and ensure stable income.

Building and maintaining high quality human resources: DHG Pharma constantly invests and develops the quality of human resources to meet market demands. These activities enable the Company's staff to be increasingly creative, improve skills, seize and master technology.

6 BECOMING A SYMBOL OF HUMANITY IN CONTRIBUTING TO THE SOCIETY AND ENHANCING THE QUALITY OF LIFE

Although DHG Pharma's activities were limited during the pandemic period, the Company still carried out Corporate Social Responsibility (CSR) campaigns to contribute to the community's interests with a total value of nearly VND 12 billion for the following activities:

Accompanying the Health Sector and the Education Sector in supporting the anti-pandemic expenses for hospitals, anti-pandemic units, schools (sponsoring anti-pandemic equipment, Bioskin antibacterial hand sanitizer, Cozz candy, Bocalex, etc.).



Providing knowledge on boosting resistance for pandemic prevention through the media (alobacsi, online newspapers such as cafe.vn, vnexpress.vn, dantri.com.vn, tuoitre.vn, etc. and major newspapers such as Thanh Nien, Suc Khoe Doi Song, etc.).



Accompanying Thanh Nien Newspaper Office in Can Tho to carry out caring activities for people in quarantine areas - Returned from Covid-19 pandemic area.



Taking care of employees' health through the donations of masks, Bocalex, Anomin Gold, Pimum to employees' children, etc. and other activities such as measuring employees' body temperature at the Company, spraying sterilization at the office, etc.



Accompanying the Team of Voluntary Doctors of Can Tho Department of Health to carry out 23 free medical examination and medicine programs for nearly 10,000 people nationwide, including 2 flood victim support programs in Hue, Quang Ngai, Quang Nam, and Phu Yen.

INVESTMENT SITUATION IN 2020

In 2020, DHG Pharma has implemented investment projects that involve buying machinery, equipment and materials for production, offices and management; purchasing equipment and means of transport and performing maintenance, repair, new construction of houses, structures,... with a total disbursement of VND 58.4 billion (including VAT). Projects planned at the beginning of the year and before being implemented,

they were fully analyzed and evaluated in many different aspects. In addition, resources and cash outflows were in the most effective way, yet still ensured that projects were implemented in a timely manner, meeting the needs of the Company and the market. These machines and equipment were invested with modern technology, high capacity from reputable suppliers in the international market. However, the progress of implementation, disbursement, depreciation and amortization of some items has been slower than planned since the Covid-19 pandemic has affected the approval and acceptance of the investment projects as well as the progress in putting a number of investment items into use.



AC'S MONITORING RESULTS TOWARDS THE BOD, BOM, AND SHAREHOLDERS

1. Directly monitoring the BOD's activities via meetings, discussions, and methods of issuing the BOD's resolutions.
2. Supervising the BOM's performances via the compliance with the BOD's resolutions and the decentralization mechanism between the BOD and the General Director.
3. Directly contacting BOM members to keep track on the production and business situation of the Company.
4. Monitoring through the reporting channel and communication with the Finance Director, Chief Accountant, Internal Audit (IA) Manager, Internal Control (IC) and Risk Management (RM) Manager, Legal Department Manager, etc.
5. Supervising through the reporting channel and communication with the independent auditor.



COORDINATION AMONG AC, BOD, BOM, AND OTHER MANAGERS

1. AC always coordinates well with members of the BOD, BOM, and related managers within the framework of its monitoring.
2. The BOM always creates favorable conditions and promptly responds to AC's monitoring requests.
3. AC periodically reports its monitoring results to the BOD.

AC'S MONITORING RESULTS



Financial statements and the accounting system

- AC notes and approves the audited Financial Statements FY 2020. Accordingly, the Financial Statements FY 2020 were prepared and presented in accordance with the Vietnam Accounting Standards (VAS) and no material misstatement that could affect the truthfulness of the financial statements were found. Specifically:
 - » No unusual fluctuations in sales and profits;
 - » No special material transaction;
 - » No notable transactions with related parties;
 - » No change in accounting policies or accounting estimates;
 - » Non-material frauds.
- AC notes findings and recommendations of the independent auditor in the Management Letter as well as the BOM's responses. The BOM is requested to unify the detailed action plan for recommendations with the independent auditor.
- AC notes the BOM's efforts in strengthening the internal control system in general and debt management in particular.
- AC notes that the BOM completed the research, preparation, and official issuance of DHG Pharma's Accounting Handbook along with trainings and guidance to relevant staff. This is the fundamental condition for the accounting and financial reporting to be reliable and comply with the current accounting standards.

AC'S MONITORING RESULTS (Continued)



The Internal Control and Risk Management System

- AC monitors the IC system and the RM system through direct reports, meetings, and interviews with the Internal Audit Department, IC&RM Department, the independent auditor, and DHG Pharma's functional departments.
- The Company continues to maintain and develop risk management methods, policies, processes, and frameworks in order to be able to promptly identify, appropriately assess and take appropriate risk-handling actions.
- The internal control system is always prioritized to be completed for effective control and risk minimization in production and business activities.
- In 2020, in addition to risk management activities and the systematic maintenance of the IC system, the Company also implemented a comprehensive assessment on the IC system in accordance with J-SOX standard (Sarbanes-Oxley Act - Japan), as requested and supported by the parent company - Taisho Group.
- In addition, AC highly appreciated the BOM's efforts in successfully implementing the project "Strengthening the IC system" with Deloitte's consultation.
- As for the Covid-19 risk, the Company is still closely monitoring and applying effective preventive measures not only for production and business activities but also for the safety and health of its employees.
- AC recommends that the Company continues maintaining the IC and RM framework as well as related activities in 2021. Simultaneously, the Company monitors and evaluates implementation results of the "Strengthening the IC system" project mentioned above.



The Internal Audit

The coordination between the General Director and AC in managing the IA function has gradually enabled the IA Department to well-promote their roles not only in complying with requirements but also in assisting departments to optimize management and improve IC and RM. IA's highlights over the past year can be seen below:

- The IA Regulation has been updated in accordance with the guidance of the Ministry of Finance.
- IA has completed its 2020 assigned tasks that are consistent with the revised IA Plan (in 2020, the IA Plan had to be revised to assist the "Strengthening the IC System" project).
- The Control self-assessment (CSA) activities implemented by IA Department in collaboration with departments and branches met the initial expectations. Although this was the first time the CSA was implemented, IA Department made efforts to seriously and effectively study, create and implement in accordance with recommended by AC.
- Auditing recommendations and implementation plans were regularly and periodically monitored, which contributed to the improvement of the quality of the IC system, raised awareness of compliance of audited units, as well as simultaneously improved business processes and optimized management.
- To further promote IA's roles, AC agreed with the BOM to reorganize the IA, IC and RM apparatus, that takes effect from 01 Jan 2021. The re-organization separates this unit into 2 departments, including IA Department and IC and RM Department (in terms of functions, duties, and personnel).



Compliance and professional ethics

Legal compliance

- DHG Pharma owns a specialized legal apparatus. In addition to supporting legal issues for departments, Legal Department also monitors and regularly updates legal provisions in corporate management, production, and business in general as well as pharmaceutical business in particular. Legal Department also assesses legal risks from policy factors to specific applications at the Company, which enables them to ensure DHG Pharma fully complies with provisions of law.

Professional ethics compliance

- The Compliance Monitoring Council is chaired by the General Director, whose main task is to monitor the compliance of internal regulations at the Company, including the regulations on conduct, professional ethics, fraud, and corruption prevention. Basing on the monitoring results, the Compliance Monitoring Council is responsible for organizing and implementing effective preventive and remedial measures.
- The Compliance Monitoring Council sets up a hotline to receive denouncement for non-compliance. This hotline is managed by the IA Manager.
- AC assesses that the compliance with internal regulations, professional ethics, and codes of conduct at DHG Pharma. These are still one of the key risks, which attention needs to take drawn towards for appropriate actions and measures.



The independent auditor

- AC evaluates the proposal and implementation of the 2020 audit plan prepared by the independent auditor - Deloitte and ensures that it is in alignment with DHG Pharma's requirements in terms of scope, object, method, time as well as quality assurance, independence, and no conflict of interests.
- As for the implementation of the audit contract and plan in 2020, Deloitte completed and met the expectations of AC on all 3 criteria: Truthfulness of the audited report, timeline satisfaction, and contributions to improve the IC system.



VALUE CHAIN OF DHG PHARMA



Nearly half a century, DHG Pharma has always pursued the goal to provide high quality products and services to accomplish the mission of comprehensively improving people's health care. This is also the advantage to enhance the company's reputation In the current competitive market and create a friendly and reputable brand name in the hearts of partners and customers.

RESEARCH &
DEVELOPMENT
AND PRODUCT
REGULATORY

Research and development (R&D) is viewed as the first and foremost component in the value chain of DHG Pharma. Investing in research and development is a prerequisite to create a differentiated product system, which increases the Company's competitive advantages. DHG Pharma has an abundant financial resource to supply for research activities.

Thanks to a combination of the Company's self-research and development of new products and the external scientific cooperation with major technology institutes, schools or research centers, DHG Pharma has made a significant difference in its pharmaceutical product line and increased its leading position in the pharmaceutical market.

Several typical activities implemented in 2020:



PRODUCTION,
QUALITY AND
SUPPLY CHAIN

The Company currently has two pharmaceutical plants with production lines meeting WHO-GMP standard, PIC/s-GMP standard and Japan-GMP standard.

Pharmaceutical
plant
in Cantho

located at No. 288 Bis Nguyen Van Cu, An Hoa Ward, Ninh Kieu District

Has been under operation for over The maximum capacity of the plant

30
YEARS

2.5
BILLION
units of
products

The plant produces pharmaceutical drugs, herbal drugs and health supplements.

Pharmaceutical
plant
in Hau Giang

Hau Giang pharmaceutical plant is located in Tan Phu Thanh Industrial Zone, Hau Giang Province. The total capital for this plant is over VND 700 billion, equipped with synchronous and modern production lines meeting the pharmaceutical high standards with the world's advanced technologies. The plant has 02 pharmaceutical factories including Non-Betalactam factory and Betalactam factory and 01 printing packaging factory.

Total initial investment
capital for the plant
(Unit: VND billion)

>700

- The Non-Betalactam factory has been put into operation since Apr 2014 with a designed capacity of 4 billion units. In 2020, the factory reached the actual capacity of 3.36 billion units. Currently, the factory has produced 211 out of 306 products of the Company. In which, nearly 100 products are manufactured on the tablet and film-coated tablet production lines meeting Japan - GMP standard.
- The Betalactam factory has been put into operation since Oct 2016 with a designed capacity of 1 billion units. On 10 Dec 2020, DHG Pharma received the investment decision and certificate for the "Expanding Investment in DHG Pharmaceutical Plant and DHG Printing and Packaging Plant" project on an area of 06 hectares with a total investment of over USD 40 million.
- The Packaging and Printing factory produces its own packaging, sufficiently and timely provides necessary packages for pharmaceutical factories by "Just in time" method.



Quality
management and
quality control
system

The quality management and quality control systems strictly manage production steps from input materials, manufacturing process to finished products release. Strictly control product quality during distribution, ensuring to provide consumers quality, safe and efficient products. The quality system is always being improved and updated to meet the increasing standards of domestic and international competent agencies.



In 2020, the Covid-19 pandemic affected the supply of pharmaceutical materials not only to domestic pharmaceutical manufacturers but also to other pharmaceutical companies in the world. With good forecast ability and proactive search for more new manufacturers and suppliers, DHG Pharma fully reserved raw materials to meet the production and signed long-term contracts to purchase high-quality raw materials at reasonable prices. Besides, the trading of raw materials also brings benefits to the company in terms of cost reduction in purchasing raw materials by making bulk purchasing contracts.

Warehouse systems of finished products and raw materials meet GSP and GDP standards. Nationwide delivery chains are equipped with thermostatic systems that reach GDP standard.



Warehouse
and supply chain
system

ACHIEVEMENTS IN 2020



Production



The total production volume of
the two plants in 2020 reached
(Unit: billion units of products)

4.3

Up **2.0%** y.o.y
fulfilling **108.3%** of the yearly plan.



The production value reached
(Unit: VND billion)

4,767

Fulfilling **101.8%** of the yearly plan.

DHG Pharma production operation was primarily carried out at the pharmaceutical plant in Hau Giang.

- Implemented projects to increase productivity, to reduce costs such as batch size expansion, volume reduction for sachet products, general assessment on equipment performance, etc.
- Conducted more trainings for employees to improve their qualifications and initiatively prepare backup personnel for rotation when deemed necessary. Developed and trained an engineer team to gain expertise appropriate to functions in charge of newly invested equipment.
- Coordinated with related units to train and ensure labor safety in production for employees.



Quality



- The tablet and film-coated tablet production lines were certified Japan-GMP by the Drug Administration of Vietnam on 07 Dec 2020.
- The Company completed the assessment of 85/85 API and excipients manufactures; re-assessed ISO/IEC 17025:2017 standard.
- The Company updated/re-issued regulations related to professional regulations from state management agencies on the management of drugs subject to special control into the general management system of the Company. Simultaneously, DHG Pharma organized trainings on these regulations to relevant persons at the 2 manufacturing plants in Cantho and Hau Giang.



Supply Chain

- A new finished-product warehouse has been built at the Pharmaceutical plant in Hau Giang.
- Raw material trading achieved VND 148.5 billion, fulfilling 102% of the yearly plan.
- VND 431 million was saved thanks to the implementation of “Reducing costs by using PE bags in production” project at warehouses and factories.
- Ensuring safety in transporting and quickly responding to market goods demands upon request.

MARKETING AND SALES

One of the important strategic objectives of DHG Pharma is the strategy of building the deepest, broadest, most professional and diversified distribution channel. In order to implement this strategy, DHG Pharma has the following advantages:

A deep and widespread distribution system with 34 branches for distributing goods across the country from urban to rural areas (distributed to 3 levels: city, district, commune) with more than 30,000 customers and operating on 3 channels and all over the country.

The sales team who is professionally trained will help DHG Pharma's products increasingly delivered to each customer in 63 provinces.

The marketing strategy is a long-term, clear and throughout (5 years) investments and in accordance with the Company's strategy.

The Company also promoted attractive sales policies, customer care and appreciation activities that created good impression.

The sales, sales schedule, money collection, and customer care activities were developed and implemented seriously.

Several significant achievements of Marketing activities in 2020 are as follows:

DHG Pharma continued to focus on promoting sales of key brands. Sales of DHG's goods in 2020 reached
(Unit: VND billion)

3,310
up 1.1% y.o.y.

Total sponsorship value for the pandemic prevention activities
(Unit: VND billion)

12

Practical marketing campaigns that focused on bringing benefits to users were implemented continuously by brands in 2020.

- The "Accompany mothers to lower fever of babies" Campaign of **Hapacol Brand** was wholeheartedly supported by many influential people (KOLs) on the online community. At the same time, the term "pain relief, fever reduction, Hapacol" always appears in the Top 10 most frequently searched terms of Google in 2020.
- With the "Support to increase resistance - Reduce tiredness" message, **Bocalex Brand** organized many interactive activities for users who are drivers, shippers, workers, etc. As a result, Bocalex took the lead, far surpassing the rest of the Top competitors in the group of effervescent vitamin C products on social media (according to Younet).
- **NattoEnzym Brand** introduced the new product NattoEnzym Redrice at an event in Ho Chi Minh City, attracting 500 elderly people to attend. Merited Artist - Thanh Loc, professional expert - Dr. Tran Chi Cuong also participated in the event. The event was broadcasted on national television channels such as VTV1, HTV9 and many prestigious newspapers. The program was live streamed on 3 platforms AloBacsi, DHG Pharma's fanpage, and NattoEnzym's fanpage with more than 60,000 views and thousands of shares.

The Company accompanied agencies and the press to carry out numerous campaigns in preventing the pandemic with a total sponsorship value of nearly VND 12 billion.

At the "Vietnam Listed Enterprise Award in 2020", DHG Pharma's Corporate Governance Report continued to win the First Prize in 2 consecutive years (2019: large cap group and 2020: mid cap group) and awarded Top 10 Best Annual Report in the Mid-cap group and Top 5 Best Sustainable Development Report for many years.

The Company effectively managed costs, payables to ensure the professionalism of the management system and enhance the Company's value.

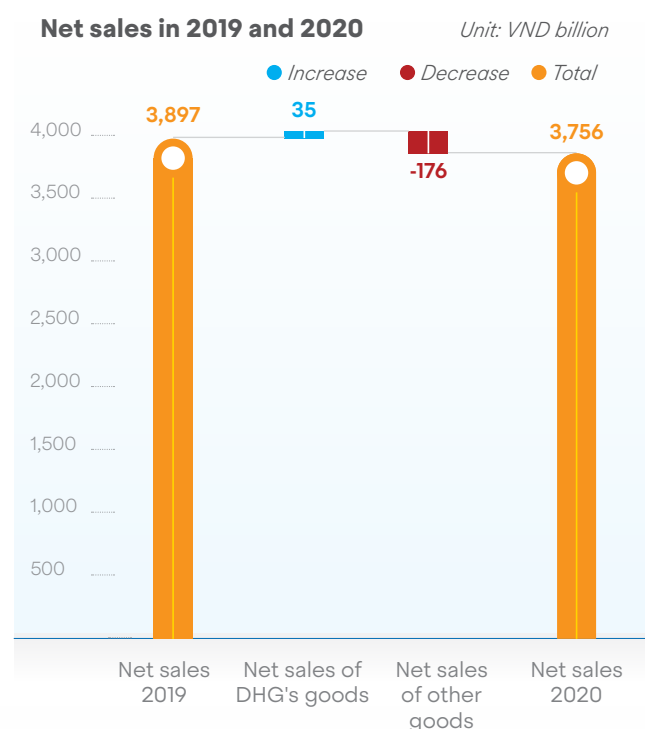
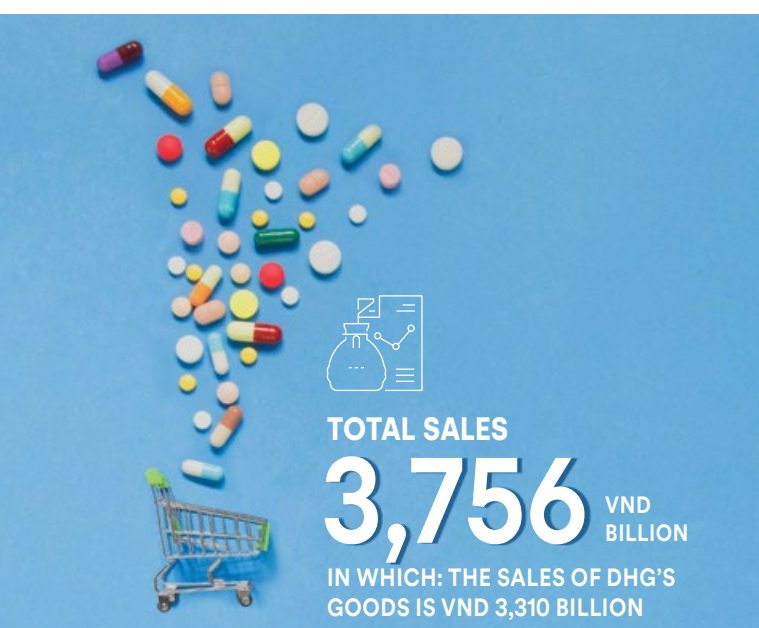
The KPI system was getting more effective and it was implemented 100% on BFO software towards specific measurable criteria, creating fairness and encouraging employees to improve their productivity. The employees are covered with health care policies, effective welfare programs. The remuneration and incentive policies also covered for the employees and their relatives.

The Company strictly complied with the regulations on labor safety and hygiene, fire prevention, and environmental protection.

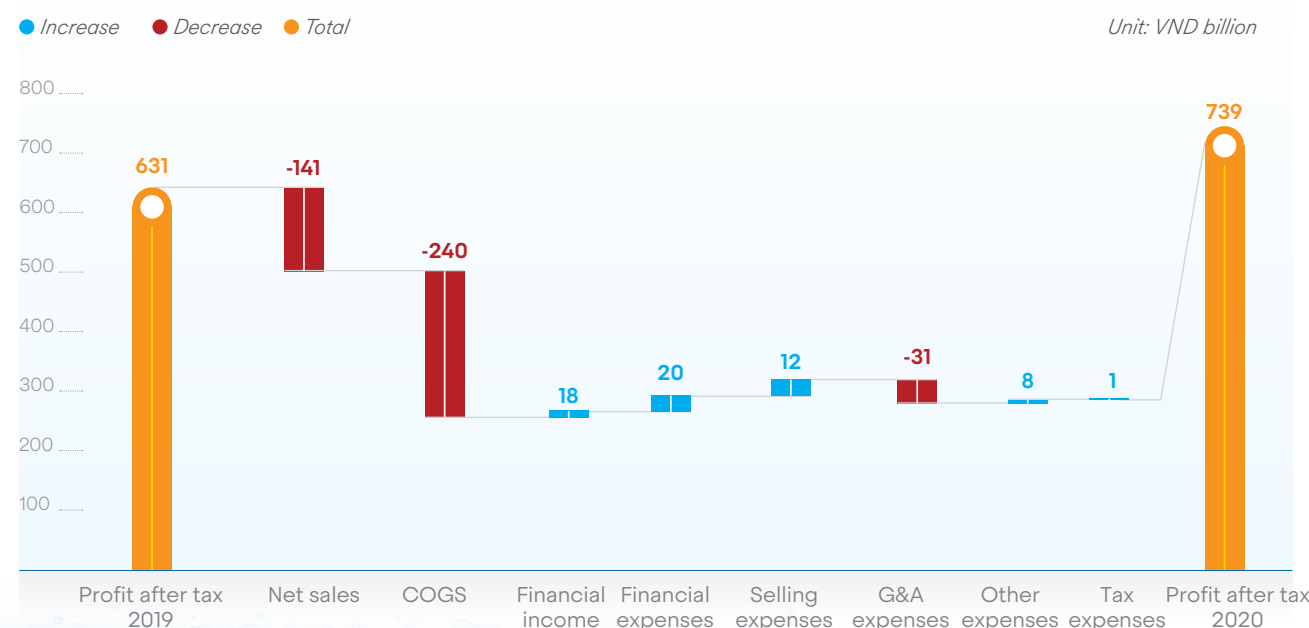
OTHER ACTIVITIES

ANALYSIS OF THE FINANCIAL STATEMENTS

With the proactive implementation of business measures along with the collective determination, constant innovation, and creativity of all employees, and the assertiveness of the Board of Directors, DHG Pharma has excellently overcome the unfavorable factors of Covid-19 pandemic to reach 97.1% of its net sales plan and 114.0% of its profit before tax plan assigned through the General Meeting of Shareholders. Profit after tax reached VND 739 billion, increasing by 17% over the same period last year. This is the highest level of profit reached in history; however, it also created growth pressure for the year of 2021.



Profit after tax in 2019 and 2020

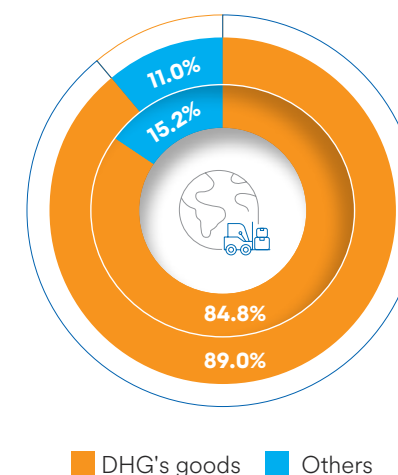


Source: Audited consolidated financial statements of DHG Pharma

NET SALES

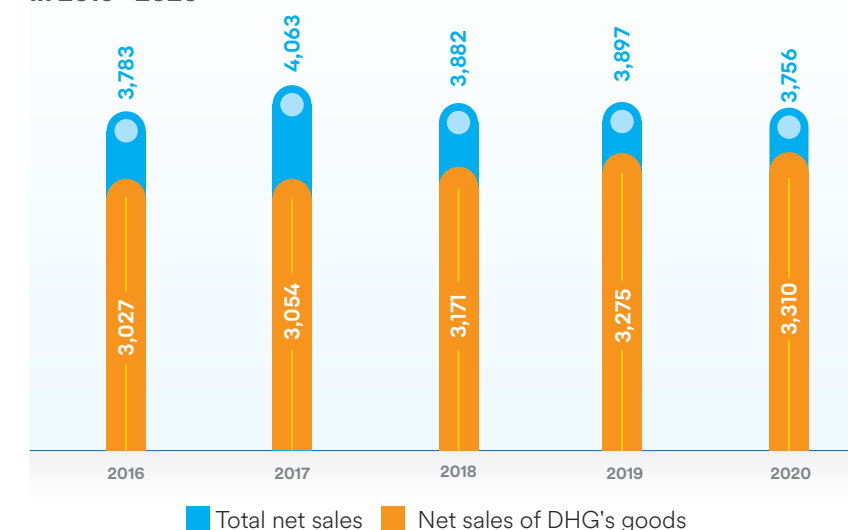
Sales proportion of DHG's goods in 2019 and 2020

Unit: VND billion



Total net sales and net sales of DHG's goods in 2016 - 2020

Unit: VND billion



Source: Audited consolidated financial statements of DHG Pharma

In the context where the Covid-19 pandemic has had profound effects on all fields, the pharmaceutical industry is also strongly influenced. Changes in demands of customers in Pharmacy channel with the number of patients coming for medical examination and treatment in hospital channels and medical facilities are one of the main reasons affecting the business situation of pharmaceutical enterprises. By the end of 2020, sales from DHG Pharma products and other goods trading reached VND 3,756 billion, a decrease of 3.6% compared to 2019 and reaching 97.1% of the plan assigned by the GMS.

Including:

- DHG's goods still play a core role, reaching VND 3,310 billion, increased by 1.1% over the same period; antibiotic and antipyretic are still the two key categories accounting for more than 50% of DHG Pharma's sales. Diabetes, Cardiology and Beauty care category had a healthy growth of over 10%. New products are also an important contributor to the increase in sales with a value of more than VND 70 billion. Besides, export sales reached VND 107.5 billion, up 36.2% over the same period. This is the third consecutive year that export activities have achieved an impressive growth of over 20% per year. Thanks to the support of Taisho, some products of DHG Pharma have achieved global GMP standards, increasing prestige, development opportunities in new markets.
- Other sales include sales of OEM goods (Mitoyo, Yunpro, Hoshi), raw materials trading and promotional goods with VND 445 billion, a decrease of 28.4% compared to 2019. This is due to the decline in sales of promotion products assigned by BOD from the beginning of the year (gross profit margin of promotional goods is zero).

ANALYSIS OF THE FINANCIAL STATEMENTS (Continued)

PROFITABILITY RATIO

Unit: %

Year	2016	2017	2018	2019	2019*	2020	2020*
Gross profit margin	45.3	43.9	44.2	43.9	44.2	48.2	48.6
In which:							
DHG's goods	54.0	55.3	52.7	51.6	51.9	53.9	54.4
Others	4.8	5.3	4.2	3.4	3.4	5.7	5.7
Before-tax profit margin	20.0	17.7	18.9	18.3	19.4	21.9	23.2
After-tax profit margin (ROS)	18.2	15.8	16.8	16.2	17.2	19.7	20.9
ROA	18.8	16.0	15.7	15.1	16.0	17.2	18.3
ROE	25.5	22.8	22.1	19.4	20.6	21.3	22.6

Source: Audited consolidated financial statements and calculations of DHG Pharma

* The Company changed the allocation of Bonus and Welfare Fund. Therefore, in order to be equivalent, the data of 2019*, 2020* were applied the same accounting method with the past figures.

Before 2018, the Company allocated 10% of its annual profit after tax to the Employee Bonus and Welfare Fund. From 2019 onwards, DHG Pharma, however, would record in the Company's expenses with the value of 7% of the profit after tax. Therefore, the profitability ratios of DHG Pharma in 2019 all decreased compared to the previous years. In 2020, DHG also performed the same recognition as in 2019, but this is the year that recorded the highest profit after tax during the 46 years of operation of the Company, so the profitability ratios increased significantly compared to 2019. If the data of 2019* and 2020* compare similarly with the previous years, DHG Pharma's profitability ratios have increased over the years.

Specifically, gross profit margin of finished goods in the year increased by 2.3 percentage points. Despite the impact of the pandemic, the price of raw materials increased in the first half of 2020, but thanks to the fact that DHG Pharma has reserved raw materials from the end of the previous year along with the import and purchase of raw materials in bulk at the buying price and the exchange rate USD/VND remained stable, the impact of rising raw material prices has been minimized. At the same time, innovative projects to increase productivity and operational efficiency have helped improve DHG Pharma's gross profit margin in 2020.

The profit margin before and after tax increased by 3.6 and 3.5 percentage points respectively, as a result of DHG Pharma's gross margin improvement and management's cost optimization solutions during the pandemic period. Return on equity (ROE) increased by 1.9% compared to 2019, which will be analyzed in detail using the Dupont model.

