



CATCHING THE PROSPEROUS STREAM

ANNUAL REPORT 2019

LIST OF ABBREVIATIONS

AC	: Audit Committee	IA	: Internal Audit
AGM	: Annual General Meeting	IC	: Internal Control
App	: Application	IQVIA	: IQVIA Institute
BAP	: Business Action Plan	IR	: Investor Relations
BOD	: Board of Directors	ISO/IEC 17025	: General requirements for the competence of testing and calibration laboratories
BOM	: Board of Management	JSC	: Joint Stock Company
BOS	: Board of Supervisory	KPI	: Key Performance Indicators
CAPEX	: Capital Expenditure	PAT	: Profit after tax
DHG Pharma	: DHG Pharmaceutical Joint Stock Company	P/B	: Price-to-Book ratio
DHG Pharma Ltd.	: DHG Pharmaceutical One Member Limited Company	P/E	: Price-to-Earnings ratio
EPS	: Earnings per share	PIC/S	: Pharmaceutical Inspection Co-operation Scheme
ETC	: Prescription drug	RM	: Risk management
ESOP	: Employee Stock Ownership Plan	QC	: Quality Control
FDA	: U.S. Food and Drug Administration	R&D	: Research and Development
FOL	: Foreign Ownership Limit	ROA	: Return On Assets
GDP	: Good Distribution Practice	ROE	: Return On Equity
GDP (*)	: Gross Domestic Product	ROS	: Return On Sales
GLP	: Good Laboratory Practice	VND	: Vietnamese Dong
GMP	: Good Manufacturing Practice	WHO	: World Health Organization
GPP	: Good Pharmacy Practice	OECD	: Organization for Economic Cooperation and Development
GSP	: Good Storage Practice	OTC	: Over-the-counter drugs (Non-prescription drugs)
HOSE	: Ho Chi Minh Stock Exchange	IFRS	: International Financial Reporting Standards

THE THEME OF DHG PHARMA'S 2019 ANNUAL REPORT



For 45 years of crystalizing values, DHG Pharma always believes in the journey of constant development and expansion from a compound of many outstanding advantages: the strength of its brand reputation, product quality strength, modern technology, leading standard strength, etc. The values that DHG Pharma has created are not only a firm foundation for a strong breakthrough in the future, but also open the source of **“Catching the prosperous stream”** from strong domestic and foreign investment flows, helping DHG Pharma to strengthen its leading position as a top pharmaceutical brand in Vietnam.

DHG PHARMACEUTICAL JOINT STOCK COMPANY

The Company’s name in English	: DHG Pharmaceutical Joint Stock Company
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 2019)	: VND 3,377,551,482,197
Charter capital (As at 31 Dec 2019)	: 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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Researching and DEVELOPING NEW PRODUCTS

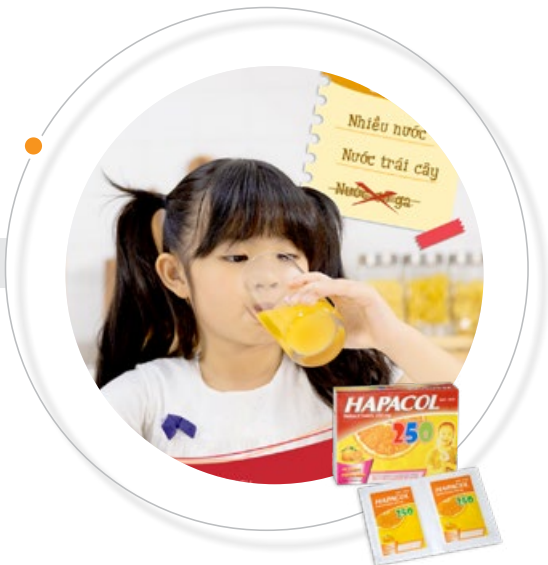
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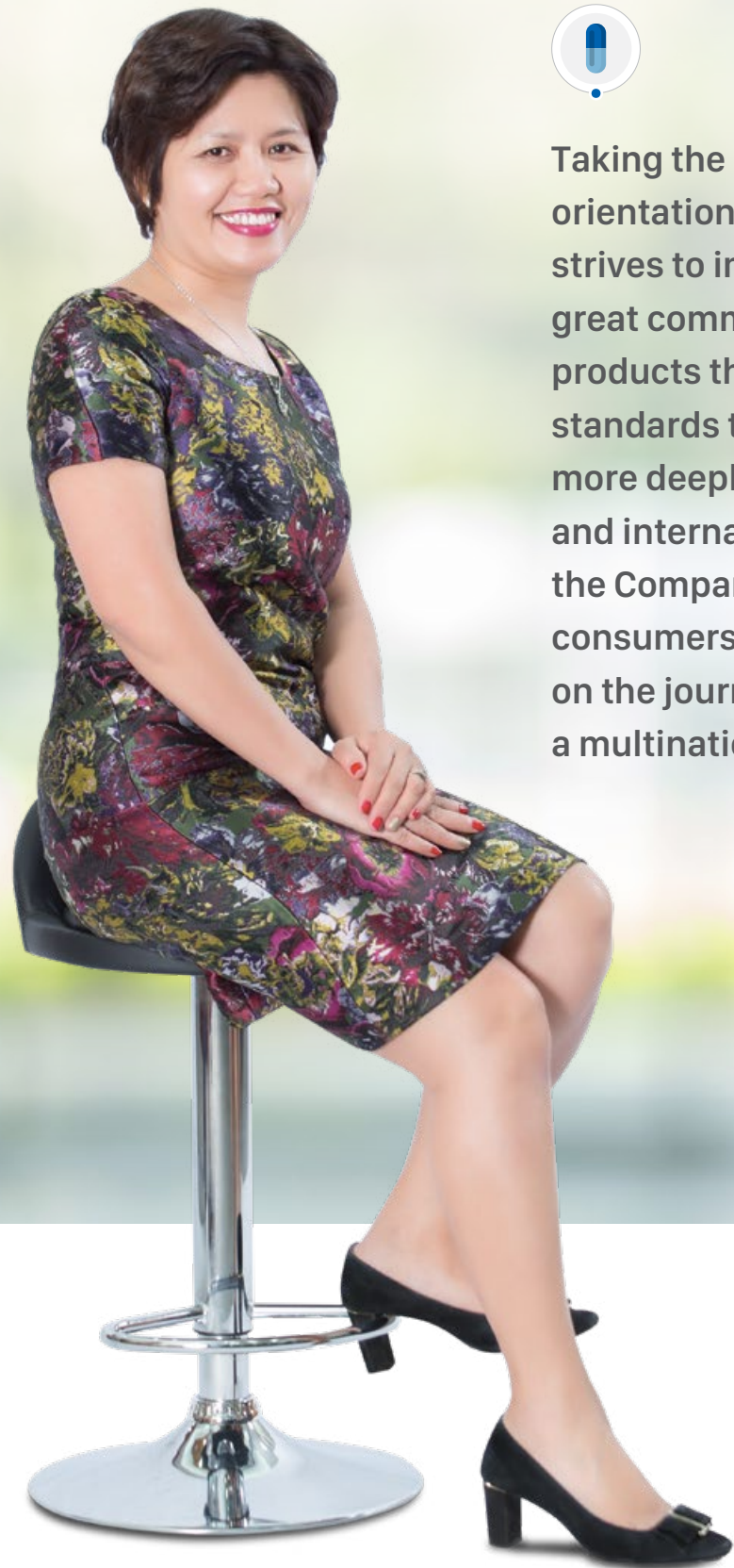
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Energy for THE NEW DAY

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Taking the market as a development orientation, DHG Pharma constantly strives to improve the system with great commitment to bring quality products that meet international standards to continue penetrating more deeply into both domestic and international markets, so that the Company can profoundly satisfy consumers' health care needs on the journey towards becoming a multinational company.

Dear shareholders, investors, partners and all employees!

The year 2019 marked a 45-year history of establishment as an important milestone of DHG Pharma. All employees of DHG Pharma have actively strived to implement the targets assigned by the Annual General Meeting of Shareholders with encouraging results:

The achieved business results in 2019 are as follows:

- Net sales accounted for VND 3,897 billion, reaching 98.8%.
- Profit before tax accounted for VND 713 billion, reaching 101.0%

With the results accomplished in 2019, DHG Pharma will continue to constantly strive to complete the 2020 targets with the net sales of VND 3,866 billion and profit before tax of VND 720 billion.

Regarding production activities: Currently, DHG Pharma has 2 production lines that meet PIC/s - GMP and Japan - GMP standards. This is considered as a fundamental prerequisite for exporting DHG Pharma's products to developed countries markets as well as promoting DHG Pharma's values and brand image in the market.

With respect to the corporate system: In order to effectively perform its role as a leading pharmaceutical company in Vietnam and successfully transform it to become a multinational company, DHG Pharma has proactively standardized its corporate governance system through the establishment of the Audit Committee under the Board of Directors as a replacement of the former Board of Supervisory model. This transformation illustrates DHG Pharma's efforts to modernize its governance model with an aim to ensure that all activities at DHG Pharma are more smoothly and effectively operated.

Regarding awards and recognitions: In 2019, DHG Pharma continued to retain its leading position in Vietnam's pharmaceutical industry for 23 consecutive years and maintained its position in the Top 10 pharmaceutical enterprises with the largest market share in Vietnam Pharmaceutical Industry.

At the same time, in 2019 DHG Pharma received numerous awards as recognitions its achievements in transparent and effective corporate governance: Top 10 Best Annual Reports; Top 5 Best Sustainable Development Reports; First prize in the best corporate governance report; Top 50 most effective business companies in Vietnam; Top 40 most valuable brands in Vietnam, etc.

The year 2020 marks the beginning of a new decade and also a new era of development for DHG Pharma in the age of globalization and integration. In such a context, DHG Pharma is well aware of its duties and responsibilities to customers, shareholders, employees and the community, which forms a solid foundation for constantly improving its internal capacity, competitiveness and maintaining its position in the market.

DHG Pharma has always received wholehearted trust from customers and partners in its business and transaction activities as well as comprehensive and specific support from its major shareholders. On top of that, DHG Pharma has also received close and timely guidance of the Board of Directors together with devoted efforts, dedication and contributions from the Board of Management and all of its employees.

On behalf of DHG Pharma, I would like to express my gratitude for the trust and long-term commitment from all of you over the years. With your enthusiastic support, we firmly believe that DHG Pharma will stably proceed as a pioneer in its pathway to sustainable growth and continuously bring further added values to all of its stakeholders.

Wishing you all health and success.

Best regards,

BOD Chairwoman

Dang Thi Thu Ha

Being pioneer IN HEALTHIER LIFE

As a leading enterprise in Vietnam's pharmaceutical industry with a long history of 45 years of development, DHG Pharma is always proud of its role as a pioneer in health care services. Focusing on technology investment and improving product quality has always been a leading strategic goal of DHG Pharma; this is to affirm the belief of physicians and consumers in choosing DHG Pharma products.

INTRODUCTION OF DHG PHARMA

- 10 Vision - Mission - Core Values
- 12 Financial highlights in 2015 – 2019
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VISION - MISSION CORE VALUES



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.

CORE VALUES



1

Our highest commitments are
quality, safety, & effectiveness

Our foundation for development
is knowledge & creativity

2



3

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

Our pride is DHG Pharma's
cultures and identity

4



5

Our long-term goal is
mutual prosperity with partners

Our competitive advantage is
the superior differentiation

6



7

Our activities all centered around
the benefits of the community



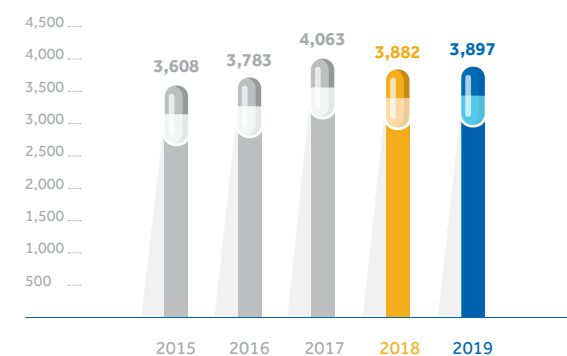
FINANCIAL HIGHLIGHTS 2015 – 2019

Indicators	Figures in	2015	2016	2017	2018	2019
Income statement						
Net sales	VND Billion	3,608	3,783	4,063	3,882	3,897
Gross profit	VND Billion	1,413	1,713	1,783	1,717	1,712
Profit before tax	VND Billion	701	757	719	732	713
Profit after tax	VND Billion	593	689	642	651	631
Balance sheet						
Total assets	VND Billion	3,363	3,945	4,087	4,206	4,147
Current assets	VND Billion	2,221	2,746	2,939	3,148	3,134
Non-current assets	VND Billion	1,142	1,199	1,148	1,058	1,013
Liabilities	VND Billion	842	1,076	1,328	1,062	769
Owner's equity	VND Billion	2,521	2,870	2,759	3,144	3,378
Charter capital	VND Billion	872	872	1,307	1,307	1,307
Cash flow						
Net cash inflows from operating activities	VND Billion	475	645	460	291	838
Net cash outflows from investing activities	VND Billion	-369	-278	-192	-461	- 224
Net cash outflows from financing activities	VND Billion	-183	-185	-322	-304	- 620
Net (decrease)/increase in cash and cash equivalents	VND Billion	-78	182	-53	-474	- 6
Cash and cash equivalent at the beginning of the period	VND Billion	498	421	603	550	76
Cash and cash equivalent at the end of the period	VND Billion	421	603	550	76	70
Basic financial ratios						
Gross Profit Margin	%	39.2%	45.3%	43.9%	44.2%	43.9%
Profit before tax margin	%	19.4%	20.0%	17.7%	18.9%	18.3%
ROS	%	16.4%	18.2%	15.8%	16.8%	16.2%
ROA	%	17.3%	18.8%	16.0%	15.7%	15.1%
ROE	%	24.6%	25.5%	22.8%	22.1%	19.4%
Shares information						
Market price at the end of the year	VND/share	39,980	61,450	113,350	79,000	91,500
Basic earnings per share	VND/share	5,748	4,485	4,378	4,445	4,668
Dividend	VND/share	3,500	3,500	3,000	3,500	4,000 ^(*)

(*) Dividend of 2019 is projected to be submitted to the AGM 2019.

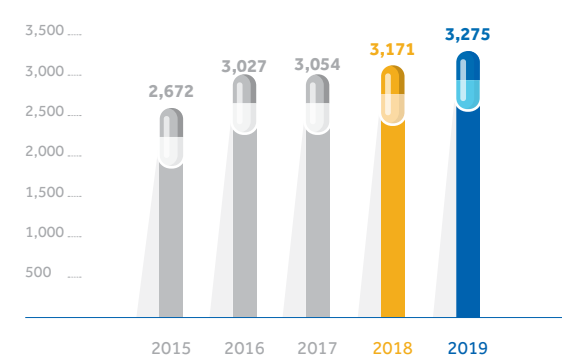
NET SALES

(FIGURES IN: VND BILLION)



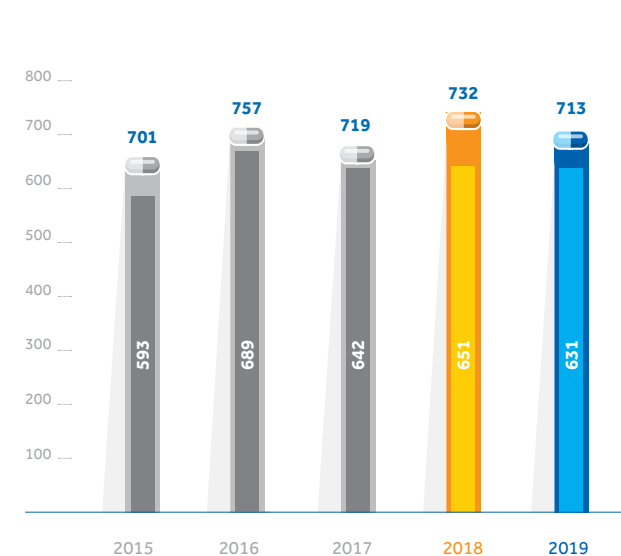
NET SALES OF IN-HOUSE GOODS

(FIGURES IN: VND BILLION)



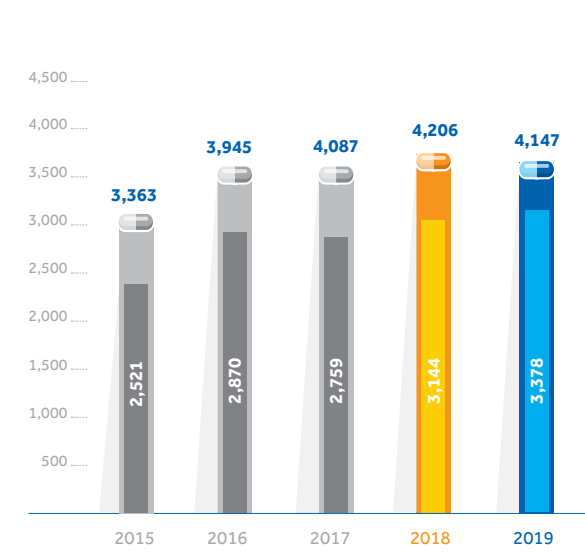
PROFIT

(FIGURES IN: VND BILLION) ■ Profit before tax □ Profit after tax



TOTAL CAPITAL AND OWNER'S EQUITY

(FIGURES IN: VND BILLION) ■ Total capital □ Owner's equity





DISTINGUISHED AWARDS IN 2019



06 CONSECUTIVE YEARS

TOP 50

BEST LISTED COMPANIES

Voted by Forbes Vietnam.



04 CONSECUTIVE YEARS
TOP 40 MOST VALUABLE BRANDS IN VIETNAM
Voted by Forbes Vietnam.



08 CONSECUTIVE YEARS
TOP 50 VIETNAM'S BEST PERFORMING COMPANIES
Organized by Vietnam Investment Review Magazine.



TOP 100 LARGEST PUBLIC COMPANIES IN 2019
Voted by Forbes Vietnam.



02 CONSECUTIVE YEARS
TOP 10 PRESTIGIOUS PHARMACEUTICAL COMPANIES IN 2019
3 criteria for Vietnam Report to vote for are financial capacity, media reputation, and survey of pharmacists and enterprises.



24 CONSECUTIVE YEARS
VIETNAMESE HIGH-QUALITY GOODS
Voted by consumers.



12 CONSECUTIVE YEARS
TOP 10 LARGE CAP BEST ANNUAL REPORTS
Jointly organized by HCMC and Hanoi Stock Exchanges, Investment Review Magazine and Dragon Capital.



RANKED 1st FOR THE BEST CORPORATE GOVERNANCE REPORT
Jointly organized by HCMC and Hanoi Stock Exchanges, Investment Review Magazine and Dragon Capital.



04 CONSECUTIVE YEARS
TOP 5 BEST SUSTAINABLE DEVELOPMENT REPORTS
Jointly organized by HCMC and Hanoi Stock Exchanges, Investment Review Magazine and Dragon Capital.



KEY MILESTONES



DHG Pharma continues to maintain its leading position in the industry after a year of challenges and difficulties, creating new values to serve consumers. The prestigious awards are the evidence that shows DHG Pharma steadily overcome all challenges, continuously creating outstanding values and strong breakthroughs in the future that, in turn, bring added values to all of its relevant parties.

DHG PHARMA

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 Ho Chi Minh City Stock Exchange (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".



2019

Marked the 45th historical milestone for "For a More Beautiful and Healthier Life" and the first year to officially become a member of Multinational Pharmaceutical Companies (strategic shareholder Taisho owns 51.01% of the Company's capital).

2018

FOL Lifting at DHG Pharma from 49% to 100% of charter capital. PIC/s - GMP and Japan - GMP standards were granted for production lines

2017

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

2016

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

2015

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

2014

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

2013

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

2012

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



HIGHLIGHTS IN 2019



**THE YEAR 2019 MARKED THE
45 YEAR-HISTORIC JOURNEY
“FOR A MORE BEAUTIFUL AND HEALTHIER LIFE”**

45

**AS A MEMORABLE MILESTONE
AND GREAT PRIDE OF
DHG PHARMACEUTICAL JOINT STOCK COMPANY.**

DHG Pharma's prestige and branding have been unitedly constructed, throughout its 45 years of establishment and development, by successive generations. In such a process, experience of previous generations have provided a solid foundation and paved the way for its combination with the creativity and strengths characterised in subsequent generations who are highly qualified and professionally trained. Such an integration has created a harmonious and solidated unity that is willing to welcome any challenges in the global integrated marketplace.



MAINTAINING **THE LEADING POSITION** IN VIETNAM'S PHARMACEUTICAL INDUSTRY

The business results in 2019 show that DHG Pharma continues to rank first in the Vietnam's Pharmaceutical Industry for 23 consecutive years in terms of sales, profit and production capability. Besides, DHG Pharma continues to hold the position of Top 10 pharmaceutical enterprises with the largest market share in the Vietnam's Pharmaceutical Industry (according to IQVIA statistics in the third quarter of 2019). According to the ranking of Vietnam Report, DHG Pharma continues to maintain its leading position. These achievements help DHG Pharma increasingly enhance its value and affirm its position with shareholders, investors, customers and consumers.



TRANSFERRING SENIOR PERSONNEL POSITIONS

On 11 Jun 2019 the BOD of DHG Pharma, Term IV (2019 - 2023) was elected at the 2018 AGM. Also at this time, DHG Pharma marked a major turning point when simultaneously transferring two senior personnel positions of the Company. The new BOD has unanimously appointed Ms. Dang Thi Thu Ha as the Chairwoman of the BOD of DHG Pharma for the fourth Term (2019 - 2023). Accordingly, Mr. Masashi Nakaura was appointed as General Director, Legal Representative of the

Company from 1 Jan 2020 to 31 Dec 2022. With the leadership ability and seasoned experiences in many fields, it is promising for Ms. Dang Thi Thu Ha and Mr. Masashi Nakaura to help DHG Pharma to strongly deploy development plans and aim at big goals in the future.

The year 2019 is also considered a pivotal year when DHG Pharma is one of the pioneering domestic pharmaceutical companies in setting up the Audit Committee under the BOD to replace the Board of Supervisory model, in which non-executive BOD members and independent BOD members play the role of managing the Audit Committee to independently advise the Company's issues to the BOD.



PIONEERING

IN EXPORTING VIETNAMESE MEDICINE INTO INTERNATIONAL MARKET

After a series of successful technology transfer deals, it can be seen that DHG Pharma is consolidating its position as a "leading bird" in the field of modern medicine as well as the role of a pioneer in bringing Vietnamese medicine to international market. DHG Pharma has been aiming to expand its reach worldwide with global reputable certificates, to open the door to international market. Japan-GMP, PIC/s-GMP or FDA are certifications that any pharmaceutical company wished to obtain, because they must invest in building factory, professional capacity as well as internal resources of the company to be capable enough to meet many stringent criteria in the world's medicine manufacturing practice.

On 6 Mar 2019, Drug Administration of Vietnam (DAV) announced Japan-GMP certificate for the tablet line of Non-Betalactam plant. Japan-GMP is a Good Manufacturing Practices of Japanese drugs (equivalent to EU - GMP, FDA - Food and Drug Administration of the USA, etc). Currently, DHG Pharma has 2 lines that meet PIC/s - GMP and Japan-GMP standards. This is a laissez-passer for DHG Pharma branded products to be exported to developed countries, boosting export activities. Specifically, the export activities in 2019 had a significant growth over the same period in 2018 with sales reaching VND 79 billion, increased by 24.9% over the same period.

CATCHING THE TREND AND APPLYING TECHNOLOGY 4.0

The Industrial Revolution 4.0 opens up many opportunities and challenges. Vietnam in general and the pharmaceutical industry in particular are no exception. Being fully aware of the opportunity and importance of the 4.0 industrial revolution, DHG Pharma has been pioneering the application of technology to increase productivity.

In 2019, the Company applied QR Code technology and upgraded App DHG Co-Prosperity, DHG Family in product management, communication programs, promotion programs, training programs, preferential purchase programs, etc. to bring customers and employees a new experience of modernity, convenience as well as manage costs and train human resources more effective and professional. The application of science and technology at DHG Pharma has brought many advantages in internal communication, sales management and humanity activities. Customers can control information related to trading, transaction, payment, and promotion with DHG Pharma anytime, anywhere. Moreover, information technology not only functions as an effective bridge for communication between leaders and employees, but also as an internal channel that helps employees when purchasing products.



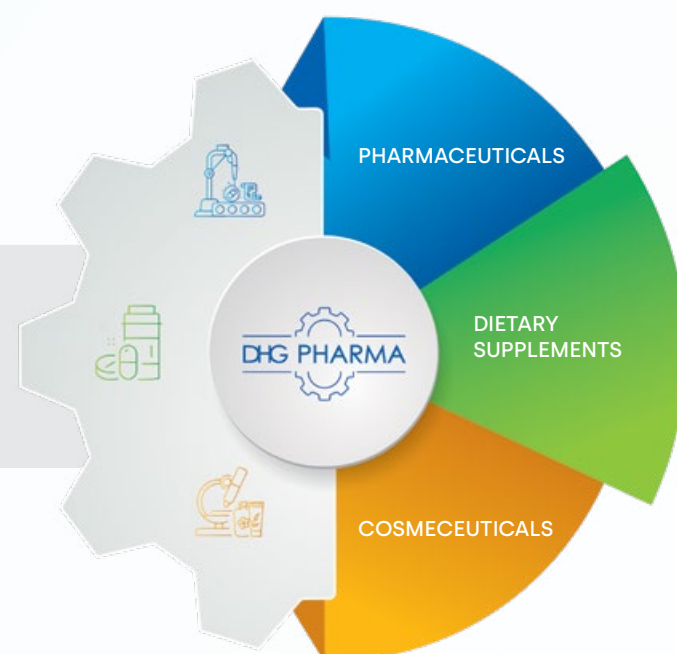


BUSINESS LINES AND MARKET REGIONS

BUSINESS LINES

The core business lines of DHG Pharma is to **manufacture and trade**

At the beginning of 2020, the Company had 237 visa numbers for pharmaceuticals with a diverse product list and 71 visa numbers for dietary supplements and cosmeceuticals.



DHG PHARMA

DHG Pharma has always been in the leading position with innovative steps in researching and developing a variety of products to meet the needs of Vietnamese people's health care and protection nationwide.

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

CATEGORIES DHG PHARMA	1. ANTIBIOTIC	2. ANALGESIC - ANTIPYRETIC	3. RESPIRATORY	4. NUTRITION	5. MUSCULOSKELETAL
6. GASTROINTESTINAL - HEPATOBIILIARY	7. NEUROLOGY - OPHTHALMOLOGY	8. CARDIOVASCULAR - DIABETES	9. SKIN CARE	10. IMPORTED PRODUCTS	11. OTHERS

For a more beautiful and healthier life

IN 2019, SALES OF ANTIBIOTIC AND ANALGESIC - ANTIPYRETIC ACCOUNTED FOR **>50%** OF THE TOTAL SALES.

1. ——— ANTIBIOTIC

With the two major brands namely Klamentin and Haginat, this is the product line trusted by health workers, doctors and large hospitals in Vietnam. These two brands have been available in more than 98% of drugstores nationwide in the past 15 years. The products are proven to be bioequivalent to the invention drugs and are always present in the Top 200 market leading products (according to IQVIA research).



2. ——— ANALGESIC – ANTIPYRETIC

In Vietnam, DHG Pharma is the first enterprise to launch a line of analgesic – antipyretic and provide diverse types for all ages. Particularly, the effervescent powder with sweet orange flavor for children conquers the trust of doctors, pharmacies and consumers. With Japan – GMP standard certificate and US-imported raw materials, DHG Pharma strongly believes that Hapacol will continue to be the leading analgesic – antipyretic brand in Vietnam.





3. RESPIRATORY

Fully understanding that chesty cough causes difficulties and danger for many people, DHG Pharma has developed a product that can help get rid of phlegm, which is easy to drink, convenient and suitable for many people. Over nearly 20 years in the market, MITUX with the form of powder package, sweet orange flavor and Italy-originated imported materials has conquered doctors, pharmacists and consumers. Additionally, DHG Pharma has desired to bring customers a green, safe product in supporting and treating cough, and that results in the presence of the brand of natural herbal COZZ cough medicine and is swiftly welcomed by consumers.



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 in the country. Bipp leads the sales of children's vitamin candy product.



5. MUSCULOSKELETAL

The product line has many quality products meeting the bioequivalence standards and the international standards such as Japan - GMP, PIC/s - GMP. DHG Pharma is proud to own the Atocib product group (Etoricoxib) - the first active ingredient group certified with bioequivalent on the Vietnamese market. In addition, AlphaDHG becomes the leading product in the domestic market and helps Vietnamese consumers to use international quality products at affordable prices.



6. GASTROINTESTINAL – HEPATOBIARY

This is the 3rd sales contributing category of DHG Pharma with a diverse product portfolio to meet both ETC and OTC channels as well as many products meeting Japan - GMP standards and some products reaching scientific and technical content such as Naturenz - cooperating with Vietnam Institute of Biotechnology, Yunpro - cooperating with CKD Pharmaceutical Group, Expas 40, Expas Forte, Fubenzon, Iboten,.... Meanwhile, Stoccel P is the leading product in the domestic market for many years.





BUSINESS LINES AND MARKET REGIONS

7. ____ NEUROLOGY – OPHTHALMOLOGY

In order to improve quality of life, DHG Pharma not only promotes the development of treatment products but also pays attention to preventive and healthcare products for people of all ages. Typically, NattoEnzym is the only product in Vietnam to be granted with JNKA Japan certification for stroke prevention and Eyclight is the OTC product line that opens the product segment providing vitamins and nutrients to the eyes in Vietnam which improves Vietnamese people's awareness about eye care on a daily basis.



8. ____ CARDIOVASCULAR – DIABETES

DHG Pharma has constantly invested and research from raw materials, production lines to finished products to ensure a complete product portfolio with high quality and suitable prices for long-term use. The most typical is Apitim's bioequivalent product being trusted by doctors, pharmacists and more than ¼ of patients with hypertension.



9. ____ SKIN 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 that meets Japan - GMP international standard. 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.



10. ____ IMPORTED PRODUCTS

In order to diversify products, increase sales and competitiveness of DHG Pharma in the market, the Company hires foreign pharmaceutical manufacturers to manufacture products such as Mitoyo, Yunpro, Hoshi, etc. These products shall then be distributed in the Vietnamese market by DHG Pharma.



11. ____ OTHERS

In addition to supplying sufficient raw materials for production activities, DHG Pharma is also the supplier of pharmaceutical raw materials for domestic manufacturing enterprises. At the same time, it is a processing partner for other businesses to help increase sales and make the most of existing advantages of DHG Pharma.





BUSINESS LINES AND MARKET REGIONS

MARKET REGIONS

DOMESTIC MARKET

Through 45 years operating in Vietnamese pharmaceutical market, DHG Pharma was considered an enterprise with the most widespread and largest distribution network, with



35 BRANCHES

DISTRIBUTING GOODS NATIONWIDE
FROM CITY TO COUNTRYSIDE

(DISTRIBUTING TO 3 STAGES: CITY, DISTRICT AND COMMUNE)



>32,000 CUSTOMERS

ESPECIALLY, CUSTOMERS OF
LOYAL CLUB ARE CONSTANTLY GROWING

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

DISTRIBUTION CHANNELS



Pharmacy Channel:

Including agents, private pharmacies, hospital pharmacies, distribution companies, retail stores, etc.