Profitability ratio of listed pharmaceutical companies in 2019 and 2020

Target	DHG	TRA	DMC	IMP	OPC	PME	DBD
2020							
ROS	19.7%	11.4%	12.4%	15.3%	10.7%	16.4%	12.6%
ROA	17.2%	13.5%	12.0%	10.6%	8.8%	13.0%	10.3%
ROE	21.3%	18.9%	14.0%	12.7%	14.7%	15.9%	16.4%
2019							
ROS	16.2%	10.0%	15.8%	11.6%	10.2%	17.4%	11.1%
ROA	15.1%	10.8%	15.5%	9.0%	8.5%	14.5%	9.1%
ROE	19.4%	15.3%	19.5%	10.6%	15.4%	17.2%	15.5%

Source: Audited financial statements of DHG Pharma and other companies in the same industry in 2019 and 2020

In 2020, the profitability ratios of other pharmaceutical companies in the same industry were significantly improved compared to 2019. The improvement in 2020 in terms of profitability ratio helped DHG Pharma to rank first compared to other listed pharmaceutical companies, consolidating the leading position in terms of business efficiency.

DUPONT ANALYSIS

Formula	Meaning	2016	2017	2018	2019*	2020*
Net income/Earnings before taxes (EBT)	Tax Burden	91.0%	89.3%	89.0%	88.5%	90.0%
EBT/Earnings before interest and taxes (EBIT)	Interest Burden	105.9%	108.6%	111.5%	114.4%	115.9%
EBIT/Net sales	Operating Profit Margin	18.9%	16.3%	16.9%	17.0%	20.1%
Net income/Net sales	Return on Sales (ROS)	18.2%	15.8%	16.8%	17.2%	20.9%
Net sales/Total average assets	Asset Turnover Ratio	1.04	1.01	0.94	0.93	0.87
ROA	Return on Asset	18.8%	16.0%	15.7%	16.0%	18.3%
Total average assets/Total average equity	Financial Leverage Ratio	1.36	1.43	1.40	1.28	1.24
ROE	Return on Equity	25.5%	22.8%	22.1%	20.6%	22.6%

Source: Audited consolidated financial statements and calculations of DHG Pharma

* As mentioned above, since 2019, the Company changed the allocation to Bonus and Welfare Fund from profit after tax to the Company's expenses. Therefore, in order to be equivalent, the data of 2019*, 2020* were applied the same accounting method with the past figures.

DHG Pharmaceutical Plant in Hau Giang continued to enjoy tax incentives, so the tax burden is only 10% of profit and in the following years, the Corporate Income Tax (CIT) rate is expected to be from 10% - 12% during the period the plant is entitled to the tax rate of 5%.

Since 2018, the Company has proactively reduced its financial leverage, reflected in the reduction of loan balance from VND 558 billion at the end of 2018 to VND 212.2 billion at the end of 2020. Accordingly, the leverage ratio finance also decreased from 1.4 to 1.2 and return on equity (ROE) was gradually improved.

Asset turnover ratio decreased slightly, but return on asset (ROA) still increased 2.3 percentage point over the same period.

OPERATIONAL EFFICIENCY

Target	2016	2017	2018	2019	2020
Inventory turnover	3.0	3.3	2.8	2.7	2.5
Payable turnover	8.0	8.2	10.6	16.4	10.4
Receivable turnover	6.3	6.0	5.7	6.9	8.1
Days of inventory on hand	119.3	107.9	126.8	133.2	143.7
Days of payables outstanding	44.9	43.8	34.0	21.9	34.5
Days of sales outstanding	56.8	60.3	63.0	52.1	44.3
Cash conversion cycle	131.2	124.5	155.8	163.4	153.5

Source: Audited consolidated financial statements and calculations of DHG Pharma

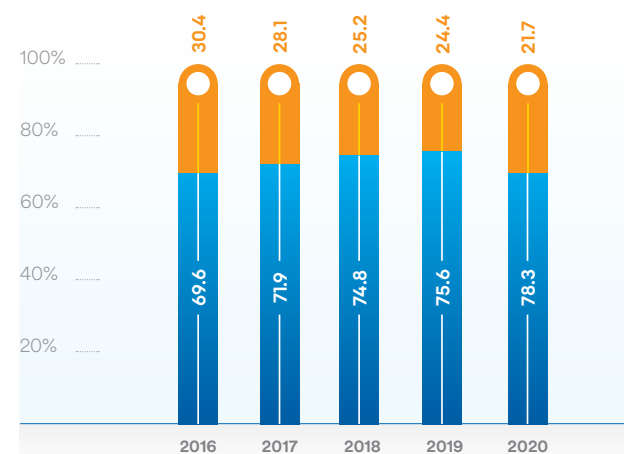
Cash conversion cycle in 2020 reached 153.5 days, down 10 days compared to the previous year. In particular, days of inventory on hand increased by 10.5 days due to increased reserve demand. Days of sales outstanding decreased by 7.8 days when the debt recovery efficiency was improved and bad debts were handled, increasing cash receivables from sales activities.

ANALYSIS OF THE FINANCIAL STATEMENTS (Continued)

ASSET STRUCTURE OF THE COMPANY

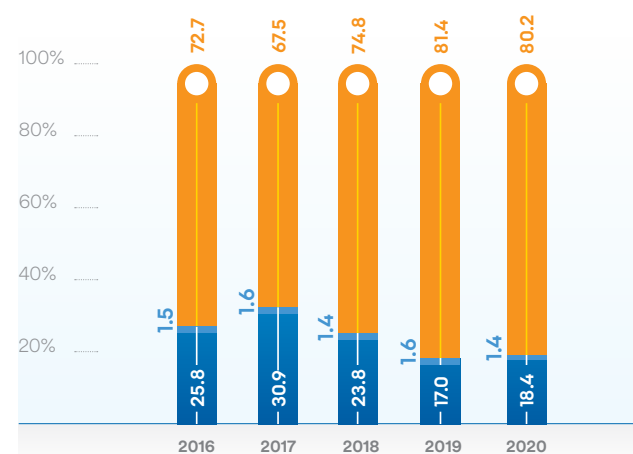
Asset structure (%)

● Short-term assets ● Long-term assets



Resources structure (%)

● Short-term liabilities ● Long-term liabilities ● Owner's equity



Source: Audited consolidated financial statements and calculations of DHG Pharma

Asset structure

The Company's total assets increased by 7.3% compared to the beginning of 2020, mainly in short-term assets.



Short-term assets

Working capital in the form of cash and deposits of the Company is increasingly abundant to fully meet capital needs for production and business activities. Cash, cash equivalents and short-term financial investments (mainly less-than-12-month deposits) increased sharply by VND 309 billion, accounting for 48.3% of the total assets of the Company. Inventory value increased by 13.9% over the same period, mainly due to the increase in the value of raw materials and goods in transit. At the end of the year, the Company reserves raw materials to serve the production of products expected to be subject to interrupt production due to the expiry of registration number and pending renewal with the Drug Administration of Vietnam. Simultaneously, some of the supplier's raw material factories have to suspend production to relocate their factories to other locations due to problems related to climate change and the environment. This led to an increase in the prices of several raw materials. To prevent the above risks, the Company reserved more materials, but this was only a short-term trend and the Company will proactively adjust the production plan so that inventories do not exceed the regulated level. However, the receivables were well-controlled, so both balance and proportion of the receivables decrease compared to 2019.



Long-term assets:

The fixed asset investments have not been carried out on schedule as the acceptance and putting into use of several investment items were influenced by the pandemic, causing the new historical cost of assets not increase as much as depreciation expenses in the period. The Company still replaced non-liquid fixed assets, and invested in more modern machines to improve product quality in the direction of upgrading factories to meet global GMP standards. The proportion of long-term assets was only 21.7%, down 2.7% compared to the beginning of the year.

Resources structure

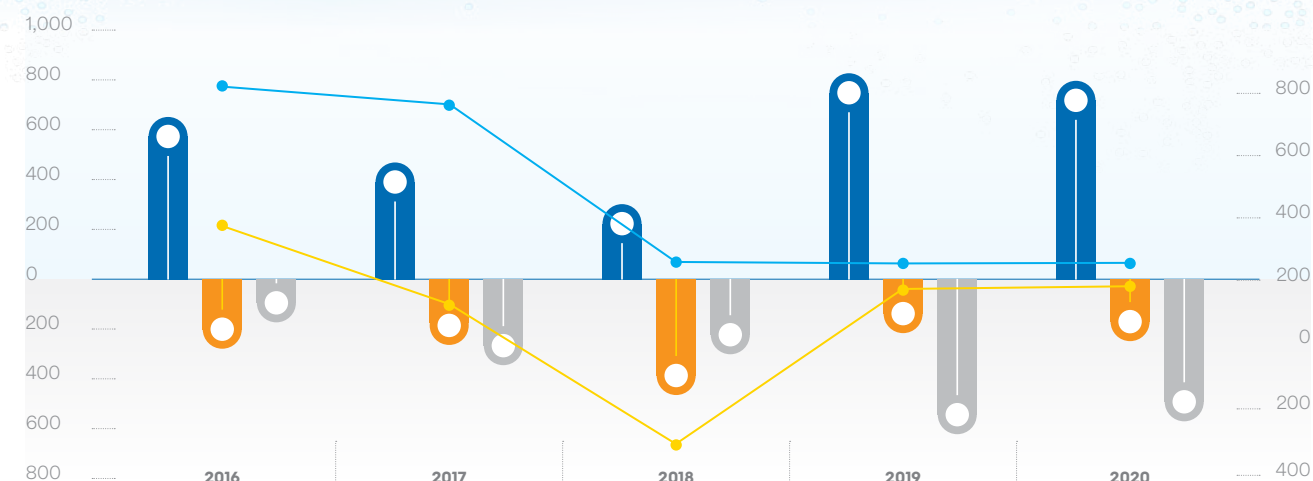


Resources

With abundant capital, the ratio of owner's equity to total resources as at 31 Dec 2020 continued to remain at a high level, accounting for over 80%. Owner's equity increased by 5.6% over the same period thanks to the retained earnings from 2019. Both balance and proportion of liabilities rose as the short-term trade payables increased due to some undue payables.

CASH FLOW FROM THE COMPANY'S ACTIVITIES

● CFO (Cash Flow from Operations) ● CFI (Cash Flow from Investing) ● CFF (Cash Flow from Financing)
— Net cash outflows/inflows — Cash and cash equivalents at the end of the period



Source: Audited consolidated financial statements and calculations of DHG Pharma

Cash flow from the production and business activities at the end of the year was equivalent to the beginning of the period and continued to be at a high level during the 5 years of operation. An increase in inventories due to an increase in the need for stockpiling of raw materials and goods during the pandemic and at the end of the year led to an increase in accounts payable. However, profit before tax reached the highest level during the Company's operation and reduced receivables contributed to maintaining optimal working capital for production and business activities. In addition, spending

on procurement, construction of fixed assets and other long-term assets increased deficit to VND 88.8 billion, making the cash flow from investment increased deficit to VND 248 billion. For financial activities, dividend payments increased from VND 326.9 billion to VND 523 billion, but DHG Pharma has reduced the cash flow from repayment of borrowings, so net cash flow from finance activities reduced deficit from VND 620 billion to VND 575.4 billion. Cash balance was nearly unchanged over the same period as the net increase in cash between the three activities were nearly zero.

OTHER ASSESSMENTS

Assessment on the impact of exchange rate differences

Target	2016	2017	2018	2019	2020
Financial income					
Interest income	54.7	81.4	104.3	118.2	133.5
Foreign exchange gain	2.6	3.2	3.2	3.5	5.4
Financial expenses					
Interest expense	12.5	24.5	28.5	22.7	14.0
Foreign exchange losses	5.5	4.3	7.3	5.6	8.3

Source: Audited consolidated financial statements and calculations of DHG Pharma.

More than 80% of raw materials purchased in the period are imported or paid by foreign currency. Therefore, the Company is partly impacted by exchange rate differences. Specifically, the consolidated income statement records the difference of profit and loss from exchange rate is VND -2.9 billion in 2020 and VND -2.1 billion in 2019.

Assessment on the impact of interest difference

The capital source for production and business activities of the Company is mainly equity, with over 80%. Moreover, the total value of deposits as at 31 Dec 2020 was VND 2,147 billion, of which 3.4% were deposits from 1 - 3 months, 96.6% were deposits from 6 months - 1 year. Interest on deposits in 2020 was VND 134 billion, up 12.9% compared to 2019 while interest expense was only VND 14 billion, down by 38.2% over the same period. Thus, the profit from the difference between deposit interest and interest expense was VND 120 billion, compared to VND 96 billion in 2019. This interest helped the Company's profit before tax at the end of the period increase significantly.

Assessment on the impact of liabilities/bad debts

In 2020, the Company will continue to strengthen the application of timely and deep control, management and debt collection measures at each locality to avoid appropriation and impacts on the Company's profitability. As at 31 Dec 2020, short-term trade receivables were only VND 414 billion, down 23.2% over the same period. The provision for short-term doubtful debts changed from VND 55.2 billion to VND 50.9 billion.

3

DEVELOPMENT STRATEGY

UPGRADING VIETNAMESE MEDICINES

- 68 Macro environment and Vietnamese pharmaceutical industry 2020 - prospect for 2021
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OVERVIEW OF

VIETNAMESE ECONOMIC SITUATION IN 2020

In 2020, the world economy suffered a severe recession. World trade fell sharply and most financial centers had negative growth when the Covid-19 pandemic broke out and spread out in an unprecedented manner throughout history. Organization for Economic Co-operation and Development (OECD) reckoned that the global economy decreased by 4.5% in 2020; Fitch Ratings and Oxford Economics forecasted that world GDP growth rate in 2020 decreased by 4.4%. World trade was projected to decrease by 9.2 - 10% and investment decreased by 10 - 15%, FDI decreased by 25 - 30%. Other major issues are becoming increasingly complicated and unpredictable such as political tensions, sovereignty disputes, extreme nationalism, increased protectionism trend, climate change, etc.

In Vietnam, the economic situation recorded many highlights with GDP in 2020 growing by

2.91%

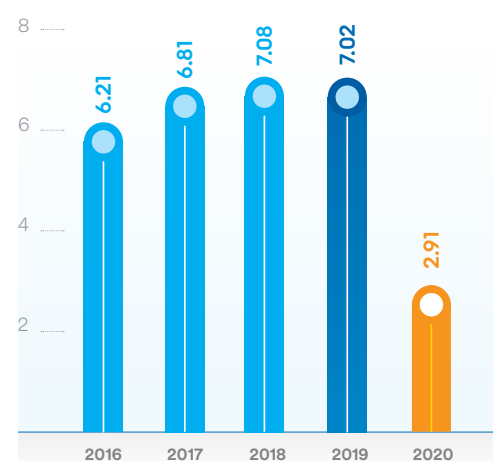
Although this was the lowest level in the past 10 years, it was a positive growth rate, which ranks among the highest in Asia and the world.

CPI rose by 3.23%, much lower than the target of 4%. The average inflation rate grew by 2.31% compared to 2019. The year 2020 recorded strong efforts of import and export activities, even in the context when both the domestic and world economy were negatively affected by the Covid-19 pandemic and global trade disruption. Total import-export turnover in 2020 reached USD 543.9 billion, up 5.1% compared to 2019. The 2020 trade balance enjoyed a surplus of about USD 19.1 billion, marking the highest level ever. Exchange rate remained basically stable, interest rates decreased, and activities of banking system were stable.

In addition, international integration and foreign affairs have achieved many significant results. The integration process continued to be strongly implemented in 2020 with Vietnam

accelerating the implementation of CPTPP, EVFTA, RCEP, UKVFTA Agreement. Vietnam has also well performed the role of ASEAN President, Chair of AIPA-41, and a non-permanent member of the United Nations Security Council. One of the biggest successes of Vietnam in 2020 was the comprehensive dissemination to the whole society with regards to the awareness of digital transformation. The level of interest and research on digital transformation also increased 10 times compared to the beginning of 2020. Moreover, Vietnam's national competitiveness and business environment continue to be improved. According to the Nation Brands 2020 report announced by Brand Finance, Vietnam's brand value in 2020 reached USD 319 billion (up 29% - the fastest growth rate in the world), ranking 33rd (up 9 places from 42nd in 2019).

GDP growth rate
in the period of 2016 - 2020 (%)



Source: General Statistics Office



PROSPECT OF

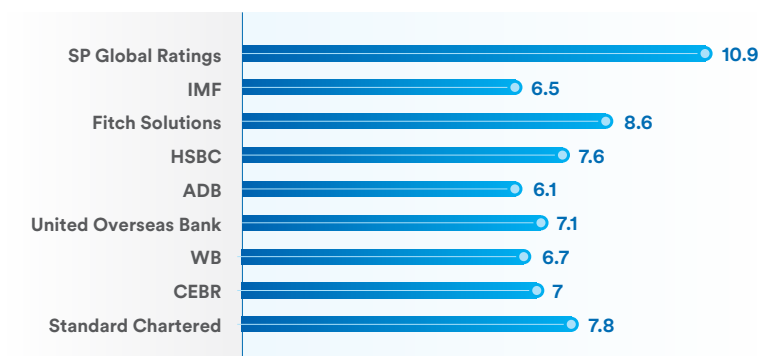
VIETNAMESE ECONOMY IN 2021

Several countries around the world have developed Covid-19 vaccines and widely vaccinated in the society. These vaccines have initially shown the effectiveness in vaccination campaigns. Simultaneously, countries have gradually adapted to the "new normal" state, combining efforts to prevent the pandemic and at the same time steadily begin to recover their economies.

The world economy is forecasted to recover and grow. The International Monetary Fund (IMF) projects that the world economy will increase by 5.5% in 2021. Thanks to the ability to control the pandemic in 2020, Vietnamese economy in 2021 is forecasted to grow strongly and recover to be equivalent to the time before the Covid-19 pandemic. At the same time, Vietnam also sets its target for the period 2021 - 2025, which is to strive to become a modern industrialized developing country, surpassing a low middle income. The 5-year average GDP growth rate is projected to be at 6.5 - 7%, which is divided into two phases as follows: recovery of 6.5% - 7% in the period of 2021 - 2022 and strong growth of 6.8% - 7.5% in the period of 2023 - 2025. GDP per capita by 2025 will reach USD 4,700 - 5,000, 1.6 times higher than the level of 2019. Average CPI is expected to increase by less than 4%; the proportion of total factor productivity (TFP) to growth is about 45%; the average labor productivity growth rate is over 6.5%/year. The import-export sector

sees a positive growth when Vietnam continues to participate deeply in world trade agreements, but the growth rate is lower than the period 2016-2020, at 7-8% / year in the context that globalization might slow down due to the increase in strategic competition and trade protectionism. Both direct and indirect foreign capital investment attraction continues to grow as Vietnam would participate more deeply in global production and supply chains. Accordingly, the business environment and corporate governance capacity have been improved. Processing and manufacturing industries will change positively when the economies of the United States, EU, China, Japan, and South Korea recover, becoming the growth engine for Vietnam's exports. Companies can also expand their opportunities to potential markets, especially when free trade agreements are signed and come into effect. This recovery process is also resonated with efforts to promote digital transformation and the rapidly growing movement of innovation and entrepreneurship in the country. The Government continues to implement social security and economic support policies, including preferential loan interest rates to help businesses overcome difficult times, quickly recover and develop.

Forecast of Vietnam Economic Growth in 2021 (%)



Source: summarized by DHG Pharma

OVERVIEW OF VIETNAMESE PHARMACEUTICAL INDUSTRY IN 2020

Vietnam's pharmaceutical industry has strong growth potential, and it is classified in the group of emerging pharmaceutical countries according to the classification of IQVIA.

The average population of Vietnam in 2020 is 97.58 million people. The quality of the population has improved with stable economic growth and increased per capita income. Life expectancy has also been significantly improved thanks to achievements in medical field and health care. At the same time, the health insurance coverage continued to record impressive growth, with about 88 million participants, accounting for 90.85 percent of the population and exceeding by 0.15 percent the target set by the Government.

According to IQVIA's Quarter 4/2020 report, Vietnam's pharmaceutical market value reached VND 103,912 billion, up 2%. Products of pharmaceutical enterprises were distributed mainly through Hospital and Pharmacy channels. In 2020, the Hospital channel continued to be the driving force of the market growth, up 3% while the Pharmacy channel only witnessed an increase of 1%. The pharmaceutical production and trading system

has been expanded with nearly 250 manufacturing factories, 200 import-export establishments, 4,300 wholesalers and more than 62,000 retailers. However, the growth rate of the pharmaceutical industry in 2020 slowed down compared to previous years due to tightening measures to control infection in hospitals and the decrease in income of employees as business activities of enterprises were affected by the pandemic.

According to the Drug Administration of Vietnam - Ministry of Health, the total value of domestic production reached USD 2.8 billion. Currently, domestic production only meets about 47% of demand, and the remaining must be imported. According to the General Department of Customs, Vietnam imported more than USD 3.3 billion of pharmaceuticals, up 7.4% YoY. The major pharmaceutical import markets included France, Germany, India, USA, Italy, Korea, Belgium, etc. Antibiotics were still the leading pharmaceutical



group in terms of turnover. Currently, the import market share of this group accounts for about 48.5% of the total import turnover of pharmaceuticals, which was followed by nutrition and metabolism, vitamins and supplements; cardiovascular, etc.

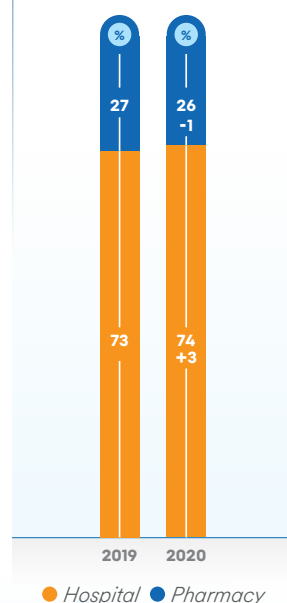
Moreover, Vietnam still depends on raw materials imported from China and India, accounting for about 85% of the total import turnover of raw materials. During the year, the Covid-19 pandemic caused a serious API shortage as API production in both China and India was interrupted during the period of lockdown and social distance.

This scarcity led to an increase in the average price of most raw materials imported to Vietnam. The progress of cooperation between Vietnamese pharmaceutical companies and foreign partners continues to be delayed by limited movement in the Covid-19 pandemic, which interferes with the progress of cooperation activities and technology transfer approval.

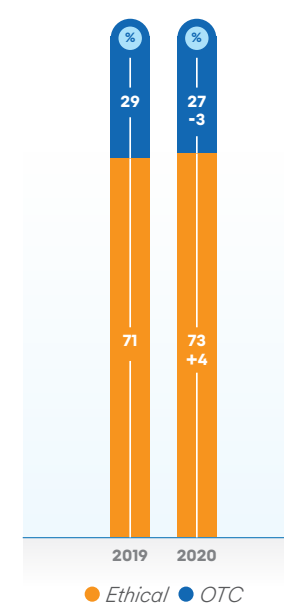
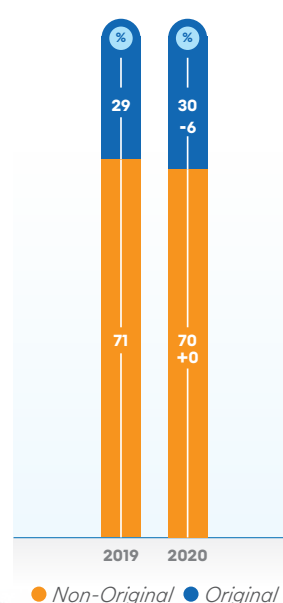
However, M&A activities have been booming in recent years, reflected in the fact that big players in the global pharmaceutical industry have been present in most domestic enterprises.



Total market value:
VND 103,912 billion

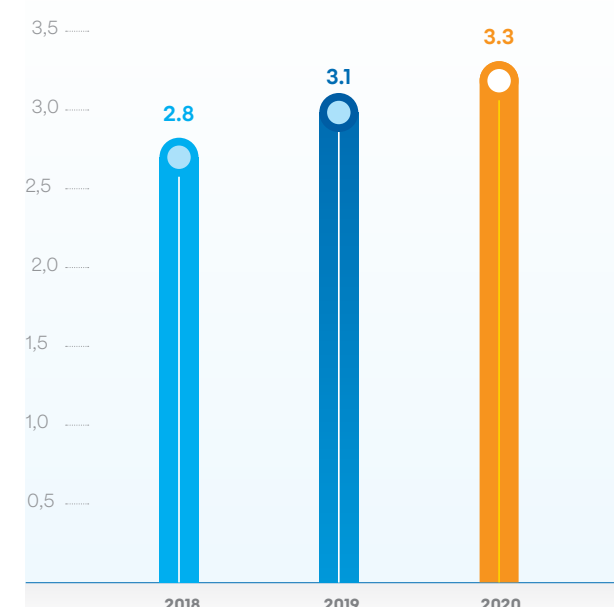


Growth: +2%

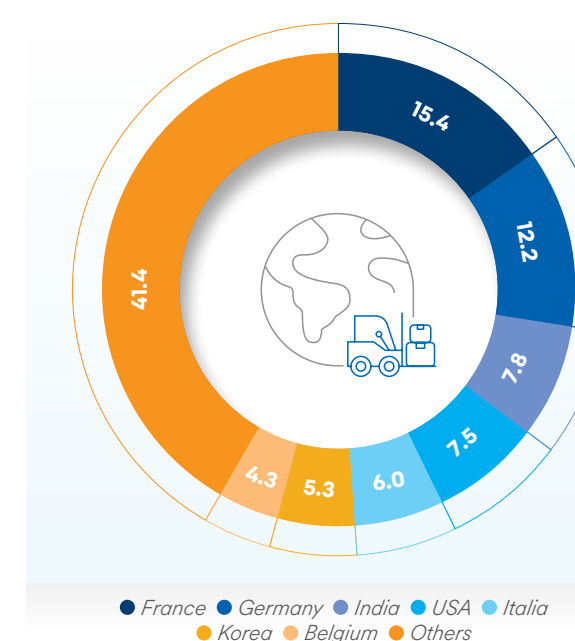


Source: IQVIA Quarter 4/2020

Import turnover of pharmaceuticals 2018 - 2020
(Unit: VND billion)



Pharmaceutical import markets in 2020
(Unit: %)



Source: General Department of Customs

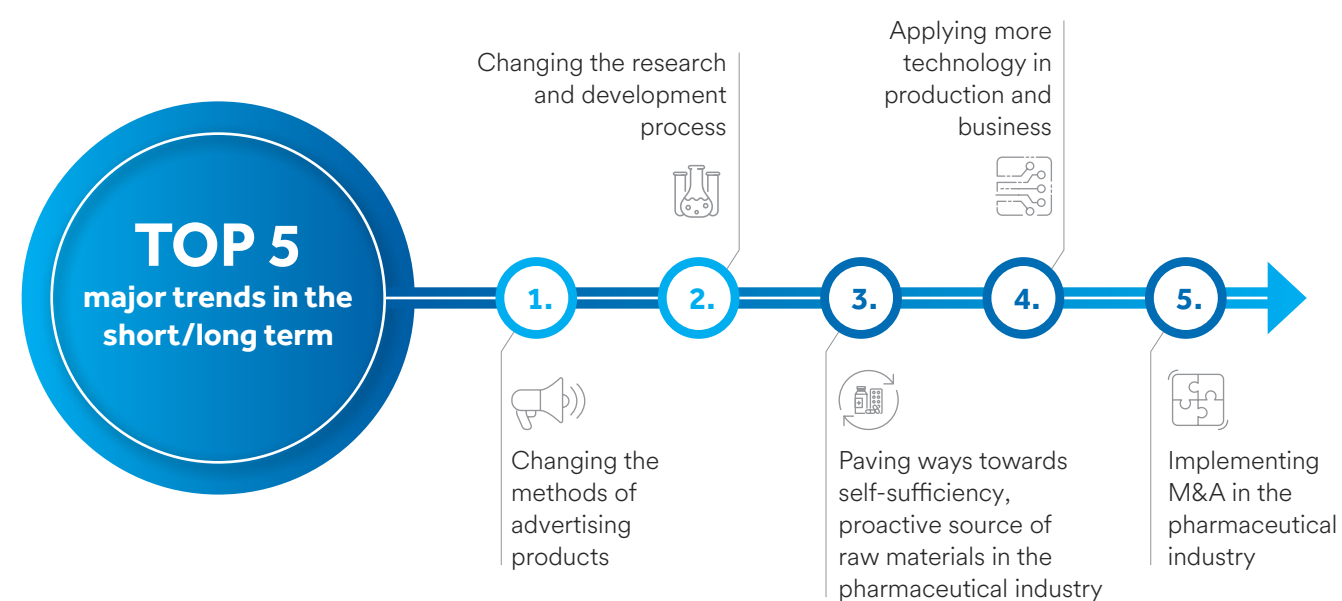
PROSPECTS OF VIETNAMESE PHARMACEUTICAL INDUSTRY IN 2021

The Vietnamese pharmaceutical industry is expected to recover in 2021 when regulations on social distance are eased and the demand of the general public for medical care increases again. Vietnam's rapidly aging population and quick growing per capita income continue to contribute to the long-term growth momentum of the healthcare market.

Additionally, drug procurement regulations at public hospitals are adjusted to encourage the production of generic drugs to replace expensive imported drugs, which in turn result in the reduction of the financial burden on the health insurance fund. Therefore, domestic companies that develop products with lower costs than original brand-name drugs and those manufactured under Japan-GMP lines or equivalent will have more growth opportunities at Hospital channel. The progress of cooperation between domestic enterprises and foreign partners is expected to be accelerated after experts are allowed to enter Vietnam and the remote standard approval is passed. When the EVFTA Agreement comes into

effect, EU pharmaceutical enterprises can participate deeply in the supply chain, production and distribution in the Vietnamese market. This will create a stronger wave of M&A for the pharmaceutical industry in the foreseeable future, creating opportunities for Vietnamese pharmaceutical companies to increase their competitiveness, and at the same time research and develop new products with high quality. However, the pharmaceutical market will continue to be strongly and directly affected by the complicated progress of the pandemic, the supply of raw materials for domestic drug production, and the supply of imported finished drugs are likely to be limited and will put pressure on drug price adjustments in the market.

Survey results of Vietnam Report on major trends with the pharmaceutical industry in the short/long term and top priority solutions of pharmaceutical companies in the new normal period.



S



STRENGTHS

Being the biggest Generic pharmaceutical enterprise in Vietnam with strong financial resource; effective operation enables the Company to implement development strategies.

Owning a experienced, skilled, enthusiastic, and dedicated human resource that well meet the need of international integration and especially always uphold the spirit of social responsibility.

Showcasing products that meet global quality standards and owning a modern management system, which serve as foundations for DHG Pharma to step further and reach regional and international standards.

Having the deepest and widest distribution system in Vietnam compared to both domestic and foreign competitors. The sales management, sales methods and Marketing activities are increasingly professional.

W



WEAKNESSES

R&D of DHG Pharma is currently focusing on generic products and patent-off products. DHG Pharma has not spent a lot of research budget on new products (new ingredients and formulas) due to limitation of the Supporting Industries in Vietnam.

DHG Pharma has developed regulations/policies in accordance with current regulations on corporate governance, which closely meet international requirements. However, there are still many points that need to be completed to achieve high efficiency in management and to suit the Company's development.

O



OPPORTUNITIES

Thanks to Vietnamese economic growth, improved income and educational level, citizens are increasingly interested in caring for and protecting health and beauty; thus, creating opportunities for pharmaceutical enterprises, DHG Pharma included, to develop.

The State manages more closely, scientifically and professionally. It creates favorable conditions for enterprises with a prestigious trademark, high-quality products, etc. to promote their advantages. The State policy and the new Pharmaceutical Law create numerous opportunities for enterprises to be self-reliant in production and business.

Opportunities for R&D development from collaborative relationships, joint ventures, technical transfer, purchasing scientific projects, and hiring research.

Thanks to economic integration, many international pharmaceutical groups are entering the Vietnam market, which facilitates the learning and experiences growth for DHG Pharma personnel in science and technology for new and modern products.

Dense population with a rapid pace of aging, polluted environment, increasing morbidity rates along with rising spending on medicines and dietary supplements open up numerous growth opportunities for pharmaceutical enterprises.

T



CHALLENGES

The main raw materials for the production of DHG Pharma and other enterprises in the industry are mainly imported (80 - 90%); hence, it is influenced by factors such as raw material price fluctuations, import tax policy, exchange rates, etc.

The monetary policy of exchange rate in the macro-economic with export priority unfavorably affects enterprises with large importing proportions (materials, equipment, and technology).

Maintenance of continuous operation, quick recovery, and development of production and business activities in the new normal state will be one of the main challenges for both domestic and foreign businesses.

Foreign pharmaceutical enterprises with modern technology, international experience, strong financial potential, and preference for foreign goods are the main reasons for which domestic drugs only account for nearly 50% of the national market share. This figure shows both opportunities and potentials but it also indicates a big challenge for domestic pharmaceutical enterprises to bring the value of domestically produced drugs to 70% of the market share in accordance with the Government's policy.

GOALS FOR 2021 - 2025

DHG PHARMA


WILL CONTINUE EXPANDING ITS
BUSINESS TO RETAINS ITS POSITION AS
**THE VIETNAM'S LARGEST
GENERIC PHARMACEUTICAL
COMPANY**




BUSINESS PLAN FOR 2021 - 2025

TARGETS FOR 2021	2020 ACTUAL	2021 BUDGET	+/- 2021/2020	% 2021/2020
NET SALES	3,756	3,970	215	6%
PROFIT BEFORE TAX	821	821	0	0%


AVERAGE GROWTH
2022-2025
8% - 10%
/YEAR


THE ANNUAL DIVIDEND POLICY
SHALL MAINTAIN FROM
30%
of the charter capital

IN 2025, DHG WILL STRIVE TO REACH


NET SALES
(VND BILLION)
5,500


PROFIT BEFORE TAX
(VND BILLION)
1,000

THEME FOR 2021 - 2025



Message for 2021

QUALITY BUILDS TRUST

STRATEGIC SOLUTIONS





4

CORPORATE GOVERNANCE REPORT

INTERNATIONAL STANDARDS

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SHARE INFORMATION

Share name

**SHARE OF
DHG PHARMACEUTICAL JSC**

Ticker symbol

DHG

Share exchange



**HOCHIMINH
STOCK EXCHANGE**



CHARTER CAPITAL

1,307,460,710,000

VND

PAR VALUE

10,000

VND (TEN THOUSAND DONGS)

TYPE OF SHARE

ORDINARY SHARE

NUMBER OF LISTED SHARES AND OUTSTANDING SHARES

130,746,071

SHARES

NUMBER OF TREASURY SHARES: NONE

DHG



VN-INDEX

1,200

1,000

800

DHG

SHARE INFORMATION AND SHAREHOLDER STRUCTURE (continued)

Fluctuation of DHG shares in 2020

No.	Indicators	Unit	Value
1	Share price	VND	104,000
2	Capitalization	VND billion	13,598
3	From 02 Jan 2020 - 31 Dec 2020		
	Highest price	VND	106,500
	Lowest price	VND	75,500
	Average trading volume	shares/day	20,316
	Average value	VND billion/day	0.23
4	Foreign ownership limit (FOL)	%	100%
	Ownership rate of foreign shareholders	%	54.76%
5	EPS	VND	5,443
6	P/B	Time	3.8
7	P/E	Time	19.1

(*) Share prices and related information finalized on 31 Dec 2020

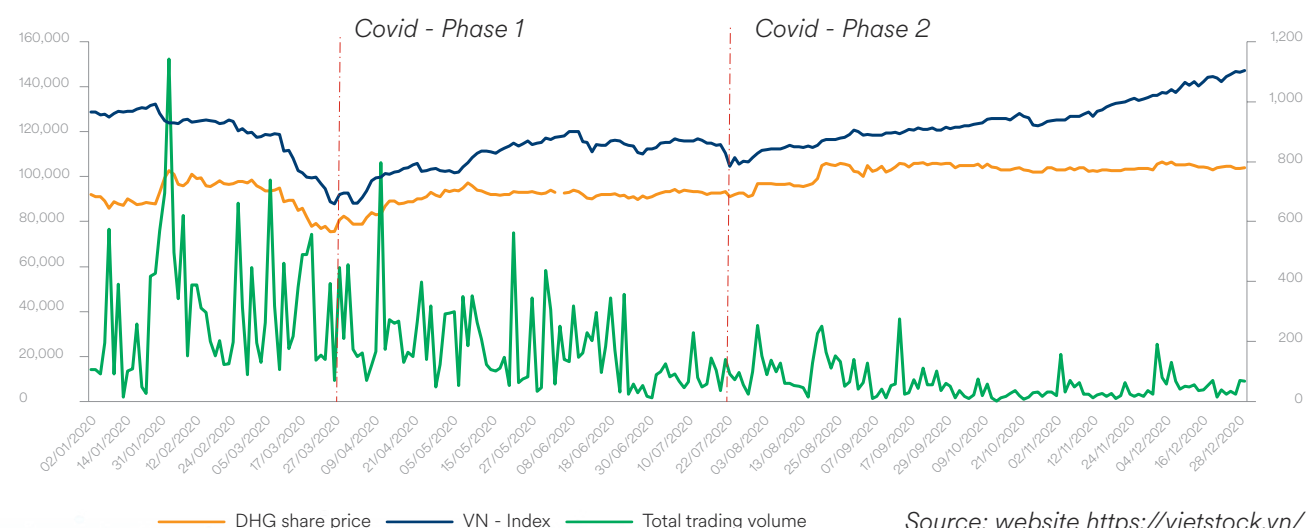
Source: website <https://vietstock.vn/> and calculation of DHG Pharma

From 02 Jan 2020 to 31 Dec 2020, the volatility of share's price was similar to the general fluctuation of the stock market (VN - Index). During Mar and Jul 2020, the outbreak of Covid-19 pandemic had negative effect on the entire market, including the pharmaceutical market. Within the last few months in 2020, the pandemic was under controlled and it assisted local economy to optimistically recover and support VN-Index to increase again. As a result, stock market price recorded a fast recovery and even higher than price in early 2020.

Specifically, on 31 Dec 2020, DHG's share price increased relatively well when it reached VND 104,000 per share, up 13.7% compared with the price at VND 91,500 on 31 Dec 2019.

Total trading volume and price of DHG shares from 02 Jan 2020 to 31 Dec 2020

Unit: Total trading volume (shares); Share price (VND); VN-Index (points)



TREASURY SHARES TRANSACTIONS

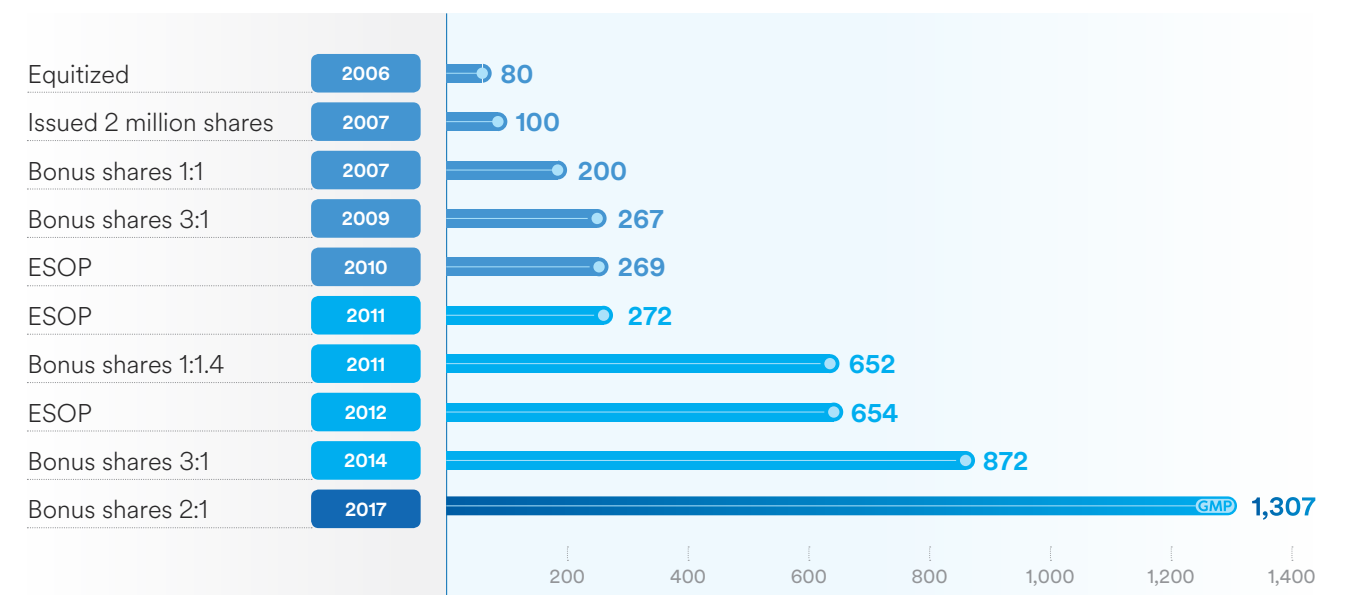
In 2020, the Company did not make any treasury share transactions. At present, the number of treasury shares that the Company is holding is 0 share.

CHANGES OF OWNER'S CONTRIBUTED CAPITAL

Since equitization, the Company has increased its charter capital 9 times from VND 80 billion to VND 1,307 billion. The latest time DHG Pharma increased its charter capital was in the form of issuing bonus shares at a ratio of 2:1 in 2017. Since then, the owner's contributed capital at DHG Pharma has not changed.

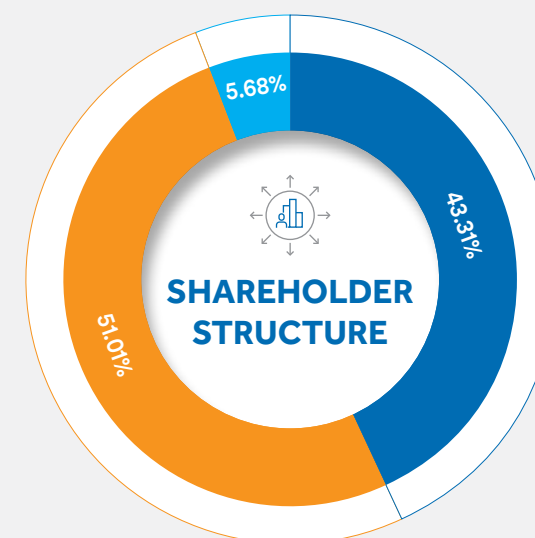
Timeline for increasing the charter capital

(Unit: VND Billion)



According to the list of shareholders on 19 Mar 2021, DHG Pharma's shareholder structure is as follows:

No.	Shareholder name	Number of shares	%
1	SCIC	56,626,237	43.31%
2	Taisho	66,697,052	51.01%
3	Others	7,422,782	5.68%



SHARE INFORMATION AND SHAREHOLDER STRUCTURE (continued)

Shareholder structure by type of shareholders

No.	Subject	Number of shares	Ownership ratio (%)	Number of shareholders	Shareholder structure	
					Organization	Individual
1	States shareholders (SCIC)	56,626,237	43.31%	1	1	-
	Major shareholders	66,697,052	51.01%	1	1	-
2	- Domestic	-	-	-	-	-
	- Foreign	66,697,052	51.01%	1	1	-
3	The Company's Union	538,147	0.41%	1	1	-
4	Treasury shares	-	-	-	-	-
	Other shareholders	6,884,635	5.27%	3,553	106	3,447
5	- Domestic	2,208,510	1.69%	3,004	47	2,957
	- Foreign	4,676,125	3.58%	549	59	490
TOTAL		130,746,071	100.00%	3,556	109	3,447
In which: - Domestic		59,372,894	45.41%	3,006	49	2,957
- Foreign		71,373,177	54.59%	550	60	490

Shareholder structure by type of shares

Subject		Restricted shares	Transferable shares	Total	Ownership ratio (%)
I.	Internal persons	-	15,394	15,394	0.01%
II.	The Company's Union	-	538,147	538,147	0.41%
III.	Other shareholders	9	130,192,521	130,192,530	99.58%
1.	Domestic	9	58,819,344	58,819,353	44.99%
1.1	Individual	-	2,184,788	2,184,788	1.67%
1.2	Organization	9	56,634,556	56,634,565	43.32%
2.	Foreign	-	71,373,177	71,373,177	54.59%
2.1	Individual	-	1,142,567	1,142,567	0.87%
2.2	Organization	-	70,230,610	70,230,610	53.72%
TOTAL		9	130,746,062	130,746,071	100.00%

Note: The restricted shares are 9 shares of SME Securities Corporation due to temporary suspension of clearing activities.

Shareholder structure of major shareholders and professional security investors

No.	Subject	Number of shares	Ownership ratio (%)	Number of shareholders	Shareholder structure	
					Organization	Individual
1	Major shareholders who are not professional security investors own ≥ 5% of the charter capital	123,323,289	94.32%	2	2	-
	- Domestic	56,626,237	43.31%	1	1	-
	- Foreign	66,697,052	51.01%	1	1	-
2	Major shareholders who are professional security investors own ≥ 5% of the charter capital	-	0.00%	-	-	-
	- Domestic	-	0.00%	-	-	-
	- Foreign	-	0.00%	-	-	-
3	Shareholders who are professional security investors own < 5% of the charter capital	3,535,359	2.70%	95	95	-
	- Domestic	1,801	0.00%	36	36	-
	- Foreign	3,533,558	2.70%	59	59	-
TOTAL		126,858,648	97.03%	97	97	-

Share transactions of DHG Pharma's related persons and related party in 2020

No.	Transaction executor	Relationship with internal person	Number of shares owned at the beginning of the period		Number of shares owned at the end of the period		Reasons for increase, decrease (purchase, sale, switch, reward, etc)
			Number of shares	%	Number of shares	%	
Internal persons							
1	Doan Dinh Duy Khuong	BOD member Chief Operating Officer (COO) Authorized person to disclose information	36,237	0.03%	7	0.00%	Sold 36,230 shares
2	Vu Thi Huong Lan	HR Director	0	0	1,500	0.00%	Purchased 1,500 shares
3	Vo Van Kim Y	Technical Director	1,665	0.00%	265	0.00%	Sold 1,400 shares
Related party							
1	Doan Dinh Tuan Huy	Related person of Mr. Doan Dinh Duy Khuong	3,769	0.00%	9	0.00%	Sold 3,760 shares

PERFORMANCES OF THE BOD



MEMBERS AND STRUCTURE OF THE BOD

The Annual General Meeting of Shareholders, which was held on 11 Jun 2019, approved the number of BOD members Term IV (2019 - 2023) to be 07 members. In which: The number of independent members is 02 members. In 2020, the number of BOD and structure does not change, details as follow:

No.	BOD member	Independent BOD member	Non-executive BOD member	Executive BOD member
1.	Ms. Dang Thi Thu Ha		x	
2.	Mr. Jun Kuroda		x	
3.	Mr. Masashi Nakaura			x
4.	Mr. Maki Kamijo		x	
5.	Mr. Doan Dinh Duy Khuong			x
6.	Mr. Phan Minh Tien	x		
7.	Mr. Do Le Hung	x		

The BOD member structure Term IV (2019 - 2023) has ensured the balance between executive members, non-executive members and independent members in accordance with the provisions of the Company's Charter, the Internal regulation on Corporate Governance. In detail, Article 32 of DHG Pharma's Charter on organization and operation stipulated that:

i. At least one-third (1/3) of the Board of Directors' members are independent members

ii. At least one-third (1/3) of the Board of Directors' members are non-executive members

In addition, the Company clearly separates the positions of the Chairwoman of the BOD and the General Director as a way to distinguish between the supervisory and executive roles, avoid conflicts of interests that may arise and minimize centralized power as well as ensures necessary independence in the decision-making process. 07/07 members of the BOD may concurrently be members of the BOD of other companies, yet they must not be BOD's members in more than five (05) other companies.

PERFORMANCES OF THE BOD IN 2020

In 2020, the BOD conducted

to solve issues under the functions and authorities of the BOD.



In which, there were 02 face to face meetings and 12 meetings via email.



The BOM was invited to all of the BOD meetings in order to discuss a generate unanimity in the BOD's strategies, business directions over the BOM.

Meeting attendance rate

No.	BOD members	Title	Starting date to become BOD Member	Meeting attendance	Rate
1.	Ms. Dang Thi Thu Ha	BOD Chairwoman Non-executive BOD Member	28 Jul 2017	14/14	100%
2.	Mr. Jun Kuroda	Non-executive BOD Member	15 Aug 2016	14/14	100%
3.	Mr. Masashi Nakaura	Executive BOD Member General Director (CEO)	11 Jun 2019	14/14	100%
4.	Mr. Maki Kamijo	Non-executive BOD Member	11 Jun 2019	14/14	100%
5.	Mr. Doan Dinh Duy Khuong	Executive BOD Member Chief Operating Officer (COO)	29 Apr 2010	14/14	100%
6.	Mr. Phan Minh Tien	Independent BOD member	28 Mar 2018	14/14	100%
7.	Mr. Do Le Hung	Independent BOD member	11 Jun 2019	14/14	100%

PERFORMANCES OF THE BOD (Continued)

BOD Resolutions in 2020

No.	Resolution No.	Date	Contents	Approval rate
1.	001/2020/NQ.HĐQT	17 Feb 2020	<p>Approving the relinquish application as a person in charge of corporate governance and the BOD Secretary of Ms. Le Thi Hong Nhung from 01 Mar 2020. Appointing positions as follows:</p> <ul style="list-style-type: none"> Ms. Duong Kim Loan - Position: The person in charge of corporate governance cum BOD Secretary from 01 Mar 2020. Ms. Vu Thi Huong Lan - Position: HR Director from 17 Feb 2020. 	100%
2.	002/2020/NQ.HĐQT	06 Mar 2020	<p>Approval of periodic reports in 2019 - plan of 2020: The BOD Secretary Report; Report on the BOD Remuneration Fund; The BOM Report; Report of Nomination Committee; Report of Audit Committee.</p> <p>Approved CAPEX plan in 2020; preparation for the AGM 2019 and other contents within the BOD's authorities</p>	100%
3.	003/2020/NQ.HĐQT	18 Mar 2020	Revising the organization time of the AGM 2019 from 21 Apr 2020 to 10 Jun 2020.	100%
4.	004/2020/NQ.HĐQT	06 Apr 2020	Approving the advance dividend Phase 1/2019 and the BOM reports.	100%
5.	005/2020/NQ.HĐQT	28 Apr 2020	Approval of the BOD Secretary report; The BOM report in 1Q/2020 and 2Q/2020 plan.	100%
6.	006/2020/NQ.HĐQT	19 May 2020	Approval of changing the AGM organization date from 10 Jun 2020 to 29 Jun 2020. Approval of documents submitted to the AGM 2019.	100%
7.	007/2020/NQ.HĐQT	02 Jun 2020	Adjustment of the budget limit and credit limit of DHG Pharma in 2020 and approval of the contents submitted to the AGM 2019.	100%
8.	008/2020/NQ.HĐQT	29 Jun 2020	<p>Approving the BOM report regarding updating the business results in 2Q/2020, 1H/2020 and 2H/2020 plan.</p> <p>Appointing Mr. Pham Chi Truc to the VP Finance position of DHG Pharma from 04 Jul 2020.</p> <p>Implementing the AGM Resolution 2019.</p>	100%



No.	Resolution No.	Date	Contents	Approval rate
9.	009/2020/NQ.HĐQT	13 Jul 2020	<p>Promulgating the new organizational chart of DHG Pharma.</p> <p>Promulgating the regulation on asset investment and procurement, and authorizing the General Director to approve internal regulations and external investments.</p> <p>Other contents within the BOD's authorities.</p>	100%
10.	010/2020/NQ.HĐQT	28 Aug 2020	<p>Approval of the BOD Secretary Report; Report of the Nomination Committee; Report of the Audit Committee; the BOM report in 1H/2020, plan for 3Q/2020.</p> <p>Approved the policy of divesting all contributed capital of DHG Pharma at Vinh Hao Spirulina Algae Corporation (Spiviha).</p>	100%
11.	011/2020/NQ.HĐQT	02 Oct 2020	Adjusting and supplementing the list of banks that are allowed to conduct transactions for deposits, limit of term deposits and other contents within the BOD's authorities.	100%
12.	012/2020/NQ.HĐQT	21 Oct 2020	Approving the resignation of positions at Spiviha and other contents.	100%
13.	013/2020/NQ.HĐQT	16 Nov 2020	<p>Approval of the BOD Secretary Report; Report in 3Q/2020 and plan for 4Q/2020 of the BOM, Nomination Committee, and Audit Committee.</p> <p>Approving the merger of Nam Dinh Branch into Thai Binh Branch and other contents.</p>	100%
14.	014/2020/NQ.HĐQT	21 Dec 2020	Approving the removal of the title - Marketing Director to Mr. Lam Dieu Phi from 01 Jan 2021 and other contents.	100%

PERSONNEL CHANGES IN TERMS OF MANAGERIAL TITLES APPOINTED BY THE BOD IN 2020

1.
Mr. Masashi Nakaura
Title before change: Non-executive BOD member.
Current title: Executive BOD member; General Director (CEO); Legal Representative.
Reason for change: Appointing General Director (CEO), Legal Representative from 01 Jan 2020 to 31 Dec 2022.
Basis: BOD's resolution No.016/2019/NQ.HĐQT dated 12 Dec 2019.

2.
Mr. Doan Dinh Duy Khuong
Title before change: Executive BOD member; Interim General Director; Legal Representative.
Current title: Executive BOD member; Chief Operating Officer (COO).
Reason for change: Appointing Chief Operating Officer (COO) from 01 Jan 2020 to 31 Dec 2022.
Basis: BOD's resolution No.016/2019/NQ.HĐQT dated 12 Dec 2019.

3.
Mr. Pham Tri Truc
Current title: Deputy General Director in charge of Finance.
Reason for change: New recruitment, strengthening the Deputy General Director in charge of Finance position from 04 Jul 2020.
Basis: BOD's resolution No.008/2020/NQ.HĐQT dated 29 Jun 2020.

4.
Ms. Vu Thi Huong Lan
Current title: HR Director.
Reason for change: New recruitment, strengthening the HR Director position from 17 Feb 2020.
Basis: BOD's resolution No.001/2020/NQ.HĐQT dated 17 Feb 2020.

5.
Mr. Lam Dieu Phi
Title before change: Marketing Director.
Current title: Nil.
Reason for change: Resigned from Marketing Director position from 01 Jan 2021 according to resignation letter.
Basis: BOD's resolution No.014/2020/NQ.HĐQT dated 21 Dec 2020.

6.
Ms. Le Thi Hong Nhung
Title before change: Finance Director cum Manager of Finance Dept.; BOD Secretary; Person in charge of corporate governance.
Current title: Finance Director cum Manager of Finance Dept.
Reason for change: According to Ms. Le Thi Hong Nhung's wish to fully concentrate on the tasks of Finance Director position.
Basis: BOD's resolution No.001/2020/NQ.HĐQT dated 17 Feb 2020.

7.
Ms. Duong Kim Loan
Title before change: IR Team leader.
Current title: BOD Secretary cum Person in charge of Corporate Governance; IR Team leader.
Reason for change: Appointment to replace Ms. Le Thi Hong Nhung from 01 Mar 2020.
Basis: BOD's resolution No.001/2020/NQ.HĐQT dated 17 Feb 2020.

PERFORMANCES OF THE BOD MEMBERS

During the business operation in 2020, DHG Pharma's BOD held periodic and extraordinary meetings in order to promptly discuss issues falling under the BOD authorities, to develop development strategies, business and production plans, dividend payment policies, appointment and dismissal decisions for Executives/ Managers as well as other important issues of the Company. Information on the production and business situation, activities of the Committees, etc. were timely and accurately updated by the BOM and

the BOD Secretary before the meetings. The approved contents are usually unanimously agreed by the BOD members before implementation. All BOD members strictly abide by the provisions of the Company's Charter, Internal Regulation on Corporate Governance and applicable law. 100% of BOD members clearly performed their roles and made positive contributions to the development of the Company. When there are issues related to conflict of interest, the BOD members would not vote on issues that they have benefits or conflicts in.

Performances of the independent BOD members

In 2020, the composition of DHG Pharma's BOD members was 2/7 members, which satisfied the criteria of independent BOD members. Independent BOD members fully attended BOD meetings, made comments and independently voted on issues and decisions within the BOD's authorities. In addition, independent BOD members also participated in the activities of Committees under the BOD's assignments.



Mr. DO LE HUNG
Independent BOD member
Head of the Audit Committee

With knowledge and experience in the fields of corporate governance, internal audit, internal control, risk control and management, he has contributed to improving the internal audit, internal control, and risk management systems at DHG Pharma while ensuring financial and accounting information disclosed in an accurate and transparent manner.