Hospital Channel:

Including hospitals, clinics and medical centers, etc with a separate and specialized sales representative system.



Modern Channel and E-commerce Channel:

DHG Pharma also distributes products through the modern channel such as supermarkets, pharmacy chains, the e-commerce channel, etc.

List of 35 distribution branches of DHG Pharma: Please refer to page 192

DOMESTIC MARKET
ACCOUNTED FOR

98%

OF THE SALES
VOLUME

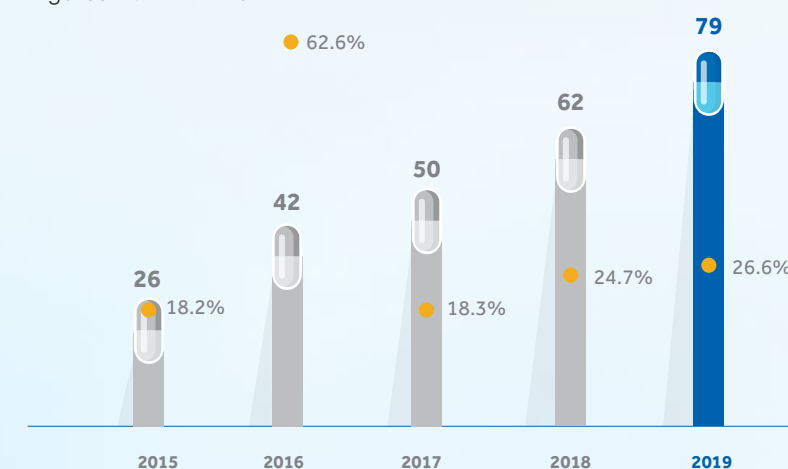


EXPORT MARKET

In the future, the roadmap to improve quality standards and strategies to develop export markets and international cooperation will bring many advantages for DHG Pharma's products when exporting to foreign markets, which together re-affirm its leading brand and the largest exporter of Vietnam.

Export sales and growth throughout the years

Figures in: VND Billion



DHG Pharma has developed its sales network in 14 countries such as Singapore, Cambodia, Laos, Myanmar, Moldova, Mongolia, Nigeria, Yemen, Indonesia, Malaysia, Russia, and etc with approximately 117 registered visa numbers.

In 2019, there has been a significant growth in DHG Pharma's export compared to the same period of 2018. The export sales reached VND 79 billion, up 24.9% over the same period.



MAJOR CHANGES OF THE COMPANY IN 2019

Category	2018	2019	Impact
Companies hold more than 51% of DHG Pharma's equity	Nil	Taisho	A strategic shareholder who supports for mutual development
Subsidiary	1 subsidiary: Fuji Medic (DHG Pharma owned 51% of the charter capital)	1 subsidiary: Fuji Medic	Sales of services reduced
Branch	36 branches	35 branches (Tay Ninh Branch has been merged into Binh Duong Branch since 18 Apr 2019)	No impact. Merger is made to streamline the organizational structure and improve operational efficiency
MSD and Eugica distribution	The Company distributed MSD and Eugica as of Jun/2018	No more	Sales of merchandise reduced
Organisation apparatus	<ul style="list-style-type: none">Annual General Meeting of ShareholdersBoard of DirectorsBoard of SupervisoryGeneral Director	<ul style="list-style-type: none">Annual General Meeting of ShareholdersBoard of DirectorsAudit Committee under the BODGeneral Director	This corporate model is changed to be in line with international practices and is applied in many enterprises. This model is implemented to strengthen the internal control system and improve transparency.

- On 17 May 2019, Taisho officially lifted its ownership in DHG Pharma to 51.01%, thereby, DHG Pharma has become a subsidiary of Taisho. This deal helps DHG Pharma have more strategic shareholders to upgrade technology, efficiency of production and business, bringing DHG Pharma to further develop in the future.
- On 01 Apr 2019, the Company's BOD approved the policy of transferring or liquidating assets of Fuji Medic Co., Ltd. (Fuji Medic) to dissolve this company. Reason for divestment: restructuring the Company's operation and streamlining management apparatus. Currently, the Company is liquidating assets of Fuji Medic.
- On 18 Apr 2019, the BOD approved the dissolution of Tay Ninh Branch of DHG Pharmaceutical Joint Stock Company.
- After lifting the foreign ownership limit to 100% (room lifting), DHG Pharma is not allowed to distribute pharmaceuticals as prescribed as prescribed. Therefore, the Company has discontinued distributing MSD and Eugica from Jun/ 2018.
- According to the AGM Resolution 2018 dated 11 Jun 2019, DHG Pharma has changed the structure of organization, management and control from the Board of Supervisory to the Audit Committee under the BOD.



CORPORATE MODEL

DETAILED INFORMATION OF THE PARENT COMPANY, SUBSIDIARIES AND AFFILIATES

THE 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 dietary 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 the company with a pretty large OTC market share in Japan, accounting for 13.4% 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 has 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

Ownership ratio at
DHG Pharma:



CORE OPERATIONS

- Self-medication**
(Consumer healthcare)
- OTC drugs and health related products.
- Prescription pharmaceuticals**
development of unique new drugs.



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

FUJI MEDIC CO., LTD (Fuji Medic)

Official operation date: 27 Jul 2016

Head office: 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.

Dissolution procedures for Fuji Medic are being implemented.



AFFILIATE

VINH HAO ALGAE PROCESSING JOINT STOCK COMPANY (Spiviha)

Official operation date: 01 Apr 2008

Head office: Vinh Hao, Tuy Phong, Binh Thuan Province

Charter capital: VND 12 billion

Business lines: Manufacture and trade of Spirulina Algae

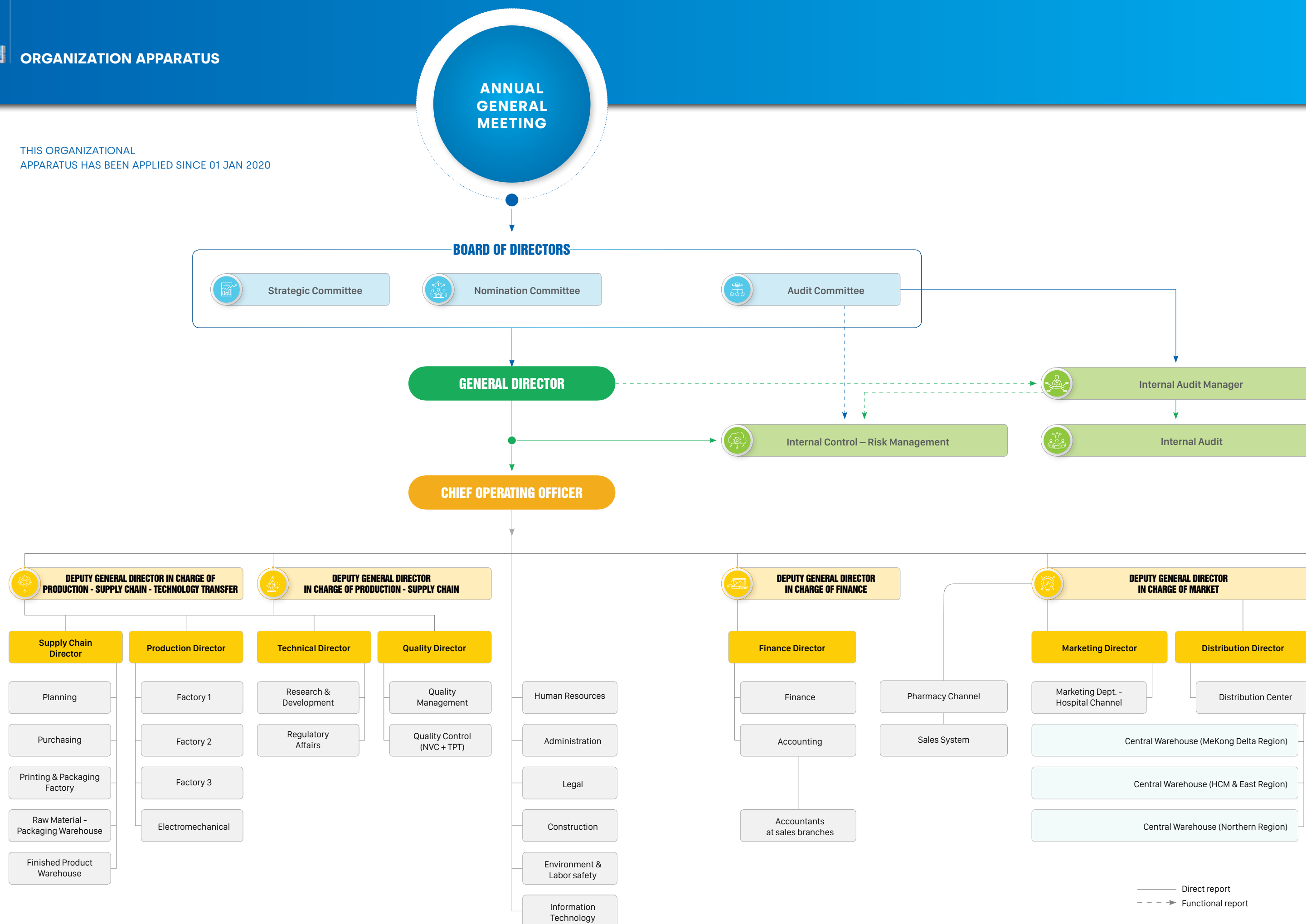
DHG Pharma's equity: 31.36%





ORGANIZATION APPARATUS

THIS ORGANIZATIONAL
APPARATUS HAS BEEN APPLIED SINCE 01 JAN 2020





BOARD PROFILE

The Annual General Meeting of Shareholders 2018 that was organized on 11 Jun 2019 approved the quantity of BOD members Term IV (2019 - 2023) to be 7 members.

Joining DHG Pharma's BOD are senior personnel of SCIC, Taisho and Vinamilk, comprising of:

1. — Mrs. Dang Thi Thu Ha (BOD Chairwoman);
2. — Mr. Jun Kuroda (Non-executive BOD member);
3. — Mr. Masashi Nakaura (Executive BOD member);
4. — Mr. Doan Dinh Duy Khuong (Executive BOD member);
5. — Mr. Maki Kamijo (Non-executive BOD member);
6. — Mr. Phan Minh Tien (Independent BOD member);
7. — Mr. Do Le Hung (Independent BOD member).

Accordingly, the BOD Term IV (2019 - 2023) appointed the following personnel to join DHG Pharma's BOM Term 2020 - 2022:

1. — Mr. Masashi Nakaura (General Director);
2. — Mr. Doan Dinh Duy Khuong (Chief Operating Officer);
3. — Mr. Tomoyuki Kawata (Deputy General Director in charge of Production, Supply Chain and Technology Transfer);
4. — Mrs. Nguyen Ngoc Diep (Deputy General Director in charge of Production and Supply Chain).



Mr. Nguyen Chi Thanh (white shirt - Former DHG Pharma's BOD Chairman) congratulated BOD members Term IV (2019 - 2023) at the Annual General Meeting of Shareholders 2018.



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

Born in	: 1973
Age	: 47
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 present (Apr/2020): 2 years 9 months
 - BOD Chairwoman of DHG Pharma: since 11 Jun 2019

- Positions held in other organizations:**
- Deputy Head of Investment Dept. 3 - State Capital Investment Corporation – SCIC. She has over 11 years working here. She possesses extensive experience in corporate governance
 - BOD member of Benovas Cancer Drugs JSC since Mar/2017
 - BOD member of Vietnam Dairy Products JSC – Vinamilk since Apr/2017



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

Born in	: 1956
Age	: 64
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 present (Apr/2020): 3 years 9 months
- Positions held in other organizations:**
- Member of the Board, Senior Executive Officer - Taisho Pharmaceutical Co., Ltd. (Japan). He has more than 36 years working at Taisho Group with extensive experience in international business
 - Chairman/ President Director/ Managing Director/ Director at Taisho's subsidiary in China, USA, Malaysia, Singapore, Thailand, Vietnam, Mexico and France



BOARD PROFILE



Mr. MASASHI NAKAURA

Executive BOD Member
Member of Strategic Committee
Member of Nomination Committee
General Director

Born in	: 1958
Age	: 62
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 present (Apr/2020): 10 months

Join DHG Pharma as a BOM member:

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

Positions held in other organizations:

- He possesses over 27 years of international experience in business development and marketing at multinational companies, including extensive experience in managing, developing and leading teams as head of organization at subsidiaries of Taisho Group



Mr. DOAN DINH DUY KHUONG

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

Born in	: 1974
Age	: 46
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 present (Apr/2020): 14 years

Join DHG Pharma as a BOM member:

He has over 20 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 Audit Committee

Born in	: 1961
Age	: 59
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 present (Apr/2020): 10 months

Positions held in other organizations:

- General Manager – Business Development at International Headquarters – Taisho Pharmaceutical Co., Ltd. Japan. He has over 19 years working at Taisho Group – Japan in International Business Development



Mr. PHAN MINH TIEN

Independent BOD Member
Head of Nomination Committee
Member of Strategic Committee

Born in	: 1970
Age	: 50
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 present (Apr/2020): 2 years

Positions held in other organizations:

- Executive Director in charge of Marketing and Domestic Sales – Vietnam Dairy Products JSC. He has more than 6 years working at Vinamilk with extensive experience in sales and marketing



Mr. DO LE HUNG

Independent BOD member
Head of Audit Committee

Born in	: 1969
Age	: 51
Nationality	: Vietnamese

Professional qualifications:

- Master of Public Finance and Degree of Public Management – National School of Administration, France

Join DHG Pharma as a BOD member:

- First appointment: Jun/2019
- Term's length as DHG Pharma's BOD member as of present (Apr/2020): 10 months

Positions held in other organizations:

- Independent BOD Member – Head of Audit Committee – Vietnam Dairy Products JSC (Vinamilk)
- BOD Member – Vietnam Institute of Directors (VIOD)
- Independent BOD Member – Head of Audit Committee – An Gia Real Estate Investment and Development JSC
- Independent BOD Member – Head of Audit Committee – South Logistics JSC
- Independent BOD Member – GNTFoods Joint Stock Company



BOARD PROFILE



Mr. TOMOYUKI KAWATA

Deputy General Director in charge of Production, Supply Chain and Technology Transfer

Born in	: 1966
Age	: 54
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
- 4/2014 - 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
Age	: 52
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 Head 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 - Now: Deputy General Director cum Production Director - DHG Pharma



Mr. LAM DIEU PHI

Marketing Director

Born in	: 1977
Age	: 43
Nationality	: Vietnamese

Professional qualifications:

- EMBA - UBI (Belgium)

Employment history:

- 2003 - 09/2004: Employee of Planning Dept. - Hau Giang Pharmaceutical Integrated Factory
- 09/2004 - 2006: Head of Product Development Team - DHG Pharma
- 2006 - 2007: Head of Branding Management Division - DHG Pharma
- 2008 - 2009: Head of Product Development Division - DHG Pharma
- 2009 - 06/2012: Strategic assistant for General Director, Deputy Manager of Marketing Dept. and Deputy Director of Research Center - DHG Pharma
- 06/2012 - 04/2016: Manager of Marketing Dept. - DHG Pharma
- 04/2016 - Now: Marketing Director - DHG Pharma



Mrs. LE THI HONG NHUNG

Finance Director

Born in	: 1981
Age	: 39
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
- 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



Mr. HO BUU HUAN

Chief Accountant

Born in	: 1980
Age	: 40
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 Manager 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

Opening the door FOR INTEGRATION

Quality standards are considered a top prerequisite for bringing any product to market. Particularly, products that directly affect people's health, the quality standards become even more stringent. With the advantages of owning lines that meet PIC/s - GMP and Japan - GMP standards, DHG Pharma is ready for the journey of opening the door for more integration, exporting DHG Pharma's branded products to developed countries. Meanwhile, it also enhances the value and brand image in the market.

DEVELOPMENT STRATEGY



- 44 Macro environment and Vietnamese pharmaceutical industry 2019 - outlook 2020
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- 54 Business plan in 2020



OVERVIEW OF VIETNAM ECONOMIC SITUATION 2019



In the context of unstable world economy such as trade tensions between the US and China, Brexit event, Hong Kong economic recession due to protest, Vietnam's economic growth still achieved an impressive result of 7.02%, ranked among the highest growth economies in the region and the world, which exceeded the goal set by the National Assembly from 6.6% to 6.8%.

This was the second consecutive year Vietnam successfully completed all 12/12 targets set by the National Assembly; specifically, trade surplus reached a record of USD 9.94 billion, registered FDI capital was USD 38 billion – the highest level in 10 years, foreign exchange reserves increased to USD 80 billion, and budget deficit was low. Beside high GDP growth, Vietnam's macro economy remained stable. Despite remaining many factors and causes of rising inflation index such as increasing consumer prices of some food items, catering services, beverages, public transport services, tourism, fuel, health services, labor cost, Vietnam could still ensure that both the consumer price index and the annual inflation were under control. Particularly, inflation was below 3%, and this was also the 4th consecutive year Vietnam controls inflation at the rate of below 4%. The population continued to increase by 0.9%, reaching 96.9 million people, which made Vietnam the 14th most populous country in the world, ranking 3rd in Southeast Asia after Indonesia and the Philippines. The per capita income was nearly USD 2,800, but if counting the omitted economy, the amount was over USD 3,000. More especially, in Oct 2019, the World



VIETNAM ECONOMIC OUTLOOK 2020

Economic Forum (WEF) released its Global Competitiveness Report (GCI), in which Vietnam ranked 67 out of 141 economies with 61.5 points, improving by 10 places and increasing by 3.5 points. This was not only the most significant both also the only increase in the world. Vietnam became the "champion" in the race to improve the rankings on the Global Competitiveness Chart 2019. This proved the values of Vietnam reform efforts in recent years. 2019 was also the year Vietnam witnessed many important and prominent events taking place such as the signing of the Free Trade Agreement, the Investment Protection Agreement between Vietnam and the European Union (EU); 18 banks in the system meet Basel II standards.

In 2020, the Government sets a target of 6.8% GDP growth, similar to that of 2019. However, such growth is quite challenging because Vietnam mainly produces and exports low added value products while the international environment is fluctuated and tense with the situation of Covid-19 pandemic becoming increasingly complicated. On 9 Apr 2020, Fitch Solutions forecasts that Vietnam's GDP growth will fall to 3.3% in 2020. This will be the lowest annual growth rate since the mid-1980s. The forecast for 2020 is uncertain and there will be further risks, depending on the further progress of the pandemic, both in Vietnam and in major export markets. Additionally, on 3 Apr 2020, the Asian Development Bank (ADB) also forecasted Vietnam's economic growth rate in 2020 but at a more positive rate of 4.8%. According to ADB experts, Vietnam will suffer from the initial supply shock, due to the outbreak of the Covid-19 pandemic, and subsequently from strong reduction in demands taking place in countries which

are the main trade and investment partners of Vietnam. Despite the possibility of being heavily affected by the pandemic, according to ADB, the fundamentals of Vietnam's economy will be maintained. If the pandemic is to be controlled in the first half of 2020, growth will recover back to 6.8% by 2021 and remain strong in the medium and long term. ADB argues that the driving forces of economic growth – the growing middle class and the dynamic private sector, notably the domestic economy and domestic private enterprises – remain strong. Similarly, the business environment continues to improve. The large number of bilateral and multilateral trade agreements to which Vietnam is engaged promises to increase market access for Vietnam which is essential for economic recovery after Covid-19. China's control of Covid-19 and the possibility for the Chinese market to return to normal will help revitalize global value chains and create favorable conditions for economic recovery in Vietnam.



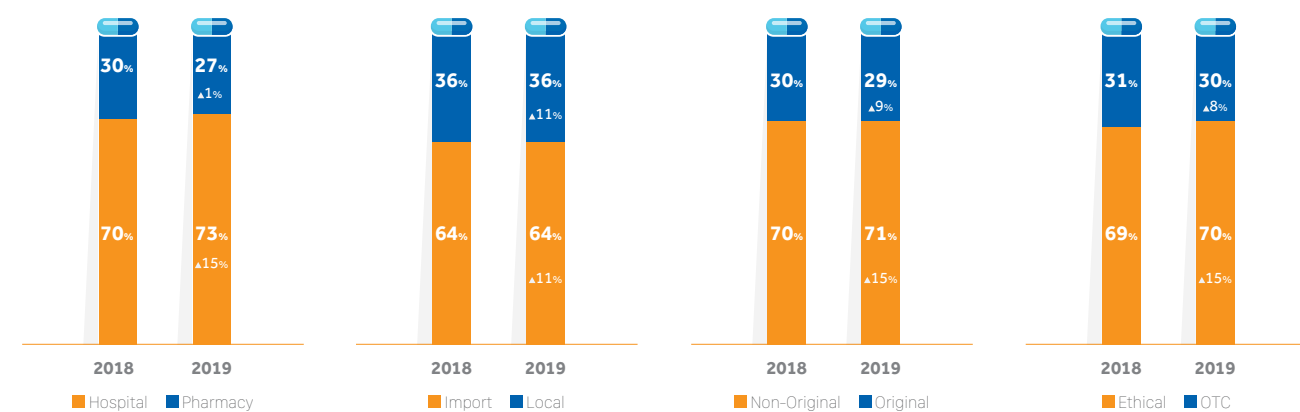
OVERVIEW OF VIETNAM PHARMACEUTICAL MARKET 2019

According to IQVIA's Quarter 4/2019 report, Vietnam's pharmaceutical market value reached VND 103 trillion, up 13%. Vietnam's pharmaceutical market currently ranks second in Southeast Asia, among the 17 countries with the highest pharmaceutical growth rate in the region.

According to the statistics of the Drug Administration of Vietnam by 31 Dec 2019, Vietnam has about 178 pharmaceutical manufacturing enterprises and 203 domestic factories producing GMP standards (Good Manufacturing Practices). Domestic pharmaceutical production has so far only met about 52.5% of domestic pharmaceutical demand, the rest has to be imported. In 2019, Vietnam imported over USD 3.07 billions of pharmaceutical products, increasing by 10.2% over the same period of the previous year and nearly 55% originated from the EU (+12% YoY).

Products of pharmaceutical enterprises were distributed mainly through Hospital and Pharmacy channels. The Hospital channel accounted for about 73% of the drug market, only 27% was for the Pharmacy channel, while the country had more than 57,000 pharmacies and drugstores. In 2019, the Hospital channel continued to be the driving force of the market growth, up 18% while the Pharmacy channel only witnessed an increase of 1%. This increase in the Hospital channel resulted from the impact of the government health insurance policy with the increasing proportion of people participating in health insurance. Spending on drugs in this insurance sector, as such, accounted for an increasingly dominant proportion. Pursuant to the Government's report, in 2019, there were 85 million people having health insurance nationwide, reaching 89.8% and exceeding 1.7% of the target assigned by the National Assembly. The target is that 90% of population will have health insurance by 2020. In addition, the growing number of private hospitals contributed to the increase in drugs in the treatment sector. Finally, the positive signal was that health awareness was increasing, leading an increasing number of people visiting hospital.

Total market value: VND 103,299 billion Growth: +13%



Source: IQVIA Quarter 4/2019

According to a survey conducted by Vietnam Report in Nov 2019, the business results of Vietnamese pharmaceutical enterprises were affected by the following 6 factors:

1. — The quality of human resources and corporate governance.
2. — Price fluctuation of input cost.
3. — Regulatory and regulatory policies on quality and prices in the pharmaceutical industry.
4. — Internal - external competition and consumer psychology.
5. — The entry of non-core businesses through M&A.
6. — Branding activities of Enterprises.

The project to control prescriptions, sales of prescription drugs and regulations on drugs procurement auction (Circular 15/2019/TT-BYT) was a strong factor affecting the performance of pharmaceutical enterprises. Accordingly, prescription drugs, especially antibiotics, were strictly controlled with priority given to high-quality domestically produced drugs. In addition, the M&A trend between domestic and foreign enterprises took place strongly in the period of 2016 - 2019. Domestic pharmaceutical enterprises expect that the cooperation with foreign enterprises will bring more capital, technology and highly qualified human resources, and orientation towards higher standards of products such as EU - GMP, Japan - GMP, PIC/s - GMP, etc. At the same time, the connection with major retailers help complete the distribution chain, expand product sale networks, and effectively apply the current 4.0 technology.

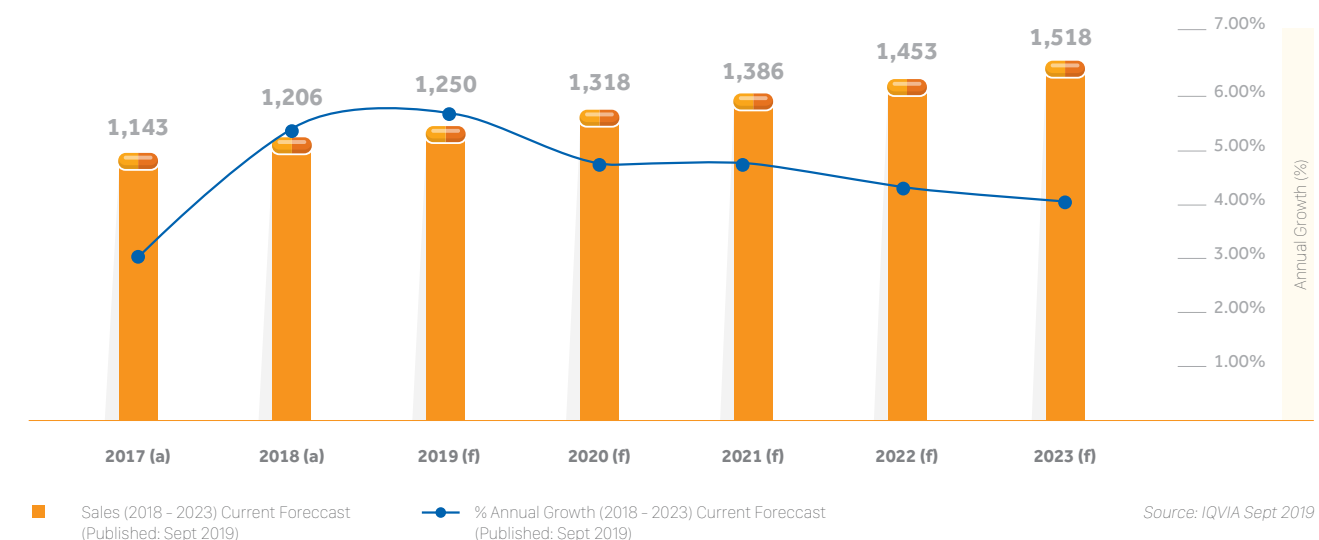
OUTLOOK OF VIETNAM PHARMACEUTICAL INDUSTRY 2020

The global pharmaceutical market will exceed \$1.5 trillion by 2023 growing at a 3% – 6% compound annual growth rate over the next five years. The key drivers of growth will continue to be the United States and pharmerging markets with 4 – 7% and 5 – 8% compound annual growth, respectively.

In the United States, overall spending growth is driven by a range of factors including new product uptake and brand pricing, while it is offset by patent expiries and generics. Medicine spending in Japan totaled \$86 billion in 2018, however spending on medicines is expected to decline by -3 to 0% through 2023, largely because of exchange rates and the continued uptake of generics.

In Europe, cost-containment measures and less growth from new products contribute to slower growth of 1% – 4%, compared to the 4.7% compound annual growth seen over the past five years. Pharmaceutical spending in China reached \$137 billion in 2018 and is expected to reach \$140 – 170 billion by 2023, but its growth is likely to slow to 3 – 6%.

Pharmaceutical Market Forecast - Overview (USD billion)



Source: IQVIA Sept 2019

Similarly, Vietnam's pharmaceutical industry is continuously forecasted to grow due to the aging trend of the population, the constant improvement of the per capita income, the increase in health care costs, the high coverage of health insurance, longer life expectancy and the increasingly polluted environment. These factors open up many potential opportunities for pharmaceutical enterprises. At the same time, pharmaceutical enterprises are also expected to grow when the demand of consumers increases due to the pandemic. People will increase spending on immunity-boosting, antiseptic and disinfectant products for prevention and treatment. In addition, the pharmaceutical market will continue to have a shift about distribution channel structure: the Pharmacy channel is increasingly narrowing and making room for the Hospital channel. The trend of

replacing foreign drugs with domestically produced drugs is progressing faster and faster in Vietnam due to a series of documents appointed from the government. Undeniably, this also results from the trend of increasing investment in renewing production lines, strictly aligning with and periodically inspecting the product quality in accordance with international standards such as Japan – GMP, PIC/s – GMP, etc. to replace current WHO – GMP standards.

However, Vietnam's pharmaceutical industry also encounters a number of challenges as production materials significantly depend on imports from foreign countries. The reliance on imported raw materials makes the pharmaceutical industry to be easily influenced by external factors such as fluctuations in prices, exchange rates, supply and import costs.

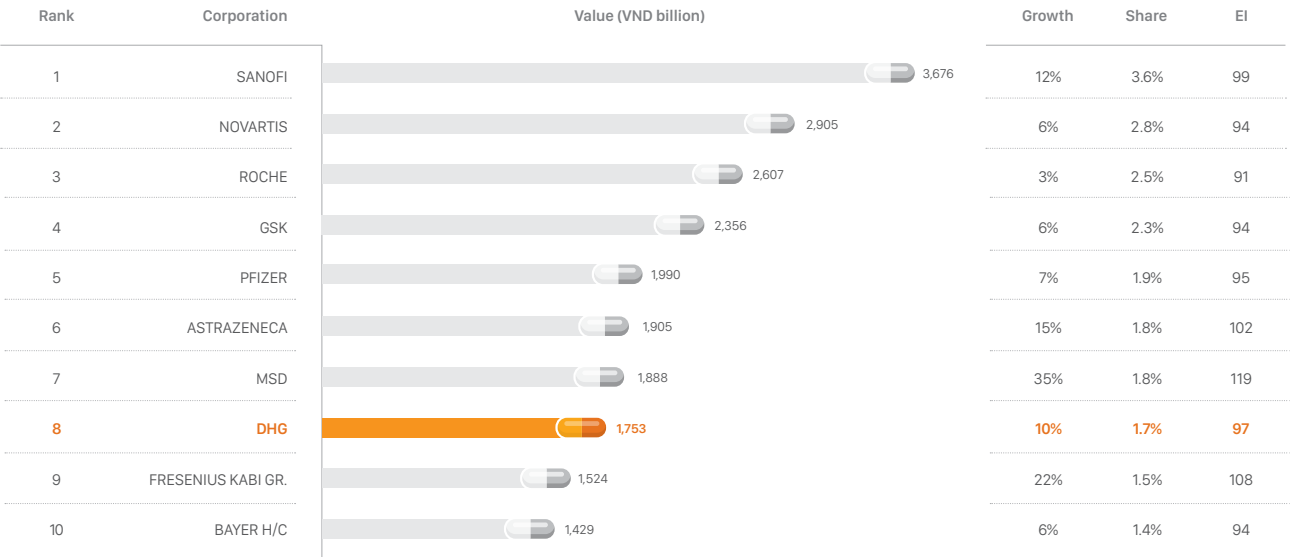


POSITION OF DHG PHARMA AND
MOTIVATION FACTORS FOR GROWTH



POSITION OF DHG PHARMA
IN VIETNAMESE PHARMACEUTICAL INDUSTRY

DHG Pharma was the only domestic pharmaceutical company in the Top 10 leading pharmaceutical companies in Vietnam.