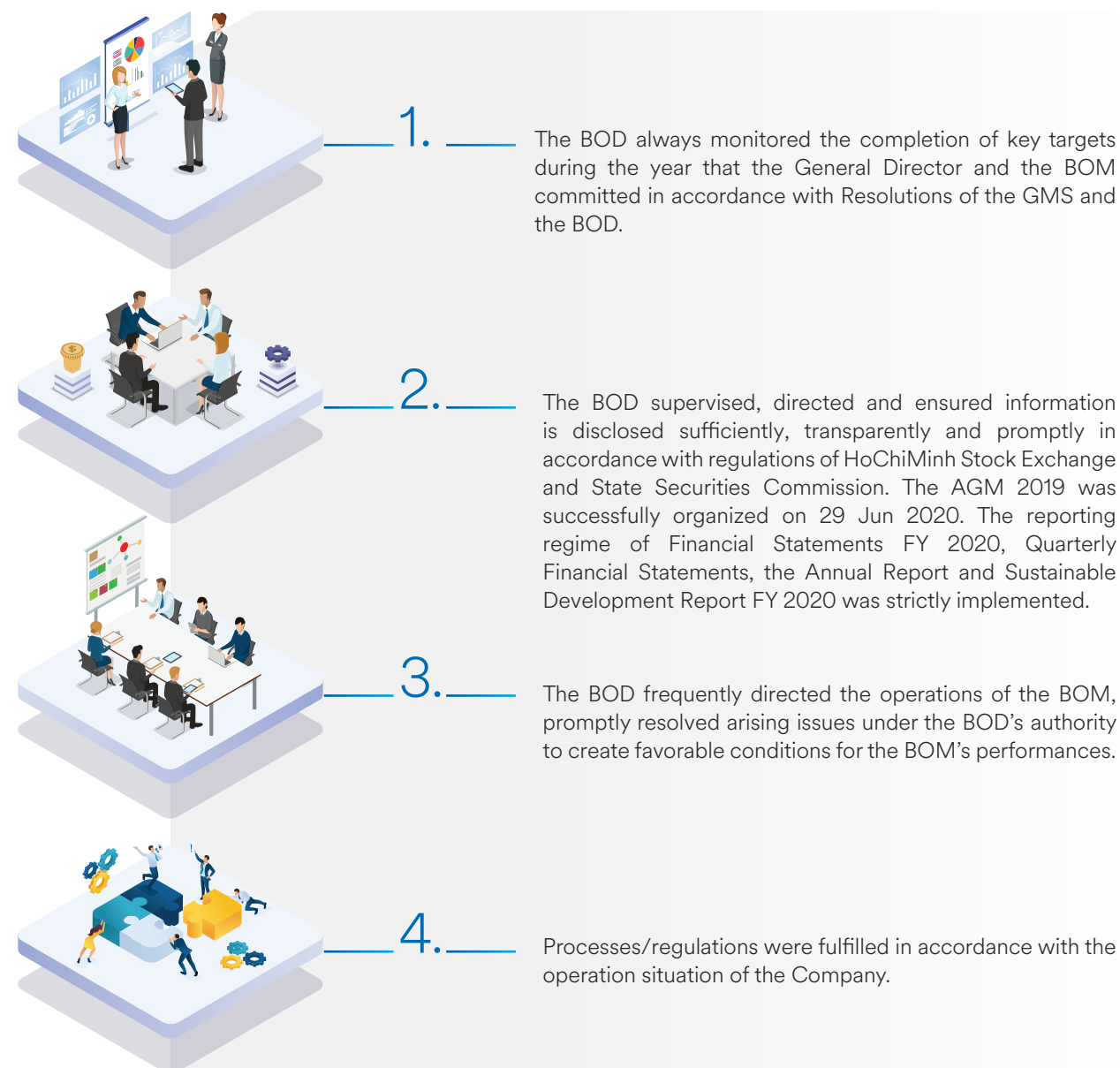


Mr. PHAN MINH TIEN
Independent BOD member
Head of the Nomination Committee
Member of the Strategy Committee

With more than 20 years of experience in marketing, he supported and contributed to developing the market and marketing development strategy of the Company. Simultaneously, with his new role as Head of the Nomination Committee, he advised the personnel structure, supported the development of suitable salary and bonus regimes for key positions in the Company.

MONITORING RESULTS WITH REGARDS TO THE GENERAL DIRECTOR, ENTERPRISE MANAGERS, AND ENTERPRISE EXECUTIVES

Monitoring methods

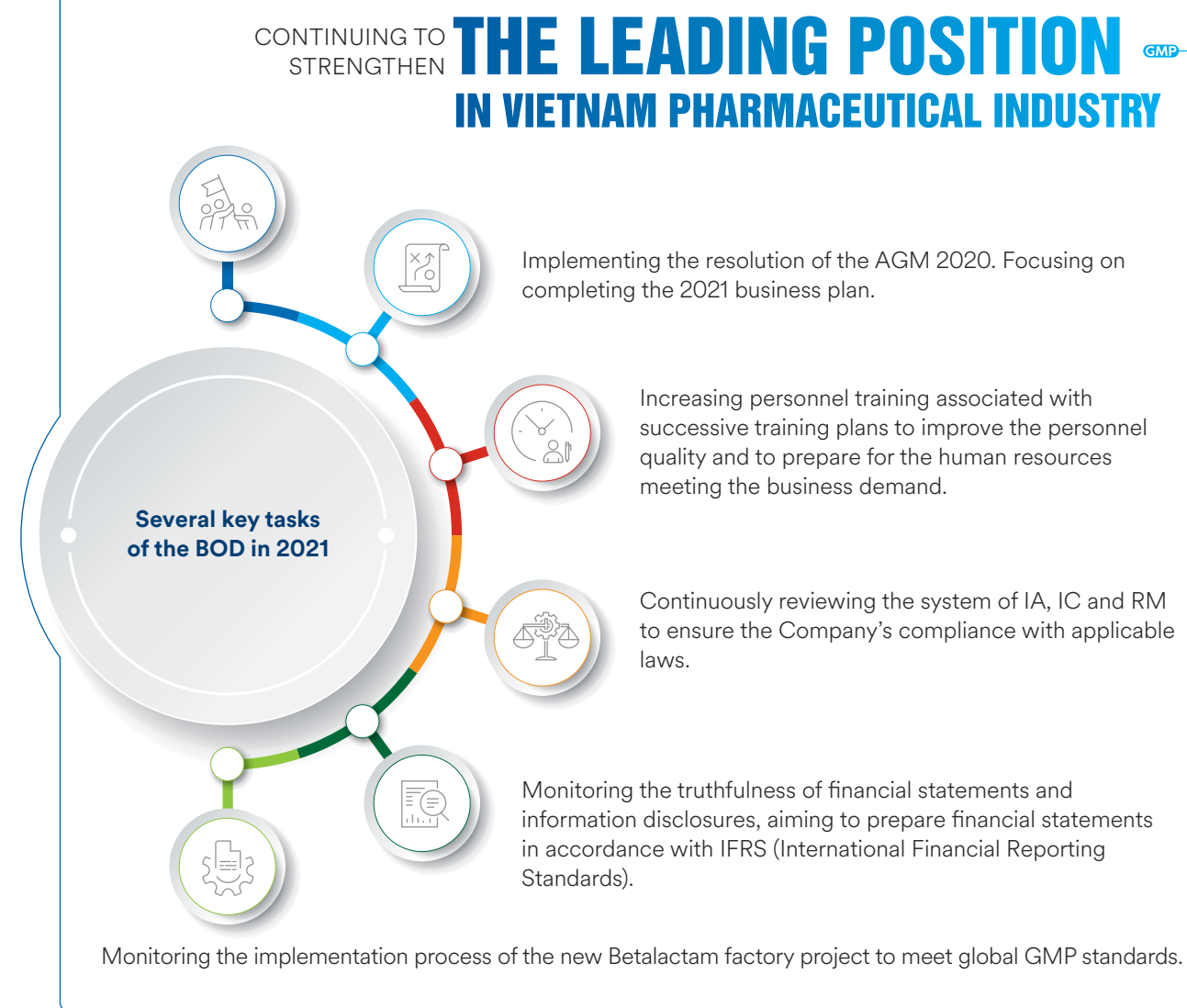


General assessment



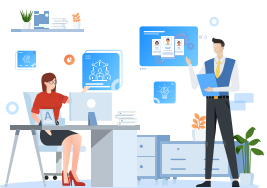
During the year, the BOM and the managerial staff successfully completed the tasks and business targets assigned by the GMS. The BOD highly values BOM's efforts and determination to steadily overcome all difficulties and challenges during the Covid-19 pandemic. At the same time, the BOM and the managerial staff also strictly abided by rules and regulations in management activities, decentralized their management in accordance with the Charter, Corporate regulation and internal regulations of DHG Pharma as well as the BOD's decisions.

ORIENTATION OF THE BOD'S ACTIVITIES IN 2021

Based on the strategic development orientation of the Company in the period of 2019 - 2023, the business targets of 2021 and actual condition of the Company, the BOD will improve the efficiency and operating methods in accordance with good domestic and regional practices, ensuring good performances of the BOD's functions, clear and transparent operating regulations as well as advantageous operation and implementation. At the same time, the BOD needs to intensively manage and supervise activities of the BOM and managers in implementing the resolutions of the GMS/BOD. The BOD will ensure all activities of the Company are effective, regulated by law and complete the business targets of 2021. In addition, the BOD shall improve its corporate governance capacity based on international practices to maximize the operational efficiency and enterprise values.



PERFORMANCES OF COMMITTEES UNDER THE BOD

Categories	Personnel structure	Responsibilities	Meetings in 2020	Performances in 2020	Operational orientation in 2021
 <p>STRATEGY COMMITTEE</p>	<p>4 members include:</p> <ul style="list-style-type: none"> • Mr. Jun Kuroda Head • Mr. Masashi Nakaura Member • Mr. Doan Dinh Duy Khuong Member • Mr. Phan Minh Tien Member 	<ul style="list-style-type: none"> • Developing long-term development strategies for production, business and investment. • Determining annual, mid-term development and production plans based on the objectives and strategies approved by the GMS. Developing basic performance targets of DHG Pharma. • Developing annual dividend rates and proposals to the BOD for making decisions on temporary dividend rates. 	<p>4 meetings (in 06 Mar 2020, 06 Apr 2020, 16 Nov 2020, 27 Jan 2021).</p>	<ul style="list-style-type: none"> • Developed strategic development of production and business in 2020. • Developed plans, strategic goals, medium-term business targets until 2023. • Advised the BOD on dividends in 2020 and the plan to pay dividends in 2021. • Consulted the BOD on short, medium and long-term investment projects under the BOD's authority. 	<ul style="list-style-type: none"> • Shall implement, perform and complete business plan in 2021 assigned by the GMS. • Shall build the development strategy, goals and business plan of the Company for the period 2021 - 2023. • Shall consult, advise on short, medium and long-term investment under the BOD's authority. • Shall advise the BOD on annual and medium-term dividends.
 <p>AUDIT COMMITTEE</p>	<p>3 members include:</p> <ul style="list-style-type: none"> • Mr. Do Le Hung Head • Ms. Dang Thi Thu Ha Member • Mr. Maki Kamijo Member 	<ul style="list-style-type: none"> • Inspecting the suitability, effectiveness and efficiency of IC and RM procedure. • Inspecting and confirming quality, reliability of economic, finance and accounting information. • Proposing selecting independent audit company, fee, nature and scope of work, etc. • Managing, supervising internal audit activities in terms of functions. Reviewing internal audit reports. • Inspecting principal compliance of operation, management and legal compliance. 	<p>4 meetings (in 14 Feb 2020, 28 May 2020, 15 Aug 2020, 10 Nov 2020).</p>	<ul style="list-style-type: none"> • Supervised quarterly financial statements. • Restructured IA, IC and RM system. • Monitored the enhancement of IC system. • Selected Deloitte Vietnam Ltd Co., as an independent auditor for financial statements FY2020. 	<ul style="list-style-type: none"> • Shall propose selecting an independent auditor for financial statements FY2021. • Shall continue to supervise financial statements and IC & RM, IA system. • Shall monitor compliance with laws and internal regulation. • Shall participate in building the Company's development strategy for the period 2021 - 2023, especially completing IA, IC and RM systems.
 <p>NOMINATION COMMITTEE</p>	<p>3 members include:</p> <ul style="list-style-type: none"> • Mr. Phan Minh Tien Head • Mr. Masashi Nakaura Member • Mr. Doan Dinh Duy Khuong Member 	<ul style="list-style-type: none"> • Proposing qualification and capacity criteria, presiding over drafts of appointment procedures as well as proposing appointments and dismissals of BOD members and managerial staff under the appointment authorities of the BOD. Developing orders and procedures of nominating and electing BOD members. Developing regulations to determine the independence of non-executive BOD members. • Developing processes assessing the BOD's performances such as the effectiveness of the BOD and the contribution of each member. • Developing and proposing human resource development plans. • Proposing remuneration policies, salary and bonus norms as well as other benefits for members of the BOD, the BOD's committees and the BOM. • Monitoring operational evaluation of DHG Pharma's managerial apparatus. • Executing other tasks assigned by the BOD in relation to the personnel policy of DHG Pharma. 	<p>4 meetings (in 26 Feb 2020, 07 Aug 2020, 29 Oct 2020, 20 Jan 2021).</p>	<ul style="list-style-type: none"> • Proposed and advised the BOD to develop human resources; appointment/ dismissal of senior managerial staff, policies of salary, bonus and remuneration of the Company in 2020. 	<ul style="list-style-type: none"> • Shall develop the training programs in 2021. • Shall propose and consult the BOD on the salary, bonus and remuneration policy of the Company. • Shall continue to perfect human resources and senior managerial staff development of the Company. • Shall build the development strategy of the Company for the period 2021 - 2023, especially the development strategy of human resources and senior managerial staff of the Company.

REMUNERATIONS, BONUSES, AND BENEFITS OF THE BOD AND BOM IN 2020

REMUNERATIONS, BONUSES OF THE BOD

It is projected to submit to the AGM 2020 in Apr/2021 the appropriation rate of the BOD remuneration to be VND 6 billion, equivalent to 0.9% of the PAT.



Receipts/expenses of the Remuneration and Bonus Fund

No.	Target	Amount
1	Balance at the beginning of the year (01 Jan 2020)	5,935,538,846
2	Allocation from PAT 2019 in line with the AGM Resolution	6,000,000,000
3	Total expenses:	7,584,577,566
3.1	Remunerations and bonuses of the BOD and collaborators in 2020	3,596,000,000
3.2	Covid-19 donation	3,135,000,000
3.3	Other expenses	853,577,566
4	Balance as at 31 Dec 2020	4,350,961,280
5	Appropriation plan in 2021 (projected)	6,000,000,000
6	Balance after profit distribution in 2020 (projected)	10,350,961,280

Remunerations and bonuses of the BOD, BOM

No.	Full name	Title	Salary	Remuneration	Total
I Board of Directors					
1	Dang Thi Thu Ha	BOD Chairwoman	0%	100%	100%
2	Jun Kuroda	BOD Member Head of Strategy Committee	0%	100%	100%
3	Masashi Nakaura	BOD Member General Director	94%	6%	100%
4	Maki Kamijo	BOD Member	0%	100%	100%
5	Doan Dinh Duy Khuong	BOD Member Chief Operating Officer	86%	14%	100%
6	Phan Minh Tien	Independent BOD member Head of Nomination Committee	0%	100%	100%
7	Do Le Hung	Independent BOD member Head of Audit Committee	0%	100%	100%
II Board of Management					
1	Masashi Nakaura	BOD Member General Director	94%	6%	100%
2	Doan Dinh Duy Khuong	BOD Member Chief Operating Officer	86%	14%	100%
3	Tomoyuki Kawata	Deputy General Director in charge of Production, Supply Chain and Technology Transfer Member assisting Strategy Committee	100%	0%	100%
4	Nguyen Ngoc Diep	Deputy General Director in charge of Production and Supply Chain	100%	0%	100%
5	Pham Chi Truc	Deputy General Director in charge of Finance	100%	0%	100%

DHG Share Ownership of internal persons

No.	Full name	Title	Number of shares held		Total number of shares held	Ownership %
			Representative ownership	Personal ownership		
I. BOD MEMBERS TERM IV (2019 - 2023)						
1	Dang Thi Thu Ha	BOD Chairwoman	34,000,000 (SCIC's capital representative)	-	34,000,000	26.00%
2	Doan Dinh Duy Khuong	BOD Member Chief Operating Officer (COO) Authorized person to disclose information	22,626,237 (SCIC's capital representative)	7	22,626,244	17.31%
3	Jun Kuroda	BOD Member	-	-	-	-
4	Masashi Nakaura	BOD Member General Director (CEO)	-	-	-	-
5	Maki Kamijo	BOD Member	-	-	-	-
6	Phan Minh Tien	Independent BOD Member	-	-	-	-
7	Do Le Hung	Independent BOD Member	-	-	-	-
II. INTERNAL PERSONS						
1	Masashi Nakaura	BOD Member General Director (CEO)	-	-	-	-
2	Doan Dinh Duy Khuong	BOD Member Chief Operating Officer (COO) Authorized person to disclose information	22,626,237 (SCIC's capital representative)	7	22,626,244	17.31%
3	Nguyen Ngoc Diep	Deputy General Director cum Production Director	-	3,180	3,180	0.00%
4	Tomoyuki Kawata	Deputy General Director	-	-	-	-
5	Pham Chi Truc	Deputy General Director	-	-	-	-
6	Le Thi Hong Nhung	Finance Director	-	7,426	7,426	0.01%
7	Ngo Thi Phuong Loan	Quality Director	-	210	210	0.00%
8	Vu Thi Huong Lan	HR Director	-	1,500	1,500	0.00%
9	Huynh Thi Kim Tui	Distribution Center Director	-	1,868	1,868	0.00%
10	Vo Van Kim Y	Technical Director	-	265	265	0.00%
11	Atsushi Toyoshima	Supply Chain Director	-	-	-	-
12	Ho Buu Huan	Chief Accountant	-	929	929	0.00%
13	Duong Kim Loan	BOD Secretary, Person in charge of corporate governance		9	9	0.00%

CORPORATE GOVERNANCE

PRINCIPLES FOR PUBLIC COMPANIES IN VIETNAM



PRINCIPLES

1. Establishing clear roles, responsibilities and commitment of the Board
2. Establishing a competent and professional Board
3. Ensuring effective Board leadership and independence
4. Establishing Board Committees
5. Ensuring effective performance for Board
6. Establishing and maintaining an ethical corporate culture
7. Establishing a sound risk management and control environment
8. Strengthening company disclosure practices
9. Establishing a framework for effective exercise of shareholder rights
10. Building effective stakeholder engagement



Excellent corporate governance plays a crucial role in improving business performance, contributing to the improvement of the competitiveness and reputation of the company, creating favorable conditions for accessing capital markets, which promotes the development of the financial markets and economic growth.



DHG Pharma has realized the importance of corporate governance and actively followed both domestic and international good practices/rules such as Corporate Governance Code for public companies in Vietnam, OECD's Corporate Governance Principles, Asean Corporate Governance Scorecard, Decree No.155/2020/ND/CP dated

31 Dec 2020 replace Decree No.71/2017/ND-CP dated 06 Jun 2017, Circular No.95/2017/TT-BTC dated 22 Sep 2017 of the Ministry of Finance, etc. Such good compliance in Corporate Governance principles at DHG Pharma has not only contributed to the improvement of its business performance, optimized its development ability in the medium and long term, but also enhanced its trust and reputation with related stakeholders.

In 2020, DHG Pharma evaluated its corporate governance performance in accordance with Vietnamese Corporate Governance Code and ASEAN Corporate Governance Scorecard. The details of evaluation result according to Vietnamese Corporate Governance Code are as follow:

Contents	Recommendation	Response	Ratio
1. ____ The responsibility of the BOD	94	78	83.0%
2. ____ Control Environment	27	25	92.6%
3. ____ Disclosure and Transparency	16	13	81.3%
4. ____ Shareholder rights	28	26	92.9%
5. ____ Stakeholder relations	7	6	85.7%
____ TOTAL	172	148	86.0%

THE RESPONSIBILITY OF THE BOARD OF DIRECTORS

The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

(G20/OECD Principles of Corporate Governance, 2015)



PRINCIPLE 1: ESTABLISHING CLEAR ROLES, RESPONSIBILITIES AND COMMITMENT OF THE BOARD

Principle 1.1

The Board should clearly define and disclose the full scope of its roles, responsibilities, and accountabilities.

Source of information: Charter/Internal Regulation on Corporate Governance/ Company's website/DHG Pharma Cultural Identity/Operational regulation of the BOD/Annual Report.

Criteria that DHG Pharma has met: **10/10** criteria.

Evaluation grounds:

To ensure the performance of the BOD, DHG Pharma has specified the rights, duties, operating principles of the BOD and other contents related to the BOD in the Charter/ Internal Regulation on Corporate Governance/Operational regulation of the BOD. As a result, the BOD has implemented/monitored/ supervised the following items:

- Developing long-term/mid-term development orientation and annual business plan, annual budget; Making decision on external investment plans and evaluating the efficiency of investment; Issuing and updating internal regulations to supervise investment and financial activities of the Company as well as clearly defining the functions, powers and responsibilities of the units and individuals.
- Monitoring the compliance of the accounting and financial reporting systems/complying with the current laws of the Company, assessing risks and proposing preventive solutions with the consultation of the Audit Committee.
- Developing strategic targets associated with environmental and social activities.
- Promoting high standards of business ethics, monitoring the implementation of the Code of Business Conduct and Ethics, and managing potential conflicts of interest through Regulation on controlling transactions with related parties and related members/DHG Pharma Cultural Identity.
- Recruiting, monitoring succession plans and offering appropriate remuneration for key management positions with the consultation of the Nomination Committee.
- Supervising the information disclosure process with the consultation of the Audit Committee. In which, the IR team will be responsible for disclosing information.

Principle 1.2

Board members should fully understand their fiduciary duties to act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and the shareholders, while taking into account the interest of the company's relevant stakeholders.

Source of information: Charter/Internal regulation on corporate governance/ Operational regulation of the BOD/Annual report.

Criteria that DHG Pharma has met: **9/9** criteria.

Evaluation grounds:

- The BOD members of DHG Pharma must commit to performing their duties honestly, faithfully, carefully and in the best interest of the Company, not allowing to exploit business opportunities that may benefit DHG Pharma for their personal purposes, not allowing to use information obtained thanks to their positions for personal gain or for the benefits of other organizations or individuals.
- Each member of the BOD is responsible for attending all the Company's BOD meetings in a year. In particular, the BOD has conducted 14 meetings, issued 14 Resolutions and 30 Decisions that address issues within the functions and authority of the BOD in 2020. Simultaneously, members of the BOD will receive the meeting documents sent by the BOD Secretary at least five (05) working days before the meeting. All the BOD meeting documents were translated into English by the Secretariat Team and sent to foreign BOD members no more than 24 hours after the Vietnamese materials were sent out. This effort was made to ensure that all BOD members have enough time to consider issues and contribute ideas more effectively during meetings. (Detail of the BOD meetings in page 89)
- Currently, the BOD's members who are foreigners have not got certificates of corporate governance awarded by the State Securities Commission, but they all have expertise and experience in corporate governance.

Principle 1.3

Together with senior management, the Board should promote good corporate governance culture within the company and monitor its effectiveness at all time.

Source of information: Charter/Internal regulation on corporate governance/ Annual Report/Sustainable development report/Company's website.

Criteria that DHG Pharma has met: **5/5** criteria.

Evaluation grounds:

DHG Pharma has well performed in accordance with these recommendations. The BOD has a central position in the corporate governance system, playing an important role in supervising. DHG Pharma's internal regulation on corporate governance is regularly updated based on both domestic and international best practices as well as currently applicable regulations, in order to promote the trust of shareholders, employees, investors, and the public.

Principle 1.4

The Board should be responsible for ensuring and adopting an effective succession planning program for directors, CEO and key executive management positions to ensure growth and a continued increase in the shareholders' value.

Source of information: Annual Report.

Criteria that DHG Pharma has met: **4/4** criteria.

Evaluation grounds:

Quarterly, the Nomination Committee reports to the BOD about recruitment and supervision of succession plans for key management positions that are qualified, professional, and trustworthy, to ensure their readiness for meeting the demands and the development scale of the Company.

EVALUATION ON THE CORPORATE GOVERNANCE (Continued)

CORPORATE GOVERNANCE PRINCIPLES FOR PUBLIC COMPANIES IN VIETNAM (Continued)



PRINCIPLE 2: ESTABLISHING A COMPETENT AND PROFESSIONAL BOARD

Principle 2.1

Collectively, the Board should possess a diversified and broad range of views, expertise, skills, and competencies, sufficient to provide effective stewardship and oversight of the company.

Source of information: Charter/Internal regulation on corporate governance/GMS documents.

Criteria that DHG Pharma has met: **5/8** criteria.

Evaluation grounds:

- In accordance with its current member structure, DHG Pharma's BOD consists of 7 members, among whom 2/7 are independent members and 3/7 are non-executive members. The remaining 2/7 members of the BOD are executive members entitled the General Director (CEO) and the Chief Operating Officer (COO). Three members of the current BOD are Japanese citizens. These BOD members possess key competencies in such areas as economics, business administration, finance, engineering, and marketing. As such, the BOD ensures a balance and diversity of skills, qualifications and experience that effectively serves the Company's management tasks.
- With the assistance of the Nomination Committee, the BOD has selected and proposed candidates for shareholders to vote. Candidacy and nomination of the Board of Directors' members are stipulated in Article 33 in the Charter of DHG Pharma as follows: "Shareholders who are holding 5% or more of their voting shares for at least six (06) consecutive months have the right to add up the number of voting rights of each other to nominate candidates for the BOD. A shareholder or a group of shareholders who are holding from 5% to under 10% of the total number of voting shares shall be entitled to nominate one (01) candidate; from 10% to under 30% may nominate up to two (02) candidates; from 30% to under 40% may nominate up to three (03) candidates; from 40% to under 50% shall be entitled to nominate up to four (04) candidates; from 50% to under 60% shall be entitled to nominate up to five (05) candidates; from 60% to under 70% shall be entitled to nominate up to six (06) candidates; from 70% to under 80% shall be entitled to nominate up to seven (07) candidates and from 80% to under 90% shall be entitled to nominate up to eight (08) candidates."

Criteria have not met:

- The current ratio of the BOD's non-executive and female member is 1/7. Best practice requires: The BOD should target to have at least two female members or 30% member of the BOD are female in order to optimize the benefit of gender diversity within the BOD.
- Charter/Internal regulation on corporate governance stipulates that shareholder holding at least 5% has the right to nominate/self-nominate position in the BOD. However, there are no regulations for the shareholder holding less than 5% to nominate candidate. The BOD will consider supplementing this content.
- A skills matrix for the BOD has not been issued. This matrix will have a description of the roles and competencies required for the appointment, include factors such as independence, diversity, age, gender, future planning, integrity, skills, expertise, experience, knowledge of the Company's business operations and business lines; and the willingness to contribute time and effort to fulfill the responsibilities of the BOD in the context of current structure and requirement of the BOD and Committees under the BOD.

Principle 2.2

The Board should be composed of at least two-thirds (2/3) of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgment on corporate affairs and to substantiate proper checks and balances.

Source of information: Charter/Internal regulation on corporate governance/Operational regulation of the BOD.

Criteria that DHG Pharma has met: **3/3** criteria.

Evaluation grounds:

Non-executive BOD members at DHG Pharma account for over 2/3 of the BOD and the Company clearly specifies the standards of non-executive BOD members to ensure an appropriate control and balance mechanism for the Board structure.

Principle 2.3

The Board shall appoint a professionally qualified Corporate Secretary who is accountable directly to the Board of Directors on all matters to do with the proper functioning of the Board.

Source of information: Charter/Annual report/Internal regulation on corporate governance.

Criteria that DHG Pharma has met: **3/4** criteria.

Evaluation grounds:

The BOD has appointed Ms. Duong Kim Loan as the Secretary of the BOD who concurrently is in charge of the corporate governance. At the same time, the Secretariat of the BOD has been established including Ms. La Thi Minh Thu, Ms. Dang Quynh Giao, and Ms. Nguyen Thi Ngoc Chau. The Secretariat of the BOD has direct responsibilities to the BOD for all issues related to the BOD's functions and activities.

The Secretariat of the BOD does not hold senior management position of the Company. In 2020, the Secretariat of the BOD successfully completed the task of advising and counseling the BOD ensure their compliance with the Company's Charter, Internal Regulation on Corporate Governance, business ethics and related legal issues, prevent any potential conflicts of interest that may arise, and update the Company's information and prepare for the BOD meetings. At the end of each fiscal year, the Secretariat plans the BOD meetings for the next fiscal year so that the BOD members can fully attend all meetings. The Secretariat of the BOD also regularly participates in professional training courses to support the work.

Principle 2.4

The Company should provide in its Board Charter and Corporate Governance Regulations a policy on the continuing development of directors, including an orientation program for first-time directors and relevant annual continuing training for all directors.

Source of information: Operational regulation of the BOD/Internal regulation on corporate governance.

Criteria that DHG Pharma has met: **4/5** criteria.

Evaluation grounds:

The review of the performance effectiveness of the BOD/General Director is implemented annually. However, the orientation programs for new BOD members are not clearly illustrated, which will be considered for improvement in the near future.





**PRINCIPLE 3:
 ENSURING EFFECTIVE BOARD LEADERSHIP AND INDEPENDENCE**

Principle 3.1

Once elected, all board members have a responsibility to the company, regardless of the shareholders, shareholder group, administrator or stakeholder who appointed them to the position.

Source of information Charter/Internal regulation on corporate governance.

Criteria that DHG Pharma has met: **3/3** criteria.

Evaluation grounds:

The BOD members of DHG Pharma perform their duties based on their knowledge and professional capacity, completely objective and not affected by any personal or professional relationship. No BOD members who act as consultants or advisers are paid by the Company.

Principle 3.2

To promote independent judgment by all board members and the integrity of the governance system, boards should have at least one-third (1/3) independent directors.

Source of information: The GMS Resolutions/The BOD report submitted to the GMS.

Criteria that DHG Pharma has met: **2/3** criteria.

Evaluation grounds:

The ratio of independent members of DHG Pharma's BOD is currently 2/7, including Mr. Do Le Hung and Mr. Phan Minh Tien. Although this number of independent members of the BOD has not reached the ratio of at least one-third (1/3) as required, this has been DHG Pharma's great effort given the context that finding suitable people is not easy.

Principle 3.3

The Board should ensure that its independent directors possess the necessary qualifications and none of the disqualifications for an independent director to hold the position.

Source of information: Charter/Internal regulation on corporate governance/ Annual report.

Criteria that DHG Pharma has met: **4/4** criteria.

Evaluation grounds:

Mr. Do Le Hung is an independent BOD member who concurrently functions as the Head of the Audit Committee. At the same time, Mr. Do Le Hung is a BOD member of VIOD. He has expertise and experience in finance, accounting and independence, to ensure effective and objective discussion at meetings.

Principle 3.4

The Board's independent directors should serve for a maximum cumulative term of nine years.

Source of information: Charter/Internal Regulation on Corporate Governance/Annual report.

Criteria that DHG Pharma has met: **2/2** criteria.

Evaluation grounds:

DHG Pharma's Charter and Internal Regulation on Corporate Governance stipulate criteria of an independent member of the BOD are: *not a person who used to be a member of the BOD, Board of Supervisory of DHG Pharma for at least five (05) consecutive years previously*. Currently, 02 independent BOD members at DHG Pharma have just joined the BOD for a period not exceeding 05 years. At the same time, these two independent members also function as Heads of the Nomination Committee and Audit Committee.

Principle 3.5

The Board should designate a lead director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and Chief Executive Officer (CEO) are held by one person.

Source of information: Resolutions of the BOD.

Criteria that DHG Pharma has met: **1/4** criteria.

Evaluation grounds:

The BOD Chairwoman is not concurrently the General Director position. However, the BOD Chairwoman is not yet an independent BOD member. DHG Pharma has not appointed a "lead member" among the independent BOD members, to lead the BOD in case the remaining BOD members have conflicts of interest.



PRINCIPLE 4:
ESTABLISHING BOARD COMMITTEES



Principle 4.1

The Board should set up an audit committee and ensure that it has adequate resources and authorities. The audit committee should ensure that proper internal controls are maintained and the company is in compliance with all relevant laws and regulations.

Source of information: Charter/Internal regulation on corporate governance/ Operational Regulation of the Audit Committee/Annual report

Criteria that DHG Pharma has met: **4/4** criteria.

Evaluation grounds:

The BOD established the Audit Committee and identified the capacity of its members, defined the rights and responsibilities of this committee. The Audit Committee consists of 3 BOD members. In which, the Head of this Committee is an independent BOD member, who has expertise and experience in finance, accounting, and the remaining 2 members are non-executive BOD members. The roles and responsibilities of the Audit Committee are specified in the Charter/Internal Regulation on Corporate Governance/Operational Regulation of the Audit Committee. In particular, the Audit Committee will be responsible for sectors including financial statements, IA, independent auditor, IC & RM, compliance, and reporting responsibility.



Principle 4.2

The Board should establish a competent risk management committee to ensure that the risks inherent to the company's business activities are properly managed.

Source of information: Operational regulation of the Audit Committee.

Criteria that DHG Pharma has met: **3/4** criteria.

Evaluation grounds:

The Audit Committee is responsible for matters related to (1) Financial Statements; (2) IA functions; (3) Independent Audit service; (4) IC and RM; (5) Compliance matters. With the above responsibilities, the Audit Committee concurrently holds the position of the Risk Management Committee. The Audit Committee has met 3 out of 4 criteria. Operational regulation of the Audit Committee has been issued but not yet announced on the Company's website.

Principle 4.3

The Board should establish corporate governance, nomination and remuneration committee to strengthen the effectiveness of company's corporate governance framework and ensure that the company's nomination and remuneration policies and practices support the successful appointment, development, and retention of directors and managers.

Source of information: Charter/Internal regulation on corporate governance/ Operational regulation of the BOD.

Criteria that DHG Pharma has met: **2/3** criteria.

Evaluation grounds:

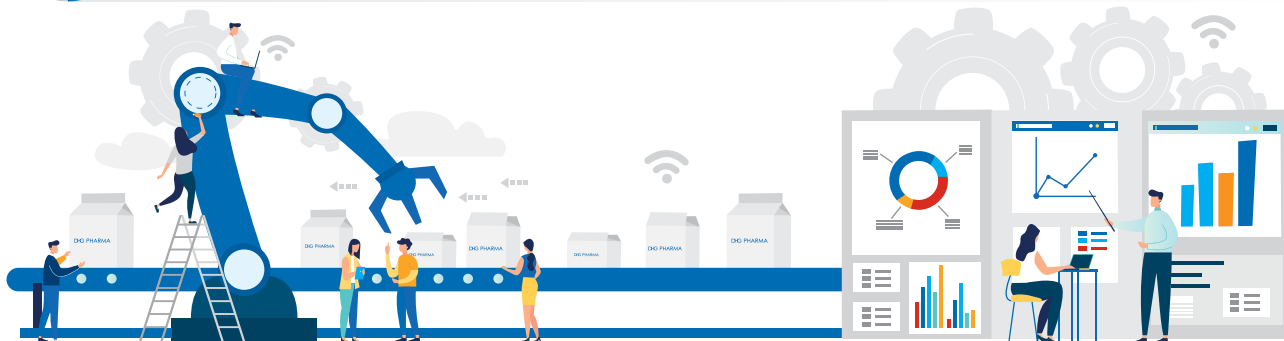
The BOD established the Nomination Committee with the above functions. The Nomination Committee consists of 3 BOD members. In which, the Head of this Committee is an independent BOD member and the remaining 2 members are executive BOD members. The roles and responsibilities of the Nomination Committee are specified in the Charter/Internal regulation on corporate governance/Operational Regulation of the BOD, but not yet issued as a separate regulation.

EVALUATION ON THE CORPORATE GOVERNANCE (Continued)

CORPORATE GOVERNANCE PRINCIPLES FOR PUBLIC COMPANIES IN VIETNAM (Continued)



PRINCIPLE 5: ENSURING EFFECTIVE PERFORMANCE FOR BOARD



Principle 5.1

The Board should conduct an annual self-assessment of its performance, including the performance of the Chairman, individual members and committees. Every three years, the assessment should be supported by an external facilitator.

Source of information: Annual report.

Criteria that DHG Pharma has met: **2/4** criteria.

Evaluation grounds:

The BOD conducts an annual self-assessment of its performance and Committees. Concerning the evaluation of each member's activities and hiring external consultants/advisors to evaluate this aspect will be considered for implementation by the BOD at suitable time.

Principle 5.2

The Board should have in place a system that provides, at the minimum, criteria and process to determine the performance of the Board, the individual directors, and its committees. Such a system should allow for a feedback mechanism from the shareholders.

Criteria that DHG Pharma has met: **0/3** criteria.

Evaluation grounds:

The Company will consider supplementing a system of criteria and processes to determine the work performance of the BOD, each BOD member, and its Committees.

Principle 5.3

When proposing director remuneration to the shareholders' meeting for approval, the board should consider whether the remuneration structure is appropriate for the directors' respective roles and responsibilities, linked to their individual and company performance, and provide incentives for the board to lead the company in meeting its objectives, both in the short and long term.

Source of information: Annual report.

Criteria that DHG Pharma has met: **3/3** criteria.

Evaluation grounds:

The Nomination Committee will propose the remuneration rate for each BOD member to the BOD for approval on the basis of his/her roles, responsibilities, performance and the Company's results in the year. The annual remuneration of the BOD members will be approved by the Company's AGM. The total annual remuneration for all BOD members normally accounts for about 1% of the Company's after-tax profit.



PRINCIPLE 6: ESTABLISHING AND MAINTAINING AN ETHICAL CORPORATE CULTURE

Principle 6.1

The Board should ensure the adoption a Code of Business Conduct and Ethics to set an appropriate ethical business culture within the Company. This Code would provide standards for professional and ethical behaviors, as well as articulate acceptable and unacceptable conduct and practices in internal and external dealings. The Code should be properly disseminated to the Board, Senior Management and employees. It should also be disclosed and made available to the public through the company website.

Source of information: DHG Pharma Cultural Identity.

Criteria that DHG Pharma has met: **3/3** criteria.

Evaluation grounds:

To set up a high-performance corporate culture, DHG Pharma has established and disseminated "DHG Pharma Cultural Identity" to all members of the BOD, the BOM and its employees. DHG Pharma will also consider disclosing "DHG Pharma Cultural Identity" on its website.



Principle 6.2

The Board should ensure the proper and efficient implementation and monitoring of compliance with the Code of Business Conduct and Ethics and internal policies.

Source of information: DHG Pharma Cultural Identity.

Criteria that DHG Pharma has met: **3/3** criteria.

Evaluation grounds:

The Audit Committee/The BOD ensures proper implementation and monitors the Company's compliance with rules of business ethics as well as the internal policies.

Principle 6.3

The Board of Directors is the focal point of and collectively bears accountability for the governance of the company, its long-term success and the delivery of sustainable value to its stakeholders. The Board should set the role model for management and employees of the Company to follow.

Source of information: Charter/Internal regulation on corporate governance/ Operational Regulation of the BOD.

Criteria that DHG Pharma has met: **3/3** criteria.

Evaluation grounds:

The BOD and the BOM of DHG Pharma always act ethically, honestly, and with integrity in all relationships and act as the focal points, responsible for governing the corporate, building long-term strategies, and ensuring sustainable values for the company's stakeholders. At the same time, the BOD and the BOM have always complied with all laws, regulations, standards, and internal regulations at DHG Pharma.

CONTROL ENVIRONMENT

The Company should have in place a sound risk management framework and an effective internal control system. The BOD has the ultimate responsibility for the Company's risk management framework, and it should oversee the establishment and functioning of internal control system in the Company. The BOD should establish control bodies of the Company and provide oversight to them.



PRINCIPLE 7: ESTABLISHING A SOUND RISK MANAGEMENT AND CONTROL ENVIRONMENT

Principle 7.1

The Board of Directors should ensure integration of strategy, risk and control, and oversee the effectiveness of Company's internal control system.

Source of information: Audit Committee report/Annual report.

Criteria that DHG Pharma has met: **6/6** criteria.

Evaluation grounds:

The BOD ensures the integration of strategy, risk and control, and oversee the effectiveness of the Company's IC system in details as follows:

- Strategies: Quarterly/yearly, the Strategy Committee submits to the BOD for approval of the short, medium, long-term strategic plans and all the updates and adjustments (if any).
- Risk & effectiveness monitoring of the IC system: Quarterly, the IC and RM Dept. and Legal Dept. report to the Audit Committee on the situation and performance of IC and RM, compliance at DHG Pharma. The Audit Committee, in turn, then reports to the BOD for supervision.
- Others: In 2019, the BOM has implemented a centralized information reception channel applied throughout the whole system of DHG Pharma. This channel provides a mechanism that allows violations to be reported and promptly handled with confidentiality of the personal information secured for the people who provide information, feedback or complaints.

Principle 7.2

The Board of Directors should establish an internal audit function that provides objective assurance and consulting activity designed to add value and improve an organization's operations.

Source of information: Audit Committee report/Annual report.

Criteria that DHG Pharma has met: **4/4** criteria.

Evaluation grounds:

- The BOD has established an IA function to ensure the effectiveness of its IC systems, RM framework and corporate governance, including: (1) The Audit Committee under the BOD (presented in Principle 4), (2) The IA Dept.
- The IA Dept. is established in accordance with current regulations and internationally recognized standards of the IA Institute (IIA). The IA Dept. under the authority and reports directly to the Audit Committee on the functions, expertise and under the General Director on administration. IA Manager is appointed by the Audit Committee.
- The Audit Committee receives the results of annual risk assessment, IA reports, results of the completion plan and quality assessment of the IA Dept., updating high-risk audit issues, recommendations of the IA Dept. and providing necessary guidance.

Principle 7.3

The Board should establish a compliance function as a second line of defense with the necessary standing and authority.

Source of information: Audit Committee report/Annual report.

Criteria that DHG Pharma has met: **3/3** criteria.

Evaluation grounds:

The BOD has established the IC and RM Dept as the second line of defense with all the necessary positions and powers. Quarterly, the IA Manager directly reports to the Audit Committee. At the same time, Manager of the Legal Dept. advises on the compliance situation, quarterly reports or in accordance with each specific incurring case.

Principle 7.4

The Board should oversee the Company's enterprise-wide risk management and ensure the risk management activities help the Company in making better and risk-informed strategic decisions, and managing risks within the Company's risk appetite.

Source of information: Audit Committee report/Annual report.

Criteria that DHG Pharma has met: **6/6** criteria.

Evaluation grounds:

- Quarterly, the Strategy Committee and the Audit Committee report to the BOD on the implementation of the Company's strategies and key risks. Risk appetite and RM framework are established with acceptable levels of risk corresponding to each strategy of the Company.
- The remuneration of the BOM is appropriate with the annual business situation to ensure the sustainable benefits of shareholders. In the construction of the compensation framework, the Company often hires consultants to ensure the harmony of interests of both the shareholders and employees.
- Previously, the Audit Committee appointed the IA Manager cum Manager of the IA Department, and Manager of IC and RM Department. From 01 Jan 2021, the IC and RM functions will be directly under and report to Deputy General Director in charge of Finance as well as periodically and irregularly report as per the Audit Committee's request.

Principle 7.5

The Board should ensure that foundation and framework for a cyber-resilient company are properly established.

Source of information: DHG Pharma Cultural Identity/the Company's rules.

Criteria that DHG Pharma has met: **3/4** criteria.

Evaluation grounds:

Cyber security risks are among top 10 risks that DHG Pharma is concerned with. Quarterly, the Audit Committee reports to the BOD about the Company's main risks, (including cyber security risks) and the BOM will review and discuss to ensure that the Company will be safely protected from these cyber security risks. Information confidentiality has also been clearly specified in DHG Pharma Cultural Identity and the Company's rules. Given that an independent cybersecurity specialist has not been appointed in the Company, DHG Pharma is considering this appointment in the near future.

Principle 7.6

The Board of Directors should establish the selection criteria for the external auditor, evaluation of the quality of work of the external auditor, and set procedures for follow-up on external auditors' recommendations.

Source of information: Charter/Selecting Independent Auditor Process.

Criteria that DHG Pharma has met: **3/4** criteria.

Evaluation grounds:

Article 18 of the Company's Charter stipulates that "the selection of auditor" must be approved by the GMS. The responsibility of the AC in selecting the auditing company is specified in Article 41 of the Company's Charter. The Audit Committee has issued Selecting independent auditor process.

Every 6 months/annually, the Audit Committee will have a meeting with the Independent Auditor before issue reviewed/audited financial statements. Within the meeting, the Audit Committee will consider all issues related to financial statements as well as recommendations from the Independent Auditor.

The independent auditor for DHG Pharma's fiscal year 2020 is Deloitte Vietnam Co., Ltd. - one of the Big Four Companies in auditing field. DHG Pharma has published its contract signing with independent auditors but has not disclosed the audit service fees and non-audit service fees.

DISCLOSURE AND TRANSPARENCY



PRINCIPLE 8: STRENGTHENING COMPANY DISCLOSURE PRACTICES

Principle 8.1

The BOD should establish the guidelines and procedures for disclosure of information to shareholders and other stakeholders and oversee their enforcement.

Source of information: Information disclosure process/Reports on corporate governance/Annual report.

Criteria that DHG Pharma has met: **6/6** criteria.

Evaluation grounds:

The BOM established IR Team which plays an important role in information disclosure activities. This department helps to ensure that the public disclosure of information is accurate, timely and in compliance with applicable laws and regulations. The Audit Committee is the unit that supervises the disclosure of financial and non-financial reports.

Simultaneously, DHG Pharma has issued an Information Disclosure Process. The Information Disclosure Process has clearly stated that members of the BOD, BOM, the internal persons of the Company, and related stakeholders must notify or report to the Company on transactions in shares of the Company (Ticker symbol: DHG) when value of transaction is expected to be above VND 50 million/day or from VND 200 million/month above (according to par value or transferring value) at least 03 working days before the transaction date. Moreover, once every six months, the IR team will send reminder emails about this issue to all of the members.

Principle 8.2

To promote an effective cost-efficient access to relevant information, the BOD should ensure easy and non-discriminatory access to disclosed information using diverse tools of communication.

Source of information: Charter/Website.

Criteria that DHG Pharma has met: **3/3** criteria.

Evaluation grounds:

At the “Vietnam Listed Company Awards 2020”, DHG Pharma was proud to be honored with 03 awards as follows: Top 10 Midcap Best Annual Reports; Top 5 Midcap Best Corporate Governance Reports and Top 5 Best Sustainable Development Reports. Especially, DHG Pharma continues to stay in Top 10 Best Annual Reports for 12 consecutive years (2009 - 2020) and Top 5 Best Sustainability Reports for 5 consecutive years (2016 - 2020).

At DHG Pharma, the information is strictly disclosed by DHG Pharma in accordance with the following principles:

- Information disclosure must be performed in an accurate, sufficient, clear and timely manner as prescribed on DHG Pharma’s website (in Vietnamese and English), State Securities Commission and HCM City Stock Exchange, aiming to achieve higher international standards.
- All shareholders and investors have the right to access any information disclosed on DHG Pharma’s website under the following link: <https://www.dhgpharma.com.vn/en/investor-relations>



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Important information was informed to shareholders in a timely manner and disclosed on the Company’s website in English and Vietnamese includes:

- Annual report and Sustainable development report, which provide the overall picture of the business situation, major changes, development strategies in the short/medium/long term.
- Notice, meeting materials, minutes/resolutions of the GMS.
- Reports on corporate governance, which are periodically carried out 6 months/year provide sufficient information on the GMS, the BOD members, meetings and transactions with related stakeholders.
- Quarterly/interim/audited financial statements help shareholders capture the latest business results of the Company. Financial statements are also reviewed by the Audit Committee before being issued to ensure the integrity of financial statements.
- Other extraordinary information disclosures such as appointment/dismissal of BOM members, functional directors, share transaction notices, etc.
- In 2020, DHG Pharma performed approximately 40 times of information disclosure within the prescribed time limit and without prompting or breach of information disclosure.
- In the context of the Covid-19 pandemic, DHG Pharma restricted the organization of face-to-face meetings and replaced it with online meetings, discussion via email, etc. to regularly update operations, business performance and strategies of the Company to shareholders and investors.

Principle 8.3

The BOD should ensure disclosure of key non-financial information, including environmental and social reporting.

Source of information: Annual Report/Sustainable Development Report/ Company’s website.

Criteria that DHG Pharma has met: **3/4** criteria.

Evaluation grounds:

The BOD is committed to ensuring the disclosure of non-financial information, including reports on environmental and social issues.

EVALUATION ON THE CORPORATE GOVERNANCE (Continued)

CORPORATE GOVERNANCE PRINCIPLES FOR PUBLIC COMPANIES IN VIETNAM (Continued)

Principle 8.4

The BOD should ensure remuneration of the BOD and BOM members are disclosed publicly to satisfy concern of from the shareholders with regards to remuneration, performance and value creation.

Source of information: GMS documents/Annual Report.

Criteria that DHG Pharma has met: 1/3 criteria.

Evaluation grounds:

Remuneration and bonuses of the BOD, BOM are presented on page 98 of the Annual Report. However, the disclosed information should be presented in more detail.

SHAREHOLDER RIGHTS

The BOD needs to protect the rights of shareholders and ensures equitable treatment of all shareholders, including minority and foreign shareholders.



PRINCIPLE 9: ESTABLISHING A FRAMEWORK FOR EFFECTIVE EXERCISE OF SHAREHOLDER RIGHTS

Principle 9.1

The BOD should establish and disclose the policies protecting shareholders' rights and oversee their implementation.

Source of information: Charter/Company's website/Report on Corporate Governance/Annual report/Financial statements.

Criteria that DHG Pharma has met: 5/5 criteria.

Evaluation grounds:

Basic rights of shareholders include:

- The right to secure ownership registration.
- The right to transfer shares.
- The right to access company information in a timely and regular manner.
- The right to participate, speak and vote at the GMS.
- The right to vote and dismiss members of the BOD.
- The right to receive dividend from the company's profit.

Report on corporate governance, annual reports and financial statements all disclosed that shareholders own more than 5% of the total shares of DHG Pharma.

Principle 9.2

The BOD should organize effective shareholders' meetings.

Source of information: Charter/Company's website/GMS documents.

Criteria that DHG Pharma has met: 10/10 criteria.

Evaluation grounds:

In 2020, DHG Pharma carried out the AGM on 29 Jun 2020. All procedures in the organization of the meeting were implemented in accordance with the law to ensure optimized rights and benefits for shareholders.

On 07 Apr 2020, DHG Pharma announced the record date to attend the 2019 AGM on the Company's website, following which, the record date was 12 May 2020 (DHG Pharma had disclosed the related information 20 days before the record date).

On 20 May 2020, the invitation notice was sent by a guaranteed method to DHG Pharma's shareholders whose names on the list provided by Vietnam Securities Depository in HCM City (21 days before the opening of the Meeting).

On 22 May 2020, all AGM documents were posted on the website of DHG Pharma in both Vietnamese and English (21 days before the opening of the Meeting).

At the AGM, shareholders vote on each item of report/ statement by "voting ballot" according to each decision (for/against/abstain). Contents of resolution approved by the GMS are as follows:

- Approval of the BOD report regarding the Company's performance in 2019, performance and remuneration of the BOD in 2019; Approval of the Audit Committee report in 2019; Approval of the audited consolidated financial statements FY 2019; Business targets in 2020.
- Report on profit distribution in 2019, fund balance after the profit distribution in 2019 and profit distribution plan in 2020.
- Selection of Deloitte Vietnam Company Ltd. as the auditor of the financial statements FY 2020 of DHG Pharma.
- Approval to supplement the additional business lines of DHG Pharma.
- Amendments and supplements of the Charter of DHG Pharma (23rd revision).

In addition, all members of the BOD, members of the Committees under the BOD and the BOM attended the AGM. The Company also invited independent auditing representatives to attend the Meeting. After twenty four (24) hours since the end of the General Meeting, Minutes of meetings, Minutes of vote counting, and Resolutions of the AGM were posted on DHG Pharma's website in both Vietnamese and English for domestic and foreign shareholders.



EVALUATION ON THE CORPORATE GOVERNANCE (Continued)

CORPORATE GOVERNANCE PRINCIPLES FOR PUBLIC COMPANIES IN VIETNAM (Continued)

Principle 9.3

The BOD should develop and implement a fair and consistent dividend policy.

Source of information: Company's website/Annual Report.

Criteria that DHG Pharma has met: **4/4** criteria.

Evaluation grounds:

According to the Development Strategy for the period 2016 - 2020, DHG Pharma will implement a policy of paying dividends in cash at a minimum of 30% par value every year. This practice helps to balance a certain amount of profits for reinvestment in the Company's development and increase the accumulated value for shareholders.

The dividends of DHG Pharma throughout the years:

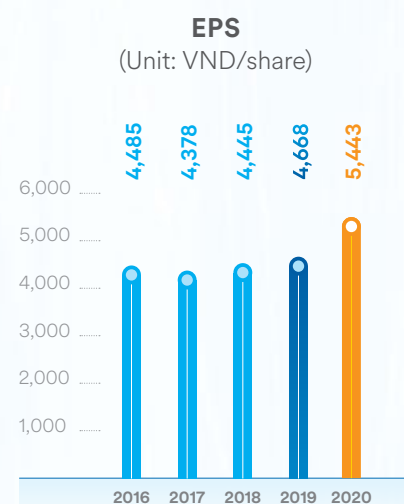
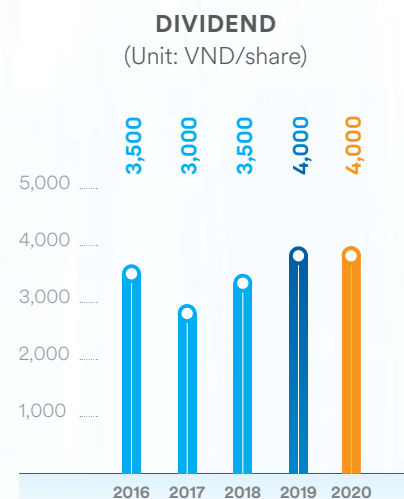
Criteria	2016	2017	2018	2019	2020
Dividend (VND/share)	3,500	3,000	3,500	4,000	4,000
Total dividend value (VND B)	305.1	392.2	457.6	523.0	523.0
% dividend/profit after tax (%)	44.3	61.1	70.3	82.8	70.8
EPS (VND/share)	4,485	4,378	4,445	4,668	5,443

DHG Pharma always pays full dividends to shareholders within 30 days after the approval of the Resolution of the BOD/the GMS.

Dividends for fiscal year 2019: The company has paid dividends in cash for 2 phases:

- Phase 1: rate of 30% par value, information disclosure on 07 Apr 2020, record date on 12 May 2020, payment date on 05 Jun 2020.
- Last phase: rate of 10% par value, information disclosure on 30 Jun 2020, record date on 15 Jul 2020, payment date on 30 Jul 2020.

Information on dividends is published within 24 hours since the issuance of BOD/GMS Resolution. The Company will consider disclosing dividend policy on the Company's website.



Principle 9.4

All shareholders shall be treated equally.

Source of information: Charter/Internal regulation on corporate governance/Annual report/Financial statements/Company's website.

Criteria that DHG Pharma has met: **3/4** criteria.

Evaluation grounds:

To ensure equitable treatment of all shareholders, the rights and obligations of shareholders are clearly and transparently stated in the Company's Charter and Internal Regulation on Corporate Governance. The Company's Charter, Internal Regulation on Corporate Governance, Annual Reports, Quarterly Financial Statements and Information Disclosures in accordance with Circular 155/2015/TT.BTC are all published on the website of the State Securities Commission, HoChiMinh Stock Exchange, and the Company's website so that all shareholders can access the information quickly and accurately.

Some provisions of the Company's Charter to protect minority shareholders:

Clause 3, Article 15 of the Company's Charter stipulates that a shareholder or a group of shareholders holding five percent (5%) or more of the total number of ordinary shares for at least six (06) consecutive months or more shall have the following rights:

- To nominate members to the BOD.
- To request the BOD to convene the GMS.
- The request must be made in writing, accompanied by the required documents and evidence of the violations of the BOD, the extent of the violations or the decisions beyond its competence.
- To inspect and receive a copy or an extract of the list of shareholders entitled to attend and vote at the GMS.
- To request the BOD to inspect each particular issue related to the management and operation of DHG Pharma whenever necessary.
- Other rights as prescribed by law and the Company's Charter.



EVALUATION ON THE CORPORATE GOVERNANCE (Continued)

CORPORATE GOVERNANCE PRINCIPLES FOR PUBLIC COMPANIES IN VIETNAM (Continued)

Principle 9.5

Related-party transactions (RPTs) should be approved and conducted in a manner that ensures proper management of conflict of interest and protects the interest of the company and its shareholders.

Source of information: Charter/Internal regulation on corporate governance/ Information Disclosure Process/Regulation on transactions with related stakeholders.

Criteria that DHG Pharma has met: 4/5 criteria.

Evaluation grounds:

Trading of shares of internal persons and related persons:

Internal persons and related stakeholders conduct shares transactions, it is necessary to disclose information, report before and after making transaction to State Security Commission, Stock Exchange when value of transaction is expected to be above VND 50 million/day or from VND 200 million/month above (according to par value or transferring value) avoiding the use of internal information to purchase/sell shares as follows:

- At least 03 working days before the transaction date, internal persons and related persons must disclose information.
- Within 05 working days after completing the transaction, internal persons and related stakeholders must disclose information.