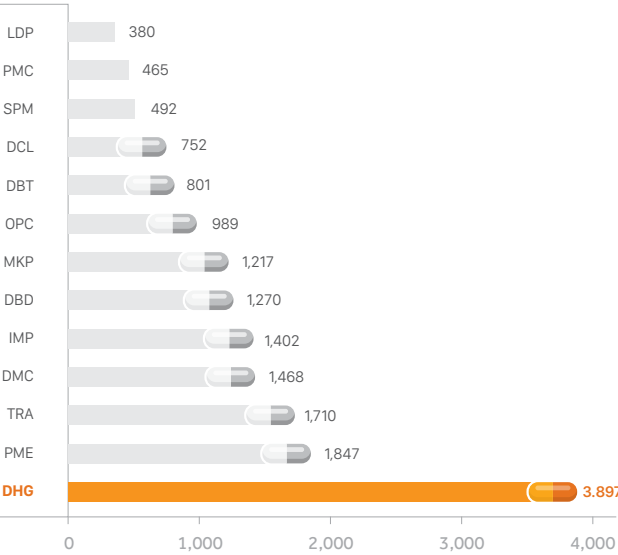


Source: IQVIA Quarter 4/2019

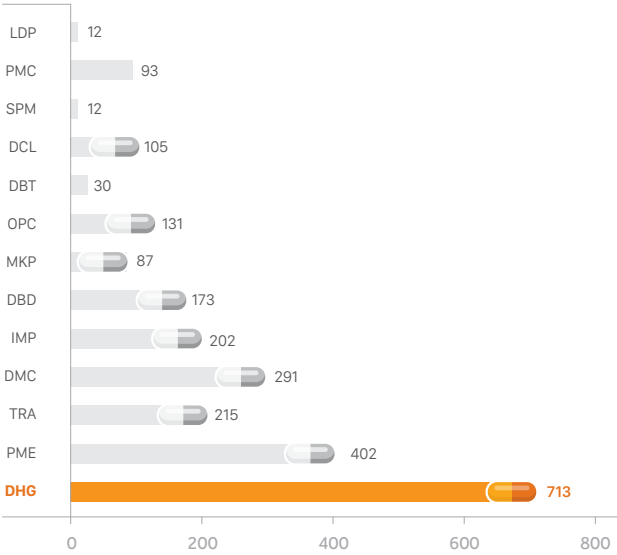
COMPARISON WITH DOMESTIC PHARMACEUTICAL ENTERPRISES

Net sales, before-tax profit and after-tax profit have continuously ranked at the leading position in the Vietnamese Pharmaceutical Industry for many consecutive years.

NET SALES
(VND BILLION)



BEFORE-TAX PROFIT
(VND BILLION)



INTERNAL
FACTORS

MOTIVATION
FACTORS FOR
GROWTH

EXTERNAL
FACTORS

- 1. Financial resources**
Strong financial potential; effective businesses.
- 2. Sales and production resources**
The most professional, deepest, broadest, and diversified distribution network; modern plants with the largest capacity in Vietnam.
- 3. Intangible assets and intellectual property**
Existing production know-how and abilities to develop new products, market share and brand prestige of DHG Pharma, close relationship with customers as well as dedicated, passionate and skilled staff.
- 4. Corporate management**
Gradual improvement of the corporate system based on science & technology and aiming to international best practices.
- 5. Marketing strategy**
Long-term, clear and transparent marketing strategy (5 years) in line with the company's 5-year strategy is always updated timely according to the needs at each time.



- 1. Social factors**
Opportunities from sustainable development trend and demographic factors such as population change by age, gender, etc
- 2. Environmental factors**
Economic growth in parallel with environmental protection and natural resources preservation.
- 3. Cooperative factors**
Opportunities for cooperation, joint ventures, scientific and technical transfer from partners and strategic shareholders, purchase of scientific and research subjects. Being a Subsidiary of Taisho, together with Japanese experts who come to work at DHG Pharma and personnel sent to Taisho - Japan to learn, exchange experiences, etc.



S.W.O.T ANALYSIS

S



STRENGTHS

- The distribution system is the deepest and widest in Vietnam compared to both domestic and foreign competitors, including 35 distribution branches across the country from urban to rural areas.
- The biggest plant capacity in Vietnam (7.5 billion product units/year). In addition to in-house production and output growth from existing markets; the Company can attain temporary OEM order, export-oriented, and centralized tender.
- Strong financial resource, effective operation enables the Company to implement modern strategies to attract skilled personnel, R&D investment, capital mobilization, M&A, and Joint-Venture.
- DHG Pharma has developed and trained passionate, enthusiastic, confident and loyal staff; thus it creates confidence for customers, consumers, partners, and investors with the image of a reputable and friendly Company.
- DHG Pharma is strengthened by the technical and production contribution package from Taisho, a strategic shareholder, to help reduce costs, shorten the time to upgrade the plant in accordance with PIC/s - GMP standard, Japan - GMP standard to facilitate export and tender.

W



WEAKNESSES

- Investment in R&D; the application of new technology in R&D is a major initiative but is not highly effective, the progress is still slow.
- Investment progress is still slow compared to the plan, as the Company focuses on careful analysis and selection to create a foundation for the later development stage.
- Corporate governance, regulations, etc. still need to be improved in order to achieve high efficiency in management and in line with the Company's development needs.

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 to develop, including DHG Pharma.
- 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 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 researches.
- Thanks to economic integration, many international pharmaceutical groups are entering the Vietnam market; this 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 economy of Vietnam is integrating deeply and widely. The open trade policy with other countries, preferred psychology towards foreign-made goods, etc. create an extremely fierce competitive environment in the healthcare market.
- 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 affects unfavorably to enterprises having large importing proportions (materials, equipment, and technology).

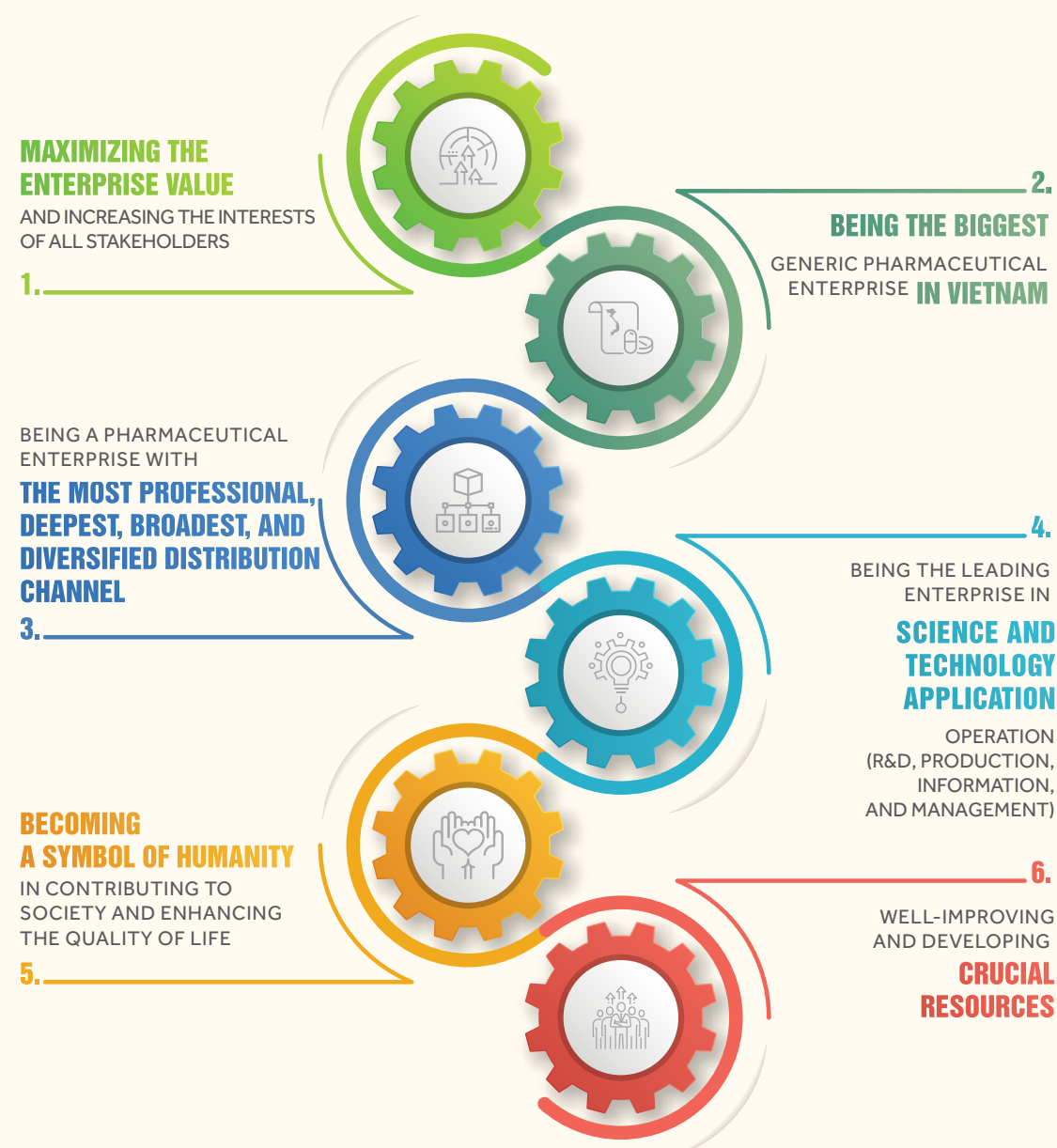




With the role of the leading pharmaceutical company in the country, DHG Pharma constantly strives to promote its existing strengths and continue to maintain its leading position, identity, and branch reputation. Simultaneously, promptly grasping the opportunities to strongly develop on the new road, master the technology, increasingly create new quality products and aim to fully meet the demand for medicine use of all customers.

STRATEGIC ORIENTATION 2020 - 2023

THE BOARD OF DIRECTORS CONTINUES TO IMPLEMENT STRATEGIC GOALS:



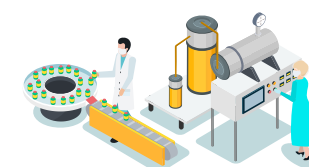
STRATEGIC IMPLEMENTATION SOLUTIONS 2020 - 2023



Enhancing the value & competitiveness of DHG Pharma as a multinational pharmaceutical company

1.

- Increasing investment in research and development of new highly competitive generic products.
- Improving distribution channel system, increasing the coverage of key products, increasing coverage in major markets, developing the modern channel and the e-commerce channel.
- Increasing investment, branding and brands.



Upgrading the plant production system to meet global standards

2.

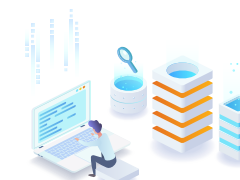
- Upgrading or investing a new plant in accordance with global standards.
- Improving productivity to increase quality, reduce costs and deliver in time.
- Implementing technology transfer and expanding export.
- Effective inventory management.



Strengthening the organization and development of internal governance platform

3.

- Building and maintaining high quality human resources. Perfecting missing senior positions.
- Updating the Company's regulations to national and international standards to ensure compliance.
- Improving internal control and risk management in accordance with international standards.
- Managing finance effectively.



Strengthening functional management

4.

- Continuously updating and finalizing current processes / regulations.
- Researching on integrating with Taisho's information technology system.
- Assessing risks and security of information technology.



Being a symbol of humanity in contributing to the society and enhancing the quality of life

5.

- With the locality:** always accompanying the locality with practical sponsorship programs during epidemic seasons, especially in the field of health and education.
- With the inhabitants:** always caring for and helping them to proactively heighten the healthcare awareness for themselves and their families in a scientific and economical manner.



BUSINESS TARGETS FOR 2020



Target	2019 Actual	2020F	+/- 2020/2019
Net sales	3,897	3,866	-0.8%
Before-tax profit	713	720	1.0%

STRATEGIC SOLUTIONS IN 2020



MARKET ACTIVITIES

- Enhance the quality of education and training for sales staff on competency, sales skills and sales management, compliance with regulations, products, sales programs, DHG Pharma Cultural Identity, etc.
- Increase investment in hospital channel, increase product launch activities to doctors and develop projects to monitor drug efficacy nationwide.
- Orientation of the sales portfolio by each channel, each region, ensuring advantages in 2020 and development of products to ensure the mid-term strategy until 2023.
- Focus on exporting high standard products to developed countries.
- A number of DHG Pharma products were deployed on e-commerce channels, helping consumers more easily access to qualified and healthy products.
- Enhance marketing activities, use appropriate and effective marketing strategies in current market conditions.



PRODUCTION - QUALITY - R&D

- Reduce production costs: reduce loss, increase equipment efficiency, allocate personnel reasonably, save costs, etc. Improve efficiency in production by gradually implementing the Overall Equipment Evaluation (OEE) project for all production equipment of the packaging plant.
- Develop and implement training plans, transfer and swap jobs in accordance with the requirements to ensure personnel to meet production and management team.
- Improve the quality management system: Improve production quality, improve the personnel quality, etc. Develop training plans to improve professional knowledge about global GMP standards for related parties in the Company, through organizing visits or sending employees to train at domestic and foreign factories met Japan - GMP standards or FDA standards (U.S. Food and Drug Administration), etc.
- Pharmacovigilance system will be completed before Oct 2020.
- New products have been put into production. Cooperate with departments to continue implementing technology transfer projects.
- Find more sources of raw materials, packaging with quality, competitive prices to make a purchase plan that meets the Company's requirements. Build inventory plan, order with the optimal quantity to get preferential policies of the supplier; reduce input prices for production, reduce budget for purchasing raw materials and packaging.



OTHERS

- Continue to effectively manage working capital when the domestic and international economic situation feature numerous changes. Focus on analyzing, evaluating, proposing and participating in projects to improve efficiency and the Company's performance.
- Improve the capacity of the accounting and finance team to meet the requirements of joining multinational corporations. Develop a roadmap for preparing Financial Statements in accordance with IFRS standards.
- Maintain and improve the quality of HR. The Company will focus on four main areas: ensuring the quality of HR properly, sufficiently and promptly; selecting, evaluating, investing in HR development to improve skills, knowledge and value; developing successors and career development roadmap for staff.
- Enhance the discipline and professionalism in the Company such as creating a working environment for staff to feel secure and realize their own values, promoting the effectiveness of the Key Performance Indicators (KPI), preserving and promoting DHG Pharma's culture, reforming administrative procedures through reviewing and cutting down on redundant procedures.

Committing to TRUSTWORTHY RAW MATERIALS

As a top prestigious brand, aiming at becoming a multinational company, DHG Pharma has always committed to a high quality standard of both its source of input materials and output on each product throughout its development chain. Its devoted journey to improve public health is associated with the concept of "Small action - Big change", DHG Pharma's people are still pervading the values to help people better protect their health, balance work and life harmoniously and effectively.

REPORT ON PERFORMANCES IN 2019

- 58 Report of the Board of Directors
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IMPLEMENTATION RESULT OF THE AGM RESOLUTION 2018

No.	Resolution content	Implementation result
1.	Business targets in 2019: <ul style="list-style-type: none">Net sales: VND 3,943 billion.Before-tax profit: VND 706 billion.	<ul style="list-style-type: none">The net sales reached 98.8% and the profit reached 101% of the yearly target.
2.	Profit distribution in 2018: <ul style="list-style-type: none">Dividend payment in 2018: 35% of par valueAllocation to the Bonus and Welfare FundAllocation to the BOD Remuneration FundAllocation to the Investment & Development Fund	<ul style="list-style-type: none">Dividend payment in 2018 through 3 phases:<ul style="list-style-type: none">» Advance payment of the 1st phase: 10%/par value, payment date: 31 Aug 2018.» Advance payment of the 2nd phase: 20%/par value, payment date: 17 June 2019.» Last advance payment: 5%/par value, payment date: 17 July 2019.Allocated 10% of after-tax profit to the Bonus and Welfare FundAllocated VND 6 billion to the BOD Remuneration FundAllocated VND 122,368,879,236 (the remaining amount after dividend payment, allocation to funds) to the Investment & Development Fund.
3.	Selection of Deloitte Vietnam Company Ltd. as the auditor of the financial statements FY 2019.	Signed an audit contract with Deloitte on 03 July 2019.
4.	Amendments and supplements of the business lines of DHG Pharma.	The 27 th business registration certificate dated 01 July 2019 was issued by Department of Planning and Investment of Can Tho City.
5.	Changing the organizational structure, management and control from the BOS model to the Audit Committee model under the BOD.	Established the Audit Committee model under the BOD. The number of the Audit Committee members is 3 members. In which: Head of the Audit Committee is an independent BOD member.
6.	Amendments and supplements of the Charter of DHG Pharma.	The 22 nd amendments and supplements were issued on 25 June 2019.
7.	Amendments and supplements of the Internal Regulation on Corporate Governance.	The 2 nd amendments and supplements were issued on 29 July 2019.

ASSESSMENT OF BUSINESS PERFORMANCE 2019

Target	Plan 2019	2019 Actual	2018 Actual	% Actual/ Plan 2019	Growth 2019/2018
Net sales	3,943	3,897	3,882	98.8%	0.4%
Before-tax profit	706	713	732	101.0%	-2.5%
After-tax profit		631	651		-3.0%

- In 2019, pursuant to the resolution of the General Meeting of Shareholders, the Company changed the recognition method of Bonus and Welfare Fund to expenses instead of after-tax profit so that the before-tax profit, after-tax profit and profitability ratios (ROS, ROA, ROE) slightly decreased compared to 2018. If excluding this factor, before-tax profit FY2019 increased by 4% y.o.y and so did the profitability ratio.
- Net sales FY2019 reached VND 3,897 billion, equivalent to 98.8% of the yearly target, up 0.4% y.o.y. With the efforts of the BOM in cost reduction, the before-tax profit exceeded the target and reached VND 713 billion.
- With the business performance in 2019, DHG Pharma continued to maintain its leading position in Vietnam Pharmaceutical Industry for 23 consecutive years in terms of sales, profit and production capacity. Continued to hold the position of Top 10 pharmaceutical enterprises with the largest market share in Vietnamese Pharmaceutical Industry (in accordance with IQVIA statistic in Q4/2019).

The above business performance shows that although the economy still faced many difficulties, DHG Pharma successfully achieved the business target FY2019 assigned by the General Meeting of Shareholders thanks to the efforts and determination of the BOD, the BOM and all staff. It created a solid foundation for the sustainable development of DHG Pharma in the following years.





ASSESSMENT ON THE IMPLEMENTATION OF STRATEGIC GOALS



1. _____

MAXIMIZING THE ENTERPRISE VALUE AND INCREASING THE INTERESTS OF ALL STAKEHOLDERS

Shareholders: Annual dividend payments are always maintained at 30% – 35% par value, which is higher than the average of the pharmaceutical industry and exceeds the plan. Dividends are always paid fully and punctually as announced. Ensuring the quality of published information for shareholders, investors, partners, customers and the community makes great contributions to maintain the reputation of DHG Pharma.

Employees: Over 45 years of construction and development, DHG Pharma has increasingly expanded its scale and created jobs for nearly 2,900 employees. The Company always ensures safe working conditions, constructs welfare works, offers attractive, regular and favorable conditions for employees to participate in training and coaching programs from which to contribute to improving quality of work, increasing income for workers. The average income of employees in 2019 is nearly VND 20 million/month.

The State: DHG Pharma contributed billions of VND to the national budget and many community programs. The total contribution to the State budget in 2019 was VND 225.8 billion. In particular, VND 124.5 million was used to pay the State budget in Can Tho City, and VND 20.5 billion was for Hau Giang Province.

Customers: With the mission “DHG Pharma always provides high quality products and services to satisfy the aspiration for a more beautiful and healthier life”, DHG Pharma constantly invests in the human system, technology, material sources, export, quality control, modern equipment to bring the best value customers.

Community: During the development process, DHG Pharma has always been the leading enterprise in social activities for community with deeply humanitarian programs to create a widespread impact to all people to join hands in order to take care of people in difficult circumstances. Total spending for community activities was VND 5.4 billion.



2. _____

BEING THE BIGGEST GENERIC PHARMACEUTICAL ENTERPRISE IN VIETNAM

DHG Pharma has continued to retain the leading position in the Vietnamese pharmaceutical industry for 23 years in terms of sales, profit and production capacity.

NET SALES (VND BILLION)	BEFORE-TAX PROFIT (VND BILLION)	AFTER-TAX PROFIT (VND BILLION)
3,897	713	631
PROFIT OF SHAREHOLDERS OF THE PARENT COMPANY (VND BILLION)	TOTAL VOLUME (VND BILLION)	PRODUCTION VALUE (VND BILLION)
635	4,218	4,775



3. _____

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

Central warehouse systems

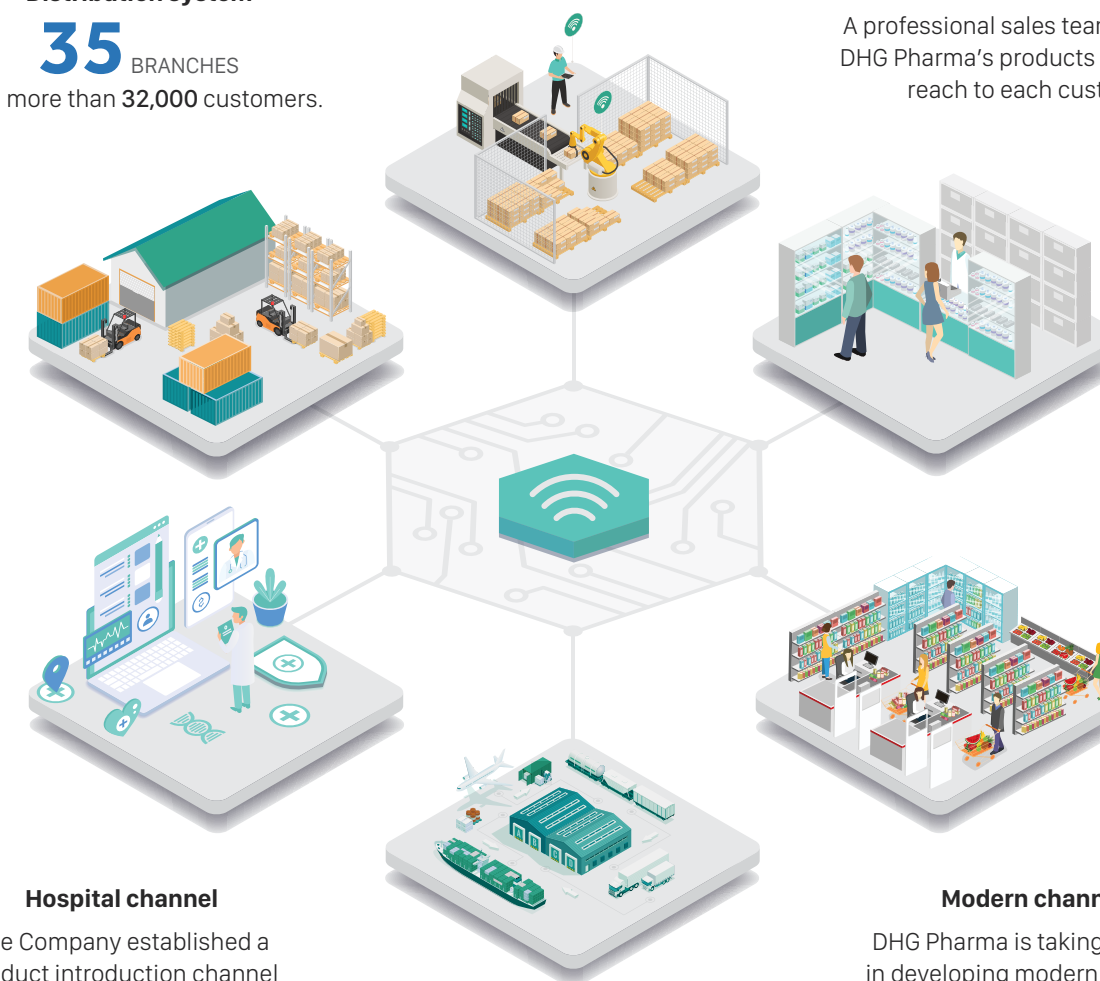
3 CENTRAL WAREHOUSES
in Can Tho, HCM City and Hanoi help professionalize the logistics system.

Distribution system

35 BRANCHES
with more than 32,000 customers.

Pharmacy channel

A professional sales team that helps DHG Pharma's products increasingly reach to each customer.



Hospital channel

The Company established a product introduction channel specialized in over 34 provinces and cities.

Modern channel

DHG Pharma is taking the lead in developing modern channels through supermarket chains, e-commerce channels, etc.

Export channel

Exported to 14 countries with typical markets such as Singapore, Cambodia, Laos, Myanmar, Moldova, Mongolia, Nigeria, Yemen, Indonesia, Malaysia, Russia, etc.



REPORT OF THE BOARD OF DIRECTORS



4. _____

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



The effervescent tablet production line and effervescent powder production line have been certified to meet PIC/s - GMP standard. The tablet production line of the Non-Betalactam Plant has been certified to meet Japan - GMP standard.

1

Successfully connected scientific cooperation with the Institute of Biotechnology, Institute of Medicinal Materials, Can Tho University as well as domestic and foreign prestigious research centers, etc. in order to cooperate in product research and development.

2

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.

3

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

4

Being one of the pioneering domestic pharmaceutical companies in setting up the Audit Committee under the BOD to replace the Board of Supervisory model, in which the BOD members do not manage and independently play the role in managing the Audit Committee to perform independent supervision of the BOD.

5

The application of science and technology has brought many advantages in internal communication, sales management and humanity activities. Customers can control information related to trading, transaction, payment, promotion, etc. with DHG Pharma anytime, anywhere. Moreover, information technology not only functions as an effective bridge for communication between leaders and employees, but also as an internal channel that helps employees when purchasing products.

6



5. _____

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



Accompanying the volunteer physician team of Can Tho Department of Health, implementing 43 free medical examination and treatment programs for 20,250 people nationwide and in Cambodia.

Continuously operating "Blood Bank". The operation is ready to donate blood to save people and has donated more than 200 blood units at Can Tho Hematology.

Propagating knowledge of health protection for people through many humanity activities: propagating dengue fever, organizing programs to provide stroke prevention knowledge or consumers, etc.



6. _____

WELL-IMPROVING AND DEVELOPING CRUCIAL RESOURCES



Enhancing the capacity of internal control and risk management: through the model conversion from the Board of Supervisory to the Audit Committee model under the BOD. Continuously improving the system of processes/ regulations in accordance with the Company's operation in order to create a legal corridor, improving the governance role in all activities of the Company.

Building and maintaining high quality human resources: DHG Pharma endlessly 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.



INVESTMENT AND IMPLEMENTATION OF MAJOR PROJECTS

INVEST IN MACHINERY AND EQUIPMENT TO BOOST PRODUCTION CAPACITY

In 2019, more than 20 investment items in machinery and equipment as well as annual maintenance were carried out for the Quality, Production and Technology Sector with a total disbursement of VND 95 billion. Projects had been planned from the beginning of the year. Before putting into implementation, these projects were analyzed and fully evaluated in many different aspects. Resources and

cash flow were effectively allocated but still ensure that projects were implemented in a timely manner, meeting the demands of the Company and the market.

These machines and equipment were invested with modern technology and high capacity from highly reputable suppliers in the international market.



INVESTMENT IN SUBSIDIARY

FUJI MEDIC LIMITED LIABILITY COMPANY (FUJI MEDIC) - A SUBSIDIARY WITH 51%

	2017	2018	2019
Business results			
Net sales	2,074	3,993	619
After-tax profit	(3,552)	-3,960	-8,418
Balance sheet			
Current assets	11,128	7,432	3,927
Non-current assets	12,613	12,473	7,123
Total assets	23,741	19,905	11,050
Owner's equity	23,471	19,457	11,039

- The BOD Resolution No. 003/2019/NQ.HĐQT dated 01 Apr 2019 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 a result, since Q2/2019, this company has stopped operating. The Company is liquidating assets of Fuji Medic to dissolve it.
- DHGPharmamadeaprovisionforthisinvestment of VND 8.11 billion. DHG Pharma's investment in Fuji Medic aimed at: (1) increasing the sales and profit for the Company; (2) creating a care tools, strengthening relationships with customers. However, when putting into operation, Fuji Medic did not meet expectations. Therefore, to streamline the apparatus, DHG Pharma and two shareholders of Fuji Medic decided to liquidate assets of Fuji Medic to dissolve it.

INVESTMENT IN ASSOCIATE

VINH HAO ALGAE JOINT STOCK COMPANY (SPIVIHA) - AN ASSOCIATE WITH 31.36%



SPIVIHA was established in 2008 in Vinh Hao, Binh Thuan province where the natural mineral water source is located. The location is suitable for growing natural Spirulina algae, providing high-quality inputs to create stability for the raw material source for production of Spivital product lines and other biotechnology product lines of DHG Pharma.

Business results of 2015 – 2019

Indicators	Figures in	Results				
		2015	2016	2017	2018	2019
Production volume	Kg	1,863	3,009	6,775	3,943	4,792
Consumption volume	Kg	2,699	5,907	6,527	3,620	9,483
Net sales	VND million	1,858	3,146	3,270	1,775	3,954
After-tax profit	VND million	(866)	(2,040)	(1,628)	(595)	(534)
Total assets	VND million	12,507	10,463	8,939	8,343	8,138
Owner equity	VND million	12,397	10,356	8,728	8,133	7,599
Charter capital	VND million	12,000	12,000	12,000	12,000	12,000

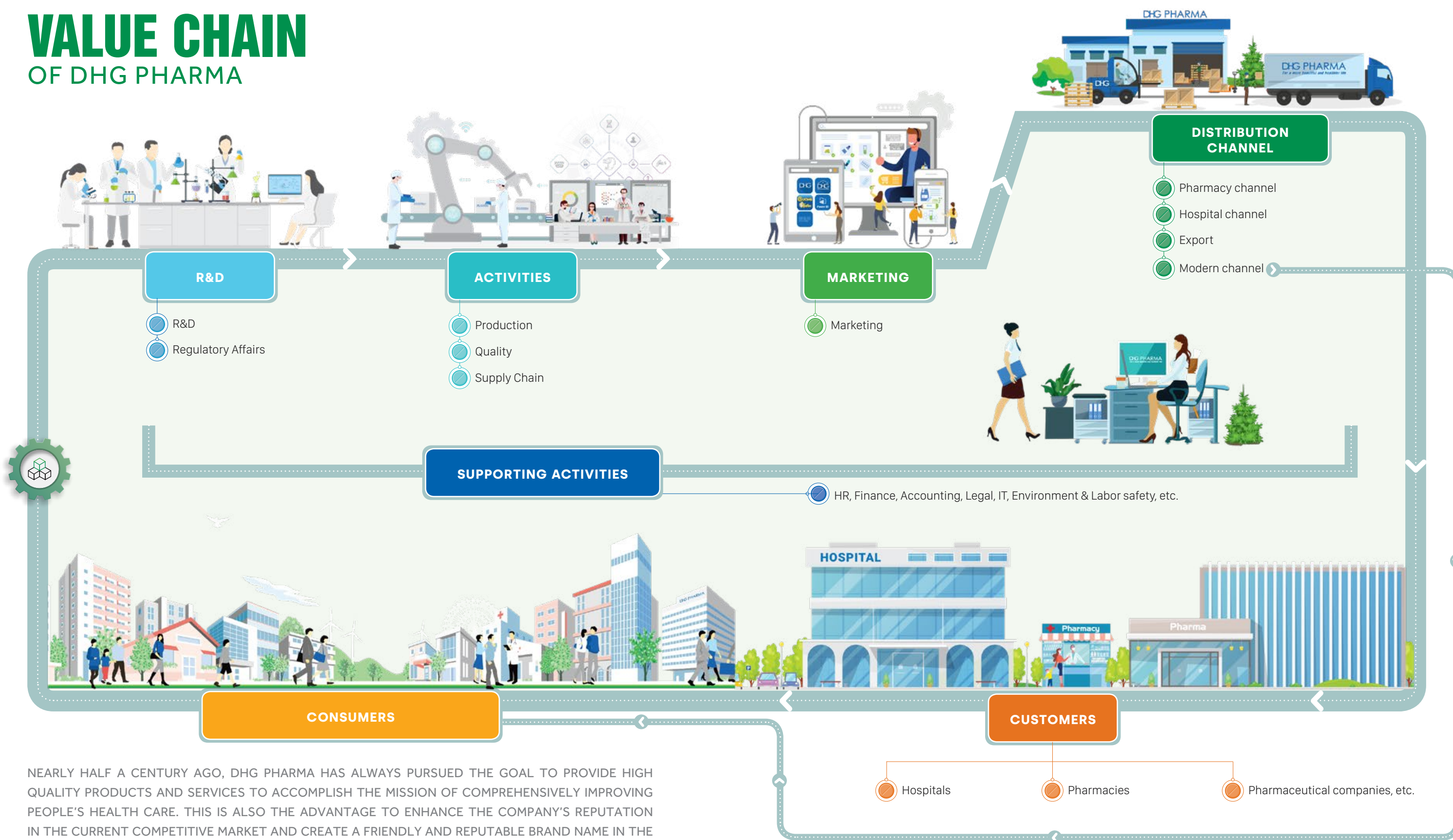
Source: Financial statements of Vinh Hao Algae Joint Stock Company.

In 2019, sales volume reached 9.4 tons, an increase of 162% compared to 2018, so SPIVIHA's net sales also increased sharply by 122.8% over the same period. However, production activities have been continuously narrowed below the break-even point for many years, resulting in low inventory volume, high production costs and high cost of goods sold. As a result, after-tax profit was improved but there was still a loss.





VALUE CHAIN OF DHG PHARMA



NEARLY HALF A CENTURY AGO, 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 2019:

1. Launched the production of 10 new products, including 5 pharmaceutical products, 3 health supplements products and 2 cosmetic products.
2. Launched 10 new products into the market with different dosage forms.
3. Conducted invitro equivalent studies for 2 products.
4. Improved and optimized product manufacturing processes to reduce costs.
5. Implemented productivity boosting projects for 21 products.
6. Implemented technology transfer projects with Japanese partners, Taisho's subsidiaries, DHG Pharma's product transfer projects and etc.
7. As at 31 Dec 2019, the total number of bioequivalent drugs was 39, and the total number of products announced bioequivalence was 35.
8. Developing the Pharmacovigilance System in accordance with the regulations of Vietnam and international practices.

Successfully connected for joint research with the Institute of Biotechnology, Institute of Medicinal Materials, Cantho University, and other prestigious research centers, both within and outside Vietnam, etc. This connection establishes the foundation for cooperation in researching and developing products from biotechnology, with scientifically clinical-proven results and achieving bioequivalence to bring about efficacy in support, treatment, and health care.



REPORT OF THE BOARD OF MANAGEMENT



PRODUCTION, QUALITY, AND SUPPLY CHAIN

PRODUCTION CAPACITY

The Company is currently operating two pharmaceutical plants equipped with modern machinery which meet WHO - GMP standards of the Drug Administration Department of Vietnam. In which, two production lines meet the standards of PIC/s - GMP and Japan - GMP.

PRODUCTION LINE OF EFFERVESCENT
TABLET AND EFFERVESCENT POWDER
THAT MEETS



STANDARDS GRANTED BY THE
NATIONAL PHARMACEUTICAL
REGULATORY AGENCY OF MALAYSIA

TABLET PRODUCTION
LINE THAT ACHIEVES



CERTIFICATE ANNOUNCED BY DRUG
ADMINISTRATION OF VIETNAM



Can Tho pharmaceutical plant located at No. 288 Bis Nguyen Van Cu, An Hoa Ward, Ninh Kieu District has been operating for over 30 years.

- The maximum capacity of the plant is 2.5 billion units. The plant produces pharmaceutical drugs (including dosage forms of soft capsules, oral solutions, suspensions, syrups, topical solutions, creams, gel, nasal spray, eye drops, nasal drops), herbal drugs (including the formulations of hard capsules, soft capsules, oral solutions) and health supplements (powder, effervescent powder, granules, tablets, oral dissolving tablets, effervescent tablets, film-coated tablets, sugar-coated tablets, hard capsules, soft capsules).



Hau Giang pharmaceutical plant is located in Tan Phu Thanh Industrial Park, 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 2 factories: NonBetactam and Betactam.

- The Non-Betactam factory has been put into operation since Apr 2014 with a designed capacity of 4 billion units. Designed to produce dosage forms of tablets, chewable tablets, effervescent tablets, film-coated tablets, hard capsules, powder, suspension powder, effervescent powder, suspension granules, and effervescent granules of Non-Betactam products. Notably, this factory has 2 high-standard production lines: (1) Production line of effervescent tablet and effervescent powder that meets PIC/s - GMP standards granted by the National Pharmaceutical Regulatory Agency of Malaysia. (2) Tablet production line that achieves Japan - GMP certificate announced by Drug Administration of Vietnam.
- The Betactam factory has been put into operation since Oct 2016 with a designed capacity of 1 billion units. Produce formulations of tablets, film-coated tablets, chewable tablets, hard capsules, suspension powder, and suspension granules of Betactam antibiotic products.



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 Oct 2018, the production line of effervescent tablets and effervescent powder was certified to meet PIC/s - GMP standards by the National Pharmaceutical Regulatory Agency of Malaysia (NPRA). In Feb 2019, Pharmaceutical and Medical Devices Agency of Japan announced the tablet production line had achieved Japan - GMP certificate. Testing laboratories were accredited by the Bureau of Accreditation to meet ISO/IEC 17025:2017 standard. By fulfilling high-quality standards, DHG Pharma's quality and testing systems are fully capable of controlling and ensuring product quality, contributing to the reputation of DHG Pharma's products as well as gaining customers' trust.

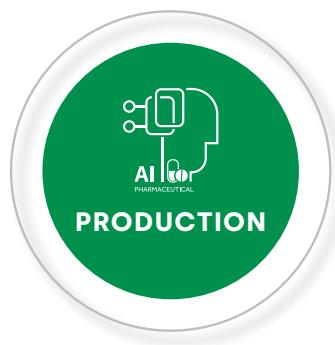


Warehouse and supply chain system:

- 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.
- Implement standard inventory coefficients (based on months of hand - MOH), set production plan based on warehouse capacity (number of pallets), and production capacity (equipment and personnel) combined with the standardized yearly production plan.
- Purchasing systems always ensure a stable supply of high-quality raw materials at reasonable prices (through long-term contracts, etc.). Purchases of raw materials and packaging are promoted with various manufacturers to reduce raw material costs and the risk of lacking supply. Besides, the business of trading raw materials also brings benefits to the company in terms of cost reduction in purchasing raw materials by making large-volume purchasing contracts.



ACHIEVEMENTS IN 2019



- In 2019, the total production volume of two plants reached 4,218 million units, featuring a decrease of 7.3% over the same period and reaching 100.5% of the yearly plan. The production value reached VND 4,775 billion, reaching 95% of the yearly plan. DHG Pharma production operation was primarily carried out at Hau Giang pharmaceutical plant.
- Developing production plans with priority placed on inventory coefficient and production equipment, combining campaign-based production, reducing downtime which leads to increasing productivity and promptly meeting sales demands.
- Implementing the Overall Equipment Evaluation Project (OEE).
- Developing and training a team of qualified engineers with expertise suitable with the task of investing in new equipment.
- Investing in renovation of equipment for production that helps stabilize product quality, increase productivity and reduce labor.
- Approving ideas on improving the production process, perfecting the system, procedures in the production and operation of equipment that contribute to increase productivity, reduce product and material loss in production.
- Coordinating with relevant departments to train employees to ensure work safety in production.



- Hau Giang pharmaceutical plant was granted GMP Certificate by Pharmaceuticals and Medical Devices Agency (PMDA) on 05 Feb 2019.
- The production line of effervescent powder and effervescent tablets were approved to meet PIC/s - GMP standards by the Drug Administration Department of Vietnam on 14 Jan 2019, and the production line of tablets was approved to meet Japan - GMP standard on 06 Mar 2019.
- Can Tho pharmaceutical plant was granted GMP Certificate for the Food for Health Protection Line by the Food Safety Department - Ministry of Health in Apr 2019.
- The production line of Non-Betalactam factory at 2 plants continues to be granted with the certificate of meeting WHO - GMP standard by the Drug Administration Department of Vietnam.
- The Company has completed the evaluation of Mega Lifesciences' partner for Can Tho pharmaceutical plant and successfully received the WHO - GMP certification from Yemen Ministry of Health for the Non-Betalactam and Betalactam production lines at Hau Giang pharmaceutical plant.
- The Department of Health of Can Tho City continued to approve the retainment of meeting GDP standards in drug distribution and re-certified meeting food safety and hygiene conditions for bottled water production line at Can Tho pharmaceutical plant.
- The Company has updated/reissued 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.



- Reviewing, improving production plans according to Taisho's projects and considering appropriate inventory.
- Completing the project to improve the capacity of warehouses for Finished Products/Raw Materials/Packaging.
- 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 most professional, deepest, broadest and diversified distribution channel*. In order to implement this strategy, DHG Pharma has the following advantages:

1. A deep and widespread distribution system with 35 branches for distributing goods across the country from urban to rural areas (distributed to 3 levels: city, district and commune) with more than 32,000 customers and operating on 3 channels and all over the country.
2. The sales team with more than 1,300 employees who are professionally trained will help DHG Pharma's products increasingly delivered to each customer in 63 provinces.
3. The marketing strategy is a long-term, clear and throughout (5 years) investment in accordance with the Company's strategy.
4. The Company promoted the application of many information technology solutions such as DHG Co-Prosperity, DHG Family, BAP (Business Action plan), Power BI, Magic Mirror. Tools and supplies used for sales support are quite good (tablets, application softwares, etc).
5. The Company also promoted attractive sales policies and customer care and appreciation activities that created a good impression.
6. Large central warehouse systems in Can Tho, HCM City and Hanoi help professionalize its logistics system which ensured that products could be delivered to customers quickly; the inventory is strictly controlled and losses can be avoided; etc.

SEVERAL OUTSTANDING PERFORMANCES OF MARKETING ACTIVITIES IN 2019 ARE AS FOLLOWS:

DHG PHARMA CONTINUED TO FOCUS ON PROMOTING SALES OF KEY BRANDS. SALES OF IN-HOUSE GOODS IN 2019 REACHED

3,275
VND BILLION
up **3.3%** y.o.y

- A number of DHG Pharma products were continued to be deployed on e-commerce channel, helping consumers access to qualified and healthy products from the Company easier.



- Diversified marketing and sales activities such as seminars, healthcare sponsorships, customer care, etc. to increase sales of key brands.

Hapacol Brand: Enhancing promotion, improving brand recognition for products meeting Japan - GMP, PIC/s - GMP standards such as Hapacol 250, Effervescent Hapacol, Hapacol 650, etc.; Enhancing propaganda, raising people's awareness in preventing hand, foot and mouth disease, dengue fever, measles, etc.; showing appreciation and gratitude to millions of Vietnamese mothers through the "My Loved Mother" Clip, the contest "The Little Angel sings Words of love to Mother" and many other meaningful programs.

Natto Enzym Brand: Organizing online consultations and publishing more than 300 papers to alert and recommend stroke prevention measures, increasing promotion images at sale outlets, and organizing the "Connecting Love" Program with the participation of nearly 1,000 employees and the sales of more than 1,000 bottles of NattoEnzyme/month

Bocalex Brand: Organizing Bocalex booth at Can Tho Light Night with many exciting activities, organizing events at 150 pharmacies and 20 Vinfa stores, attending fairs with 315,000 interactions and 9,000 buyers.

Naturenz Brand: Organizing Naturenz's "Happy Party" Program that attracts more than 2,000 consumers from the target audience, running an online liver health checkup program and combining with Pharmacy to launch promotion programs for customers, introducing the new Naturenz Gold product to consumers across the country.

- DHG Pharma boosted new product development activities. Each year, the sales of new products were about VND 100 billion.

- The number of customers as at 31 Dec 2019 was more than 32,000 customers. In which, the number of club customers was more than 15,000 customers, up 7.1% compared to 2018.

- Powerfully applying many information technology solutions: DHG Co-Prosperity, DHG Family, BAP, Power BI, Magic Mirror. BI (Business Intelligence) management reporting system that serves the need of dynamic analysis and quickly responding to administrative needs has been deployed to Branch Managers, Team Leaders. DHG Family application has also been deployed to provide information to each employee, conduct orders via the app (consuming - company products). Till now, 2,610 employees have logged in.



REPORT OF THE BOARD OF MANAGEMENT



BACK-OFFICE ACTIVITIES



The conversion of data reports from Vietnam Accounting Standards (VAS) to International Financial Report Standards (IFRS) after the merger was timely implemented.

Strictly monitored the compliance in operating the system and improving its processes of corporate governance.

Renovated and improved the quality of information provided through analytical reports, budget reports, management reports, etc. to help the BOM make quick, accurate decisions in a timely manner.

Continuing to complete the design of the automatic financial system on BFO.



The KPI system was more effective and it was implemented 100% on BFO software, towards the specific measurable criteria, creating fairness and encouraging employees to improve their productivity.

Successfully organizing the program Pride of 45-year DHG Pharma's Cultural Identity: Organizing the "Trip Back to Origin" in Ca Mau, the emotional paper entitled "45 years – DHG Pharma's Memory" and testing knowledge on the Magic Mirror App.

Employees are guaranteed to enjoy health care policies (periodic health examination, senior insurance, etc.); effective welfare programs for employees (collective houses, kindergartens, swimming pools, soccer fields, etc.); Remuneration and incentive policies for the employees and their relatives are approved through the Annual Employee Conference.



Enhancing continuous reviews of BFO system in order to improve the performance and safety of the software: Review and adjust functional errors, organizing more training for users to minimize errors in operating, enhancing training and improving professional capacity for employees.

Many community-based programs with profound humanity meaning are organized for both employees and people throughout the country. The most outstanding program is the #GoGreenDHG campaign for all employees of the Company, which is based on three main directions: reducing disposable waste, planting more trees to protect the environment, recycling and saving natural resources.

Please refer to details of community activities in the Chapter of Sustainable Development Report.

Completing additional registration of the business scope to include special control drug for the Company and its branches.





ANALYSIS OF
THE FINANCIAL STATEMENTS

With the unanimity, determination and continuous efforts of the whole system in focusing on implementing measures to improve operational efficiency and release all resources, despite the difficulties in the business environment in 2019, DHG Pharma still fulfilled 98.8% of the net sales plan and successfully achieved 101.0% of the before-tax profit plan assigned by the AGM, creating a solid premise to complete the plans in 2020.

DHG PHARMA FULFILLED

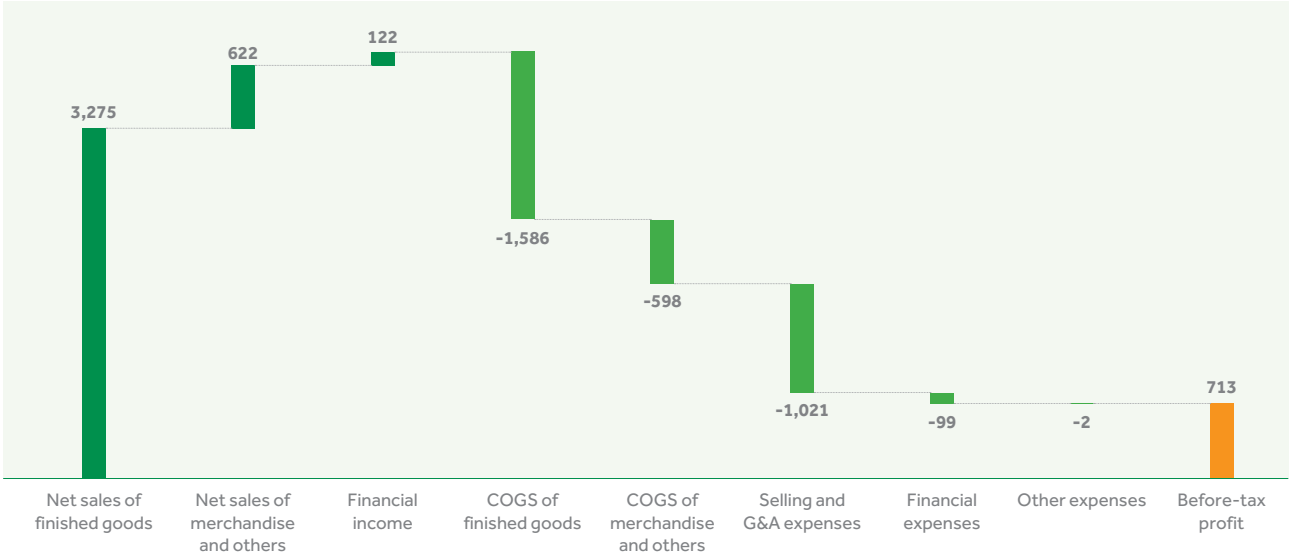
98.8%

NET SALES

101.0%

BEFORE-TAX PROFIT

OVERVIEW OF BUSINESS RESULTS IN 2019



Source: Audited consolidated financial statements of DHG Pharma

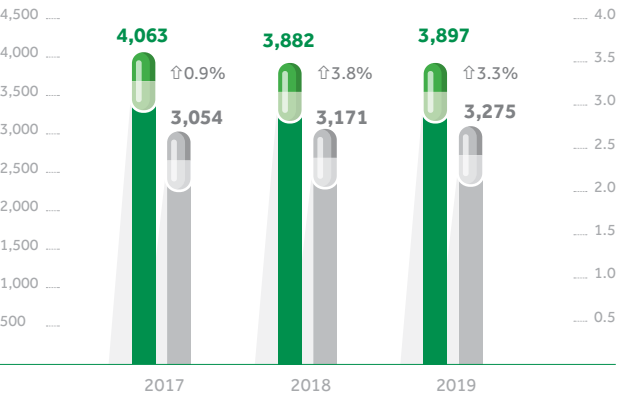
In 2019, consolidated net sales increased slightly by 0.4% to VND 3,897 billion, reaching 98.8% of the plan assigned by the AGM at the beginning of the year. However, this is still an encouraging level in the context of the fierce competition between domestic pharmaceutical companies and foreign-invested pharmaceutical companies in the pharmaceutical manufacturing and trading market.

As a leading pharmaceutical company in Vietnam, the sales of finished goods plays a core role in contributing to DHG Pharma's positive business results in 2019. The net sales of finished products reached VND 3,275 billion, up 3.3% over the same period, thereby, DHG Pharma continued to affirm its leading position in the pharmaceutical market.

In addition to sales of merchandises and services, financial activities and specific measures to improve operational efficiency also contributed significantly to the completion of 101.0% of the before-tax profit plan.

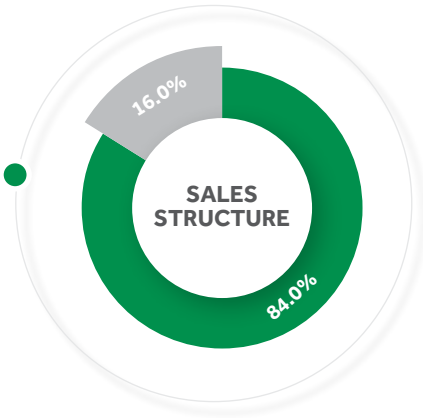
CONSOLIDATED BUSINESS RESULTS OF
THE COMPANY IN 2019

■ Total net sales ■ Net sales of finished goods
↑ Sales growth of finished goods



Source: Audited consolidated financial statements of DHG Pharma

The net sales of finished products reached VND 3,275 billion, up 3.3% compared to 2018. However, total net sales grew by only 0.4% due to a decrease of -12.5% in other goods compared to the previous year. The net sales of finished products has always maintained a growth rate in the context that the pharmaceutical industry faces many changes in management mechanisms, policies and fierce competition in the industry.



In 2019, the export sales recorded an impressive growth rate of 24.9%, contributing VND 79 billion to the sales structure. This is the second year, the export growth rate increased over 20% per year. With the effective support of Taisho in upgrading the lines to meet PIC/s - GMP, Japan - GMP as well as improving management and administration, DHG Pharma had more development opportunities in new markets and new product lines for exploited markets, thereby bringing DHG Pharma's brand to the international market.

Domestic business still contributed over 98% of the net sales. The domestic market is still an important pillar in DHG Pharma's business strategy. The extensive distribution scale, flexible sales channels and strictly controlled trade policies of the Company will be a solid premise for further success in 2020.

DHG PHARMA'S PROFITABILITY RATE IN THE PERIOD 2015 – 2019

Year	2015	2016	2017	2018	2019	2019*
Gross profit margin	39.2%	45.3%	43.9%	44.2%	43.9%	44.2%
In which:						
Finished goods	51.5%	54.0%	55.3%	52.7%	51.6%	51.9%
Distribution goods	3.3%	4.8%	5.3%	4.2%	3.4%	3.4%
Before-tax profit margin	19.4%	20.0%	17.7%	18.9%	18.3%	19.4%
After-tax profit margin (ROS)	16.4%	18.2%	15.8%	16.8%	16.2%	17.2%
ROA	17.3%	18.8%	16.0%	15.7%	15.1%	16.0%
ROE	24.6%	25.5%	22.8%	22.1%	19.4%	20.6%

* Adjust the accounting of the Bonus and Welfare Fund to have the same comparison with the previous years

Source: Audited consolidated financial statements and calculations of DHG Pharma

Profitability ratios of DHG Pharma in 2019 decreased compared to 2018 as the Company used to allocate 10% of the after-tax profit to the Bonus and Welfare Fund. Since 2019, after the AGM's approval, 7% of after-tax profit of previous year would be booked in the Company's expenses, approximately VND 44 billion.

If excluding this expense, the Company's gross profit margin reached 44.2%, unchanged compared to 2018. In particular, the gross profit margin of finished goods decreased by 0.8% because at the end of 2018, DHG Pharma purchased the large quantity of raw materials at the higher purchasing price and the exchange rate of USD/VND due to scarce input materials. This quantity of materials was used in the beginning of 2019, increasing production

costs. By the end of 2019, regarding the Company's main materials, the upward trend of the material's purchasing price and exchange rate stopped and tended to decline.

Before-tax profit margin and profitability ratios almost improved compared to 2018 (if excluding bonus and welfare expenses). Before-tax profit and after-tax profit ratios to sales improved by 0.5% and 0.4% respectively, achieving the higher percentage of finished goods sales and the measures to improve operational efficiency of the BOM. With these measures, DHG Pharma will have a solid foundation for improving profitability ratios in 2020 and the following years. Particularly, the return on equity (ROE), which reduced by 0.5% compared to 2018 will be analyzed in detail by the Dupont model.



ANALYSIS OF THE FINANCIAL STATEMENTS

PROFITABILITY RATIO OF LISTED PHARMACEUTICAL COMPANIES IN 2018 – 2019

Target	DHG*	TRA	DMC	IMP	OPC	PME	DBD	MKP
2019								
ROS	17.2%	10.0%	15.8%	11.6%	10.2%	17.4%	11.1%	5.3%
ROA	16.0%	10.8%	15.5%	9.0%	8.5%	14.5%	9.1%	4.7%
ROE	20.6%	15.3%	19.5%	10.6%	15.4%	17.2%	15.5%	5.4%
2018								
ROS	16.8%	9.7%	16.5%	11.7%	10.1%	18.5%	11.6%	9.3%
ROA	15.7%	11.3%	16.5%	9.5%	8.9%	15.1%	10.9%	8.4%
ROE	22.1%	15.7%	22.0%	9.6%	16.8%	18.2%	18.9%	10.1%

Source: Audited financial statements of the Companies 2018 – 2019

In general, the profitability ratios of other pharmaceutical companies in the same industry did not improve compared to 2018. The improvement in 2019 in term of profitability ratio helped DHG Pharma to rank first compared to other listed pharmaceutical companies, consolidating the leading position in term of business efficiency.

DUPONT ANALYSIS

Dupont analysis	2015	2016	2017	2018	2019
Tax Burden	84.5%	91.0%	89.3%	89.0%	88.5%
Interest Burden	103.2%	105.9%	108.6%	111.5%	114.4%
Operating Profit Margin	18.8%	18.9%	16.3%	16.9%	17.0%
Return on Sales (ROS)	16.4%	18.2%	15.8%	16.8%	17.2%
Asset Turnover Ratio	1.05	1.04	1.01	0.94	0.93
Return on Asset	17.3%	18.8%	16.0%	15.7%	16.0%
Financial Leverage Ratio	1.42	1.36	1.43	1.40	1.28
Return on Equity	24.6%	25.5%	22.8%	22.1%	20.6%

Source: Audited consolidated financial statements and calculations of DHG Pharma

ROA and ROE ratios have been on a downward trend in the last 3 years due to the sales and profit growth rates not commensurate with the expectation of the asset investment process.

The return on sales (ROS) increased by 0.4% compared to 2018 mainly due to the surplus from financial activities (term deposits) which rose by 26.1% (+ VND 19.8 billion) compared to the previous year. Specifically, interest on deposits grew by 13.4% while interest expenses dropped by 20.4% as the Company actively reduced its financial leverage. This contributed to the increase of the earnings before interest and taxes (EBIT) from 111.5% in 2018 to

114.4% in 2019. When the asset turnover ratio decreased slightly over the same period, the return on assets (ROA) still maintained the growth rate of ROS ratio.

In the second half of 2019, the Company proactively reduced its financial leverage as the loan balance decreased by VND 293 billion compared to the beginning of the year. The financial leverage index decreased by 0.1 times, leading to a return on equity (ROE) ratio of 0.5% lower than in 2018. Therefore, the decline of ROE was mainly the result after the Company reduced its financial leverage, thereby reducing the interest rate pressure on the Company in 2020.

ASSET TURNOVER RATIOS

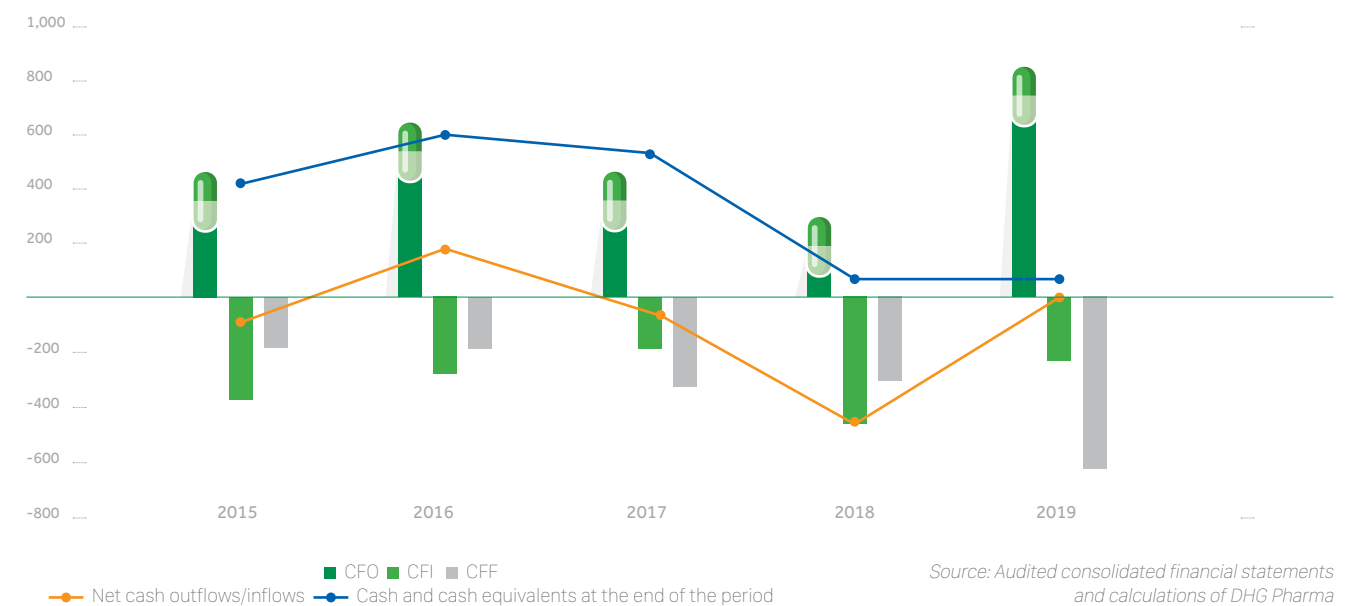
Ratio	2015	2016	2017	2018	2019
Inventory turnover	3.1	3.0	3.3	2.8	2.7
Payables turnover	9.0	8.0	8.2	10.6	16.4
Receivables turnover	5.4	6.3	6.0	5.7	6.9
Days of inventory on hand	116	119	108	127	133
Days of Payables Outstanding	40	45	44	34	22
Days of Sales Outstanding	66	57	60	63	52
Cash Conversion Cycle	143	131	124	156	163

Source: Audited consolidated financial statements and calculations of DHG Pharma

Cash conversion cycle in 2019 reached 163 days, up 7 days compared to the previous year. In which, inventory turnover ratio decreased slightly by 0.1 times because at the beginning of 2019, the Company still had high levels of inventory reserve. Receivable turnover ratio decreased by 1.2 times when the debt recovery efficiency was improved, bad debts were handled, causing the receivable turnover cycle decreased by 11 days on average, increasing cash receivables from sales activities.

CASH FLOW FROM THE COMPANY'S ACTIVITIES IN 2015 - 2019

Figures in: VND billion



Cash flow from operating activities reached 188% compared to the previous year, attaining the highest level in the last 5 years. This was because the Company strengthened measures to manage inventories and receivables from customers, helping the Company maintain a reasonable working capital level for production and business activities, avoiding capital stagnation in low liquidity assets. Besides, as at 31 Dec, cash flow from financial activities also increased sharply by VND 298 billion compared to 2018 when the Company actively reduced its loan balance to VND 265 billion at the end of 2019. The cash balance was almost constant compared to the same period when the current net cash flow of the three activities was nearly zero.