Shareholders' internal transactions or contracts:

In the Regulation on Corporate Governance and the Charter of the Company, there is a clear stipulation on "Responsibility, Honesty and Avoidance of Conflict of Interest" in Article 50 of the Charter of DHG Pharma, promulgated for the 23rd time:

- Members of the BOD, members of the Committees under the BOD, the General Director and Enterprise Executives must publish the related interests in compliance with regulations of the Law on Enterprises and other relevant laws.
- Members of the BOD, members of the Committees under the BOD, the General Director and other Enterprise Executives have the obligation to inform the BOD of the transactions between DHG Pharma, subsidiaries of DHG Pharma and companies with fifty percent (50%) or more of charter capital controlled by DHG Pharma with the above members or their related persons in compliance with provisions of law. DHG Pharma must publish information about the transactions of the above-mentioned persons which have been approved by the General Meeting of Shareholders or the BOD in accordance with the Securities Law on information disclosure.
- Members of the BOD are not allowed to cast votes on the transactions that are beneficial for themselves or their related persons in compliance with the Law on Enterprises and the Company's Charter.
- Members of the BOD, members of committees under the BOD, the General Director, the Enterprise Executives and the related persons to the above members shall not use information that is not permitted for publication of DHG Pharma or disclosure to other people to carry out the relevant transactions.

In 2020, there were no transactions between these members and the Company.

Transactions with related stakeholders

Transactions with subsidiaries, associates as well as dividend payments are presented in "Related Stakeholder Transactions and Balances" in Section 39 of the Notes of the Parent Company's audited financial statements in 2020 and Section 41 of the Notes of the audited consolidated financial statements in 2020. Apart from the above transactions, there were no incurring transactions with related stakeholders in 2020.

The Company has issued regulation on transactions with related stakeholders in order to identify which party is affiliate, control these transactions, ensure benefits, interests of DHG Pharma and shareholders.



STAKEHOLDER RELATIONS

The BOD should consider and respect the interests of all stakeholders who are affected by company's operations in its decision making.



PRINCIPLE 10: BUILDING EFFECTIVE STAKEHOLDER ENGAGEMENT

Principle 10.1

The BOD should ensure establishing rules for stakeholder protection and engagement.

Source of information: 7 core values of DHG Pharma/Cultural identity of DHG Pharma/Annual Report/Sustainable Development Report/Regulation on transactions with related stakeholders.

Criteria that DHG Pharma has met: 4/5 criteria.

Evaluation grounds:

The BOD is committed to considering and respecting the interests of all related stakeholders as well as stakeholders affected by the Company's activities. Currently, the BOD has not yet issued process for identifying related stakeholders such as employees, creditors, customers, local community, suppliers and other important non-governmental organizations. These points are specified in the Cultural identity of DHG Pharma.

During the year, the Company did not detect any transactions with conflicts of interest. Policies regarding anti-inflation and anti-corruption are also strictly enforced by the Company.

Principle 10.2

The BOD should ensure and oversee the appropriate dialogue between the company and its stakeholders.

Source of information: 7 core values of DHG Pharma/Cultural identity of DHG Pharma/ Regulation on transactions with related stakeholders.

Criteria that DHG Pharma has met: 2/2 criteria.

Evaluation grounds:

During the year, the BOM continued to maintain the centralized communication channel to receive and process comments, feedback and complaints of individuals and communities related to the Company's activities. The data are sent directly to the General Director, and this communication channel is supervised by the Internal Audit Department of the Audit Committee.

ASEAN CORPORATE GOVERNANCE SCORECARD

DHG Pharma has not only achieved a high score in Corporate Governance Code for public companies in Vietnam but also got a good response in ASEAN Corporate Governance Scorecard. In particular, DHG Pharma got 158/184 for meeting 100% of the practice (equivalent to 85.9%), 1 N/A criteria (not apply for DHG Pharma) and 25 criteria that haven't been implemented fully and haven't been implemented.



The criteria are evaluated in details as follows:

Contents	Recommendation	Response	Ratio
A. ____ Rights of shareholders	21	20	95.2%
B. ____ Equitable treatment of shareholders	15	15	100.0%
C. ____ Role of stakeholders	13	12	92.3%
D. ____ Disclosure and transparency	32	31	96.9%
E. ____ Board responsibility	65	51	78.5%
____ Bonus card	13	5	38.5%
____ Penalty card	25	25	100.0%
____ TOTAL	184	159	86.4%



A. RIGHTS OF SHAREHOLDERS

Source of information: Charter/Internal regulation on corporate governance/GMS documents.
Criteria that DHG Pharma has met: 20/21 criteria.

EVALUATION GROUNDS:

- ____ A.1 ____ **Basic Shareholder Rights:**
- DHG Pharma has made dividend payment to shareholder based on the resolution of the AGM 2019 with dividend rate of VND 4,000 /share, detail as follows:
- Advance of Phase 1: VND 3,000/share in cash, announced on 07 Apr 2020, record date on 12 May 2020, payment date on 05 May 2020.
 - Last payment: VND 1,000/share in cash, announced on 30 Jun 2020, record date on 15 Jul 2020, payment date on 30 Jul 2020.
- ____ A.2 ____ **Right to participate in decisions concerning fundamental corporate changes:**
- Article 18 of the Company's Charter has detailed right of shareholder. At the AGM 2019 on 29 Jun 2020, shareholder has voted to approve the addition of business lines, the Company's Charter with approval rate of 99.99%.
- ____ A.3 ____ **Right to participate effectively in and vote in general shareholder meetings and should be informed of the rules, including voting procedures, which govern general shareholder meetings:**
- The AGM 2019 held on 29 Jun 2020 totally comply with laws, charter, internal regulation in corporate governance of the Company, ensure rights and shareholder's interest, detail as follows:
- In the Company's Charter, shareholder has the right to apply for, nominate member of the BOD (reference to Article 33 and Article 18).
 - The AGM agenda was sent to all shareholders on 20 May 2020. The meeting agenda included time, location, agenda, registration instruction/ proxy and instruct all AGM documents.
 - Prior to Meetings, shareholders can submit their proposals for GMS' agendas (must be in writing and must be sent at least three (03) working days prior to the opening date of the GMS).
 - The AGM documents provided to shareholders with sufficient information and explanation for each agenda item which requires shareholders' approval. The AGM documents are uploaded on the Company's website in Vietnamese and English on 22 May 2020 (21 days before the opening of the the AGM).
 - At Meetings, DHG Pharma always invited a shareholder to be a member of the Meeting Supervisory Committee and information of the shareholder will be shown in the minutes of Meetings.
 - At Meetings, the Company always spent more than 30 minutes giving shareholders a chance to ask questions to the BOD about Meeting agendas, including questions related to independent audits, etc. Discussion questions were recorded in the minutes of Meetings.
 - The minutes and resolutions of the GMS were disclosed within 24 hours in Vietnamese and English on DHG Pharma's website.
- Criteria have not met:**
- Voting in absentia: The Charter and Internal regulation on corporate governance include absentee voting form, however, DHG Pharma has not implemented at the previous general meetings due to not satisfying necessary criteria. The Company shall consider the implementation of this form at the next general meetings.
- ____ A.4 ____ **Markets for corporate control should be allowed to function in an efficient and transparent manner:**
- In 2018, 2019 and 2020, there is no cases in DHG Pharma.
- ____ A.5 ____ **The exercise of ownership rights by all shareholders, including institutional investors, should be facilitated:**
- DHG Pharma always updates its quarterly business results, the Company's strategies to shareholders and investors in the meetings, teleconference, email, etc. The IR team is ready to answer questions and record feedback from shareholders and investors.

EVALUATION ON THE CORPORATE GOVERNANCE (Continued)

ASEAN CORPORATE GOVERNANCE SCORECARD (Continued)



B. EQUITABLE TREATMENT OF SHAREHOLDERS

Source of information: Charter/Internal regulation on corporate governance/GMS documents/Regulation on controlling transactions of related parties and related members.
Criteria that DHG Pharma has met: 15/15 criteria.

EVALUATION GROUNDS:

- ___ B.1 ___ **Shares and voting rights:**
Voting form is distributed to shareholders or proxy in the GMS. Shareholder/proxy will mark (X) or mark (✓) in each decision: "Approve", "Against", "Abstain" with confirmation signature in the voting form.
- ___ B.2 ___ **Notice of AGM:**
Reference section A.3
- ___ B.3 ___ **Insider trading and abusive self-dealing should be prohibited:**
Reference section 9.5, Vietnamese Corporate Governance Code of Best practice for public company.
- ___ B.4 ___ **Related party transactions (RPTs) by directors and key executives:**
The Audit Committee coordinates with Internal Control and Risk Management department to build and issue Regulation on controlling transaction between related parties and members. The BOD member participates in the AGM but has no voting right on matters, transactions in which that member has conflicts of interest.
- ___ B.5 ___ **Protecting minority shareholders from abusive actions:**
Reference section 9.5, Vietnamese Corporate Governance Code of Best practice for public company.



C. ROLE OF STAKEHOLDERS

Source of information: Annual report/Sustainable Development Report /Regulations on centralized information receiving channel/Company's website/Collective labor agreement/Democratic regulation/Regulation on dialogue at workplace.
Criteria that DHG Pharma has met: 12/13 criteria.

EVALUATION GROUNDS:

- ___ C.1 ___ **The rights of stakeholders that are established by law or through mutual agreements are to be respected:**

Code of conduct and stakeholder engagement are detailed in the Annual report and Sustainable Development report.

Criteria have not met:

DHG Pharma has not yet had policies to protect the interests of creditors and will consider supplementing.
- ___ C.2 ___ **Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights:**

Related stakeholders have the right to raise concerns and/or complaints for possible violation of their rights base on uploaded information on the Company's website, Annual report and Sustainable Development report.
- ___ C.3 ___ **Mechanisms for employee participation should be permitted to develop:**

Policies and practices on health, safety and welfare for employees are detailed in Annual report and Sustainable Development report.
- ___ C.4 ___ **Stakeholders including individual employee and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and their rights should not be compromised for doing this:**

Collective Labor Agreements were signed at the Annual Employee Conference in order to ensure rights and interests of employees as well as employers. Since 01 Oct 2019, DHG Pharma has implemented a centralized information reception channel for its employees. The Company is committed to protecting the sender's information.



EVALUATION ON THE CORPORATE GOVERNANCE (Continued)

ASEAN CORPORATE GOVERNANCE SCORECARD (Continued)



D. DISCLOSURE AND TRANSPARENCY

Source of information: Annual report/Corporate governance report/Financial statements
Criteria that DHG Pharma has met: 31/32 criteria.

EVALUATION GROUNDS:

___ D.1 ___ Transparent ownership structure:

Information of shareholder structure, major shareholders, internal shareholders, members of the BOD and BOM, share transaction between internal members and related stakeholder are stated in Annual Reports and 6-month/annual corporate governance reports.

___ D.2 ___ Quality of Annual Report:

The Annual report discloses comprehensively, specifically, and transparently to shareholders, investors and related stakeholders such as vision, mission, short/medium/long-term strategy, financial and non-financial indicators, dividend policy, the BOD's background, number and contents of the BOD meetings, remuneration to BOD, corporate governance report,... Annual report of the Company continue to stay in "Top 10 Best Annual reports" in 13 consecutive years. This is the effort of IR team in optimizing the value of shareholders and investors by providing the most complete, quick and accurate information.

___ D.3 ___ Disclosure of related party transactions:

Information of RPTs include name of related parties, relationship, nature, value of transaction,... are detailed in Annual report, Financial statements and Corporate governance report.

___ D.4 ___ Directors and commissioners dealings in shares of the company:

Internal person and related person must disclose information 03 working days before the date of trading share and in 05 working days after complete the transaction.

___ D.5 ___ External auditor and Auditor Report:

Criteria have not met:

The Company disclosed information on auditing contracts with auditors but the Company has not disclosed audit fees.

The Company hires Big Four company (EY) to advise in developing Internal control system, advice tax services,... When hiring, DHG Pharma always considers carefully factors to avoid potential conflicts of interest.

___ D.6 ___ Medium of communications:

Quarterly Financial statements of the Company are disclosed on the website and other social media according to information disclosure deadline. The Company organized shareholder/investor meetings, teleconference, email, etc. to update the Company's business results. In addition, the Company regularly posts articles updating the business situation and promoting the Company's images on the media.

___ D.7 ___ Timely filing/release of annual/financial reports:

Financial statements 2020 was disclosed within 66 days since the financial year end. Annual report of the Company is issued within 20 days since the disclosing date of Audited Financial statements.

___ D.8 ___ The Company's website:

All shareholders and investors can access DHG Pharma's disclosed information on the Company's website at: <https://www.dhgpharma.com.vn/en/investor-relations>

___ D.9 ___ Investor relations:

The Company's website has contact section and inquiry section. Besides, DHG Pharma also disclosed the contact information of the IR Team on Annual Reports, Sustainable Development Reports.



E. BOARD RESPONSIBILITY

Source of information: Charter/Internal regulation on corporate governance/Annual report/Corporate governance report/Company's website
Criteria that DHG Pharma has met: 51/65 criteria.

EVALUATION GROUNDS:

___ E.1 ___ Board Members Duties and Responsibilities:

Board Members Duties and Responsibilities are detailed in Charter, Internal regulation on corporate governance. These have been uploaded on the Company's website in Vietnamese and English at:

- Vietnamese link: <https://www.dhgpharma.com.vn/vi/quan-he-co-dong>
- English link: <https://www.dhgpharma.com.vn/en/investor-relations>

___ E.2 ___ Board Structure:

Operational model, structure, role, responsibility and remuneration of BOD members are stated in the Company's Charter and Corporate governance regulation. Please refer to page 102 - 103 (Principle 1: Establishing clear roles, responsibility and commitment of the Board).

___ E.3 ___ Board Processes:

In 2020, the BOD conducted 14 meetings, BOD members had attended all meetings. In 2020, because of Covid-19 pandemic, most of the meetings were held online or email documents. Meeting documents were sent to BOD members at least 5 working days before the meeting and all meeting documents are prepared in Vietnamese and English. All BOD members actively participated in supervising activities of the Company, discussing, providing recommendation, proposing, etc.

___ E.4 ___ Board Personnel:

The titles of Chairwoman and General Director are separated in order to balance the power, increase responsibility and independent decision making of BOD and BOM. The Company has 2/7 Independent BOD members and 5/7 non-executive BOD members.

___ E.5 ___ Board Performance:

Annual performances of the BOD/General Director were shown in the Annual reports. However, the orientation program for new BOD members was unclear.

EVALUATION ON THE CORPORATE GOVERNANCE (Continued)

ASEAN CORPORATE GOVERNANCE SCORECARD (Continued)

Criteria have not met:

No.	Questions contents	Response levels at DHG Pharma
E.2.1	Are the details of the code of ethics or conduct disclosed?	Have not implemented fully The Company's website clearly explains in details the meaning of 07 core values in terms of code of ethics and conduct with related parties. At the same time, the Company has a handbook known as "Cultural identity of DHG Pharma". The Company will consider posting "Cultural identity of DHG Pharma" on the Company's website.
E.2.4	Do independent directors/commissioners make up at least 50% of the board of directors/commissioners?	Have not implemented fully Independent BOD members are 2/7 members.
E.2.9	Is the Nominating Committee comprised of a majority of independent directors?	Have not implemented fully The Nomination Committee consists of 3 BOD members. In particular, independent BOD member is 1/3 members.
E.2.14	Is the Remuneration Committee comprised of a majority of independent directors?	Have not implemented fully
E.2.21	Does the company disclose the terms of reference/governance structure/charter of the Audit Committee?	Have not implemented fully The Charter, Internal regulation on corporate governance and operational regulation of Committee specifically regulated these contents. But the Company hasn't disclosed the Committee's operational regulation on the website.
E.3.15	Does the company have measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interests of the company, such as claw back provision and deferred bonuses?	Have not implemented The Company will consider supplementing this benchmark in the coming years.
E.4.2	Is the chairman an independent director/commissioner	Have not implemented The Chairwoman is a non-executive BOD member.
E.5.1	Does the company have orientation programs for new directors?	Have not implemented fully Annual performances of the BOD/General Director were shown in the Annual reports. However, the orientation program for new BOD members was unclear.
E.5.2	Does the company have a policy that encourages directors to attend on-going or continuous professional education programs?	Have not implemented fully The Company has policies to encourage the BOD to participate in training programs in charge by the Nomination Committee.
E.5.3	Does the company disclose the process on how the board of directors plans for the succession of the CEO/Managing Director/President and key management?	Have not implemented fully DHG Pharma has established a successor team, however, this team has not been publicly disclosed.
E.5.4	Does the board of directors conduct an annual performance assessment of the CEO/Board Chairman?	Have not implemented fully Annual Reports stated an assessment on the performance of General Director. An assessment on the performance of the BOD Chairwoman has not been stated.
E.5.5	Did the company conduct an annual performance assessment of the board of directors and disclose the criteria and process followed for the assessment?	Have not implemented fully An assessment was conducted but not detailed in Annual Reports.
E.5.6	Did the company conduct an annual performance assessment of the individual directors/commissioners and disclose the criteria and process followed for the assessment?	Have not implemented The Company reviews the BOD activities. An assessment for each BOD member has not been conducted.
E.5.7	Did the company conduct an annual performance assessment of the board committees and disclose the criteria and process followed for the assessment?	Have not implemented fully An assessment was conducted but not detailed in Annual Reports.



PLAN FOR IMPROVING THE QUALITY OF CORPORATE GOVERNANCE

As the result of the assessment of the implementation of corporate governance based on ASEAN Corporate Governance Scorecard, DHG Pharma has set a number of focal goals that need to be implemented and completed in 2021 to further improve the quality of governance. The objectives that should be implemented are specified as follows:



1. CONTENT RELATES TO BOD

- Developing skills matrix has not been issued as the BOD describe roles and qualification need for nomination, include factors such as independence, diversity, age gender, future planning, integrity, skills, expertise, experience, knowledge of the business and business lines of the Company
- Developing orientation and professional training programs for BOD members on regular basis.
- Considering to have at least two female member or 30% member of the BOD are female in order to optimize the benefit of gender diversity within the BOD. At the same time, considering to have at least one Independent BOD member is female.
- Considering the appointment of a "lead member" among the independent BOD members. The leader of independent BOD member must have the power to lead the BOD in case the remaining BOD members (include Chairwoman cum General Director) have conflicts of interests.
- Conducting periodic assessment of performance of each BOD member and Committee under the BOD.



2. CONTENTS RELATE TO INFORMATION DISCLOSURE:

- At present, on the website, DHG Pharma has just disclosed the Company's Charter and Internal Regulation on Corporate Governance. DHG Pharma will continue to disclose on the Company's website such as (1) Operational Regulation of the BOD, (2) Operational Regulation of the Committees, (3) Cultural identity of DHG Pharma, (4) Regulation on controlling transaction between related parties and members, (5) Dividend policy and other contents (if any).
- The meeting notice of the GMS will be considered to send at least 28 days prior the meeting.

RISK MANAGEMENT

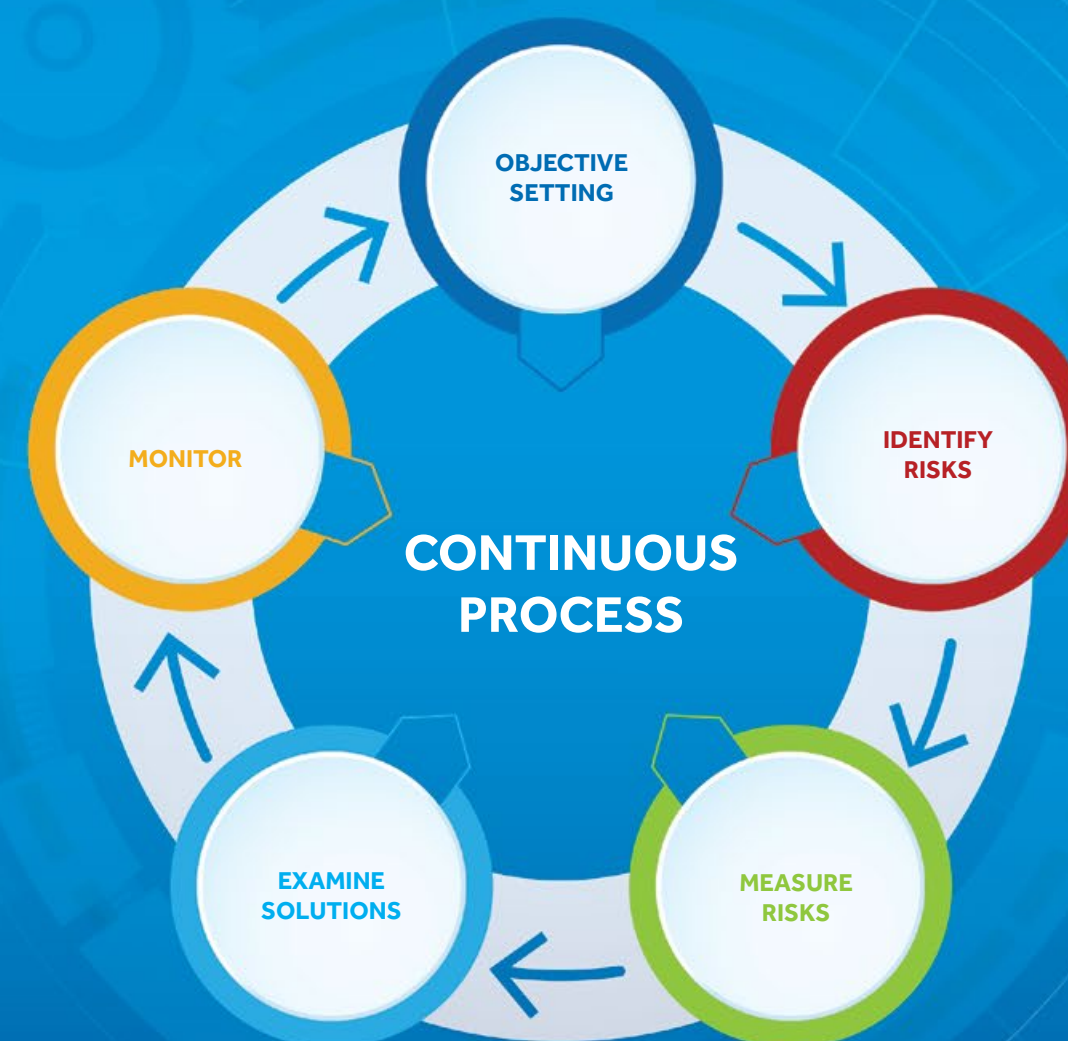
The year 2020 has been a challenging year with many obstacles derived from the volatile economic situation compounded by the outbreak of Covid-19 pandemic. These have caused massive and extensive impact and the situation continues to progress further with unpredictable complication. In such a volatile and complex scenario, effective risk management activities have become an ultimate measure that enabled DHG Pharma to ensure the Company's smooth operation and development.

Orientation of risk management as below model









DHG Pharma has taken appropriate development steps in relation to its risk management activities. The role of risk management has been fully and profoundly recognised with a stronger focus, which has gradually been integrated into other operational aspects of the Company in order to provide correct and timely directions.












Risk management process



REPORT ON THE INTERNAL CONTROL AND RISK MANAGEMENT IN 2020 (Continued)

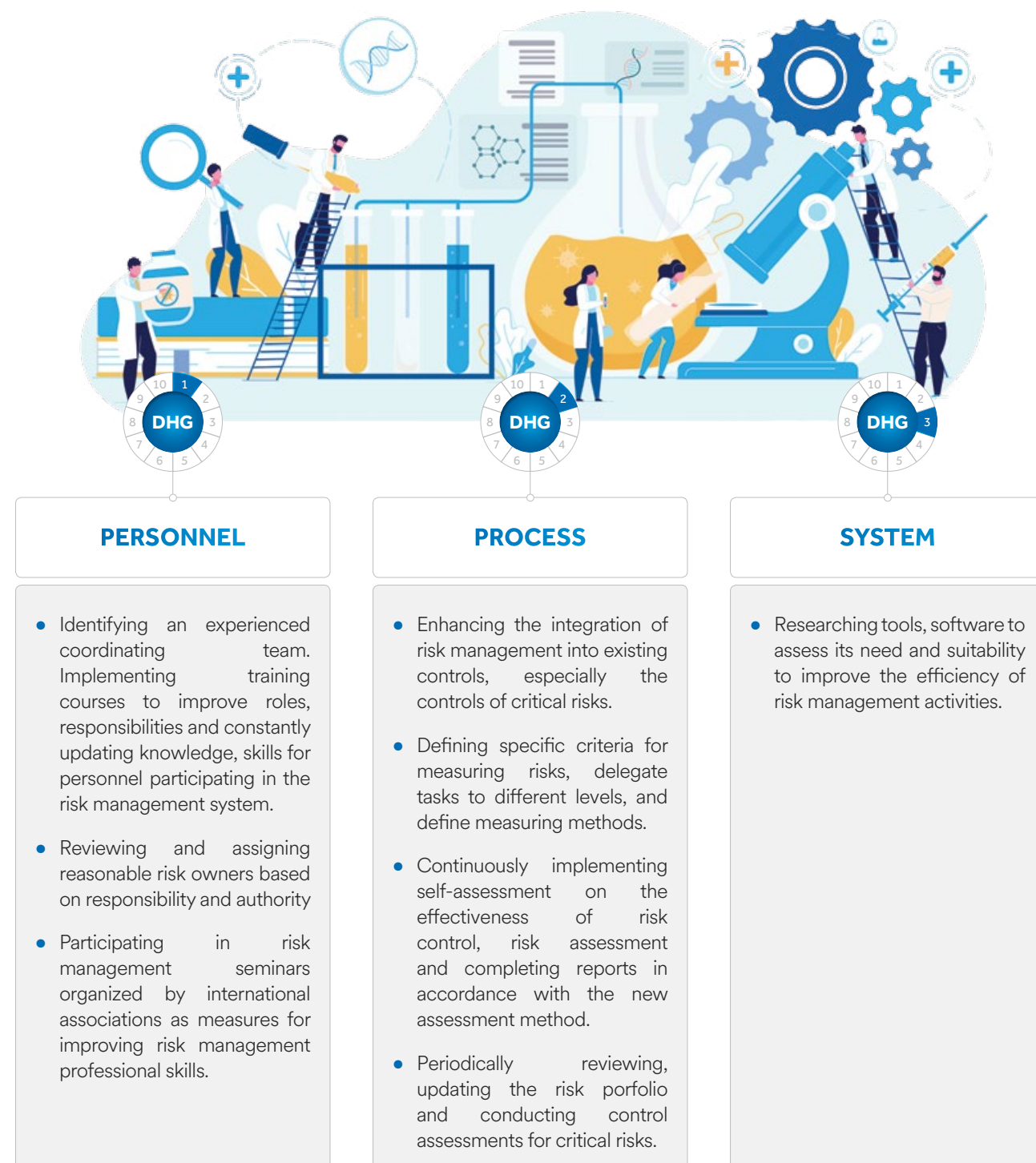
MANAGING CRITICAL RISKS

	1. Legal environment	Risk description Not promptly prepare and adapt to changes in laws.
	2. Domestic market competition	Risk description Not promptly prepare and address the competitive pressure from competitors in the market.
	3. Raw materials for production	Risk description Not promptly and sufficient supply raw materials for production at reasonable costs.
	4. Product quality assurance	Risk description Products delivered to end-users do not guarantee its quality.
	5. Information security	Risk description Risk of system disruption and loss of important information to the outside.
	5. Information security	Control measures Enhance the implementation of solutions to perfect IT control points and training, communication to improve users' knowledge.

	6. Maintenance of a high-quality labor force	Risk description Loss of high-quality personnel without appropriate and timely replacements.
	7. Business continuity plan	Risk description Inability to maintain business continuity when serious risk events occur, or at a high cost.
	7. Business continuity plan	Control measures Improve remuneration policies to attract and retain employees, at the same time develop a human resource plan focusing on training, especially training of successors to be ready to respond to changing requirements of the Company.
	7. Business continuity plan	Risk description Develop a Business continuity plan (BCP) for catastrophic and other incident scenarios, especially the BCP development for the Covid-19 pandemic. Regularly update information and adjust accordingly.
	7. Business continuity plan	Control measures Develop a Business continuity plan (BCP) for catastrophic and other incident scenarios, especially the BCP development for the Covid-19 pandemic. Regularly update information and adjust accordingly.
	8. Compliance with HSE regulations	Risk description Failure to timely detect and prevent violations of HSE regulations (Health, Safety and Environment).
	8. Compliance with HSE regulations	Control measures Maintain the training and inspect on HSE implementation and compliance: Periodic training and practice on HSE, fire prevention and rescue; organize the working environment measurement, check the operation and efficiency of environmental treatment equipment...
	9. Fluctuations in exchange rate & interest rate	Risk description Exchange rate & interest rate negatively fluctuate for business activities.
	9. Fluctuations in exchange rate & interest rate	Control measures Strictly manage the import and export plans in terms of execution time as well as payment deadlines to establish foreign currency demand and reserve. Regularly update and forecast exchange rate fluctuations to balance needs and adjust plans accordingly.
	10. Tax compliance	Risk description Difficulties in understanding and applying tax regulations in different localities, leading to tax violations.
	10. Tax compliance	Control measures Regularly contact the tax authority about issues that arise during operations. Sign the contract with tax advisory units and invite local tax authorities to review on annual tax declaration.