ANALYSIS OF THE FINANCIAL STATEMENTS

ASSET STRUCTURE OF THE COMPANY

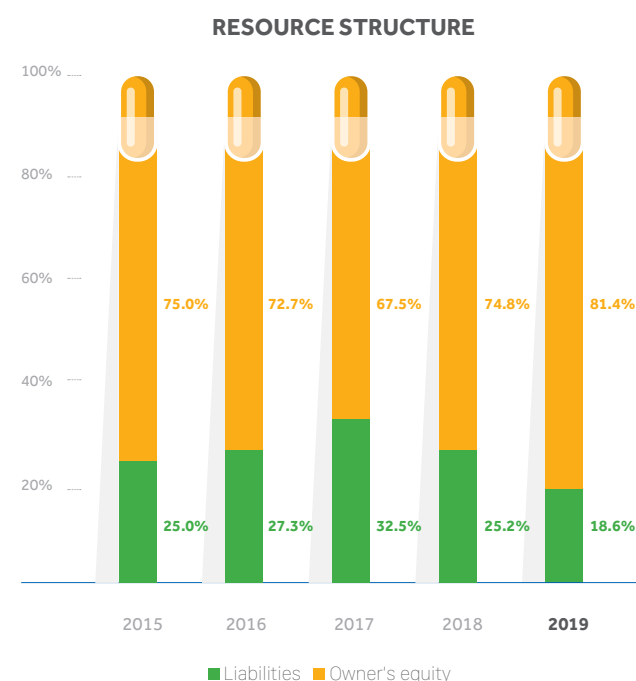
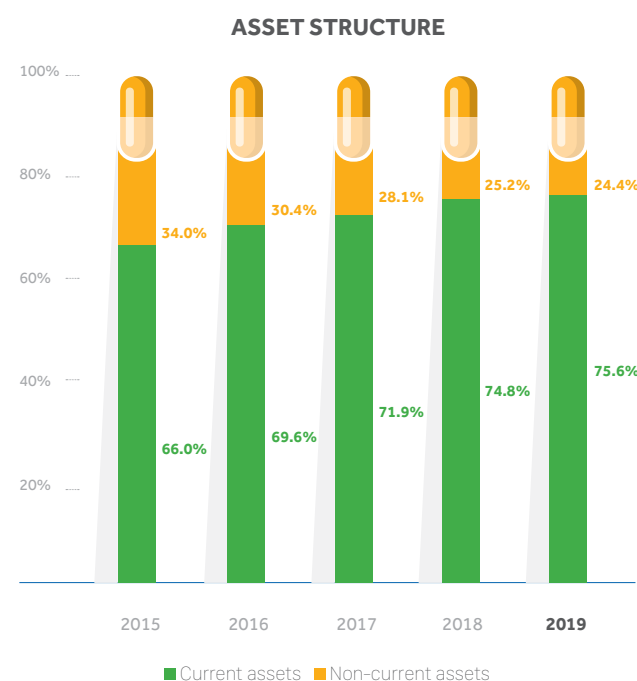
The Company's total assets decreased by 1.4% compared to the beginning of 2019, in which changes in assets were as follows:

- **Long-term assets:** decreased by VND 45 billion, mainly due to the fact that the fixed asset investments have not been carried out on schedule because the Company needed time to evaluate the investment efficiency in the context of the fluctuating business market, causing the new historical cost of assets not increase as much as depreciation expense in the period. The Company still replaced non-liquid fixed assets, ensuring the production activities of the plants. The proportion of long-term assets was only 24%, down 1% compared to the beginning of the year.
- **Short-term assets:** The balance and proportion of receivables and inventories decreased compared to 2018. For inventories, the value as at 01 Jan 2019 was high as the Company was reserving items expected to be subject to interrupt production due to the expiry of registration number and pending renewal with the Drug Administration of Vietnam. With this reserve, the Company still met the market's requirements during the year. After the registration number's successful renewal, the Company proactively adjusted the production plan so that inventory did not exceed the



sales volume for many periods. For receivables, the management of receivables was directed drastically and closely to each locality when DHG Pharma has a large customer network and widely distributed throughout the country. By reducing the proportion of receivables and inventories, cash working capital, the Company's deposits became abundant, cash, cash equivalents and short-term financial investments (mainly less-than-12-month deposits) increased sharply by VND 302 billion, accounting for 45% of the total assets of the Company.

Regarding capital resources, when the loan balance fell by VND 293 billion compared to the beginning of the year, the proportion of the loan capital accounted for only 19%, down 6% over the same period. Financial leverage reached 1.2 time.



Source: Audited consolidated financial statements and calculations of DHG Pharma

BUSINESS RESULTS IN 2018 – 2019

Figures in: VND billion

Item	2019*	% Sales 2019*	2019	% Sales 2019	2018	% Sales 2018	Growth
Net sales	3,897	100%	3,897	100%	3,882	100%	100.4%
COGS	2,173	55.8%	2,184	56.1%	2,165	55.8%	100.4%
Gross profit	1,723	44.2%	1,712	43.9%	1,717	44.2%	100.4%
Financial income (excluding interest income)	4	0.1%	4	0.1%	4	0.1%	120.7%
Financial expenses (excluding interest expenses)	76	2.0%	76	2.0%	68	1.7%	112.8%
Selling expenses	672	17.2%	687	17.6%	725	18.7%	92.7%
General and administration expenses	316	8.1%	334	8.6%	286	7.4%	110.6%
Other income	16	0.4%	16	0.4%	18	0.5%	85.6%
Other expenses	17	0.4%	17	0.4%	4	0.1%	405.4%
Losses from associates	0	0.0%	0	0.0%	0	0.0%	129.6%
Earnings before interest and taxes (EBIT)	662	17.0%	618	15.9%	656	16.9%	100.9%
Interest income	118	3.0%	118	3.0%	104	2.7%	113.4%
Interest expenses	23	0.6%	23	0.6%	29	0.7%	79.6%
Before-tax profit	757	19.4%	713	18.3%	732	18.9%	103.5%
Corporate income tax	87	2.2%	82	2.1%	81	2.1%	107.8%
After-tax profit	670	17.2%	631	16.2%	651	16.8%	102.9%

* Compared with the previous result of appropriation of Bonus and Welfare Fund

Source: Audited consolidated financial statements and calculations of DHG Pharma

Compared with before allocation to the Bonus and Welfare Fund, the Company's after-tax profit grew by 2.9% compared to 2018 while the sales growth rate was only 0.4% mainly for the following reasons:

The sales of finished products reached VND 3,275 billion, up 3.3% while the sales of other goods dropped by 12.5%. Therefore, the proportion of finished goods in the sales structure reached 84%, up 2.3% over the same period. This made the average gross profit margin of the whole Company remain at the same level of 2018 while the gross profit margin of finished products decreased by 0.8% due to fluctuating input materials at the end of 2018 and early 2019.

Total selling and administration expenses decreased by 2%, equivalent to VND 23 billion, showing the efforts of the BOM in managing operating costs effectively.

DHG Pharma's financial activities were more effective than the previous year when financial profit rose sharply by VND 19.8 billion, equivalent to an increase of 26% over the same period. The cash resources were more abundant and the loan balance was also significantly reduced.

Researching and DEVELOPING NEW PRODUCTS

In its long-term development strategy, DHG Pharma always considers the investment in researching new products as a factor to create a strong competitive advantage in the market. Especially, before the situation of Covid-19 pandemic started and spread out in the first months of 2020 and continued to be complicated, DHG Pharma has flexibly coordinated production and business activities to produce new useful products, bring quick and timely services for the needs of protecting customers' and their family's health during the pandemic season.





SHARE INFORMATION

Ticker symbol



SHARE OF DHG PHARMACEUTICAL JSC

SHARE EXCHANGE: HO CHI MINH CITY STOCK EXCHANGE

CHARTER CAPITAL
VND **1,307,460,710,000**

PAR VALUE
VND **10,000**

TYPE OF SHARE: ORDINARY SHARE

NUMBER OF LISTED SHARES | NUMBER OF OUTSTANDING SHARES
130,746,071 SHARES

Number of transferable shares: 130,745,722 shares
Number of restricted shares: 349 shares

Reasons for restricted shares

- The restricted period of the share distribution program in 2018 has been expired. However, the transfer for 01 case has not been completed: 340 shares.
- Restricted shares of SME due to suspended clearing operation: 9 shares.

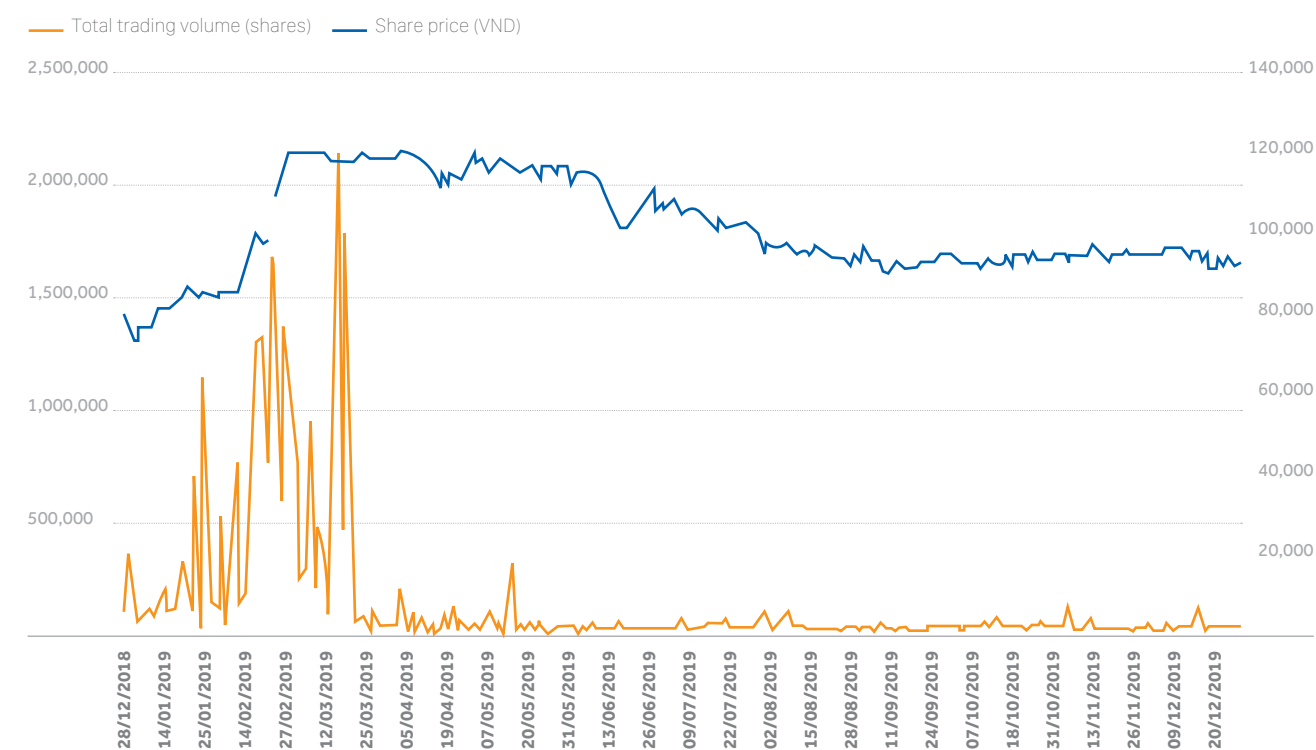


Fluctuation of DHG shares in 2019

No.	Indicators	Figures in	Value
1	Share price	VND	91,500
2	Capitalization	VND billion	11,963
3	From 28 Dec 2018 – 31 Dec 2019		
	Highest price	VND	120,000
	Lowest price	VND	73,500
	Average trading volume	shares/day	126,390
	Average value	VND billion/day	12.99
4	Foreign ownership limit (FOL)	%	100%
	Ownership rate of foreign shareholders	%	54.44%
5	EPS	VND	4,668
6	P/B	Time	3.5
7	P/E	Time	19.6

(*) Share prices and related information finalized on 31 Dec 2019.
Source: website <https://vietstock.vn/> and DHG Pharma's calculation

Total trading volume and price of DHG shares from 28 Dec 2018 to 31 Dec 2019



Source: website <https://vietstock.vn/>



SHARE INFORMATION
AND SHAREHOLDER STRUCTURE

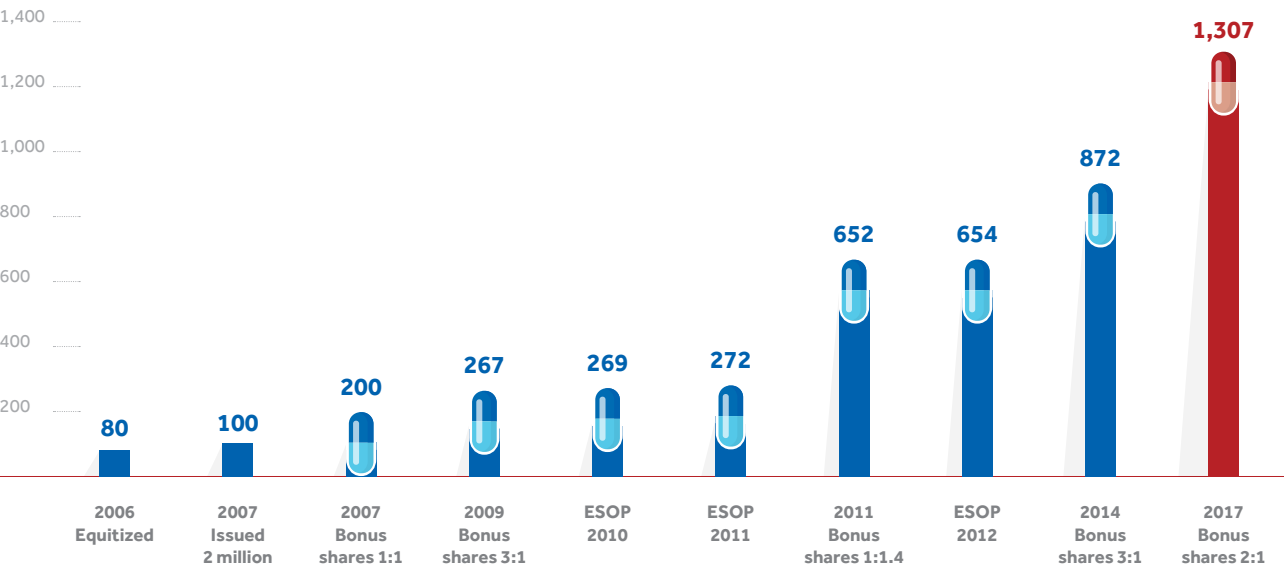
TREASURY SHARES TRANSACTIONS

In 2019, the Company did not make any treasury share transactions. At present, the number of treasury shares the Company is holding: 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.

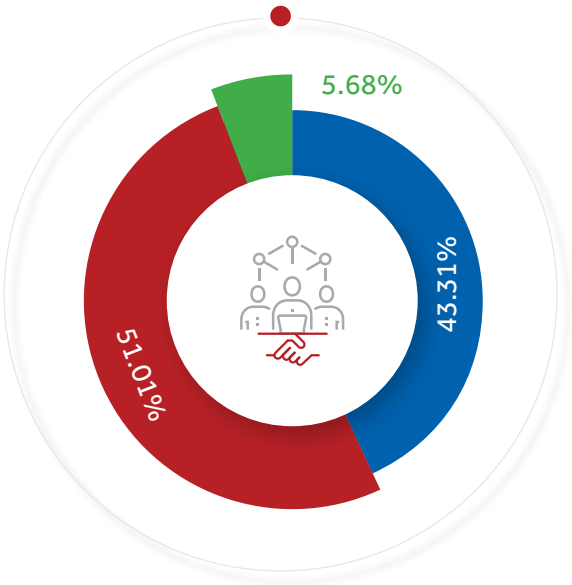
Timeline for increasing charter capital (Figures in: VND billion)



SHAREHOLDER STRUCTURE

According to the list of shareholders on 03 July 2019, 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%



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	535,537	0.41%	1	1	-
4	Treasury shares	-	-	-	-	-
	Other shareholders	6,887,245	5.27%	3,651	110	3,541
5	- Domestic	2,785,401	2.13%	3,122	63	3,059
	- Foreign	4,101,844	3.14%	529	47	482
	TOTAL	130,746,071	100.00%	3,654	113	3,541
	In which: - Domestic	59,947,175	45.85%	3,124	65	3,059
	- Foreign	70,798,896	54.15%	530	48	482



SHARE INFORMATION
AND SHAREHOLDER STRUCTURE

Shareholder structure by type of shares

No.	Subject	Restricted shares	Transferable shares	Total	Ownership ratio (%)
I.	Internal persons	34,290	31,509	65,799	0.05%
II.	The Company’s Union	8,066	527,471	535,537	0.41%
III.	Other shareholders	103,279	130,041,456	130,144,735	99.54%
1.	1. Domestic	103,279	59,242,560	59,345,839	45.39%
1.1	1.1 Individual	103,270	2,137,046	2,240,316	1.71%
1.2	1.2 Organization	9	57,105,514	57,105,523	43.68%
2.	2. Foreign	-	70,798,896	70,798,896	54.15%
2.1	2.1 Individual	-	946,082	946,082	0.72%
2.2	2.2 Organization	-	69,852,814	69,852,814	53.43%
	TOTAL	145,635	130,600,436	130,746,071	100.00%

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	3,634,251	2.78%	101	101	-
	- Domestic	478,489	0.37%	54	54	-
	- Foreign	3,155,762	2.41%	47	47	-
	TOTAL	126,957,540	97.10%	103	103	-

Share transactions of DHG Pharma's related persons and related parties in 2019

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	Pham Thi Viet Nga	Former BOD member	200,567	0.15%	8,830	0.01%	Sold 191,737 shares
2	Le Chanh Dao	Former Deputy General Director	81,967	0.06%	3,090	0.00%	Sold 78,877 shares
3	Nguyen Ngoc Diep	Deputy General Director	10,548	0.01%	3,180	0.00%	Sold 7,368 shares
4	Tran Quoc Hung	Former Head of the BOS	15,309	0.01%	1,300	0.00%	Sold 14,009 shares
5	Nguyen Hoang Nam	Former Production Director	12,179	0.01%	1,660	0.00%	Sold 10,519 shares
6	Vo Van Kim Y	Technical Director	4,848	0.00%	1,665	0.00%	Sold 3,183 shares
	RELATED PARTIES						
1	Trade Union of DHG Pharma	Subordinate unit of DHG Pharma	534,327	0.41%	538,147	0.41%	Ownership transfer of 3,820 shares from the resigned employees to the Trade Union in accordance with Regulations on share distribution
2	Huynh Thi Quynh Anh	Related person of Mdm. Pham Thi Viet Nga	9,281	0.01%	-	0.00%	Sold 9,281 shares
3	Doan Dinh Tuan Huy	Related person of Mr. Doan Dinh Duy Khuong	3,789	0.00%	3,769	0.00%	Sold 20 shares
4	Phung Kim Phuong	Related person of Mr. Le Chanh Dao	768	0.00%	-	0.00%	Sold 768 shares
5	Nguyen Xuan Huan	Related person of Ms. Huynh Thi Kim Tuoi	3,552	0.00%	-	0.00%	Sold 3,552 shares
6	Le Hoang Nam	Related person of Ms. Le Thi Hong Nhung	123	0.00%	-	0.00%	Sold 123 shares
7	Taisho Pharmaceutical Co., Ltd.	Related organization of Mr. Jun Kuroda – BOD member	44,835,886	34.29%	66,697,052	51.01%	Purchased 21,861,166 shares



PERFORMANCES
OF THE BOD

MEMBERS AND STRUCTURE OF THE BOD



The Annual General Meeting of Shareholders, which was held on 11 June 2019 approved the number of BOD members Term IV (2019 – 2023) to be 07 members. 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 and
- II.

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

PERSONNEL CHANGES OF THE BOARD OF DIRECTORS

At the AGM 2018 dated 11 June 2019, the BOD Term III (2014 – 2018) has reached the end of term of office, the AGM 2018 conducted the re-election of the BOD Term IV (2019 - 2023) with the changes in the BOD as follows:

No.	Full name	Current title	Term III (2014 – 2018)	Term IV (2019 – 2023)
1.	Mr. Nguyen Chi Thanh	Former BOD Chairman	x	
2.	Mdm. Pham Thi Viet Nga	Former non-executive BOD Member	x	
3.	Mr. Tran Chi Liem	Former independent BOD Member	x	
4.	Ms. Dang Thi Thu Ha	BOD Chairwoman	x	x
5.	Mr. Jun Kuroda	Non-executive BOD Member	x	x
6.	Mr. Doan Dinh Duy Khuong	Executive BOD Member	x	x
7.	Mr. Phan Minh Tien	Independent BOD Member	x	x
8.	Mr. Masashi Nakaura	Executive BOD Member		x
9.	Mr. Maki Kamijo	Non-executive BOD Member		x
10.	Mr. Do Le Hung	Independent BOD Member		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 and the Internal regulation on Corporate Governance. Details as follows:

- Independent BOD members are 2/7 members.
- Non-executive BOD members are 4/7 members.
- Since 01 Jan 2020, Mr. Masashi Nakaura has been appointed as General Director (CEO), legal representative of DHG Pharma and Mr. Doan Dinh Duy Khuong has been appointed as Chief Operating Officer (COO). As a result, the number of non-executive BOD members is 3/7 members and the executive BOD members are 2/7 members.

PERFORMANCES OF THE BOD IN 2019

In 2019, the BOD conducted 17 meetings, issued 17 Resolutions and 39 Decisions to solve issues under the functions and authorities of the BOD. In which, there were 05 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

The BOD members Term III (2014 – 2018): before 11 June 2019

No.	BOD members	Title	Meeting attendance	Rate	Reasons for absence
1.	Mr. Nguyen Chi Thanh	BOD Chairman	7/7	100%	
2.	Ms. Dang Thi Thu Ha	BOD Member	7/7	100%	
3.	Mdm. Pham Thi Viet Nga	BOD Member	7/7	100%	
4.	Mr. Doan Dinh Duy Khuong	BOD Member Interim General Director	7/7	100%	
5.	Mr. Jun Kuroda	BOD Member	7/7	100%	
6.	Mr. Tran Chi Liem	Independent BOD member	7/7	100%	
7.	Mr. Phan Minh Tien	Independent BOD member	7/7	100%	

The AGM 2018 dated 11 June 2019 conducted election of the BOD members Term IV (2019 – 2023), with members and titles as follows:

No.	BOD members	Title	Meeting attendance	Rate	Reasons for absence
1.	Ms. Dang Thi Thu Ha	BOD Chairwoman	10/10	100%	
2.	Mr. Jun Kuroda	BOD Member	10/10	100%	
3.	Mr. Masashi Nakaura	BOD Member ^(*)	9/10	90%	Absent due to business trip
4.	Mr. Maki Kamijo	BOD Member	10/10	100%	
5.	Mr. Doan Dinh Duy Khuong	BOD Member Interim General Director ^(*)	10/10	100%	
6.	Mr. Phan Minh Tien	Independent BOD member	9/10	90%	Absent due to business trip
7.	Mr. Do Le Hung	Independent BOD member	10/10	100%	

(*) After 01 Jan 2020, Mr. Masashi Nakaura is General Director (CEO), Mr. Doan Dinh Duy Khuong is Chief Operating Officer (COO).



PERFORMANCES
OF THE BOD

BOD Resolutions in 2019

No.	Resolution No.	Date	Resolutions contents
1.	001/2019/NQ.HĐQT	26 Feb 2019	Approval of the BOD Secretary's report; the BOM report; CAPEX Report; Report of the Strategic Committee; Report of the Nomination and Remuneration Committee; Report of the Audit and Risk Management Committee; Report on the receipts, expenditures and balance of remuneration fund of the BOD and BOS in 2018. Approving for an extension to hold the AGM 2018 and other contents.
2.	002/2019/NQ.HĐQT	06 Mar 2019	Approval of the public offer to acquire shares of DHG Pharmaceutical Joint Stock Company of Taisho Pharmaceutical Co., Ltd.
3.	003/2019/NQ.HĐQT	01 Apr 2019	Approving the policy to transfer DHG Pharma's interest or to liquidate assets for dissolution of Fuji Medic Limited Liability Company (Fuji Medic). Reason: restructuring the Company's operation and streamlining the management apparatus.
4.	004/2019/NQ.HĐQT	18 Apr 2019	Approval of the business and budget plan FY 2019; the profit distribution in 2018 and profit distribution plan in 2019 submitted to the AGM 2018. Approval of the dissolution of DHG Pharma's Branch in Tay Ninh Province. Approval of the BOS Statement regarding the selection of an independent auditor for financial statements FY 2019. Approval of changing the organizational structure, management and control of DHG Pharma submitted to the AGM 2018. Approval of the time and location to hold the AGM 2018 and other contents within the BOD's authorities.
5.	005/2019/NQ.HĐQT	09 May 2019	Approval of the BOD Secretary's Report; the BOM report; CAPEX report; Report of the Strategic Committee; Report of the Nomination and Remuneration Committee Q1/2019. Approval of documents and contents related to the AGM 2018.
6.	006/2019/NQ.HĐQT	27 May 2019	Approval of the official documents submitted to the AGM 2018.
7.	007/2019/NQ.HĐQT	31 May 2019	Approval of the proposal nominating Mr. Phan Minh Tien (Born in 1970) and Mr. Do Le Hung (Born in 1969) to be independent BOD members Term IV (2019 – 2023). Approval of the BOD Statement on the number and member structure of the BOD, list of candidates for the BOD, voting rules of the BOD Term IV (2019 – 2023) submitted to the AGM 2018.
8.	008/2019/NQ.HĐQT	11 June 2019	Came into an agreement on the appointment of Ms. Dang Thi Thu Ha as the BOD Chairwoman of DHG Pharma Term IV (2019 – 2023). Appointing personnel for the Committees under the BOD. Continuously extending the term of office from 11 June 2019 to 31 Dec 2019 for: <ul style="list-style-type: none">Mr. Doan Dinh Duy Khuong – Position: Legal Representative, Interim General Director.Mr. Tomoyuki Kawata - Position: Deputy General Director in charge of Production, Supply Chain and Technical Transfer.Ms. Nguyen Ngoc Diep – Position: Deputy General Director in charge of Production and Quality.Mr. Atsushi Toyoshima – Position: Supply Chain Director

No.	Resolution No.	Date	Resolutions contents
			Continuously extending the term of office as Deputy General Director in charge of Finance and Back-office for Mr. Le Chanh Dao from 11 June 2019 until reaching his retirement (July/2019). Continuously appointing Ms. Le Thi Hong Nhung to be the person in charge of Corporate Governance and the BOD Secretary Term IV (2019 – 2023). Implementing the AGM Resolution 2018 on 11 June 2019.
9.	009/2019/NQ.HĐQT	01 July 2019	Approving the operational regulations of DHG Pharma's Audit Committee and other contents.
10.	010/2019/NQ.HĐQT	01 Aug 2019	Approval of the BOD Secretary's Report; the BOM report; CAPEX report; Report of the Audit Committee Q2/2019. Approving Statement on Mr. Le Chanh Dao - Deputy General Director in charge of Finance and Back Office, who reaches retirement age from 01 Aug 2019 and other contents.
11.	011/2019/NQ.HĐQT	19 Aug 2019	Approving Statement on remuneration of the BOD and the BOD Secretary Term IV (2019 – 2023), Statement on the issuance of Regulation on management and use of seal, Statement on approval of CAPEX plans and disbursement in the last 5 months of 2019.
12.	012/2019/NQ.HĐQT	16 Sept 2019	Issuing a new organizational apparatus of DHG Pharma from 01 Oct 2019.
13.	013/2019/NQ.HĐQT	18 Oct 2019	Appointing Ms. Ngo Thi Phuong Loan for the QM Director position of DHG Pharma from 01 Nov 2019. Removal of the title - Production Director cum Director of DHG Pharmaceutical Plant Branch in Hau Giang to Mr. Nguyen Hoang Nam from 31 Oct 2019. Removal of the QM Director position to Ms. Nguyen Ngoc Diep from 31 Oct 2019. Simultaneously, appointing Ms. Nguyen Ngoc Diep to concurrently hold the Production Director position of DHG Pharma from 01 Nov 2019.
14.	014/2019/NQ.HĐQT	07 Nov 2019	Approval of the BOD Secretary's Report; Report on the receipts and expenditures of the BOD's remuneration fund; the BOM report; CAPEX report; Report of the Nomination Committee; Report of the Audit Committee.
15.	015/2019/NQ.HĐQT	25 Nov 2019	Approval of Statement on budget limit and credit limit of DHG Pharma in 2020 and other contents.
16.	016/2019/NQ.HĐQT	12 Dec 2019	Appointing Mr. Masashi Nakaura to hold the General Director (CEO), Legal Representative position at DHG Pharma from 01 Jan 2020 to 31 Dec 2022. Appointing Mr. Doan Dinh Duy Khuong as Chief Operating Officer (COO) of DHG Pharma from 01 Jan 2020 to 31 Dec 2022. Re-appointing positions from 01 Jan 2020 to 31 Dec 2022 for: <ul style="list-style-type: none">Ms. Nguyen Ngoc Diep – Position: Deputy General Director position in charge of Production and Supply Chain.Mr. Tomoyuki Kawata - Position: Deputy General Director position in charge of Production - Supply Chain and Technical Transfer. Re-appointing Mr. Atsushi Toyoshima to hold the Supply Chain Director position from 01 Jan 2020.
17.	017/2019/NQ.HĐQT	23 Dec 2019	Approval of the plan to liquidate Fuji Medic's assets (a subsidiary 51% owned by DHG Pharma).



PERFORMANCES OF THE BOD

PERFORMANCES OF BOD MEMBERS

During the business operation in 2019, the BOD of DHG Pharma 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. Next, 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, BOD members would not vote on issues that they have benefits or conflicts in.

PERFORMANCES OF INDEPENDENT BOD MEMBERS

In 2019, 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 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 Nomination Committee,
Member of Strategic Committee.*

With more than 20 years of experience in marketing, he supported and contributed to developing the market and marketing development strategy of DHG Pharma in 2019 and the 5-year strategy (2019 - 2023). At the same time, he promoted the business development cooperation between Vietnam Dairy Products Joint Stock Company (Vinamilk) and DHG Pharma. 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 RESULT WITH REGARDS TO THE GENERAL DIRECTOR AND THE COMPANY'S ENTERPRISE MANAGERS, AND ENTERPRISE EXECUTIVES

- The BOD always monitored and directed the operations of the BOM, promptly resolved arising issues under the BOD's authorities to create favorable conditions for the BOM's performances. The BOM implemented most of the tasks in accordance with Resolutions of the AGM and the BOD, developed strategic directions in order to strengthen the sustainable development foundation.
- Supervised, directed and ensured information is disclosed sufficiently, transparently and promptly in accordance with regulations of Ho Chi Minh Stock Exchange and State Securities Commission. Successfully organized the AGM 2018 on 11 June 2019. Strictly implemented the reporting regime of Financial Statements FY 2019, Quarterly Financial Statements, Annual Report and Sustainable Development Report 2019.
- Completed the process/regulation/GOA in accordance with the Company's business situation.
- Continued to appoint Mr. Doan Dinh Duy Khuong to hold the position of Legal Representative and Interim General Director of DHG Pharma until 31 Dec 2019.
- Appointed Mr. Masashi Nakaura to hold the position as General Director (CEO), Legal Representative and appointed Mr. Doan Dinh Duy Khuong to hold the position as Chief Operating Officer (COO) from 01 Jan 2020 to 31 Dec 2022.