DIRECTION FOR RISK MANAGEMENT IN 2021

- With the objective of gradually integrating risk management into the Company's key activities and increasingly as parts of daily work at the Company, specific work plans for 2021 are based on three aspects:



INTERNAL CONTROL

- In 2020, DHG Pharma's internal control system will continue to be perfected and enhanced comprehensively through improvement activities in defense functions:

- Coordinating with Deloitte consulting company in the project of Enhancing the internal control system of DHG Pharma with the following specific objectives:
 - Evaluate and identify ineffective/low-effective controls in all company activities.
 - Develop/adjust/improve key controls in operating processes according to efficient and best practices that are appropriate to DHG Pharma's new operating conditions, support the system to operate smoothly, high efficiency and performance.
 - Update new laws and the Company's practices, supplement/amend compliance regulations with good standards and international best practices in DHG Pharma's compliance and operation regulations help prevent violations, control conflicts of interest and re-establish Centralized information receiving channels for more effective in handling violations. At the same time, improve awareness for compliance as well as strengthen and promote employees' confidence.
- Periodically reviewing, developing and standardizing/updating processes/regulations/ stipulations related to management processes system in the whole Company.
- Internal control function plays the key role in managing and making appropriate proposals to the BOD for the arising of the Centralized information receiving Channel and clarifying issues that have not been complied/ implemented correctly.
- Internal control function serves a key role in monitoring transaction control procedures conducted by relevant parties as a measure to help the Company control and prevent conflicts of interest between parties and DHG Pharma.

THE INTERNAL AUDIT PLAN 2021

- Supervise implementing and operating activities of products consulted by Deloitte for the whole system. At the same time, organize assessment, review in order to make necessary adjustment, improvement to optimize system and enhance efficiency.
- Conduct communicating, training, post-training assessment in compliance with policies, regulations, stipulations and processes throughout the system, with a strong focus on the sales sector to improve operational effectiveness and efficiency.
- Supervise the development and implementation of action plans of related departments in continuously perfecting and improving the internal control system in accordance with J-SOX's regulations from the parent company - Taisho.
- Regularly assess the suitability of processes, regulations with legal rules, best practices and practical business operations of DHG Pharma, ensuring that controls are in the best results, appropriate and support effectively for business activities.
- Coordinate with other departments to monitor related activities in controlling conflicts of interest at DHG Pharma and sufficiently and timely propose to the BOM solutions related to the erroneous information in the system.
- Coordinate, support and supervise units to build, standardize, and operate company-wide policies, regulations, stipulations, and business processes
- Continuously carry out internal communication about goals and responsibilities of the internal control system and the responsibility for the internal control function in the framework for building a strong and flexible internal control system.

5

SUSTAINABLE DEVELOPMENT REPORT

SUSTAINING SUCCESS

138 Overview of the sustainable development report in 2020

140 Material aspects at DHG Pharma



OVERVIEW OF THE SUSTAINABLE DEVELOPMENT REPORT IN 2020

In the Annual Report, DHG Pharma presents a summary of material aspects in 2020 under 3 topics: Economy - Society - Environment. For detailed information on the sustainable development report, please refer to DHG Pharma's Sustainable Development Report 2020 (independent report).



DHG Pharma clearly recognizes and realizes the Sustainable Development Strategy by taking specific actions in making business decisions, ensuring economic growth, protecting the environment, contributing to ensuring peace and community development on the basis of grasping international trends in sustainable development and catching the market opportunities.

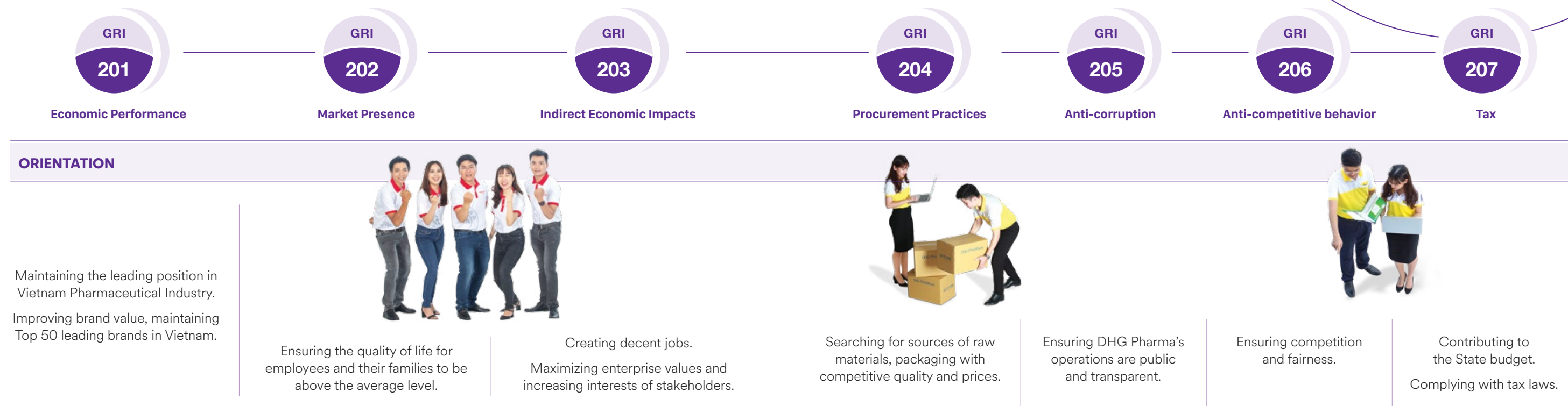
DHG Pharma realizes that building a great future will require all of us to make an effort from today, in which the Company plays a positive role in the realization of this future. In order to do that, we also need to develop a specific roadmap to compensate for the shortage of resources that have been overexploited in the past and present.



ECONOMY



ECONOMY



ACHIEVEMENTS IN 2020

<p>Maintained the leading position in Vietnam pharmaceutical industry for 24 consecutive years in terms of sales, profit.</p> <p>Net sales: VND 3,756 billion</p> <p>Profit before tax: VND 821 billion</p> <p>Top 50 leading brands in Vietnam voted by Forbes Vietnam Magazine.</p>	<p>The minimum income of newly recruited employees at DHG Pharma is 1.3 - 1.5 times higher than the regional minimum wage in Can Tho, Ho Chi Minh, and Hanoi.</p>	<p>Created jobs > 2,700 employees nationwide.</p> <p>Dividend payment in 2020 VND 523 billion</p> <p>Employee income increased by 2%</p> <p>Total transaction value with suppliers VND 4,303 billion</p>	<p>Raw materials are always carefully reviewed by DHG Pharma and chosen from reputable suppliers in the world and in Vietnam.</p> <p>Each material of DHG Pharma has 2-3 suppliers.</p>	<p>The Company did not record any violations related to corruption.</p>	<p>All transactions, external relations, business activities, and other activities were closely monitored to ensure that DHG Pharma's development goals are on track.</p>	<p>Contributed to the State budget VND 272.6 billion</p> <p>Total contribution to the State budget in the last 5 years: VND 1,339 billion.</p>
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THE UNITED NATION STANDARDS

<p>Decent work and economic growth</p>	<p>Industry, Innovation and Infrastructure</p>	<p>Responsible consumption and production</p>	<p>Partnerships for the Goals</p>	<p>Decent work and economic growth</p>	<p>Industry, Innovation and Infrastructure</p>	<p>Responsible consumption and production</p>	<p>Partnerships for the Goals</p>
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ENVIRONMENT



ORIENTATION

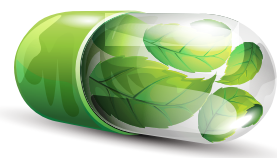
The Company's activities are always associated with protecting the environment, saving raw materials, using clean technology machines and equipment.
Using energy efficiently and economically during production and daily operation.
Promoting initiatives, efficiency savings and waste reduction.

Environmental monitoring
2 - 4 times/year
Reduce CO₂ emission.

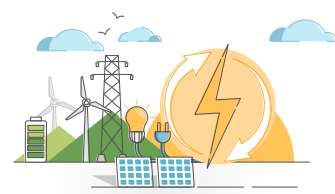
Waste was checked, collected, managed and treated.

Closely linking the two goals
- economic growth and environmental friendliness.

ACHIEVEMENTS IN 2020



Quantity of raw materials
3,224 tons



Electricity bills
VND 44 billion
Total electricity consumption
25,860,365 Kwh/year

Water bills
VND 2.3 billion

Total water consumption
266,678 m³/year

Wastewater recycled rate
6.3%

Wastewater treatment fee
VND 2.2 billion/year

In 2020, the Science and Technology Committee at DHG Pharma received
209 ideas and improvements.



2 - 4 times/year
The Company collected samples for periodic monitoring of exhaust fume treatment systems.

Monitoring results were within permitted limits.

DHG Pharma has been signing contracts with suppliers providing services such as collection, transportation, treatment of domestic waste, hazardous waste, etc.



In 2020, DHG Pharma did not record any violations of environmental laws

Number of fines: **0 time**

Amount of fines: **VND 0**

THE UNITED NATION STANDARDS



Clean water and sanitation



Affordable and clean energy



Climate action



Clean water and sanitation



Affordable and clean energy



Climate action

SOCIETY



Employment



Occupational health and safety



Training and education



Diversity - Equality - Non-discrimination - Freedom of Association



ORIENTATION

Maintaining and improving the quality of activities and programs caring about employees' health and lives.

Ensure a safe working and production environment.

Training human resources with expertise, skills, and being able to adapt to changes in science and technology.



All employees are treated equally.

Developing capacity assessment framework for each job position.

Improving the quality of Union activities.

ACHIEVEMENTS IN 2020

Employee retention rates
> 90%

Average income
VND 20.2 million/person/month

100%
of benefits for maternity, women raising children under 12 months of age, etc was guaranteed.

100% of employees
were offered periodic health check-ups.

The Company complied with labor safety regulations.

Total training hours
130,400 hours

Cost of training
VND 3 billion

Total number of training courses
64
courses.

Female employees accounted for
41%

21%
of senior managers are women.

100% of employees
providing comments on collective labor agreement and democratic regulations.

THE UNITED NATION STANDARDS



No poverty



Zero hunger



Good health and well - being



Quality education



Gender equality



Industry, innovation and infrastructure



Reducing inequalities

SOCIETY



Child Labor - Forced Labor



Local communities



Customer health and safety



Marketing and Labeling



Customer privacy

ORIENTATION



No use of child labor.
No forced or compulsory labor.

Training cultural identity
and educating community awareness.
Providing knowledge about disease prevention,
safe and effective use of products.

Continuing the free medical examinations
and medicine program.

Maintaining the Youth Union's activities such as
visiting the elderly, orphans
and disabled children, etc.



Promoting the application
of information technology in
management.
Promoting product development
and research.

All products must be labeled
before bringing to market.



Confidentiality
of customer information.

ACHIEVEMENTS IN 2020



DHG Pharma did not use child labor and did not mistreat,
coerce or force its employees.

Contributed to the community
nearly **VND 12 billion**.

23

free medical examinations and medicine
for nearly 10,000 participants nationwide.

Visited and sent Tet gifts for the elderly, orphans,
disabled children in Can Tho City. DHG Pharma
organized monthly trips to visit and give presents to
elderly people. The Company weekly cooked food for
children at the orphanage center, etc.

2

production lines meeting
Japan-GMP standard.

100%

of infrastructure was evaluated
and checked annually.

DHG Pharma **did not record**
any violations related to product
information and labeling of
DHG Pharma.

DHG Pharma **did not record**
any violations related
to customer privacy.

THE UNITED NATION STANDARDS



No poverty



Zero hunger



Good health
and well - being



Quality education



Gender equality



Industry, innovation
and infrastructure



Reducing inequalities



CONSOLIDATED FINANCIAL STATEMENTS

GLOBAL OUTREACH

- 150 Statement of the Management
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- 158 Notes to the consolidated financial statements



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 2020.

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. Phan Minh Tien	Member
Mr. Do Le Hung	Member

Audit Committee

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

Management

Mr. Masashi Nakaura	Chief Executive Officer
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 (appointed on 4 July 2020)

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 2020, and its consolidated financial performance and 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

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
25 February 2021

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 25 February 2021 as set out from page 158 to page 187, which comprise the consolidated balance sheet as at 31 December 2020, 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 2020, 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.



Vo Thai Hoa
Audit Partner
Audit Practising Registration Certificate
No. 0138-2018-001-1
BRANCH OF DELOITTE VIETNAM
COMPANY LIMITED
25 February 2021
Ho Chi Minh City, Vietnam

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

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CONSOLIDATED BALANCE SHEET

As at 31 December 2020

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
A. CURRENT ASSETS	100		3,480,799,873,619	3,133,924,348,700
I. Cash and cash equivalents	110	4	73,054,473,018	70,328,408,693
1. Cash	111		73,054,473,018	66,628,408,693
2. Cash equivalents	112		-	3,700,000,000
II. Short-term financial investments	120	5	2,074,000,000,000	1,768,000,000,000
1. Held-to-maturity investments	123		2,074,000,000,000	1,768,000,000,000
III. Short-term receivables	130		496,020,199,824	560,791,995,735
1. Short-term trade receivables	131	6	414,158,635,702	510,101,306,774
2. Short-term advances to suppliers	132		69,081,209,633	42,468,675,491
3. Short-term loan receivables	135	12	380,542,458	434,193,523
4. Other short-term receivables	136	7	63,309,022,728	63,005,203,593
5. Provision for short-term doubtful debts	137	8	(50,909,210,697)	(55,217,383,646)
IV. Inventories	140		826,585,429,976	725,438,891,568
1. Inventories	141	9	827,650,041,659	726,529,994,856
2. Provision for devaluation of inventories	149	9	(1,064,611,683)	(1,091,103,288)
V. Other short-term assets	150		11,139,770,801	9,365,052,704
1. Short-term prepayments	151	10	4,042,674,685	2,828,340,389
2. Value added tax deductibles	152		7,078,253,656	6,536,161,194
3. Taxes and other receivables from the State budget	153	11	18,842,460	551,121
B. NON-CURRENT ASSETS	200		966,703,597,751	1,012,894,372,557
I. Long-term receivables	210		244,240,000	459,000,000
1. Other long-term receivables	216		244,240,000	459,000,000
II. Fixed assets	220		849,298,475,010	900,116,925,455
1. Tangible fixed assets	221	13	639,214,010,669	689,664,585,904
- Cost	222		1,403,682,695,234	1,376,010,941,578
- Accumulated depreciation	223		(764,468,684,565)	(686,346,355,674)
2. Intangible assets	227	14	210,084,464,341	210,452,339,551
- Cost	228		252,779,142,186	247,918,493,964
- Accumulated amortization	229		(42,694,677,845)	(37,466,154,413)
III. Investment property	230	15	14,999,958,848	15,345,447,332
- Cost	231		17,304,956,819	17,304,956,819
- Accumulated depreciation	232		(2,304,997,971)	(1,959,509,487)
IV. Long-term assets in progress	240		66,472,781,314	28,927,855,544
1. Construction in progress	242	16	66,472,781,314	28,927,855,544
V. Long-term financial investments	250		4,387,520,000	28,122,793,643
1. Investments in joint-ventures, associates	252	5	-	2,929,990,852
2. Equity investments in other entities	253	5	24,282,104,800	27,908,170,200
3. Provision for impairment of long-term financial investments	254	5	(19,894,584,800)	(2,715,367,409)
VI. Other long-term assets	260		31,300,622,579	39,922,350,583
1. Long-term prepayments	261	10	15,232,901,753	27,575,362,385
2. Deferred tax assets	262	17	16,067,720,826	12,346,988,198
TOTAL ASSETS (270=100+200)	270		4,447,503,471,370	4,146,818,721,257

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
C. LIABILITIES	300		879,464,107,014	769,267,239,060
I. Current liabilities	310		816,433,295,601	704,899,493,292
1. Short-term trade payables	311	18	252,270,552,909	120,317,315,145
2. Short-term advances from customers	312		20,694,112,030	16,010,766,057
3. Taxes and amounts payable to the State budget	313	11	38,151,677,839	30,787,765,604
4. Payables to employees	314		155,270,500,534	132,481,915,608
5. Short-term accrued expenses	315	19	38,824,609,041	46,576,741,462
6. Short-term unearned revenue	318	20	49,532,335,735	29,295,047,003
7. Other current payables	319	21	2,383,049,307	1,907,128,227
8. Short-term loans	320	22	212,271,519,448	264,666,851,754
9. Bonus and welfare funds	322	23	47,034,938,758	62,855,962,432
II. Long-term liabilities	330		63,030,811,413	64,367,745,768
1. Long-term provisions	342	24	50,102,720,849	47,943,012,779
2. Scientific and technological development fund	343	25	12,928,090,564	16,424,732,989
D. EQUITY	400		3,568,039,364,356	3,377,551,482,197
I. Owner's equity	410		3,568,039,364,356	3,377,551,482,197
1. Owner's contributed capital	411	26	1,307,460,710,000	1,307,460,710,000
- Ordinary shares carrying voting rights	411a	26	1,307,460,710,000	1,307,460,710,000
2. Share premium	412	26	6,778,948,000	6,778,948,000
3. Investment and development fund	418	26	1,479,946,644,695	1,392,604,475,464
4. Retained earnings	421	26	769,784,599,949	665,297,795,718
- Retained earnings accumulated to the prior year end	421a		29,909,699,604	29,909,699,604
- Retained earnings of the current year	421b		739,874,900,345	635,388,096,114
5. Non-controlling interests	429	27	4,068,461,712	5,409,553,015
TOTAL RESOURCES (440=300+400)	440		4,447,503,471,370	4,146,818,721,257

Tran Ngoc Hien
Preparer

Ho Bui Huan
Chief Accountant



Masashi Nakaura
General Director
25 February 2021

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

Unit: VND

ITEMS	Codes	Notes	Current year	Prior year
1. Gross revenue from goods sold and services rendered	01		4,206,732,382,220	4,413,958,643,618
2. Deductions	02		451,113,070,896	517,204,814,394
3. Net revenue from goods sold and services rendered (10=01-02)	10	30	3,755,619,311,324	3,896,753,829,224
4. Cost of sales	11	31	1,944,243,042,082	2,184,461,607,643
5. Gross profit from goods sold and services rendered (20=10-11)	20		1,811,376,269,242	1,712,292,221,581
6. Financial income	21	33	140,432,017,346	122,487,815,915
7. Financial expenses	22	34	119,182,682,485	98,859,012,607
- In which: Interest expense	23		14,029,596,510	22,715,202,068
8. Share of net losses from joint-ventures, associates	24		(500,637,457)	(112,629,706)
9. Selling expenses	25	35	699,298,275,858	687,045,221,994
10. General and administration expenses	26	35	302,861,761,740	333,829,908,766
11. Operating profit (30=20+(21-22)+24-(25+26))	30		829,964,929,048	714,933,264,423
12. Other income	31	36	6,031,473,208	15,583,127,368
13. Other expenses	32	37	14,972,488,544	17,321,295,887
14. Losses from other activities (40=31-32)	40		(8,941,015,336)	(1,738,168,519)
15. Accounting profit before tax (50=30+40)	50		821,023,913,712	713,195,095,904
16. Current corporate income tax expense	51	38	86,210,837,298	83,855,680,646
17. Deferred corporate tax income	52	38	(3,720,732,628)	(1,924,038,290)
18. Net profit after corporate income tax (60=50-51-52)	60		738,533,809,042	631,263,453,548
In which:				
Profit after tax attributable to Parent Company	61		739,874,900,345	635,388,096,114
Losses after tax attributable to non-controlling shareholders	62	27	(1,341,091,303)	(4,124,642,566)
19. Basic earnings per share	70	39	5,443	4,668


Tran Ngoc Hien
Preparer


Ho Buu Huan
Chief Accountant


Masashi Nakaura
General Director
25 February 2021

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2020

Unit: VND

ITEMS	Codes	Current year	Prior year
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	821,023,913,712	713,195,095,904
2. Adjustments for:			
Depreciation and amortization of fixed assets and investment properties	02	88,196,799,144	88,710,979,693
Provisions	03	17,994,453,882	26,907,747,769
Foreign exchange losses arising from translating foreign currency items	04	100,670,419	42,737,167
Gain from investing activities	05	(136,184,864,585)	(122,667,908,308)
Interest expense	06	14,029,596,510	22,715,202,068
3. Operating profit before movements in working capital	08	805,160,569,082	728,903,854,293
Changes in receivables	09	69,743,246,065	119,150,350,172
Changes in inventories	10	(101,120,046,803)	165,771,307,812
Changes in payables	11	171,398,479,009	(41,251,889,486)
Changes in prepaid expenses	12	12,429,581,311	3,463,741,092
Interest paid	14	(14,279,236,632)	(22,858,370,847)
Corporate income tax paid	15	(78,840,918,985)	(65,982,154,011)
Other cash outflows	17	(38,317,458,516)	(48,956,622,398)
Net cash generated by operating activities	20	826,174,214,531	838,240,216,627
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and other long-term assets	21	(88,805,051,465)	(57,101,418,800)
2. Proceeds from sale, disposal of fixed assets and other long-term assets	22	5,238,101,817	11,584,129,859
3. Cash outflow for lending and time deposits	23	(3,198,000,000,000)	(3,015,673,917,808)
4. Cash recovered from lending and time deposits	24	2,892,053,651,065	2,711,687,125,261
5. Cash recovered from investments in other entities	26	8,629,332,200	-
6. Interest, dividends and profits received	27	132,791,732,930	125,848,754,578
Net cash used in investing activities	30	(248,092,233,453)	(223,655,326,910)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from borrowings	33	736,698,389,686	1,916,023,391,699
2. Repayment of borrowings	34	(789,093,721,992)	(2,209,257,867,364)
3. Dividends and profits paid	36	(522,984,284,000)	(326,865,177,500)
Net cash used in financing activities	40	(575,379,616,306)	(620,099,653,165)
Net increase/(decrease) in cash (50=20+30+40)	50	2,702,364,772	(5,514,763,448)
Cash and cash equivalents at the beginning of the year	60	70,328,408,693	75,835,597,431
Effects of changes in foreign exchange rates	61	23,699,553	7,574,710
Cash and cash equivalents at the end of the year (70=50+60+61)	70	73,054,473,018	70,328,408,693

Significant non-cash transactions for the year ended 31 December 2020 are presented in Note 42.


Tran Ngoc Hien
Preparer


Ho Buu Huan
Chief Accountant


Masashi Nakaura
General Director
25 February 2021

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 2020, 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 2020 was 2,712 (as at 31 December 2019: 2,872).

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 and associate were as follows:

Name	Principal activities	Business Registration Certificate	Proportion of ownership interest and voting power held	
			Closing balance	Opening balance
Subsidiary				
Fuji Medic Limited Liability Company	Health care services	No. 1801472944 issued by the Planning and Investment Department of Can Tho City on 27 July 2016	51%	51%
Associate				
Vinh Hao Algae Processing Joint Stock Company	Manufacturing and trading spirulina algae	No. 4803000150 issued by the Planning and Investment Department of Binh Thuan Province on 4 February 2008	0%	31.36%

According to the Resolution of the Board of Directors No.003/2019/NQ.HĐQT dated 1 April 2019, the Board of Directors of the Company approved the plan to transfer its interest in Fuji Medic Limited Liability Company (“Fuji Medic”) or to liquidate its assets for dissolution of this company. As at the date of these consolidated financial statements, the Company is liquidating the assets of Fuji Medic.

On 7 October 2020, the Group disposed all of its shares in Vinh Hao Spirulina Algae Corporation.

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.

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 2019.

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.

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)
These notes are an integral part of and should be read in conjunction with the consolidated financial statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

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.

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Interests in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group’s share of the net assets of the associates. Losses of an associate in excess of the Group’s interest in that associate (which includes any long-term interests that, in substance, form part of the Group’s net investment in the associate) are not recognized.

Where a group entity transacts with an associate of the Group, unrealized profits and losses are eliminated to the extent of the Group’s interest in the relevant associate.

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 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 these investments is made when the entities made losses, except for loss that was anticipated in their business plan before the date of investment.

Receivables

Receivables represent the amounts recoverable from customers or other debtors and are stated at book value less provision for doubtful debts.

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

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the consolidated financial statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 period 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.

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the consolidated financial statements

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

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.

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 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 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.

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the consolidated financial statements

4. CASH AND CASH EQUIVALENTS

	Closing balance VND	Opening balance VND
Cash on hand	9,061,709,500	11,739,260,444
Demand deposits	63,992,763,518	54,889,148,249
Cash equivalents (*)	-	3,700,000,000
	73,054,473,018	70,328,408,693

(*) Cash equivalents represent term deposits at banks with the original maturity terms not exceeding 3 months.

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 2020, term deposits with maturity term of over 3 months of VND 100,000,000,000 were pledged as collaterals for the short-term loans from the banks (Note 22) (as at 31 December 2019: VND 140,000,000,000).

Investments in associate

Movements in the investment in associate during the current year and prior year were as follows:

	Current year VND	Prior year VND
Opening balance	2,929,990,852	3,042,620,558
Share of losses	-	(272,755,733)
Recovered from investments	(3,787,450,000)	-
Adjustment for gain from prior years	-	160,126,027
Gain from disposal of investment	857,459,148	-
Closing balance	-	2,929,990,852

Equity investments in other entities

	Closing balance		Opening balance	
	Cost VND	Provision VND	Cost VND	Provision VND
Equity investments in other entities	24,282,104,800	(19,894,584,800)	27,908,170,200	(2,715,367,409)

Details of equity investments in other entities are as follows:

	Closing balance VND	Opening balance VND
ATP Packaging Joint Stock Company	20,000,000,000	20,000,000,000
Enlie Pharmaceutical JSC	4,282,104,800	4,286,800,000
TV. Pharmaceutical Joint Stock Company	-	2,575,315,200
Ninh Thuan Pharmaceutical & Medical Equipment Joint Stock Company	-	796,675,000
Tay Ninh Pharmaceutical Joint Stock Company	-	221,960,000
Cuu Long Pharmaceutical Joint Stock Company	-	27,420,000
	24,282,104,800	27,908,170,200

As at 31 December 2020 and 31 December 2019, the fair value of investment in other entities as below:

	Fair value	
	Closing balance VND	Opening balance VND
ATP Packaging Joint Stock Company [1]	2,600,000,000	Not available
Enlie Pharmaceutical JSC [2]	1,787,520,000	2,282,500,000
Tra Vinh Pharmaceutical Joint Stock Company	-	3,245,721,600
Cuu Long Pharmaceutical Joint Stock Company	-	197,568,000

[1] The fair value of investment in ATP Packaging Joint Stock Company was determined by Bao Viet Securities Joint Stock Company, an independent valuation company, not a related party of the Group.

[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 2020 and 31 December 2019 represents the provision for impairment of the investments as below:

	Closing balance VND	Opening balance VND
ATP Packaging Joint Stock Company	17,400,000,000	2,715,367,409
Enlie Pharmaceutical JSC	2,494,584,800	-
	19,894,584,800	2,715,367,409

6. SHORT-TERM TRADE RECEIVABLES

	Closing balance VND	Opening balance VND
Receivables from third parties (*)	412,581,916,558	508,481,730,242
Receivables from related parties (Note 41)	1,576,719,144	1,619,576,532
	414,158,635,702	510,101,306,774

(*) As at 31 December 2020 and 31 December 2019, there was no single short-term trade receivables from third parties accounting for 10% or more of total trade accounts receivable.