CONCLUSION

During the year, the BOM and the managerial staff basically completed the tasks assigned by the AGM. They 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.



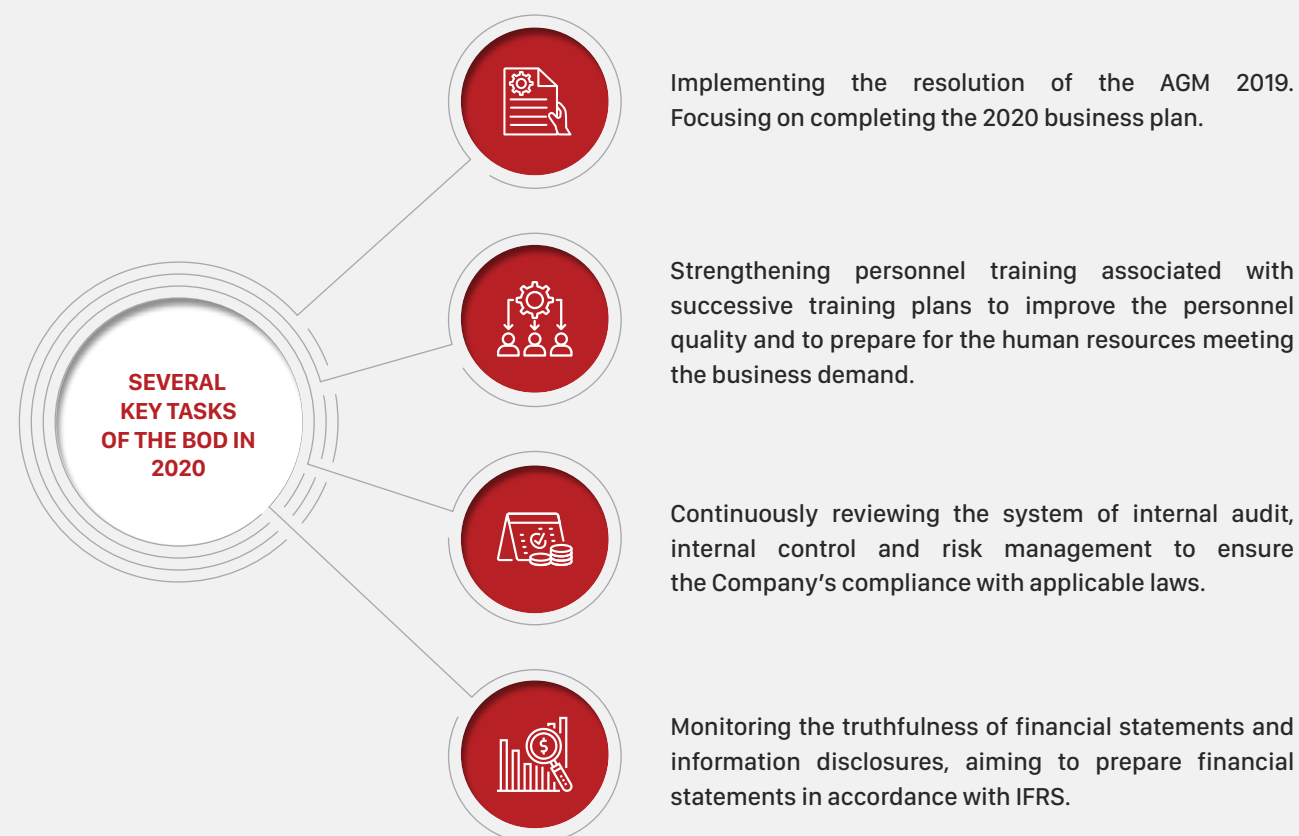


ORIENTATION OF THE BOD'S ACTIVITIES IN 2020



Based on the strategic development orientation of the Company in the period of 2019 - 2023, the business targets of 2020 approved by the AGM and the actual conditions of the Company, the BOD will improve the efficiency and operating methods in accordance with new 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 AGM/BOD. The BOD will ensure all activities of the Company are effective, regulated by law and complete the business targets of 2020. 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

THE BOARD OF DIRECTORS
TERM 2019 - 2023 ESTABLISHED **03** COMMITTEES
INCLUDING:



THE BOD TERM IV (2019 - 2023) APPOINTED THE PERSONNEL IN CHARGE OF THE COMMITTEES UNDER THE BOD WITH THE QUANTITY, RESPONSIBILITIES AND AUTHORITIES OF THE MEMBERS ENSURING COMPLIANCE WITH THE COMPANY'S REGULATIONS AND APPLICABLE LAW. QUARTERLY, COMMITTEES SHALL MEET AND SEND REPORTS TO THE BOD WITHIN THE SCOPE OF ASSIGNMENTS. COMMITTEES WERE ESTABLISHED TO ADVISE AND CONSULT THE BOD THE IMPLEMENTATION OF ITS DUTIES.



PERFORMANCES OF COMMITTEES UNDER THE BOD



THE STRATEGIC COMMITTEE

The Strategic Committee plays an important role in planning and setting the organizational development orientation, as well as proposing solutions to solve various problems in the Company. Members of the Strategic Committee will advise the BOD in developing and improving the Company's development plan in the short, medium and long term.

PERSONNEL STRUCTURE OF THE STRATEGIC COMMITTEE

Head of the Strategic Committee is a BOD member at DHG Pharma for 2 terms. He is a senior expert of Taisho who has many years of experience in globally managing pharmaceutical companies.

No.	Full name	Position	Title
1	Jun Kuroda	Non-executive BOD Member	Head
2	Masashi Nakaura	BOD Member General Director	Member
3	Doan Dinh Duy Khuong	BOD Member COO	Member
4	Phan Minh Tien	Independent BOD Member	Member

(*) Mr. Masashi Nakaura is the member of Strategic Committee since 17 Feb 2020.



DUTIES OF THE STRATEGIC COMMITTEE

- Developing long-term development strategies for production, business and investment of DHG Pharma.
- Determining annual, mid-term development and production plans based on the objectives and strategies approved by the AGM. Developing basic performance targets of DHG Pharma.
- Developing annual dividend rates and proposals to the BOD for making decisions on temporary dividend rates.
- Assessing the long-term effectiveness of DHG Pharma's activities.

MEETINGS HELD IN 2019

No.	Time	Meeting contents
1.	26 Feb 2019	Reviewed and reported on the status of strategic implementation in 2018.
2.	09 May 2019	Reviewed and reported on the strategic implementation in 1Q/2019. Advising the BOD on the dividend rate of 2018 and the dividend payment plan for 2019.
3.	17 Jul 2019	Considered the BOM's proposal on investing in machinery and equipment for factories so as to submit to the BOD.
4.	01 Aug 2019	Reviewed the implementation of business targets in 2Q/ 2019; Considered solutions for the second half of 2019; Discussed the business plan for the period of 2019 - 2023.
5.	09 Oct 2019	Reviewed the implementation of the 3Q/2019 business targets; Forecast the business results of 4Q/2019 and FY 2019; Developed a business plan for FY 2020, a business plan for the period of 2019 - 2023.

PERFORMANCES IN 2019

Business strategy plays a crucial role to the survival and development of the Company. The business strategy, if built correctly, clearly, flexibly, which enables the Company's active adaptation to market fluctuations, will serve as a guiding light that directs the Company to operate in the right direction, achieve much success, overcome its competitors and build up its strong position in the market. To support the BOD in planning and building the Company's development orientation in the short, medium and long terms, the Strategic Committee has been established, which

acts as a valuable helping hand to the BOD in completing the set targets and goals. During the year, the Strategic Committee has completed the strategy for business and production development in 2019 and development plans, strategic goals, medium-term business targets until 2023. The Committee has also advised the BOD on dividends in 2019 and the plan to pay dividends in 2020. The Strategic Committee has also consulted the BOD on short, medium and long-term investment projects under the BOD's authority.

OPERATIONAL ORIENTATION IN 2020

1.	Shall advise and consult the BOD on the business plan of 2020 and the development strategy, targets and the business plan for the period of 2020-2023 submitted to the AGM. Shall specifically implement strategy deployment to relevant departments after they are approved and shall review and revise (if any).
2.	Shall consult the BOD on short, medium and long-term investment projects falling under the authority of the BOD.
3.	Shall advise the BOD of the dividend rate for 2020 and shall propose the dividend rate for 2021.



PERFORMANCES OF COMMITTEES UNDER THE BOD



THE AUDIT COMMITTEE

From 11 June 2019, DHG Pharma has officially applied the Audit Committee model under the BOD, replacing the BOS model. Functioning as advising the BOD in ensuring an effective system of internal control and legal compliance, the Audit Committee has made great efforts and achieved positive results in 2019.

PERSONNEL STRUCTURE OF THE AUDIT COMMITTEE

Head of AC is an independent BOD member and also a BOD member of the Vietnam Institute of Directors (VIOD). He has extensive experience in corporate governance, internal audit, internal control and risk management. In addition, 100% of AC members are non-executive BOD members.

No.	Full name	Position	Title
1.	Do Le Hung	Independent BOD member	Head
2.	Dang Thi Thu Ha	BOD Chairwoman	Member
3.	Maki Kamijo	Non-executive BOD member	Member

AC, though newly established in June 2019, has actively implemented numerous practical activities, helping the BOD perform its supervising function and supporting the BOM on issues related to corporate governance at DHG Pharma.

Although the model of AC under the BOD is relatively new at DHG Pharma, thanks to the support and determination of the BOD, AC has submitted the Operating Regulation to the BOD for approval right after its establishment. AC submitted to the

BOD for approval the Operating Regulation of Audit Committee, which clearly stipulated the rights, responsibilities as well as the operation mechanism of AC. This has created favourable conditions for AC in its work process.

In the second half of 2019, AC held 3 meetings with the full participation of all 3 members. Besides, there are numerous other thematic meetings with departments and divisions under the BOM.

FOLLOWING IS THE MONITORING RESULTS FY2019 REPORTED BY AC

FINANCIAL STATEMENTS

AC reviewed the quarterly, semi-annual and annual financial statements FY2019, and unanimously approved with the assessments of the Independent Auditor, accordingly:

- The financial statements FY2019 are prepared and presented truthfully in accordance with Vietnamese Accounting Standard (VAS) and current regulations. No material misstatement identified that may falsify the financial statements results.
- In 2019, DHG Pharma recognized 2 significant events and transactions as follows:
 - DHG Pharma became Taisho's subsidiary after Taisho purchased an additional 20.6 million shares. As at 31 Dec 2019, Taisho owned 51.01% of share capital of DHG Pharma.
 - DHG Pharma has been withdrawing all capital for the dissolution of Fuji Medic LLC.
- No material adjustments or significant issues were recorded towards accounting policies, business results and financial fluctuations.
- Transactions with related parties are reported and controlled. No abnormal findings for related party transactions.
- Accounting estimates are assessed to be reasonable and free from material misstatement.
- Misstatements and frauds detected in the accounting period have been carefully considered, adjusted (for misstatement) or provisions have been made (for doubtful debts), and it has been presented fully and truthfully on the financial statements.
- The recommendations of the Independent Auditor in the Management Letter for the 6 months and the whole year of 2019 have been recognized and appropriately planned for implementation by the BOM.



INTERNAL CONTROL (IC) AND RISK MANAGEMENT (RM) SYSTEM

AC supervised the IC and RM systems through reports and communication, direct interviews with Internal Audit (IA) Department, Independent Auditors, units and functional departments of DHG Pharma.

Since the beginning of 2019, with the support of Ernst & Young Auditing Company, the IC and RM frameworks have been established as well as disseminated, trained for key staff and middle managers. The Company understands the importance of organizing risk management at DHG and orienting the Company's activities towards international governance practices. On 17 Oct 2019, the BOM decided to formally establish the Risk Management Division under the IC and RM Department to receive and transfer risk records from EY and assigned IC and RM Department to continue developing and completing risk management methods, procedures and schemes at DHG Pharma.

The IC system has always been prioritized for completion to serve the needs of effective control and risk minimization in production and business activities.

AC recognizes the following positive points:

- The Company has a specialized apparatus including professionally trained and experienced personnel in the field of IC and RM.
- IC Department coordinates, supports and supervises departments to build and standardize business process systems throughout the Company.
- The Company regularly reviews and updates management processes and regulations, ensuring effective, appropriate control and support for production and business activities.
- The Company has been performing a comprehensive evaluation of the IC system according to J-SOX standard (Sarbanes-Oxley Act - Japan) as requested and supported by parent company Taisho.
- The Company has developed and managed a risk map, including significant risks that are monitored and assessed periodically and continuously.
- RM measures along with specific action programs are regularly monitored and reported.
- Transactions with related parties and people are also periodically controlled and reported.

To improve and strengthen the IC and RM system, AC recommends the BOM and the BOD to:

- Develop and issue RM policy, risk appetite at the BOD level as soon as possible.
- Establish acceptable risk thresholds at all levels of the BOM in accordance with the RM policy.
- Establish RM Council under the BOM to ensure that risks are always updated, detected, reported, and evaluated so that appropriate measures for risk control can be timely implemented.



PERFORMANCES OF COMMITTEES UNDER THE BOD

INTERNAL AUDIT



After being restructured in Oct 2019, IA function has been separated from the IC and RM activities, and now reported directly to the BOD (AC) on professional functions. This is a prerequisite condition for IA Department to be independent and objective in performing its duties, which gradually improves its quality and professionalism. However, in terms of regular work management, IA Department will directly report to the General Director.

The coordination between the General Director and AC in managing the IA function has gradually promoted the role of the IA Department not only in compliance requirements but also in supporting departments in optimizing management, improving IC and RM.

AC recognizes the following positive points:

- Along with the reorganization of the IA structure, audit team members have been strengthened in both quantity and quality.
- IA Regulation has been prepared and issued, which clearly specifies the functions, duties and powers of the IA, the responsibilities of audited departments, and basic principles of IA activities at DHG Pharma. As reviewed and assessed by AC, the current IA Regulation is accorded with international practices, and legal requirements.
- IA Department has developed and completed the implementation of the audit plan FY2019 (including the revised plan approved by AC).
- The audit recommendations and implementation plans are monitored regularly and periodically, making a significant contribution to improving the quality of the IC system, raising the compliance awareness of audited departments and entities, as well as improving business processes and optimizing management.

AC recommends the following issues for IA Department:

- The IA plan FY2020 should prioritize the audit of the sales sector, which is considered as a high-risk area.
- IA Department needs to prepare human resource that satisfies both in quantity and quality to meet the requirements and expectations of the Board of Leaders (the BOD and the BOM)

COMPLIANCE AND PROFESSIONAL ETHICS ISSUES



Regarding legal compliance, DHG Pharma has a specialized legal system. In addition to supporting legal issues for the departments, the Legal Department also monitors and regularly updates legal provisions in corporate management, production and business in general, and pharmaceutical business in particular, which forms the basis for recommendations to ensure that DHG Pharma strictly complies with the law.

Regarding compliance with professional ethics, AC recognizes the following points:

- The Company has established Compliance Monitoring Council with the General Director as the Chair, whose main task is to monitor the compliance with the Company's internal regulations, including the codes of conduct, professional ethics, prevention of frauds and corruption. On the basis of the monitoring results, the Compliance Monitoring Council is responsible for organizing and implementing effective preventive and remedial measures.
- The Compliance Monitoring Council has established a hotline managed by IA Manager to receive denunciations of non-compliance cases.
- The AC evaluates that compliance with internal regulations, professional ethics and code of conduct at DHG Pharma is one of the material risks that needs to be concerned for so that specific measures can be taken. To ensure validity and efficiency, a comprehensive program against fraud may be considered. Such a program should include the following activities: raising awareness, deterrence - prevention measures - detection measures - measures to improve the system and overcome consequences.

INDEPENDENT AUDITOR



AC evaluates that the proposed plan and the implementation of the audit plan FY2018 of an independent auditor and finds that they are consistent with the Company's requirements with regards to scope, subjects, methods, and time. They also meet requirements about quality assurance, independence, and with no conflicts of interest of independent auditor.

Regarding the implementation of the audit plan FY2018, Deloitte Vietnam Company Limited successfully completed the tasks, met the expectations of AC, and ensured the reliability and honesty of the financial statements provided to shareholders and related parties.



PERFORMANCES OF COMMITTEES UNDER THE BOD



THE NOMINATION COMMITTEE

Human resources are recognized as precious and important "property" of an enterprise, training, caring and developing human resources is also a key and long-term strategic factor of a business. The Nomination Committee, formerly known as the Nomination and Remuneration Committee, was established and appointed personnel from 11 June 2019. This Committee is assigned with the task of assisting the BOD in the management and development of DHG Pharma's staff.

PERSONNEL STRUCTURE OF NOMINATION COMMITTEE

The Head of Nomination Committee is an independent BOD member. Together with the BOM, he jointly sought for BOD members that are suitable for the new phase of DHG Pharma, as well as developed training plans and successive resources.

No.	Full name	Position	Title
1	Phan Minh Tien	Independent BOD member	Head
2	Masashi Nakaura	BOD member, General Director	Member
3	Doan Dinh Duy Khuong	BOD member COO	Member

DUTIES OF THE NOMINATION COMMITTEE

- 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 to the BOD such as discovery, selection, education and training of senior staffs and the successor system;
- 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.



MEETINGS IN 2019

No.	Time	Meeting contents
1.	26 Feb 2019	Reported the personnel results in 2018 and the plan for 2019; Developed orders and procedures for the nomination and candidacy of the BOD members Term IV (2019 - 2023)
2.	09 May 2019	Reported quarterly personnel activities; Developed a training plan for the year and a successive program.
3.	22 Jul 2019	Proposed the remuneration of the BOD, members of Committees, the BOD Secretariat team and members assisting the BOD in 2019
4.	01 Nov 2019	Considered perfecting personnel shortages
5.	04 Dec 2019	Proposed to appoint the BOD and Functional Directors of DHG Pharma

PERFORMANCES IN 2019

Personnel, especially senior personnel play the most important role in the competitiveness of a business. How to build a team of skilled, experienced, enthusiastic and willing to engage, facing challenges to devote to the Company is always a difficult problem. With the role of supporting the BOD in human resource management,

in 2019, the Nomination Committee has made positive and effective contributions in proposing and advising the BOD to develop human resources; appointment/ dismissal of senior managerial staff, policies of salary, bonus and remuneration of the Company in 2019.

OPERATIONAL ORIENTATION IN 2020

1.	Shall evaluate the training programs in 2019 and direct the development of training programs in 2020.
2.	Shall perfect the organizational structure and advise the BOD to strengthen the personnel structure for DHG Pharma.
3.	Shall propose and consult the BOD on the salary, bonus and remuneration policy of the Company.
4.	Continue to improve the development of human resources and senior management of the Company.
5.	Shall build the development strategy of the Company for the period 2020 - 2023, especially the development strategy of human resources and senior managerial staff of the Company.



TRANSACTIONS, REMUNERATION, BONUS AND INTERESTS OF THE BOD AND BOM IN 2019

REMUNERATION AND BONUS OF THE BOD

The AGM 2018 approved to allocate the remuneration of the BOD in 2019 to be VND 6 billion, equivalent to 0.9% of PAT.

RECEIPTS/EXPENDITURES OF THE REMUNERATION AND BONUS FUND

No.	Targets	Amount
1	Balance at the beginning of the year (01 Jan 2019)	7,983,652,438
2	Allocation from PAT FY 2018 in line with the AGM Regulation	6,000,000,000
3	Total expenses:	8,048,113,592
3.1	Remunerations and bonuses of the BOD and collaborators in 2019	4,756,000,000
3.2	Extraordinary bonus for projects	380,000,000
3.3	Others	3,446,396,284
4	Balance as at 31 Dec 2019	5,935,538,846
5	Appropriation plan in 2020 (projected)	6,000,000,000
	Remunerations of the BOD and collaborators	6,000,000,000
6	Balance after profit distribution in 2019 (projected)	11,935,538,846

DETAILED DISTRIBUTION TO EACH MEMBER OF THE BOD

No.	Name of member	Title	Salary	Remuneration	Total
1	Dang Thi Thu Ha	BOD Chairwoman	0%	100%	100%
2	Jun Kuroda	BOD Member Head of Strategic Committee	0%	100%	100%
3	Masashi Nakaura	BOD Member General Director	0%	100%	100%
4	Maki Kamijo	BOD Member	0%	100%	100%
5	Doan Dinh Duy Khuong	BOD Member Chief Operating Officer	88%	12%	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%

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	22,626,237 (SCIC’s capital representative)	36,237	22,662,474	17.33%
3	Jun Kuroda	BOD Member	-	-	-	-
4	Masashi Nakaura	BOD Member General Director	-	-	-	-
5	Maki Kamijo	BOD Member	-	-	-	-
6	Phan Minh Tien	Independent BOD Member	-	-	-	-
7	Do Le Hung	Independent BOD Member	-	-	-	-
III. BOARD OF MANAGEMENT						
1	Masashi Nakaura	BOD Member General Director	-	-	-	-
2	Doan Dinh Duy Khuong	BOD Member Chief Operating Officer	22,626,237 (SCIC’s capital representative)	36,237	22,662,474	17.33%
3	Nguyen Ngoc Diep	Deputy General Director cum Production Director	-	3,180	3,180	0.00%
4	Tomoyuki Kawata	Deputy General Director	-	-	-	-
5	Le Thi Hong Nhung	Finance Director	-	7,426	7,426	0.01%
6	Lam Dieu Phi	Marketing Director	-	9,744	9,744	0.01%
7	Ngo Thi Phuong Loan	QM Director	-	210	210	0.00%
8	Vu Thi Huong Lan	HR Director	-	-	-	-
9	Huynh Thi Kim Tui	Distribution Center Director	-	1,868	1,868	0.00%
10	Vo Van Kim Y	Technical Director	-	1,665	1,665	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%



TRANSACTIONS, REMUNERATION, BONUS AND INTERESTS OF THE BOD AND BOM IN 2019

PERSONNEL CHANGES IN TERMS OF MANAGERIAL TITLES APPOINTED BY THE BOD

No.	Full name	Titles before changes	Current titles	Reason for changes	BASIS
1.	Mr. Masashi Nakaura	Non-executive BOD Member	Executive BOD Member General Director (CEO) Legal Representative	Appointing General Director (CEO), Legal Representative from 01 Jan 2020 to 31 Dec 2022	BOD's resolution No. 016/2019/NQ.HĐQT dated 12 Dec 2019
2.	Mr. Doan Dinh Duy Khuong	Executive BOD Member Interim General Director Legal Representative	Executive BOD Member Chief Operating Officer (COO)	Appointing Chief Operating Officer (COO) from 01 Jan 2020 to 31 Dec 2022.	BOD's resolution No. 016/2019/NQ.HĐQT dated 12 Dec 2019
3.	Mr. Tomoyuki Kawata	Deputy General Director	Deputy General Director	Reappointment from 01 Jan 2020 to 31 Dec 2022.	BOD's resolution No. 016/2019/NQ.HĐQT dated 12 Dec 2019
4.	Mr. Atsushi Toyoshima	Supply Chain Director	Supply Chain Director	Reappointment from 01 Jan 2020.	BOD's resolution No. 016/2019/NQ.HĐQT dated 12 Dec 2019
5.	Mr. Le Chanh Dao	Deputy General Director	Nil	Mr. Le Chanh Dao - Deputy General Director reached retirement age from 01 Aug 2019	BOD's resolution No. 010/2019/NQ.HĐQT dated 01 Aug 2019
6.	Ms. Nguyen Ngoc Diep	Deputy General Director cum QM Director	Deputy General Director cum Production Director	Appointing Ms. Ngo Thi Phuong Loan as QM Director Mr. Nguyen Hoang Nam resigned from the Production Director position. Ms. Nguyen Ngoc Diep concurrently holds the position of Production Director when finding the suitable personnel	BOD's resolution No. 013/2019/NQ.HĐQT dated 18 Oct 2019
7.	Ms. Ngo Thi Phuong Loan	Deputy Director of DHG Pharmaceutical Plant Branch in Hau Giang	QM Director cum Deputy Director of DHG Pharmaceutical Plant Branch in Hau Giang	Considering the competence and standards of the position, the candidate – Ms. Ngo Thi Phuong Loan has currently met the criteria to be officially appointed for the QM Director position since 01 Nov 2019.	BOD's resolution No. 013/2019/NQ.HĐQT dated 18 Oct 2019
8.	Mr. Nguyen Hoang Nam	Production Director	Nil	According to the resignation letter due to moving to a foreign country.	BOD's resolution No. 013/2019/NQ.HĐQT dated 18 Oct 2019
9.	Ms. Le Thi Hong Nhung	Finance Director BOD Secretary Person in charge of corporate governance	Finance Director	Relinquish application as BOD Secretary and Person in charge of corporate governance according to the resignation letter from 01 Mar 2020.	BOD's resolution No. 001/2020/NQ.HĐQT dated 17 Feb 2020
10.	Ms. Duong Kim Loan	IR Team leader	BOD Secretary Person in charge of Corporate Governance IR Team leader	Appointment to replace Ms. Le Thi Hong Nhung from 01 Mar 2020	BOD's resolution No. 001/2020/NQ.HĐQT dated 17 Feb 2020
11	Ms. Vu Thi Huong Lan		HR Director	New recruitment, strengthening the HR Director position since 17 Feb 2020.	BOD's resolution No. 001/2020/NQ.HĐQT dated 17 Feb 2020

**ASSESSING THE IMPLEMENTATION OF CORPORATE GOVERNANCE IN 2019
BASED ON VIETNAM CORPORATE GOVERNANCE CODE**

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. On 13 Aug 2019, the first set of Vietnam Corporate Governance Code of Best Practices was announced. This Code of Conduct includes standards that exceed minimum legal requirements, encouraging businesses to follow international best practices. In addition to complying with the newly issued Corporate

Governance Code and current regulations in Vietnam such as the Government’s Decree No. 71/2017/ND-CP of 06 Jun 2017, Circular No. 95/2017/TT-BTC dated 22 Sep 2017 of the Ministry of Finance, DHG Pharma has further actively applied good practices in the world such as OECD’s Corporate Governance Principles, ASEAN Corporate Governance Scorecard, 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 parties.



In 2019, DHG Pharma evaluated its corporate governance performance in accordance with 10 principles of “Vietnam Corporate Governance Code of Best Practices” published by the State Securities Commission of Vietnam (SSC) and International Finance Corporation (IFC). Accordingly, DHG Pharma responded rather well to this set of governance principles:

Section	Contents	Recommendation	Response	Ratio
1	The Responsibility of the BOD	94	75	79.8%
2	Control Environment	27	24	88.9%
3	Disclosure and Transparency	16	12	75.0%
4	Shareholder rights	28	25	89.3%
5	Stakeholder relations	7	5	71.4%
Total		172	141	82.0%





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

- 1.1.1. The Company’s internal rules and regulations on corporate governance clearly define the rights, duties and operational principles of the BOD which are posted on the website in both Vietnamese and English.
- 1.1.2. The BOD develops the long-term development direction and submits to the AGM for approval; approves strategies and plans for medium-term production and business development, annual budget plan; reviews and evaluates the efficiency of investment activities in subsidiaries and associated companies; makes decision on investment plans and external investment projects. At the same time, the BOD also issued the Investment Regulation and the Financial Regulation to supervise the investment and financial activities of the Company as well as clearly to define the functions, rights and responsibilities of the units and individuals that participate in the investment and procurement process.
- 1.1.3. Since 11 Jun 2019, DHG Pharma has converted from the Board of Supervisory model to the Audit Committee as a subordinate under the BOD. The Head of Audit Committee has expertise and experience in finance and accounting. The AC plays a key role in consulting the BOD on the construction of the internal control

systems and risk management with aiming to improve the effectiveness and professionalism in administration tasks. At the same time, the AC periodically monitors and reviews the Company’s compliance with law. In addition, the BOD has always oriented the construction of strategic goals towards the integration with environmental and social activities. The Company has developed the sustainable development report since 2015 to clearly outline and present the Company’s sustainable development content and targets to its shareholders and investors.

- 1.1.4. The BOD has promulgated the Regulation on transaction control with related parties and members. At the same time, DHG Pharma has its cultural identity stipulating ethical rules in business that is widely disseminated to all employees.
- 1.1.5. Every year, the Audit Committee/BOD updates the list of risks and recommends preventive measures. Quarterly, the AC/BOD reviews its internal auditing, risk management and internal control activities.
- 1.1.6. Monthly/quarterly: The Audit Committee reviews the Company’s financial statements. Quarterly /Every 6 months/Annually, the Audit Committee reports to the BOD about the integrity and compliance of the Company’s accounting and financial reporting system.

- 1.1.7. On a quarterly basis, the Nomination Committee reports to the BOD on the recruitment, supervision of succession plans for key management positions, and the development of training programs and human resources.
- 1.1.8. See details of the BOD members’ remuneration in transactions, remuneration, bonus and interests of the BOD and BOM in 2019 (page 108).
- 1.1.9. The BOD has issued regulations on transaction control with related parties and related members.
- 1.1.10. At DHG Pharma, the IR Team is responsible for implementing information disclosure under the supervision of the Audit Committee under the BOD.

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.

- 1.2.1. - 1.2.4.: The Charter, Internal Regulations on Corporate Governance stipulates in detail that all members of the BOD must perform their duties in good faith, with due diligence and care and for the best benefits of DHG Pharma.
- 1.2.5. Currently, 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. In 2019, Ms. Dang Thi Thu Ha and Mr. Do Le Hung participated in the Advanced Corporate Governance training course organized by VIOD.
- 1.2.6. All BOD meeting documents are prepared by the Board Secretariat in both Vietnamese and English and sent to the Board members at least five (05) working days before the meeting.
- 1.2.7. Each member of the BOD is responsible for attending all the Company’s BOD meetings in a year. In particular, the BOD has conducted 17 meetings, issued 17 Resolutions and 39 Decisions that address issues within the functions and authority of the BOD in 2019. For details of the BOD meetings, please see page 93.
- 1.2.8. The Company’s Charter stipulates in detail that the BOD’s members are not allowed to exploit business opportunities that may benefit DHG Pharma for their personal purposes. They are also not allowed to use information obtained thanks to their positions for personal gain or for the benefits of other organizations or individuals.
- 1.2.9. The Charter, Internal Regulations on Corporate Governance clearly stipulates this.

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.

Recommended practices from 1.3.1 - 1.3.5: DHG Pharma has well performed in accordance with these recommendations. The Charter, Internal Regulations on Corporate Governance, Annual Report, and Sustainable Development Report clearly demonstrate the BOD’s central position in the corporate governance and supervision system.

DHG Pharma’s Internal Corporate Governance Regulations are regularly updated based on the principles of transparency, accountability and accountability explanation, and fairness, which suits well with both domestic and international best practices as well as currently applicable regulations. The Company’s Charter, Internal Regulations on Corporate Governance, the structure of the BOD, and the structure and operating regulations of its Committees are all published on the Company’s website.

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.

Recommended practices from 1.4.1 - 1.4.5: Quarterly, Nomination Committee reports to the BOD about recruitment and supervision of succession plans for key management positions to ensure its readiness for meeting the demands and the development scale of the Company. Details of the activities of the Nomination Committee can be found on page 106 - 107.



ASSESSING THE IMPLEMENTATION OF CORPORATE GOVERNANCE IN 2019 BASED ON VIETNAM CORPORATE GOVERNANCE CODE

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.

- 2.1.1 - 2.1.2: 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. Also, with the assistance of the Nomination Committee, DHG Pharma has tried to identify professional members for the BOD and maintained an appropriate structure that brings numerous benefits in the discussing and implementing process.
- 2.1.3: In addition, the Company clearly separates the positions of the Chairman of the BOD and the General Director as a way to distinguish between the supervisory and executive roles. Such a distinction helps avoid conflicts of interests that may arise and minimize centralized power as well as ensures necessary independence in the decision making process. The BOD Chairman is responsible for chairing and organizing the BOD meetings at appropriate time under the consultation of the BOD secretary and the General Director of the Company. The BOD Chairman also promotes an open debate culture and builds a close relationship between the BOD and the BOM to ensure the effectiveness of the BOD's operations. Also, the Chairman plays a key role in promoting the application of good corporate governance practices. The General Director is supported by the Functional Directors and is responsible for the Company's day-to-day business operations and the implementation of decisions from the BOD. In addition, 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. .
- 2.1.4. The female percentage of BOD is currently 1/7.
- 2.1.5. The Charter, Internal Regulations on Corporate Governance specify standards, conditions, powers and responsibilities of BOD's members.
- 2.1.6. The AGM documents clearly illustrate the process of nomination, candidacy and criteria for selecting BOD's members.
- 2.1.7. Article 33 in the Charter of DHG Pharma stipulated that "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 Board of Directors. 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".
- 2.1.8. Number of BOD members Term IV (2019 - 2023) is 7 people.
- 2.1.9. The current ratio of the BOD's non-executive and female member is 1/7. In the coming time, the BOD will consider having at least 2 female members or 30% of the BOD members are female.



PRINCIPLE 2.2

The Board should be composed of at least two-thirds 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.

Recommended practices from 2.2.1 - 2.2.3: is being implemented well; non-executive BOD members at DHG Pharma account for over 2/3 of the BOD. The Charter, Internal Regulations on Corporate Governance, and operation regulations of the BOD clearly specify 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.

2.3.1. - 2.3.4. 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. Article 43 of the Company's Charter clearly defines the roles and responsibilities of the Board Secretary.

In 2019, the Secretariat of the BOD successfully completed the task of advising and counseling the BOD ensure their compliance with the Company's Charter, Internal Regulations 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.

Before each meeting, the BOD Secretary will gather and send documents to the BOD members at least five (05) working days before the meeting. Quarterly documents discussed by the BOD included the BOM report on assessing the business results in the period and the solution plan for the next quarter, Strategic Committee Report, Nomination Committee Report, Audit Committee Report as well as other arising issues falling under the authority of the BOD, etc. The Secretariat also provides additional information and documents when receiving requests from the BOD members. In 2019, the majority of the BOD Meeting materials 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

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.

2.4.1.- 2.4.5. The annual review of the performance effectiveness of the BOD/General Director are detailed on page 92. However, the orientation programs for new BOD's members are not clearly illustrated, which will be considered for improvement in the time to come



ASSESSING THE IMPLEMENTATION OF CORPORATE GOVERNANCE IN 2019 BASED ON VIETNAM CORPORATE GOVERNANCE CODE

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.

3.1.1. – 3.1.3. The Charter, Internal Regulations on Corporate Governance clearly stipulate this. No BOD's 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 independent directors.

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 trustworthy and talented people who can greatly contribute for the Company is not easy. For activities of the independent members of the BOD, please see page 96.

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.

3.3.1 – 3.3.4: The Charter, Internal Regulations on Corporate Governance clearly stipulate this. Mr. Do Le Hung is an independent member of the BOD who concurrently functions as the head of the Audit Committee. Please see his introduction in this report on page 39.

PRINCIPLE 3.4

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

3.4.1 – 3.4.2: 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.

3.5.1 – 3.5.4: The Chairwoman of the BOD is not concurrently the General Director position. However, the Chairwoman of the BOD is not yet an independent BOD member. Responsibilities and rights of the Chairwoman of the BOD are clearly stipulated in the rules and regulations of DHG Pharma.

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.

4.1.1. – 4.1.4. The BOD established the AC and identified the capacity of its members, defined the rights and responsibilities of the subcommittee in the Charter, Internal Regulations on Corporate Governance and the Operating Regulation of the AC. The AC consists of 3 BOD members. In particular, the Head of this Committee is an independent BOD member and the remaining 2 members are non-executive BOD members.

Details about the activities of the AC are provided on page 102 in this report.

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.

5.1.1. - 5.1.4. Activities of the BOD and of the Committees, please see the information on the pages 92 - 107 in this report. Concerning the evaluation of each member's activities and hiring external consultants/advisors to evaluate this aspect will be considered for implementing 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.

5.2.1. - 5.2.3. The Company will consider supplementing these recommended practices.

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.

5.3.1 - 5.3.2.: 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 BOD's member 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.

For details about the remuneration for the BOD in 2019, please see page 108 of this report.



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.

6.1.1. - 6.1.3. To set up a high-performance corporate culture, DHG Pharma has established and disseminated the "Cultural identities of DHG Pharma" to all members of the BOD, the BOM and its employees. DHG Pharma will also consider publicizing the "Cultural identities of DHG Pharma" 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.

6.2.1. - 6.2.3. 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.

6.3.1 - 6.3.2: The BOD is the focal point, responsible for governing the corporate, building long-term strategies and ensuring sustainable values for the company's stakeholders. The BOD and the BOM always set great examples for all employees. 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.

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|--|--|
| <p>7.1.1. The BOD is responsible for developing the Company's internal risk management framework through its AC.</p> <p>7.1.2. Quarterly/yearly, the Strategic Committee (SC) submits to the BOD for approval of the short, medium, long-term strategic plans and all the updates and adjustments (if any). At the same time, the BOD effectively reviews the internal control system with the support of the Audit Committee.</p> <p>7.1.3. Quarterly, the IC and RM Department reports to the AC on the situation and performance of internal control and risk management. The AC, in turn, then reports to the BOD for supervision.</p> | <p>7.1.4. DHG Pharma has its IC and RM Department and the Legal Department under the General Director and is overseen by the AC.</p> <p>7.1.5. DHG Pharma's Committees have developed appropriate information channels to update information and promptly report to the BOD.</p> <p>7.1.6. In 2019, the BOM has implemented a centralized information reception channel applied throughout the whole system of DHG Pharmaceutical Joint Stock Company. 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.</p> |
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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.

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|---|--|
| <p>7.2.1. The BOD has established an internal audit function to ensure the effectiveness of its internal control systems, risk management framework and corporate governance, including:</p> <ul style="list-style-type: none"> • The Audit Committee under the BOD (presented in Principle 4) • The Internal Audit Department <p>7.2.2. IA Manager is appointed by the AC.</p> | <p>7.2.3. The IA function is established in accordance with current regulations and internationally recognized standards of the IA Institute (IIA).</p> <p>7.2.4. On a quarterly basis, the AC reviews and assesses the reports of related departments such as internal control, risk management, legal compliance, and accounting - finance, etc. Every year, the AC reviews and assesses risks, updates the Company's important risk lists, and proposes appropriate measures.</p> |
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PRINCIPLE 7.3

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

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| <p>7.3.1. The BOD has established the IC and RM Department as the second line of defense with all the necessary positions and powers. Each member of the AC is responsible for one or some specific work areas or tasks assigned to them. The Head of the AC assigns tasks to its members based on his/her competence, professional experience and operational plan.</p> | <p>7.3.2. The IA Manager who concurrently acts as Head of the IA Department, Head of the IC and RM Department, has appropriate rights and obligations at the Company. Quarterly, the IA Manager directly reports to the AC.</p> <p>7.3.3. On a quarterly basis, Legal Department widely conveys a legal newsletter to all employees. At the same time, Head of the Legal Department consults the BOM and BOD on the law compliance of the Company, reports quarterly or in accordance with each specific incurring case.</p> |
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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.

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| <p>7.4.1. – 7.4.3 Quarterly, the SC and the AC report to the BOD on the implementation of the Company's strategies and key risks.</p> <p>7.4.2. 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.</p> | <p>7.4.3. The AC has appointed the IA Manager cum Head of the IA Department, and Head of IC and RM Department.</p> <p>7.4.4. On a quarterly/yearly basis, the IA Manager will develop, evaluate and establish the Company's strategies for managing significant risks.</p> |
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ASSESSING THE IMPLEMENTATION OF CORPORATE GOVERNANCE IN 2019 BASED ON VIETNAM CORPORATE GOVERNANCE CODE

PRINCIPLE 7.5

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

7.5.1 The information technology system plays an important role in ensuring that the Company operates efficiently, safely and securely. Given that an independent cybersecurity specialist has not appointed in the Company, DHG Pharma is considering this appointment in the near future.

7.5.2 Cyber security risks are among top 10 risks that DHG Pharma is concerned with. The BOD has also considered and discussed the issue in numerous meetings to ensure the company is well protected against network security risks. In addition,

information confidentiality has also been clearly specified in DHG Pharma Cultural Identity and the Company's regulations.

7.5.3 Among the 7 strategies approved by the General Meeting of Shareholders, DHG Pharma now aims to become "a leading enterprise in the application of science and technology in operations (R&D, production, information, management)". Quarterly, the AC reports to the BOD about the Company's main risks, including cyber security risks.

7.5.4 It is presented in the Operating Regulation of the AC.

PRINCIPLE 7.6

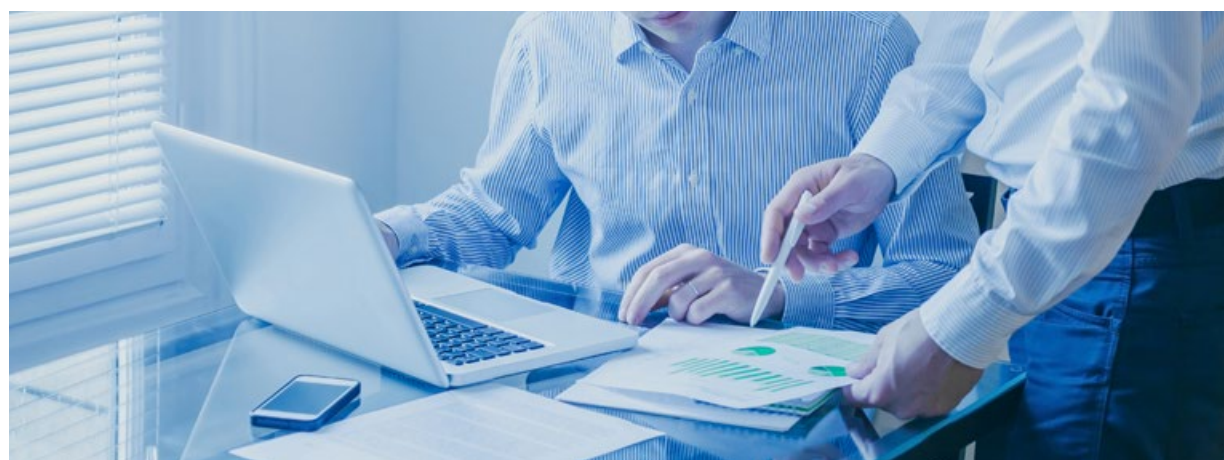
The Board of Directors should establish the selection criteria for the external auditor, evaluation of the quality of work of the external auditor, and set procedures for follow-up on external auditors' recommendations.

7.6.1 - 7.6.3 Clause q, Article 18 of the Company's Charter stipulates that "the selection of auditor" must be approved by the AGM. At the 2018 AGM dated 11 June 2019, an approval has been reached in relation to the organizational structure, management and control of the Company, following which the model of the Board of Supervisory has been switched to the AC under the BOD. The responsibility of the AC in selecting the auditing company is specified in Article 41 of the Company's Charter. The AC meets periodically with the independent auditors before publishing the reviewed/audited financial statements. During these meetings, the Head of the AC

will consider all issues related to financial statements as well as recommendations from the independent auditing company.

The independent auditor for DHG Pharma's fiscal year 2019 is Deloitte Vietnam Co., Ltd. - one of the Big Four Companies in auditing field.

7.6.4. DHG Pharma has published its contract signing with independent auditors but has not announced the audit service fees. The Company has no 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.

8.1.1. - 8.1.2 and 8.1.5.: DHG Pharma has issued an Information Disclosure Process. The BOM also established the Investor Relations Team (IR) 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.

8.1.4.: The Information Disclosure Process has clearly stated that members of the BOD, the BOM, the internal persons of the Company, and related parties must notify or report to the Company on all transactions in shares of the Company (Ticker symbol: DHG) within 03 working days. Moreover, once every six months, the Investor Relations team will send reminder emails about this issue to all of the members.

8.1.3: The Audit Committee oversees the information disclosure as well as financial and non-financial reports.

8.1.6: According to regulation in the Circular 155, Corporate Governance Reports are developed and proclaimed periodically, every six months. Concurrently, these details are also presented in the Company's annual report.

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.

8.2.1 - 8.2.2: The information is strictly disclosed by DHG Pharma in accordance with the following principle:

- 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 Ho Chi Minh City Stock Exchange.
- 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>

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 Annual General Meeting of Shareholders.
- Corporate governance reports, which are periodically carried out 6 months/year provide sufficient information on the AGM, the BOD members, meetings and transactions with related parties



ASSESSING THE IMPLEMENTATION OF CORPORATE GOVERNANCE IN 2019 BASED ON VIETNAM CORPORATE GOVERNANCE CODE



- Quarterly financial statements, reviewed semi-annual financial statements, pre-audited and audited financial statements help shareholders capture the latest business results of the Company.
- Other extraordinary information disclosures such as appointment/ dismissal of BOM members, functional directors, share transaction notices, etc.

In 2019, DHG Pharma performed approximately 70 times of information disclosure within the prescribed time limit and without prompting or breach of information disclosure.

8.2.3 DHG Pharma organized investor and analyst meetings to update quarterly business performances and to listen to analysts' viewpoints on the Company's operation.

Projected IR schedule in 2020

No.	Time	Event
1.	Jan 2020	Disclosure of pre-audited FS FY 2019
2.	Mar 2020	Disclosure of audited FS FY 2019
3.	Apr 2020	Disclosure of FS of Quarter 1/2020
4.	Apr 2020	Annual Report disclosure
5.	Jun 2020	Sustainable Development Report disclosure
6.	Jun 2020	Annual General Meeting of Shareholders 2019
7.	Jul 2020	Disclosure of FS of Quarter 2/2020
8.	Aug 2020	Disclosure of reviewed semi-annual FS
9.	Oct 2020	Disclosure of FS of Quarter 3/2020

Contact information of the IR Team:

Mrs. Le Thi Hong Nhung

Finance Director

Email: hongnhung@dhgpharma.com.vn

Tel: (8429) 23 891 433 - Ext: 242

Address: 288 Bis Nguyen Van Cu,
An Hoa Ward, Ninh Kieu District,
Can Tho City

(*) Quarterly, the Company often organizes analyst meetings to update the Company's operation in Mar, May, Aug and Nov. However, due to the increasingly complicated pandemic situation, the Company will select more appropriate forms of organization such as online conference, etc

PRINCIPLE 8.3

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

8.3.1. - 8.3.4: The BOD is committed to ensuring the disclosure of non-financial information, including reports on environmental and social issues. Please refer to the content presented in the Chapter: Sustainable Development Report, in this report.

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.

8.4.1. - 8.4.3: Please refer to the information presented on page 108 in this report - sections on transaction, remuneration and bonus of the BOD and BOM

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.

9.1.1. - 9.1.4.: Rights and obligations of shareholders are detailed in Article 15, Article 16 of the Charter of DHG Pharma. 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 AGM;
- The right to vote and dismiss members of the BOD;
- The right to receive dividend from the company's profit.

Moreover, the BOD also closely monitors this issue. Details of the rights of shareholders are provided in the Company's Charter, which is published on the Company's website in both Vietnamese and English.

9.1.5. The BOD's reports, annual reports and financial statements all disclosed that shareholders own more than 5% of the total shares of DHG Pharma.



ASSESSING THE IMPLEMENTATION OF CORPORATE GOVERNANCE IN 2019 BASED ON VIETNAM CORPORATE GOVERNANCE CODE

PRINCIPLE 9.2

The BOD should organize effective shareholders meetings.

9.2.1. - 9.2.10.: Every year, the BOD has effectively organized the AGM.



In 2019, the AGM was organized on 11 Jun 2019. All procedures in the organization of the meeting were implemented in accordance with the law to ensure optimized rights and benefits for shareholders.

On 24 Apr 2019, DHG Pharma announced the record date to attend the 2018 AGM on the Company's website, following which, the record date was 15 May 2019 (DHG Pharma had disclosed the related information 20 days before the record date).

On 22 May 2019, all AGM documents were posted on the website of DHG Pharma in both Vietnamese and English (21 days before the opening of the Meeting). This published information concerning experience and background of candidates for the Board members including age, educational background and other relevant experience as well as information about the positions of Board members at the listed and unlisted companies.

On 24 May 2019, 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 Ho Chi Minh City (19 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 General Meeting of Shareholders are as follows:

- Approval of the BOD report regarding the report on the business performance in Term III (2014 – 2018); Report on the business performance in 2018; Strategic orientation 2019 - 2023; Business orientation and plans in 2019; Approval of the BOS report Term III (2014 - 2018); Approval of the audited consolidated financial statements FY 2018; Business targets in 2019.
- Report on profit distribution in 2018, fund balance after the profit distribution in 2018 and profit distribution plan in 2019.
- Selection of Deloitte Vietnam Company Ltd. as the auditor of the financial statements FY 2019 of DHG Pharma.
- Dismissal from the supervisor position to Ms. Nguyen Phuong Thao since 25 Oct 2018.
- Amendments and supplements of the business lines of DHG Pharma.
- Change of the organizational structure, management and control from the BOS model to the Audit Committee model under the BOD of DHG Pharma.
- Amendments and supplements of the Charter of DHG Pharma (22nd revision).
- Amendments and supplements of the Internal Regulation on Corporate Governance.
- Election of the BOD members Term IV (2019 - 2023) by the method of cumulative voting. After the AGM, the BOD organizes the first meeting to elect the Chairwoman of the BOD and appoint titles within the authority of the BOD.

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.

PRINCIPLE 9.3

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



9.3.1. 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:

No.	Targets	Figures in	2015	2016	2017	2018	2019
1.	Dividend/share	VND	3,500	3,500	3,000	3,500	4,000 ^(*)
2.	Total dividend value	VND B	304.3	305.1	392.2	457.6	523.0
3.	% dividend/profit after tax	%	51.3	44.3	61.1	70.3	82.8
4.	EPS	VND/share	5,748	4,485	4,378	4,445	4,668

^(*) Dividend of 2019 is projected to be submitted to the AGM 2019.

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

9.3.3.: Dividends for fiscal year 2019: The Company has advanced the Company's dividends at the rate of 30% par value (disbursement of dividends is implemented on 5 June 2020). The remaining dividends of 2019 will be submitted for approval in the AGM in 29 June 2020.

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

PRINCIPLE 9.4

All shareholders shall be treated equally.

9.4.1. – 9.4.4.: Recommended practices have been clearly prescribed in DHG Pharma’s Charter and Internal regulations on corporate governance



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 Regulations on Corporate Governance. The Company’s Charter, Internal Regulations 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, Ho Chi Minh City 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 AGM.
 - 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 AGM.
 - 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

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.

Trading of shares of internal persons and related persons

According to the Charter, the Company’s information disclosure process and Circular 155/2015/TT.BTC, when internal persons and related parties conduct shares transactions, it is necessary to disclose information, 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 03 working days after completing the transaction, internal persons and related parties 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 22nd 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 Directors 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 2019, there were no transactions between these members and the Company.

Transactions with related parties

Transactions with subsidiaries, associates as well as dividend payments are presented in “Related Party Transactions and Balances” in Section 39 of the Notes of the Parent Company’s audited financial statements in 2019 and Section 41 of the Notes of the audited consolidated financial statements in 2019. Apart from the above transactions, there were no incurring transactions with related parties in 2019.



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.

10.1.1. - 10.1.5: The BOD is committed to considering and respecting the interests of all related parties as well as parties affected by the Company's activities. The evidence is clearly specified as follows:



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.

10.2.1 - 10.2.2: During the year, the BOM has implemented a centralized information reception 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.

PLAN FOR IMPROVING THE QUALITY OF CORPORATE GOVERNANCE IN 2020



On the basis of the above evaluation, DHG Pharma has set a number of focal goals that need to be implemented and completed in 2020 to further improve the quality of governance. The objectives that should be implemented are specified as follows:

-  Calculating members who have not taken courses in corporate governance, followed up by enrolling for these cases to ensure that they have sufficient training certificates as required.
-  Developing more complete and detailed orientation programs for new BOD members.
-  Looking for more independent BOD members based on the goals and development orientation of the Company to increase the proportion of BOD's independent members to higher than the minimum rate of one-third (1/3).
-  Conducting an evaluation of the performance of each BOD member or hiring external consultants to evaluate this.
-  Establishing a system of regulations, criteria and processes for determining the effectiveness in the performance of the BOD and each of its member, its subordinate committees and at the same time building up a mechanism for feedback from the shareholders.
-  Considering the appointment of independent specialists in network security.
-  Publishing the audit service fee in the AGM documents or in the annual report.
-  Considering to ensure that the BOD has at least two female members or 30% of the BOD to optimize the benefits of gender diversity in the BOD.
-  At present, on the website, DHG Pharma has just disclosed the Company's Charter and Internal Regulations on Corporate Governance. It will continue to disclose the Company's Corporate Governance Regulations on its website, in accordance with the Code of Conduct such as the Operating Regulation of the Audit Committee, and the Cultural identity of the Company, etc.





ASSESSING THE IMPLEMENTATION OF CORPORATE GOVERNANCE BASED ON ASEAN CORPORATE GOVERNANCE SCORECARD

Good: Have implemented 100% of the practice(s) **Have not implemented fully:** Have implemented the practice(s) partly but not fully
 Have not implemented: Have not implemented the practice(s) **N/A:** There is no case in DHG Pharma

DHG Pharma assesses the implementation of corporate governance based on ASEAN Corporate Governance Scorecard. Accordingly, DHG Pharma has implemented 100% of the practice(s): 158/184, accounting for 85.9%; Regarding 25 criteria that haven't been implemented fully and haven't been implemented, and 1 criterion N/A, DHG Pharma will consider improving in the coming years. The criteria are evaluated in details as follows:












NO.	QUESTIONS CONTENTS	ASSESS- MENT	BASIS OF EVALUATION
A. RIGHTS OF SHAREHOLDERS			
A.1 Basic Shareholder Rights			
A.1.1	Does the company pay (interim and final/annual) dividends in an equitable and timely manner; that is, all shareholders are treated equally and paid within 30 days after being (i) declared for interim dividends and (ii) approved by shareholders at general meetings for final dividends? In case the company has offered Scrip dividend, did the company paid the dividend within 60 days.		Dividend payment in 2018: paid in 2018 and 2019 The AGM 2018 dated 11 June 2019 passed the dividend rate of 2018 with a rate of 35%/par value, DHG Pharma paid dividends as follows: + Advance of Phase 1: 10% par value, payment date 31 Aug 2018. + Advance of Phase 2: 20% par value, payment date 17 June 2019. + Payment of last phase: 5% par value, payment date 17 July 2019. Dividend payment in 2019: pay in 2020. The AGM 2018 dated 11 June 2019 passed the projected dividend rate of 2019 at 30%/par value, DHG Pharma has made advance dividend at the rate of 30%/par value, payment date 05 June 2020. The remaining dividends will be submitted at AGM 2019 held on 29 June 2020. After getting the AGM's approval, DHG Pharma will pay the remaining dividends.
A.2 Right to participate in decisions concerning fundamental corporate changes			
A.2.1 - A.2.3	Amendments to the company's charter, authorisation of additional shares, the transfer of all or substantially all assets, which in effect results in the sale of the company?		Reference to Article 18 of the Company's Charter.
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:			
A.3.1	Do shareholders have the opportunity, evidenced by an agenda item, to approve remuneration or any increases in remuneration for the non-executive directors/commissioners?		This content is included in the document of the AGM 2019.
A.3.2	Does the company provide noncontrolling shareholders a right to nominate candidates for board of directors/commissioners?		Reference to Article 33 of the Company's Charter.
A.3.3	Does the company allow shareholders to elect directors/commissioners individually?		Reference to Article 18 of the Company's Charter.
A.3.4	Does the company disclose the voting procedures used before the start of meeting?		The voting procedures are disclosed in the AGM documents 21 days before the opening of the Meeting.
A.3.5	Do the minutes of the most recent AGM record that the shareholders were given the opportunity to ask questions and the questions raised by shareholders and answers given recorded?		
A.3.6	Does the company disclose the voting results including approving, dissenting, and abstaining votes for all resolutions/each agenda item for the most recent AGM?		Reference to the minutes of AGM every year.
A.3.7	Does the company disclose the list of board members who attended the most recent AGM?		
A.3.8	Does the company disclose that all board members and the CEO attended the most recent AGM?		
A.3.9	Does the company allow voting in absentia?		The Internal regulation on corporate governance regulated the form of absentee voting, however, DHG Pharma has not satisfied necessary criteria for implementation. The Company shall consider the implementation of this form at the next general meetings.

NO.	QUESTIONS CONTENTS	ASSESS- MENT	BASIS OF EVALUATION
A.3.10	Did the company vote by poll (as opposed to by show of hands) for all resolutions at the most recent AGM?		Voting form by "voting ballots" in accordance with issues addressed at the Meetings and in accordance with each item of reports/statements (approve, against, abstain).
A.3.11	Does the company disclose that it has appointed an independent party (scrutineers/ inspectors) to count and/or validate the votes at the AGM?		At the AGM, a shareholder will be invited to be a member of the Meeting Supervisory Committee.
A.3.12	Does the company make publicly available by the next working day the result of the votes taken during the most recent AGM/ EGM for all resolutions?		The minutes and resolutions of the AGMs were disclosed within 24 hours in Vietnamese and English on DHG Pharma's website.
A.3.13	Does the company provide at least 21 days notice regarding the issues to be decided at the meeting for all AGMs and EGMS?		At the AGM 2018 dated 11 June 2019, the Company disclosed the AGM documents on the Company's website in Vietnamese and English on 22 May 2019.
A.3.14	Does the company provide the rationale and explanation for each agenda item which require shareholders' approval in the notice of AGM/ circulars and/or the accompanying statement?		Meeting documents provided to shareholders with sufficient information and explanation for each agenda item which requires shareholders' approval in Vietnamese and English.
A.3.15	Does the company give the opportunity for shareholder to place item/s on the agenda of AGM?		Prior to Meetings, shareholders can submit their proposals for AGMs' agendas (must be in writing and must be sent at least three (03) working days prior to the opening date of the AGMs). 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.
A.4 Markets for corporate control should be allowed to function in an efficient and transparent manner			
A.4.1	In cases of mergers, acquisitions and/or takeovers requiring shareholders' approval, does the board of directors/commissioners of the company appoint an independent party to evaluate the fairness of the transaction price?		There is no cases in DHG Pharma in 2019.
A.5 The exercise of ownership rights by all shareholders, including institutional investors, should be facilitated			
A.5.1	Does the company disclose its practices to encourage shareholders to engage with the company beyond AGM?		DHG Pharma always updated its quarterly business results in the meetings of shareholders and investors. Moreover, the IR team is ready to answer questions and record feedback from shareholders and investors.
B. EQUITABLE TREATMENT OF SHAREHOLDERS			
B.1 Shares and voting rights			
B.1.1	Do the company's ordinary or common shares have one vote for one share?		Agendas and voting procedures at Meetings clearly stated this content.
B.1.2	In case the Company has more than one class of shares, does the company publicise the voting rights attached to each class of shares?		DHG Pharma has only 01 class of share: ordinary share.
B.2 Notice of AGM			
B.2.1	Does each resolution in the most recent AGM deal with only one item, i.e., there is no bundling of several items into the same resolution?		The AGMs' resolutions implemented this benchmark well.
B.2.2	Are the company's notice of the most recent AGM/circulars fully translated into English and published on the same date as the local-language version?		Documents of the AGM were translated into English and disclosed on the same date with documents in Vietnamese version.
B.2.3	Are the profiles of directors/commissioners in seeking election/re-election included?		DHG Pharma disclosed the profiles of candidates in two languages (Vietnamese and English) in the AGMs' documents.
B.2.4	Are the auditors seeking appointment/re-appointment clearly identified?		The information disclosed such as name, age, training level, expertise, employment history and positions held in other organizations, etc.
B.2.5	Were the proxy documents made easily available?		Proxy documents were sent to shareholders and uploaded on DHG Pharma's website.



ASSESSING THE IMPLEMENTATION OF CORPORATE GOVERNANCE BASED ON ASEAN CORPORATE GOVERNANCE SCORECARD

NO.	QUESTIONS CONTENTS	ASSESS- MENT	BASIS OF EVALUATION
B.3 Insider trading and abusive self-dealing should be prohibited			
B.3.1	Does the company have policies and/or rules prohibiting directors/commissioners and employees to benefit from knowledge which is not generally available to the market?		Reference to Article 50 of the Company's Charter.
B.3.2	Are the directors/commissioners required to report their dealings in company shares within 3 business days?		DHG Pharma is well-implementing this benchmark in accordance with Circular 155/2015/TT-BTC and the Company's Charter.
B.4 Related party transactions (RPTs) by directors and key executives			
B.4.1	Does the company have a policy requiring directors/commissioners to disclose their interest in transactions and any other conflicts of interest?		Reference to the Company's Charter and Internal regulation on corporate governance.
B.4.2	Does the company have a policy requiring a committee of independent directors/commissioners to review material RPTs to determine whether they are in the best interests of the company and shareholders?		The Audit Committee collaborated with the IC and RM Department to develop and issue a Regulation on controlling transactions with related parties and related members.
B.4.3	Does the company have a policy requiring board members (directors/commissioners) to abstain from participating in the board discussion on a particular agenda when they are conflicted?		BOD members attended the meetings but were not allowed to vote on contents related to activities and transactions in which such members have conflicts of interest.
B.4.4	Does the company have policies on loans to directors and commissioners either forbidding this practice or ensuring that they are being conducted at arm's length basis and at market rates?		Regulated in Article 52 of the Company's Charter.
B.5 Protecting minority shareholders from abusive actions			
B.5.1	Does the company disclose that RPTs are conducted in such a way to ensure that they are fair and at arms' length?		Stated in Annual Reports.
B.5.2	In case of related party transactions requiring shareholders' approval, is the decision made by disinterested shareholders.		
C. ROLE OF STAKEHOLDERS			
C.1 The rights of stakeholders that are established by law or through mutual agreements are to be respected. Does the company disclose a policy and practices that address:			
C.1.1	The existence and scope of the company's efforts to address customers' welfare?		Stated in Sustainable Development Reports.
C.1.2	Does the Company disclose Supplier/contractor selection procedures?		
C.1.3	Does the Company disclose the company's efforts to ensure that its value chain is environmentally friendly or is consistent with promoting sustainable development?		
C.1.4	Does the Company disclose the company's efforts to interact with the communities in which they operate?		Stated in Annual Reports and Sustainable Development Reports.
C.1.5	Does the Company disclose the company's anti-corruption programmes and procedures?		Stated in Sustainable Development Reports.
C.1.6	Does the Company disclose on how creditors' rights are safeguarded?		DHG Pharma shall consider supplementing policies to protect the interests of creditors.
C.1.7	Does the company have a separate report/section that discusses its efforts on environment/economy and social issues?		Stated in Annual Reports and Sustainable Development Reports.