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the consolidated financial statements

7. OTHER SHORT-TERM RECEIVABLES

	Closing balance VND	Opening balance VND
Accruals of interest income	40,494,673,974	39,427,941,088
Receivables from employees	18,314,170,360	20,788,864,119
Other receivables	4,500,178,394	2,788,398,386
	63,309,022,728	63,005,203,593

8. BAD DEBTS

	Closing balance		
	Cost VND	Provision VND	Recoverable amount VND
Total amount of receivables and loan receivables past due or not past due but impaired	96,627,799,467	(50,909,210,697)	45,718,588,770
	Opening balance		
	Cost VND	Provision VND	Recoverable amount VND
Total amount of receivables and loan receivables past due or not past due but impaired	150,144,912,078	(55,217,383,646)	94,927,528,432

As at 31 December 2020 and 31 December 2019, 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	55,217,383,646	34,571,714,247
Additional provision	-	20,645,669,399
Reversal of provision	(1,449,056,292)	-
Write-off	(2,859,116,657)	-
Closing balance	50,909,210,697	55,217,383,646

9. INVENTORIES

	Closing balance		Opening balance	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	121,226,935,043	-	63,594,013,463	-
Raw materials	302,896,326,728	-	265,797,233,287	-
Work in progress	54,939,723,503	-	52,106,518,719	-
Finished goods	302,980,473,638	(1,064,611,683)	300,316,307,143	(1,091,103,288)
Merchandise	45,606,582,747	-	44,715,922,244	-
	827,650,041,659	(1,064,611,683)	726,529,994,856	(1,091,103,288)

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	1,091,103,288	814,326,232
Additional provision	-	276,777,056
Reversal in the year	(26,491,605)	-
Closing balance	1,064,611,683	1,091,103,288

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

10. PREPAYMENTS

	Closing balance VND	Opening balance VND
a. Current		
- Prepayment related to operating lease	715,600,001	679,023,036
- Others	3,327,074,684	2,149,317,353
	4,042,674,685	2,828,340,389
b. Non-current		
- Prepaid land rental	-	10,022,421,258
- Tools and supplies	7,257,962,228	8,756,525,105
- Others	7,974,939,525	8,796,416,022
	15,232,901,753	27,575,362,385

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the consolidated financial statements

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

	Opening balance VND	Payables during the year VND	Other payables during the year VND	Paid during the year VND	Closing balance VND
Value added tax for import goods	(282,282)	48,203,360,995	-	(48,221,921,173)	(18,842,460)
Import and export duties	(268,839)	7,802,569,699	-	(7,802,300,860)	-
Value added tax for domestic goods	14,664,216,055	88,553,530,653	-	(88,611,185,247)	14,606,561,461
Corporate income tax	7,239,643,570	86,210,837,298	14,096,363	(78,840,918,985)	14,623,658,246
Personal income tax	8,866,544,187	42,305,549,370	-	(42,250,635,425)	8,921,458,132
Land rental fee	17,361,792	5,661,262,666	-	(5,678,624,458)	-
Other taxes	-	1,208,166,853	-	(1,208,166,853)	-
	30,787,214,483	279,945,277,534	14,096,363	(272,613,753,001)	38,132,835,379
<i>In which:</i>					
Tax receivables	551,121				18,842,460
Tax payables	30,787,765,604				38,151,677,839

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 VND	Machinery and equipment VND	Motor vehicles VND	Office equipment VND	Total VND
COST					
Opening balance	526,332,365,066	617,577,456,304	159,527,248,213	72,573,871,995	1,376,010,941,578
Transfer from construction in progress	2,132,079,151	37,944,974,714	2,661,605,637	410,905,226	43,149,564,728
Disposals	-	-	(12,355,832,361)	(111,010,434)	(12,466,842,795)
Revaluation (*)	-	(2,596,037,270)	(359,556,171)	(55,374,836)	(3,010,968,277)
Closing balance	528,464,444,217	652,926,393,748	149,473,465,318	72,818,391,951	1,403,682,695,234
ACCUMULATED DEPRECIATION					
Opening balance	209,983,539,467	309,301,510,864	104,320,456,725	62,740,848,618	686,346,355,674
Charge for the year	28,404,193,308	46,958,944,926	10,206,360,662	3,115,138,798	88,684,637,694
Disposals	-	-	(10,456,943,892)	(105,364,911)	(10,562,308,803)
Closing balance	238,387,732,775	356,260,455,790	104,069,873,495	65,750,622,505	764,468,684,565
NET BOOK VALUE					
Opening balance	316,348,825,599	308,275,945,440	55,206,791,488	9,833,023,377	689,664,585,904
Closing balance	290,076,711,442	296,665,937,958	45,403,591,823	7,067,769,446	639,214,010,669

(*) Cost of tangible fixed assets decreased during the year was due to revaluation of assets of Fuji Medic Co., Ltd. ("Fuji Medic") - the subsidiary at market price in order to liquidate Fuji Medic. The minimum offering price is based on the Resolution of the Company's Board of Directors No. 025/2020/NQ.HDQT dated 22 October 2020.

As at 31 December 2020, the cost of tangible fixed assets included VND 279,535,717,069 (as at 31 December 2019: VND 232,330,033,046) of assets which were fully depreciated but are still in use.

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the consolidated financial statements

14. INTANGIBLE ASSETS

	Land use rights with indefinite term VND	Land use rights with definite term VND	Computer software VND	Total VND
COST				
Opening balance	89,790,627,646	141,958,345,513	16,169,520,805	247,918,493,964
Transfer from construction in progress	-	-	4,860,648,222	4,860,648,222
Reclassification	(1,476,374,480)	1,476,374,480	-	-
Closing balance	88,314,253,166	143,434,719,993	21,030,169,027	252,779,142,186
ACCUMULATED DEPRECIATION				
Opening balance	-	23,625,735,602	13,840,418,811	37,466,154,413
Charge for the year	-	3,145,437,814	2,083,085,618	5,228,523,432
Closing balance	-	26,771,173,416	15,923,504,429	42,694,677,845
NET BOOK VALUE				
Opening balance	89,790,627,646	118,332,609,911	2,329,101,994	210,452,339,551
Closing balance	88,314,253,166	116,663,546,577	5,106,664,598	210,084,464,341

As at 31 December 2020, the cost of intangible assets included VND 6,793,449,005 (as at 31 December 2019: VND 6,007,417,805) of assets which were fully amortized but are still in use.

15. INVESTMENT PROPERTIES

	Buildings and land use rights VND
COST	
Opening balance	17,304,956,819
Closing balance	17,304,956,819
ACCUMULATED DEPRECIATION	
Opening balance	1,959,509,487
Charge for the year	345,488,484
Closing balance	2,304,997,971
NET BOOK VALUE	
Opening balance	15,345,447,332
Closing balance	14,999,958,848

As at 31 December 2020, 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 2019: VND 232,067,069).

Fair value of the Company's investment properties as at 31 December 2020 was VND 38,724,445,120, which was determined 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 VND	Opening balance VND
Construction of Branch DHG Pharmaceutical Plant at Hau Giang province	11,893,304,222	11,773,591,495
BUD product project	1,293,522,895	1,293,522,895
Construction of Gia Lai branch office	623,948,774	623,948,774
CTP product project	202,029,350	202,029,350
Repairing package production warehouses	-	320,925,000
Expansion of DHG Pharmaceutical Plant and DHG Packaging and Printing Factory	1,778,218,986	-
REB product project	2,983,810,627	858,768,402
Renovating departments	466,766,087	1,141,681,818
GX Project	-	111,034,727
PGT Project	148,231,359	-
Other machineries	47,082,949,014	12,602,353,083
	66,472,781,314	28,927,855,544

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

	Closing balance VND	Opening balance VND
Opening balance	28,927,855,544	14,087,991,804
Purchases	88,805,051,465	56,081,518,800
Transfer to tangible fixed assets (Note 13)	(43,149,564,728)	(40,747,562,248)
Transfer to intangible assets (Note 14)	(4,860,648,222)	-
Transfer to prepayments	(1,301,454,975)	(244,300,000)
Transfer to expenses	(1,948,457,770)	(249,792,812)
Closing balance	66,472,781,314	28,927,855,544

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the consolidated financial statements

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 VND	Opening balance VND
Corporate income tax rates used for determination of value of deferred tax assets	20%	20%
Deferred tax assets related to deductible temporary differences	80,338,604,130	61,734,940,990
Deferred tax assets	16,067,720,826	12,346,988,198

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

	Current year VND	Prior year VND
Opening balance	12,346,988,198	10,422,949,908
Additional provision	3,875,366,641	1,946,486,540
Change in elimination entry of fixed assets	(154,634,013)	(22,448,250)
Closing balance	16,067,720,826	12,346,988,198

18. SHORT-TERM TRADE PAYABLES

	Closing balance		Opening balance	
	Amount VND	Amount able to be paid off VND	Amount VND	Amount able to be paid off VND
Apc Pharmaceuticals and Chemical Limited	8,440,469,074	8,440,469,074	15,665,540,764	15,665,540,764
Centrient Pharmaceuticals India Private Limited	17,768,761,000	17,768,761,000	13,322,405,000	13,322,405,000
Centrient Pharmaceuticals Netherlands B.V	53,966,749,750	53,966,749,750	-	-
Others	172,094,573,085	172,094,573,085	91,329,369,381	91,329,369,381
	252,270,552,909	252,270,552,909	120,317,315,145	120,317,315,145

As at 31 December 2020 and 31 December 2019, the Group did not have any short-term trade payables past due.

19. SHORT-TERM ACCRUED EXPENSES

	Closing balance VND	Opening balance VND
Payment discount	8,153,790,426	6,557,465,332
Interest payable	78,311,109	327,951,231
Other accruals	30,592,507,506	39,691,324,899
	38,824,609,041	46,576,741,462

20. SHORT-TERM UNEARNED REVENUE

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

21. OTHER SHORT-TERM PAYABLES

	Closing balance VND	Opening balance VND
Union fee	548,081,634	578,813,579
Others	1,834,967,673	1,328,314,648
	2,383,049,307	1,907,128,227

22. SHORT-TERM LOANS

	Opening balance VND	Increases in year VND	Decreases in year VND	Closing balance VND
Loans from banks	264,666,851,754	987,369,688,755	1,039,765,021,061	212,271,519,448
	264,666,851,754	987,369,688,755	1,039,765,021,061	212,271,519,448

	Closing balance VND	Opening balance VND
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Can Tho Branch	212,271,519,448	254,666,851,754
HSBC Bank (Vietnam) Ltd.	-	10,000,000,000
	212,271,519,448	264,666,851,754

As at 31 December 2020, short-term loans from banks represent the loans from Joint Stock Commercial Bank for Foreign Trade of Vietnam - Can Tho Branch with a maximum credit limit of VND 700,000,000,000. This facility can be withdrawn in Vietnam Dong and withdrawal deadline will be due on 2 June 2021. 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 0.28% per month to 0.47% per month (2019: from 0.4% per month to 0.72% per month).

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the consolidated financial statements

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:

	Bonus and welfare fund VND	Bonus fund for Board of Management VND	Welfare fund in form of assets VND	Total VND
Opening balance	41,960,913,376	5,935,538,846	14,959,510,210	62,855,962,432
Appropriation to the funds (Note 26)	19,061,642,883	6,000,000,000	-	25,061,642,883
Depreciation of assets formed from the funds	-	-	(2,565,208,041)	(2,565,208,041)
Utilization	(30,732,880,950)	(7,584,577,566)	-	(38,317,458,516)
Closing balance	30,289,675,309	4,350,961,280	12,394,302,169	47,034,938,758

24. LONG-TERM PROVISIONS

	Provision for dismantling and restoration cost VND	Severance allowance VND	Total VND
Opening balance	19,489,521,187	28,453,491,592	47,943,012,779
Additional provision for the year	3,937,690,122	1,212,210,923	5,149,901,045
Utilization of provisions	-	(2,990,192,975)	(2,990,192,975)
Closing balance	23,427,211,309	26,675,509,540	50,102,720,849

25. SCIENCE AND TECHNOLOGY DEVELOPMENT FUNDS

In accordance with Circular No. 12/2016/TTLT-BKHCN-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	16,424,732,989
Depreciation of assets formed from the fund	(3,496,642,425)
Closing balance	12,928,090,564

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the consolidated financial statements

26. SHAREHOLDERS' EQUITY

Movement in shareholders' equity

	Share capital VND	Share premium VND	Investment and development fund VND	Retained earnings VND	Total VND
Prior year's opening balance	1,307,460,710,000	6,778,948,000	1,270,235,596,228	550,252,659,422	3,134,727,913,650
Profit for the year	-	-	-	635,388,096,114	635,388,096,114
Second and third interim dividends for 2018	-	-	-	(326,865,177,500)	(326,865,177,500)
Fund distribution	-	-	122,368,879,236	(122,368,879,236)	-
Appropriation to bonus and welfare fund	-	-	-	(65,108,903,082)	(65,108,903,082)
Appropriation to bonus fund for the Board of Directors	-	-	-	(6,000,000,000)	(6,000,000,000)
Current 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 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 Board of Directors	-	-	-	(6,000,000,000)	(6,000,000,000)
Current year's closing balance	1,307,460,710,000	6,778,948,000	1,479,946,644,695	769,784,599,949	3,563,970,902,644

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. 001/2020/NQ.ĐHĐCĐ dated 29 June 2020, the shareholders of the Company have approved payment of dividends from profit after tax of 2019 at 40% in cash, equivalent to VND 522,984,284,000.

The Company paid cash dividends of 2019 for the payments at the rate of 30% of par value, equivalent to VND 392,238,213,000. On 30 July 2020, the Company paid remaining 10% of dividends with an amount of VND 130,746,071,000.

Fund distribution

According to the Resolution of the Company's Annual General Meeting No. 001/2020/NQ.ĐHĐCĐ dated 29 June 2020, the shareholders of the Company approved distribution of bonus, welfare fund out of profit after tax of 2019 at the rate of 3%, equivalent to VND 19,061,642,883, 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 2019 is appropriated to the Investment and Development Fund.

27. NON-CONTROLLING INTERESTS

	Current year VND	Prior year VND
Opening balance	5,409,553,015	9,534,195,581
Net loss attributable to non-controlling interests	(1,341,091,303)	(4,124,642,566)
Closing balance	4,068,461,712	5,409,553,015

28. OFF BALANCE SHEET ITEMS

Foreign currencies

Cash and cash equivalents included the following foreign currencies:

	Closing balance	Opening balance
United States Dollar ("USD")	517,671	276,958
Euros ("EUR")	937	32,087
Yen ("JPY")	31,427	32,879

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the consolidated financial statements

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.

	Current year VND	Prior year VND
Net sales		
Pharmaceutical products	3,090,801,474,172	3,273,464,482,830
Functional foods	484,451,854,688	422,467,004,347
Others	180,365,982,464	200,822,342,047
	3,755,619,311,324	3,896,753,829,224
Cost of sales		
Pharmaceutical products	(1,511,977,821,190)	(1,739,045,341,277)
Functional foods	(278,869,640,331)	(267,881,193,257)
Others	(153,395,580,561)	(177,535,073,109)
	(1,944,243,042,082)	(2,184,461,607,643)
Gross profit		
Pharmaceutical products	1,578,823,652,982	1,534,419,141,553
Functional foods	205,582,214,357	154,585,811,090
Others	26,970,401,903	23,287,268,938
	1,811,376,269,242	1,712,292,221,581

30. NET REVENUE OF GOODS SOLD AND SERVICES RENDERED

	Current year VND	Prior year VND
Sales of goods and services		
Sales of finished goods	3,758,696,971,798	3,788,505,284,333
Sales of merchandise	446,317,168,626	619,260,064,265
Others	1,718,241,796	6,193,295,020
	4,206,732,382,220	4,413,958,643,618
Deductions		
Sales discount	448,592,655,344	511,544,456,173
Sales return	2,520,415,552	5,660,358,221
	451,113,070,896	517,204,814,394
Net revenue sales of goods and services		
<i>In which:</i>		
Sales of finished goods	3,310,410,993,860	3,275,187,421,488
Sales of merchandise	443,490,075,668	615,373,112,716
Others	1,718,241,796	6,193,295,020
	3,755,619,311,324	3,896,753,829,224

31. COST OF GOODS SOLD AND SERVICES RENDERED

	Current year VND	Prior year VND
Cost of finished goods sold	1,526,031,626,232	1,585,905,697,944
Cost of merchandise sold	418,237,570,330	594,174,991,925
Others	337,125	4,104,140,718
(Reversal)/additional provision for devaluation of inventories	(26,491,605)	276,777,056
	1,944,243,042,082	2,184,461,607,643

32. OPERATING COSTS BY NATURE

	Current year VND	Prior year VND
Raw materials and consumables	1,713,581,255,219	1,926,821,900,103
Staff cost	880,844,256,246	851,669,219,473
Depreciation and amortization	87,309,342,373	87,974,994,516
Outsourced services	192,849,007,869	195,153,522,073
Other expenses	224,007,579,948	252,294,636,498
	3,098,591,441,655	3,313,914,272,663

33. FINANCIAL INCOME

	Current year VND	Prior year VND
Dividends and profits earned	326,698,020	768,004,044
Interest income	133,531,767,796	118,241,803,871
Foreign exchange gain	5,353,956,970	3,464,877,012
Gain from disposal of investment	1,218,552,000	-
Others	1,042,560	13,130,988
	140,432,017,346	122,487,815,915

34. FINANCIALEXPENS

	Current year VND	Prior year VND
Settlement discount	80,949,471,270	73,484,194,144
Interest expense	14,029,596,510	22,715,202,068
Foreign exchange losses	8,319,769,833	5,596,686,129
Provision/(reversal) for impairment of investments	15,821,120,786	(3,015,494,354)
Other financial expenses	62,724,086	78,424,620
	119,182,682,485	98,859,012,607

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the consolidated financial statements

35. SELLING, GENERAL AND ADMINISTRATION EXPENSES

	Current year VND	Prior year VND
a. Selling expenses		
- Advertising expenses	119,135,895,424	115,787,256,759
- Staff cost	377,204,570,110	348,720,686,022
- Others	202,957,810,324	222,537,279,213
	699,298,275,858	687,045,221,994
b. General and administration expenses		
- Staff cost	221,584,281,303	232,893,323,189
- Others	81,277,480,437	100,936,585,577
	302,861,761,740	333,829,908,766

36. OTHER INCOME

	Current year VND	Prior year VND
Gain from disposals of fixed assets	3,264,091,098	7,064,948,649
Others	2,767,382,110	8,518,178,719
	6,031,473,208	15,583,127,368

37. OTHER EXPENSES

	Current year VND	Prior year VND
Losses due to fair value revaluation of liquidating assets of Fuji Medic	3,010,968,277	3,455,837,681
Severance allowances for employees	-	5,622,651,750
Write off of intangible fixed assets	-	220,936,610
Loss due to early termination of land lease contract	5,438,346,906	-
Others	6,523,173,361	8,021,869,846
	14,972,488,544	17,321,295,887

38. CURRENT CORPORATE INCOME TAX EXPENSE

	Current year VND	Prior year VND
Profit before tax	821,023,913,712	713,195,095,904
Tax calculated at a normal rate of 20%	164,204,782,742	142,639,019,181
Adjustments for:		
Non-assessable income	(65,339,604)	(153,600,809)
Non-deductible expenses	7,487,112,759	12,086,783,085
Deferred income tax asset of provision	547,384,205	1,683,527,578
Tax incentive	(85,777,993,668)	(71,504,817,230)
Adjustments for consolidation	(185,109,136)	(895,231,159)
Corporate income tax expense	86,210,837,298	83,855,680,646

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	3,875,366,641	1,946,486,540
Change of eliminated entries of fixed assets	(154,634,013)	(22,448,250)
	3,720,732,628	1,924,038,290

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.

	Current year VND	Prior year VND
Accounting profit after corporate income tax	739,874,900,345	635,388,096,114
Appropriation to fund (*)	(28,196,247,010)	(25,061,642,883)
Profit attributable to ordinary shareholders (VND)	711,678,653,335	610,326,453,231
Weighted average ordinary shares in circulation for the year (share)	130,746,071	130,746,071
Basic earnings per share (VND/share)	5,443	4,668

(*) Bonus and welfare fund appropriation for the year ended 31 December 2020 is estimated based on the planned rate of appropriation of 3% in accordance with Resolution of the Company’s Annual General Meeting No. 001/2020/NQ-DHĐCĐ dated 29 June 2020.

b. Diluted earnings per share

The Group does not have potentially diluted ordinary shares.

40. COMMITMENTS

a. Operating lease commitment

	Current year VND	Prior year VND
Minimum lease payment under operating leases recognized in the consolidated income statement for the year	5,436,028,382	5,323,267,288

NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the consolidated financial statements

40. COMMITMENTS (Continued)

a. Operating lease commitment (Continued)

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

	Closing balance VND	Opening balance VND
Within one year	5,422,028,378	5,422,028,378
In the second to fifth year inclusive	21,688,113,512	21,688,113,512
After five years	99,224,658,019	104,737,053,537
	126,334,799,909	131,847,195,427

b. Capital commitment

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

	Closing balance VND	Opening balance VND
Approved but not contracted	67,429,673,077	1,298,265,181
Approved and contracted but not implemented	11,687,315,314	4,898,999,936
	79,116,988,391	6,197,265,117

41. RELATED PARTY TRANSACTIONS AND BALANCES

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

Related party	Relationship
Vinh Hao Algae Processing Joint Stock Company	Associate (deinvested on 7 October 2020)
Taisho Pharmaceutical Co., Ltd. ("Taisho")	Major shareholder
The State Capital Investment Corporation ("SCIC")	Major shareholder
Hoe Pharmaceuticals Sdn Bhd	Taisho's related party
Taisho Pharmaceuticals (Taiwan) Co., Ltd.	Taisho's related party
Taisho Vietnam Co., Ltd.	Taisho's related party

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

	Current year VND	Prior year VND
Sales of goods and provision of services		
Taisho Pharmaceuticals (Taiwan) Co., Ltd.	3,340,734,339	-
Taisho Vietnam Co., Ltd.	3,203,751,040	-
Hoe Pharmaceuticals Sdn Bhd	-	3,356,406,686
Purchases of goods and services		
Vinh Hao Algae Processing Joint Stock Company	1,558,291,200	2,633,183,600
Support for products development received		
Taisho Pharmaceutical Co., Ltd.	-	1,026,346,453
Dividends paid		
SCIC	226,504,948,000	141,565,592,500
Taisho Pharmaceutical Co., Ltd.	266,788,208,000	124,870,698,000
Disposal of investment in associate		
Vinh Hao Algae Processing Joint Stock Company	3,787,450,000	-

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

	Closing balance VND	Opening balance VND
Trade receivables		
Taisho Vietnam Co., Ltd.	1,576,719,144	-
Hoe Pharmaceuticals Sdn Bhd	-	1,619,576,532
	1,576,719,144	1,619,576,532

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

	Current year VND	Prior year VND
Board of Directors	3,000,000,000	6,228,309,000
Management	13,956,794,486	13,513,030,707
	16,956,794,486	19,741,339,707

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	112,403,812,114	193,477,782,318
Transfers from construction in progress to tangible fixed assets	43,149,564,728	40,747,562,248
Transfers from construction in progress to intangible assets	4,860,648,222	-
Transfers from construction in progress to prepayments	1,301,454,975	244,300,000
Accrued interest expense	78,311,109	327,951,231
Interest earned and dividends which have not been received	40,494,673,974	39,427,941,088

b. Proceeds from borrowings

	Current year VND	Prior year VND
Proceeds from borrowings under normal contracts	987,369,688,755	1,916,023,391,699

c. Repayment of borrowings

	Current year VND	Prior year VND
Repayment of borrowings under normal contracts	1,039,765,021,061	2,209,257,867,364



Tran Ngoc Hien
Preparer



Ho Buu Huan
Chief Accountant



Masashi Nakaura
General Director
25 February 2021

AUDITED FINANCIAL STATEMENTS IN 2020

<https://www.dhgpharma.com.vn/en/investor-relations-2/financial-report-2/2854-audited-financial-statements-in-2020-and-explanation-of-changes>

DISTRIBUTION SITES

No.	Name	Address	Tel	Fax
1	VI THANH	82 Le Quy Don street, Area 1, Ward 3, Vi Thanh City, Hau Giang	0293. 3876 409	0293. 3580 432
2	CA MAU	5 - 7 Street 14, Ward 5, Ca Mau City, Ca Mau	0290 3831 908	0290 3811 587
3	KIEN GIANG	G08-G09 Huynh Thuc Khang str., Vinh Quang Ward, Rach Gia City, Kien Giang	0297. 3867 625	0297. 3946 344
4	DONG THAP	14 Nguyen Van Troi str., Ward 2, Cao Lanh City, Dong Thap	0277. 3854 837	0277. 3854 837
5	SOC TRANG	649 Tran Hung Dao str., Cluster 8, Ward 3, Soc Trang City, Soc Trang	0299. 3625 151	0299. 3625 150
6	LONG XUYEN	288 Pham Cu Luong str., Tan Phu Cluster, My Quy Ward, Long Xuyen City, An Giang	0296. 3841 438	0296. 3944 664
7	TIEN GIANG	463A Nguyen Thi Thap str., Ward 6, My Tho City, Tien Giang	0273. 6255 177	0273. 6255 176
8	MEKONG	13 Cach Mang Thang 8 str., An Thoi Ward, Binh Thuy Dist., Cantho City	0292. 6253 579	0292. 6253 539
9	BAC LIEU	67 Nguyen Thi Dinh str., Cluster 10, Ward 1, Bac Lieu City, Bac Lieu.	0291. 3822 290	0291. 3956 156
10	BEN TRE	34D, Street 3, My Tan Quarter, Ward 7, Ben Tre City, Ben Tre	0275. 381.8529	0275.381.8529
11	VINH LONG	327C/23 Phuoc Nguon A Hamlet, Phuoc Hau Village, Long Ho Dist., Vinh Long	0270.385.3179	0270. 3853 179
12	TRA VINH	77A Nguyen Dang str., Cluster 1, Ward 7, Tra Vinh City, Tra Vinh	0294. 3850 950	0294. 3850 950
13	HA NOI	No. 3, Lot C2 Mac Thai Tong Street, Nam Trung Yen urban area, Trung Hoa Ward, Cau Giay District - Hanoi	024. 36687 064	024. 36648 272
14	HAI PHONG	91B Mang str., An Dong, An Duong Dist., Hai Phong City	0225. 391 3638	0225. 391 3839
15	HAI DUONG	229 Bui Thi Xuan, Le Thanh Nghi Ward, Hai Duong City, Hai Duong	0220. 3550 079	0220. 3550 039
16	THAI BINH	Lot 243 m2 Group 34, Tran Lam Ward, Thai Binh City, Thai Binh	0227. 3847 231	0227. 3641 433
17	BAC NINH	39 Ly Dao Thanh str., Ninh Xa Ward, Bac Ninh City, Bac Ninh	0222. 3812 281	0222. 3812 281
18	VINH PHUC	189 Phan Chu Trinh str., Khai Quang Ward, Vinh Yen City, Vinh Phuc	0211. 3860 088	0211. 3721 052
19	NINH BINH	Resettlement zone of Electric factory, Trung Son str., Bich Dao Ward, Ninh Binh City, Ninh Binh	0229. 3896 772	0229. 3899 884
20	THAI NGUYEN	91 - 93 Nguyen Thai Hoc str., Tuc Duyen Ward, Thai Nguyen City	0208. 3652 299	0208. 3652 209
21	THANH HOA	Lot 461 of Resettlement zone of Dong Tay avenue, Dong Ve Ward, Thanh Hoa City, Thanh Hoa	0237. 3853 120	0237.37222 213



No.	Name	Address	Tel	Fax
22	NGHE AN	No. 06, 146B Hamlet, Nguyen Sy Sach str., Hung Phuc Ward, Vinh City, Nghe An	0238. 3843 015	0238. 3523 363
23	HUE	153A Pham Van Dong str., Vy Da Ward, Hue City, Thua Thien Hue	0234. 3813 479	0234. 3816 084
24	DA NANG	36-38 Trinh Dinh Thao str., Khue Trung Ward, Cam Le District, Da Nang	0236. 2242 406	0236. 6257 008
25	QUANG NGAI	09 Le Thanh Ton str., Nghia Chanh Ward, Quang Ngai City, Quang Ngai	0255. 3823 266	0255. 3831 357
26	QUY NHON	Lot No.1, Street No.3, Bac Song Ha Thanh Residential Planning Area, Quy Nhon City, Binh Dinh	0256. 3793 768	0256. 3791 768
27	GIA LAI	179B CMT8 str., Group 10, Hoa Lu Ward, Pleiku City, Gia Lai	0269. 3887 071	0269. 3887 080
28	DAK LAK	23A Cong Quynh str., Tan An Ward, Buon Ma Thuot City, DakLak	0262. 3851 175	0262. 3843 084
29	NHA TRANG	10A Me Linh str., Phuoc Tien Ward, Nha Trang City, Khanh Hoa	0258. 3513 137	0258. 3513 217
30	BINH THUAN	103 Phu Khanh Hamlet, Ham Thuan Nam Village, Binh Thuan	0252. 222 0 879	0252. 3898 050
31	DONG NAI	73 - 78 Group 7, Vo Thi Sau str., Thong Nhat Ward, Bien Hoa City, Dong Nai	0251. 3825 167	0251. 3819 161
32	BINH DUONG	Lot 32 - 33 D11 str., Chanh Nghia urban area, Chanh Nghia Ward, Thu Dau Mot City, Binh Duong	0274. 3897 316	0274. 3842 351
33	VUNG TAU	60 Nguyen Manh Ky str., Long Toan Ward, Ba Ria Town, Ba Ria - Vung Tau	0254. 3741 888	0254. 3741 968
34	HO CHI MINH	37 Street 53, Tan Quy Dong residential zone, Tan Phong Ward, District 7, Ho Chi Minh City	028. 3771 8799	028. 3771 8779

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