NO.	QUESTIONS CONTENTS	ASSESS- MENT	BASIS OF EVALUATION
C.2	Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights.		
C.2.1	Does the company provide contact details via the company's website or Annual Report which stakeholders (e.g. customers, suppliers, general public etc.) can use to voice their concerns and/or complaints for possible violation of their rights?		DHG Pharma has disclosed contact information on the Company's website, Annual Reports, Sustainable Development Reports.
C.3	Mechanisms for employee participation should be permitted to develop.		
C.3.1	Does the company explicitly disclose the policies and practices on health, safety and welfare for its employees?		Fully stated in Annual Reports and Sustainable Development Reports.
C.3.2	Does the company explicitly disclose the policies and practices on training and development programmes for its employees?		
C.3.3	Does the company have a reward/compensation policy that accounts for the performance of the company beyond short-term financial measures?		
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.		
C.4.1	Does the company have a whistleblowing policy which includes procedures for complaints by employees and other stakeholders concerning alleged illegal (including corruption) and unethical behaviour and provide contact details via the company's website or annual report?		This content was defined in the cultural identity, the regulation of exercising democracy, the regulation of dialogue at the Company. 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.
C.4.2	Does the company have a policy or procedures to protect an employee/person who reveals alleged illegal/unethical behaviour from retaliation?		
D.	DISCLOSURE AND TRANSPARENCY		
D.1	Transparent ownership structure		
D.1.1	Does the information on shareholdings reveal the identity of beneficial owners, holding 5% shareholding or more?		Specifically stated in Annual Reports and 6-month/annual corporate governance reports.
D.1.2	Does the company disclose the direct and indirect (deemed) shareholdings of major and/or substantial shareholders?		
D.1.3	Does the company disclose the direct and indirect (deemed) shareholdings of directors (commissioners)?		
D.1.4	Does the company disclose the direct and indirect (deemed) shareholdings of the board of management?		
D.1.5	Does the company disclose details of the parent/ holding company, subsidiaries, affiliates, joint ventures and special purpose enterprises/vehicles (SPEs)/ (SPVs)?		Reference to Financial statements and Annual Reports.
D.2	Quality of Annual Report		
D.2.1 - D.2.7	<p>Does the company's annual report disclose the following items::</p> <ul style="list-style-type: none">+ Corporate objectives+ Financial performance indicators+ Non-financial performance indicators+ Dividend policy+ Biographical details of all directors/commissioners+ Attendance details of each director/commissioner in all directors/commissioners meetings held during the year+ Total remuneration of each member of the board of directors		Reference to Annual Reports.



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NO.	QUESTIONS CONTENTS	ASSESS- MENT	BASIS OF EVALUATION
<i>Corporate Governance Confirmation Statement</i>			
D.2.8	Does the Annual Report contain a statement confirming the company's full compliance with the code of corporate governance and where there is noncompliance, identify and explain reasons for each such issue?		Reference to Annual Reports.
D.3	Disclosure of related party transactions (RPTs)		
D.3.1	Does the company disclose its policy covering the review and approval of material RPTs?		Reference to Annual Reports and Financial statements.
D.3.2	Does the company disclose the name, relationship, nature and value for each material RPTs?		
D.4	Directors and commissioners dealings in shares of the company		
D.4.1	Does the company disclose trading in the company's shares by related persons?		Related persons disclosed information 3 days before the date of trading shares.
D.5	External auditor and Auditor Report		
D.5.1	Are the audit and non-audit fees disclosed?		The Company disclosed information on auditing contracts with auditors but the Company has not disclosed audit fees.
D.5.2	Does the non-audit fee exceed the audit fees?		The company hired Big Four firm to advise on developing an internal control system (EY), tax services, etc. DHG Pharma always carefully considers the factors to avoid potential conflicts of interest when hiring.
D.6	Medium of communications		
<i>Does the company use the following modes of communication?</i>			
D.6.1	Quarterly reporting		The Company discloses on the website and mass media in accordance with the period of information disclosure.
D.6.2	Company website		The Company has its website translated into English. The majority of disclosed information was translated into English.
D.6.3	Analyst's briefing		Quarterly, the Company organized a shareholder/investor meeting to update the Company's business results.
D.6.4	Media briefing/press conference		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		
D.7.1	Are the audited annual financial report/ statement released within 120 days from the financial year end?		Annual audited financial statements of the Company were disclosed within 10 days since the date the financial statements were signed.
D.7.2	Is the annual report released within 120 days from the financial year end?		The Company's Annual Reports were disclosed within 20 days from the publication of audited financial statements.
D.7.3	Is the true and fairness/fair representation of the annual financial statement/reports affirmed by the board of directors/ commissioners and/or the relevant officers of the company?		Audited financial statements contained reports of the BOM stating this content.
D.8	Company website		
<i>Does the company have a website disclosing up-to-date information on the following</i>			
D.8.1 - D.8.6	+ Financial statements/reports (latest quarterly) + Materials provided in briefings to analysts and media + Downloadable annual report + Notice and documents of AGM and/or EGM + Minutes of AGM and/or EGM + Downloadable company's charter		Reference to the Company's website at: http://www.dhgpharma.com.vn Investor relations section.

NO.	QUESTIONS CONTENTS	ASSESS- MENT	BASIS OF EVALUATION
D.9	Investor relations		
D.9.1	Does the company disclose the contact details (e.g. telephone, fax, and email) of the officer/ office responsible for 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 and quarterly IR newsletters.
E.	BOARD RESPONSIBILITIES		
E.1	Board Members Duties and Responsibilities		
<i>Clearly defined board responsibilities and corporate governance policy</i>			
E.1.1	Does the company disclose its corporate governance policy/board charter?		The Company's website discloses Internal regulation on corporate governance in Vietnamese and English.
E.1.2	Are the types of decisions requiring board of directors approval disclosed?		BOD Resolutions/Decisions were disclosed in accordance with Circular 155/2015/TT-BTC and were stated in corporate governance reports and Annual Reports.
E.1.3	Are the roles and responsibilities of the board of directors clearly stated?		The Charter and Internal Regulation on Corporate Governance clearly demonstrate the roles and responsibilities of the BOD.
<i>Corporate Vision/Mission</i>			
E.1.4	Does the company have an updated vision and mission statement?		Reference to the Company's website, Annual Reports and Sustainable Development Reports.
E.1.5	Does the board of directors play a leading role in the process of developing and reviewing the company's strategy at least annually?		Annually, the BOD reviewed and developed the Company's strategy which was presented in Annual Reports and the AGM's documents.
E.1.6	Does the board of directors have a process to review, monitor and oversee the implementation of the corporate strategy?		Quarterly, the Strategic Committee reports quarterly implementation of strategies to the BOD and recommends adjustments in accordance with the Company's situation.
E.2	Board structure		
<i>Code of Ethics or Conduct</i>			
E.2.1	Are the details of the code of ethics or conduct disclosed?		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.2.2	Are all directors, senior management and employees required to comply with the code/s?		The Company disclosed its compliance with the code of conduct to the BOD, BOM, managerial staff and employees.
E.2.3	Does the Company have a process to implement and monitor compliance with the code/s of ethics or conduct?		This content is stated in Annual Reports and Sustainable Development Reports.
<i>Board Structure & Composition</i>			
E.2.4	Do independent directors/commissioners make up at least 50% of the board of directors/ commissioners?		Independent BOD members are 2/7 members.
E.2.5	Does the company have a term limit of nine years or less or 2 terms of five years each for its independent directors?		The Company's charter specifically regulates the term of no more than 5 years for a BOD member. At the same time, the criteria and conditions for being an independent BOD member are not the same person who has served as a member of the BOD or BOS of DHG Pharma for at least five (05) consecutive years.
E.2.6	Has the company set a limit of five board seats that an individual independent/nonexecutive director may hold simultaneously?		The Company's Charter stipulates that "a BOD member may concurrently be a BOD member of another company but must not be a BOD member of more than five (05) other companies since 01 Aug 2019".
E.2.7	Does the company have any executive directors who serve on more than two boards of listed companies outside of the group?		Executive BOD member only holds the positions at DHG Pharma.



















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NO.	QUESTIONS CONTENTS	ASSESS- MENT	BASIS OF EVALUATION
<i>Nominating Committee</i>			
E.2.8	Does the company have a Nominating Committee?		The Company has a Nomination Committee under the BOD.
E.2.9	Is the Nominating Committee comprised of a majority of independent directors?		The Nomination Committee consists of 3 BOD members. In particular, only 1/3 BOD members are independent BOD members.
E.2.10	Is the chairman of the Nominating Committee an independent director?		An independent BOD member is the head of the Nomination Committee.
E.2.11	Does the company disclose the terms of reference/ governance structure/charter of the Nominating Committee?		Regulated in the Charter and Internal Regulation on Corporate Governance.
E.2.12	Is the meeting attendance of the Nominating Committee disclosed and if so, did the Nominating Committee meet at least twice during the year?		Quarterly, the Committee meets and submits reports to the BOD.
<i>Remuneration Committee/ Compensation Committee</i>			
E.2.13	Does the company have a Remuneration Committee?		The Nomination Committee in charge.
E.2.14	Is the Remuneration Committee comprised of a majority of independent directors?		Similar to section E.2.9.
E.2.15	Is the chairman of the Remuneration Committee an independent director?		Similar to section E.2.10.
E.2.16	Does the company disclose the terms of reference/ governance structure/charter of the Remuneration Committee?		Similar to section E.2.11.
E.2.17	Is the meeting attendance of the Remuneration Committee disclosed and, if so, did the Remuneration Committee meet at least twice during the year?		Similar to section E.2.12.
<i>Audit Committee</i>			
E.2.18	Does the company have an Audit Committee/BOS?		Changed from the BOS model to the Audit Committee model under the BOD from 11 June 2019.
E.2.19	Is the Audit Committee/BOS comprised entirely of non-executive directors/commissioners with a majority of independent directors/commissioners?		100% of Audit Committee's members are non-executive BOD members.
E.2.20	Is the chairman of the Audit Committee an independent director/commissioner?		Head of Audit Committee is an independent BOD member, who has experience and expertise in finance.
E.2.21	Does the company disclose the terms of reference/ governance structure/charter of the Audit Committee/BOS?		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.2.22	Does at least one of the independent directors/ commissioners of the committee have accounting expertise (accounting qualification or experience)?		Head of Audit Committee is a person who has experience and expertise in finance.
E.2.23	Is the meeting attendance of the Audit Committee disclosed and, if so, did the Audit Committee meet at least four times during the year?		Quarterly, the Committee meets and submits reports to the BOD.
E.2.24	Does the Audit Committee have primary responsibility for recommendation on the appointment, and removal of the external auditor?		Reference to the Charter and Internal regulation on corporate governance.
E.3	Board Processes		
<i>Board meetings and attendance</i>			
E.3.1	Are the board of directors meeting scheduled before the start of financial year?		BOD Secretary makes plans for BOD meetings during the year submitted to the BOD.
E.3.2	Does the board of directors meet at least six times during the year?		In 2019, DHG Pharma organized 05 face-to-face meetings and 12 meetings via email which were specifically stated in corporate governance report 2019.

NO.	QUESTIONS CONTENTS	ASSESS- MENT	BASIS OF EVALUATION
E.3.3	Has each of the directors/commissioners attended at least 75% of all the board meetings held during the year?		Each BOD member attended over 75% of the meetings. Reference to Annual Reports.
E.3.4	Does the company require a minimum quorum of at least 2/3 for board decisions?		Reference to Clause 8, Article 37 of the Company's Charter as follows: "BOD Meetings may be proceeded and pass decisions when at least three quarters (3/4) of the BOD members present in person or through an authorized representative (or proxy) if approved by a majority of the BOD members".
E.3.5	Did the non-executive directors/commissioners of the company meet separately at least once during the year without any executives present?		Non-executive BOD members had separate meetings to evaluate the performance of the BOM.
<i>Access to information</i>			
E.3.6	Are board papers for board of directors/commissioners meetings provided to the board at least 5 business days in advance of the board meeting?		The notices and documents of BOD meetings will be sent to the BOD members prior to five (05) business days of meetings.
E.3.7	Does the company secretary play a significant role in supporting the board in discharging its responsibilities?		Reference to the Charter and Internal regulation on corporate governance.
E.3.8	Is the company secretary trained in legal, accountancy or company secretarial practices and has kept abreast on relevant developments?		DHG Pharma has implemented this benchmark well.
<i>Board Appointments and Re-Election</i>			
E.3.9	Does the company disclose the criteria used in selecting new directors?		DHG Pharma has implemented this benchmark well.
E.3.10	Did the company describe the process followed in appointing new directors?		
E.3.11	Are all directors/commissioners subject to reelection every 3 years; or 5 years for listed companies in countries whose legislation prescribes a term of 5 years?		The term of office of the BOD at DHG Pharma is 5 years.
<i>Remuneration Matters</i>			
E.3.12	Does the company disclose its remuneration policy/ practices for its executive directors and CEO?		Reference to Annual Reports.
E.3.13	Is there disclosure of the fee structure for non-executive directors?		
E.3.14	Do the shareholders or the Board of Directors approve the remuneration of the executive directors and/or the senior executives?		The remuneration of the BOD is approved by the General Meeting of Shareholders annually. The BOD approved the salary scale of the BOM and Functional Directors.
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?		The Company will consider supplementing this benchmark in the coming years.
<i>Internal Audit</i>			
E.3.16	Does the company have a separate internal audit function?		The Company has an Internal Audit Manager who manages internal control and risk management. Reference to the Company's organizational structure.
E.3.17	Is the head of internal audit identified or, if outsourced, is the name of the external firm disclosed?		The Internal Audit reports directly to the Audit Committee under the BOD.
E.3.18	Does the appointment and removal of the internal auditor require the approval of the Audit Committee?		The Internal Audit Manager was appointed by the Audit Committee.
<i>Risk Oversight</i>			
E.3.19	Does the company establish a sound internal control procedures/ risk management framework and periodically review the effectiveness of that framework?		Quarterly, the Audit Committee evaluates internal control/ risk management systems.



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NO.	QUESTIONS CONTENTS	ASSESS- MENT	BASIS OF EVALUATION
E.3.20	Does the Annual Report disclose that the board of directors has conducted a review of the company's material controls and risk management systems?		Reference to Annual Reports.
E.3.21	Does the company disclose the key risks?		
E.3.22	Does the Annual Report contain a statement from the board of directors or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems?		
E.4 BOARD PERSONNEL			
Board Chairman			
E.4.1	Do different persons assume the roles of chairman and CEO?		At DHG Pharma, the titles of Chairwoman and General Director are separated.
E.4.2	Is the chairman an independent director/ commissioner?		The Chairwoman is a non-executive BOD member.
E.4.3	Is any of the directors a former CEO of the company in the past 2 years?		DHG Pharma has implemented this benchmark well.
E.4.4	Are the roles and responsibilities of the chairman disclosed?		The Charter and corporate regulations specifically stated this content.
Lead Independent Director			
E.4.5	If the Chairman is not independent, has the Board appointed a Lead/ Senior Independent Director and has his/her role been defined?		There are 02 independent BOD members: 1. 01 member is the Head of Nomination Committee 2. 01 member is the Head of Audit Committee
Skills and Competencies			
E.4.6	Does at least one non-executive director/commissioner have prior working experience in the major sector that the company is operating in?		DHG Pharma has 3/7 non-executive BOD members and all members have experience in the pharmaceutical industry – DHG Pharma's main business lines.
E.5 BOARD PERFORMANCE			
Directors Development			
E.5.1	Does the company have orientation programmes for new directors?		Annual performances of the BOD/General Director were shown in detail in the Company's internal regulations. 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 programmes?		The Company has policies to encourage the BOD to participate in training programs in charge by the Nomination Committee.
CEO/Executive Management Appointments and Performance			
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?		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?		Annual Reports stated an assessment on the performance of General Director. An assessment on the performance of the BOD Chairwoman has not been stated.
Board Appraisal			
E.5.5	Did the company conduct an annual performance assessment of the board of committees and disclose the criteria and process followed for the assessment?		An assessment was conducted but not detailed in Annual Reports.
Director Appraisal			
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?		The Company reviews the BOD activities. An assessment for each BOD member has not been conducted.
Committee Appraisal			
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?		An assessment was conducted but not detailed in Annual Reports.

BONUS SCORECARD

NO.	QUESTIONS CONTENTS	ASSESS- MENT	BASIS OF EVALUATION
(B) A.	RIGHTS OF SHAREHOLDERS		
(B) A.1	Basic Shareholder Rights		
(B) A.1.1	Does the company practice secure electronic voting in absentia at the general meetings of shareholders?		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.
(B) B.	EQUITABLE TREATMENT OF SHAREHOLDERS		
(B) B.1	Notice of AGM		
(B) B.1.1	Does the company issue a notice of AGM (detailed report and explanation notice), as notices sent to HOSE at least 28 days prior to the date of the meeting?		The Company disclosed the notice of AGM 21 days prior to the meeting.
(B) C.	ROLE OF STAKEHOLDERS		
(B) C.1	The rights of stakeholders that are established by law or through mutual agreements are to be respected.		
(B) C.1.1	Does the company adopt an internationally recognized reporting framework for sustainability (i.e. GRI, Integrated Reporting, SASB)?		DHG Pharma's sustainable development reports were prepared in accordance with GRI standard.
(B) D.	DISCLOSURE AND TRANSPARENCY		
(B) D.1	Quality of Annual Report		
(B) D.1.1	Are the audited annual financial report/statement released within 60 days from the financial year end?		Annual audited financial statements were disclosed within 10 days since the date the financial statements were signed.
(B) D.1.2	Does the company disclose details of remuneration of the CEO?		Fully stated in Annual Reports.
(B) E.	RESPONSIBILITIES OF THE BOARD		
(B) E.1	Board Competencies and Diversity		
(B) E.1.1	Does the company have at least one female independent director/commissioner?		Only 1/7 non-executive BOD members is female.
(B) E.1.2	Does the company have a policy and disclose measurable objectives for implementing its board diversity and report on progress in achieving its objectives?		DHG Pharma has not implemented this regulation well.
(B) E.2	Board Structure		
(B) E.2.1	Is the Nominating Committee comprise entirely of independent directors/commissioners?		Nomination Committee has 03 members. The Head of Nomination Committee is an independent BOD member, the remaining 2 members are executive BOD members.
(B) E.2.2	Does the Nominating Committee undertake the process of identifying the quality of directors aligned with the company's strategic directions?		DHG Pharma has not implemented this benchmark well.
(B) E.3	Board Appointments and Re-Election		
(B) E.3.1	Does the Company use professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors/ commissioners?		DHG Pharma has implemented this benchmark well.
(B) E.4	Board structure & composition		
(B) E.4.1	Do independent non-executive directors/ commissioners make up more than 50% of the board of directors/commissioners for a company with independent chairman?		Non-executive BOD members account for over 50% of the BOD members at the Company. However, Chairwoman is not an independent member.
(B) E.5	Risk oversight		
(B) E.5.1	Does the board describe its governance process around IT issues including disruption, cybersecurity, disaster recovery, to ensure that all key risks are identified, managed and reported to the board?		Specified in “DHG Pharma Cultural Identity” and the Company's regulations. Quarterly, the Audit Committee reports to the BOD on the identified key risks.
(B) E.6	Board Performance		
(B) E.6.1	Does the company have a separate board level Risk Committee?		The BOD Term 2019 - 2023 has established the Audit Committee, in which the Internal Control and Risk Management Department are under the Audit Committee.

Have not implemented: Have not implemented the practice(s)

N/A: There is no case in DHG Pharma



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PENALTY SCORECARD

NO.	QUESTIONS CONTENTS	ASSESS- MENT	BASIS OF EVALUATION
(B) A. RIGHTS OF SHAREHOLDERS			
(P) A.1 Basic Shareholder Rights			
(P) A.1.1	Did the company fail or neglect to offer equal treatment for share repurchases to all shareholders?		The Charter and internal regulation on corporate governance specifically regulated for equal treatment of share repurchases for all shareholders. During the year, DHG Pharma did not record any cases.
(P) A.2 Shareholders, including institutional shareholders, should be allowed to consult with each other on issues concerning their basic shareholder rights as defined in the Principles, subject to exceptions to prevent abuse.			
(P) A.2.1	Is there evidence of barriers that prevent shareholders from communicating or consulting with other shareholders?		DHG Pharma did not record any barriers.
(P) A.3 Right to participate effectively in and vote in general shareholders meeting and should be informed of the rules, including voting procedures, that govern general shareholders meeting.			
(P) A.3.1	Did the company include any additional and unannounced agenda item into the notice of AGM/EGM?		The Company always informs shareholders in advance regarding the additional contents in the AGM/EGM.
(P) A.3.2	Did the Chairman of the Board, Audit Committee Chairman and CEO attend the most recent AGM?		DHG Pharma has implemented this benchmark well. All the members of the BOD, Committees under the BOD and the BOM attended the AGMs.
(P) A.4 Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership should be disclosed.			
(P) A.4.1	Did the company fail to disclose the existence of shareholders agreement?		There is no cases in DHG Pharma.
(P) A.4.2	Did the company fail to disclose the existence of voting cap?		The Company specifically regulates in Agendas and voting procedures at the AGM.
(P) A.4.3	Did the company fail to disclose the existence of multiple voting rights?		The Company does not have shares with multiple voting rights.
(P) A.5 Capital structures and arrangements that enable certain shareholders to obtain a degree of control disproportionate to their equity ownership should be disclosed.			
(P) A.5.1	Is a pyramid ownership structure and/or cross holding structure apparent?		The Company does not record any pyramid ownership structure or cross holding structure.
(P) B. EQUITABLE TREATMENT OF SHAREHOLDERS			
(P) B.1 Insider trading and abusive self-dealing should be prohibited.			
(P) B.1.1	Has there been any conviction of insider trading involving directors/commissioners, management and employees in the past three years?		The Company did not record any violations.
(P) B.2 Protecting minority shareholders from abusive action			
(P) B.2.1	Has there been any cases of non-compliance with the laws, rules and regulations pertaining to material related party transactions in the past three years?		The Company did not record any violations.
(P) B.2.2	Were there any related party transactions that can be classified as financial assistance (i.e not conducted at arms length) to entities other than wholly-owned subsidiary companies?		

NO.	QUESTIONS CONTENTS	ASSESS- MENT	BASIS OF EVALUATION
(P) C. ROLE OF STAKEHOLDERS			
(P) C.1 The rights of stakeholders that are established by law or through mutual agreements are to be respected.			
(P) C.1.1	Have there been any violations of any laws pertaining to labour/ employment/consumer/insolvency/ commercial competition or environmental issues?		The Company did not record any violations.
(P) C.2 Where stakeholders participate in the corporate governance process, they should have access to relevant, sufficient and reliable information on a timely and regular basis.			
(P) C.2.1	Has the company faced any sanctions by regulators for failure to make announcements within the requisite time period for material events?		DHG implemented nearly 70 times of information disclosure and did not record any violations.
(P) D. DISCLOSURE AND TRANSPARENCY			
(P) D.1 Sanctions from regulator on financial reports			
(P) D.1.1	Did the company receive a "qualified opinion" in its external audit report?		An unqualified opinion in Independent auditor's report in the annual financial statements.
(P) D.1.2	Did the company receive an "adverse opinion" in its external audit report?		
(P) D.1.3	Did the company receive a "disclaimer opinion" in its external audit report?		
(P) D.1.4	Has the company in the past year revised its financial statements for reasons other than changes in accounting policies?		Nil.
(P) E. RESPONSIBILITIES OF THE BOARD			
(P) E.1 Compliance with listing rules, regulations and applicable laws			
(P) E.1.1	Is there any evidence that the company has not complied with any listing rules and regulations over the past year apart from disclosure rules?		DHG Pharma did not record any violations.
(P) E.1.2	Have there been any instances where non-executive directors/commissioner have resigned and raised any issues of governance-related concerns?		DHG Pharma has not recorded any instances.
(P) E.2 Board structure			
(P) E.2.1	Does the Company have any independent directors/commissioners who have served for more than nine years or two terms of five years each in the same capacity?		Nil. DHG Pharma has implemented this benchmark well.
(P) E.2.2	Did the company fail to identify who are the independent director(s)/commissioner(s)?		DHG Pharma has 2 independent BOD members, who are the Head of the Audit Committee and Head of Nomination Committee.
(P) E.2.3	Does the company have any independent directors/non-executive/commissioners who serve on a total of more than five boards of publicly-listed companies?		Nil. DHG Pharma has implemented this benchmark well.
(P) E.3 External Audit			
(P) E.3.1	Is any of the directors or senior management a former employee or partner of the current external auditor (in the past 2 years)?		Nil. DHG Pharma has implemented this benchmark well.
(P) E.4 Board structure and composition			
(P) E.4.1	Has the Chairman been the Company CEO in the last three years?		The Chairwoman did not concurrently hold the position of the General Director of the Company.
(P) E.4.2	Do independent non-executive directors/commissioners receive options, performance shares or bonuses?		DHG Pharma has implemented this benchmark well.




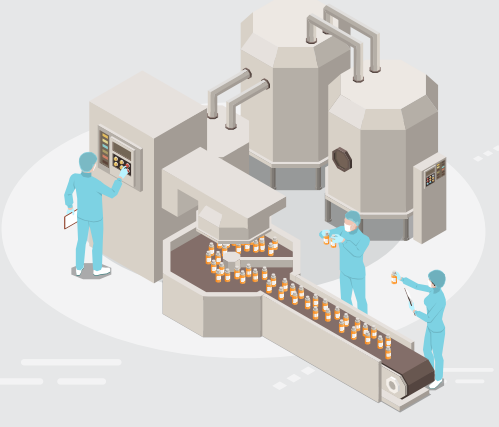

RISK MANAGEMENT ACTIVITIES



The year 2019 marks the constructing and improving stage of the risk management (RM) system in the long-term planned process of gradually upgrading from newly established to “mature” and finally to the strategic level.

DHG Pharma has collaborated with its consultant to complete the key risk profile at the company-level. At the same time, information dissemination and training have been provided to key and middle management officials. This paves the way for DHG Pharma to complete the related policies, monitoring mechanism, and regular and irregular assessment of risks, which all provide a strong foundation for recommendations of appropriate risk management tools and measures to prevent potential risks in business, and timely resolve problems, difficulties and violations in the Company's activities.

The BOM has identified a list of key risks of the Company, which are closely monitored and quarterly reported to the BOM and BOD:

Risks	Factors of risks	Measures
 STRATEGIC RISKS	<p>Legal Environment Not promptly prepare and adapt to changes in laws</p> <p>Domestic market competition Not promptly prepare and timely address the competitive pressure from competitors</p>	<p>Reviewing, developing and improving the system of internal regulations and procedures of the Company in accordance with laws and the Company's activities.</p> <p>In order to enhance compliance, the Legal Department performs the following basic functions:</p> <ul style="list-style-type: none">• 100% of contracts and agreements signed are reviewed by legal specialists.• Updating legal changes related to the Company's activities as well as disseminating to each department and specialized functions.• Advising the BOM and its subordinate units on the procedures for implementing investment projects, joint venture cooperation contracts, sales policies and other matters related to the laws.
 OPERATIONAL RISKS	<p>Raw materials for production Risks in not timely supplying sufficient raw materials for production at reasonable costs</p> <p>Product quality Products delivered to end-users do not guarantee its quality</p> <p>Risks in retaining high-quality staff</p>	<ul style="list-style-type: none">• The CPTPP Agreement took effect from 2019; accordingly, the import tax rate for pharmaceutical products will decrease; thus, domestic pharmaceutical companies will have to compete directly with imported products;• Price competition from other domestic pharmaceutical companies; and competitive pressure from foreign companies with competitive cutting edge in reputation and diverse drug portfolio;• More and more competitors develop in areas that used to be DHG Pharma's competitive advantage. <ul style="list-style-type: none">• Periodically keeping track of and monitoring the implementation of strategic objectives in order to achieve the goals:<ul style="list-style-type: none">» Being the biggest Generic pharmaceutical enterprise in Vietnam.» Being a pharmaceutical enterprise with the deepest, broadest, most professional and diversified distribution channel.» Performing bioequivalence and equivalent treatment of products.» Upgrading the factory standards to PIC/s-GMP, Japan-GMP, EU-GMP, etc.» Enhancing the development of the new technology transfer product list.» Applying information technology to all activities of the Company. <ul style="list-style-type: none">• The cost of raw materials accounts for the majority of the Company's cost structure. Imported materials account for more than 80%.• Prices of raw material increase and the input sources from China become scarce due to the country's tightened environmental standards for pharmaceutical material factories and closure of factories that cause environmental pollution.• Depending on few material suppliers. <ul style="list-style-type: none">• DHG Pharma participates in trading raw materials, which provides favorable conditions in purchasing raw materials in bulk as well as in negotiating long-term and stable contracts with suppliers.• Searching for new suppliers.• Setting a safe inventory limit and a safe ordering and delivering time with important raw materials.• The Purchasing Department frequently updates other departments with the situation of materials so that they can ensure a balance in their plan in using materials.• R&D Department must register at least two supplying sources for key API when conducting research. <ul style="list-style-type: none">• Equipping cameras to monitor production activities.• Including quality as an important criterion in KPI for the production group.• Applying the quality control process from input to output: DHG Pharma's products must go through a strictly controlled journey with many “firewalls” in the quality assurance stage before launching.• Complying with regulations on labor safety and fire prevention and fighting.• Investing in more machines, equipment, technological innovations, and upgrading factories up to international standards.• Preventing incidents, overseeing the working environment, improving production conditions, organizing periodical training on safety, fire and explosion prevention and fighting. <ul style="list-style-type: none">• Developing training and successive plans.• Implementing the dictionary of competencies.• Searching for new talent through affiliating programs with reputable universities.
 FINANCIAL RISKS	<p>Fluctuations in currency converting and interest rate Fluctuated rates of currency exchange and interests negatively affect production activities</p> <p>Tax compliance</p>	<ul style="list-style-type: none">• Regarding exchange rates, the Company's solutions include regular updates and forecasts of exchange rate fluctuations through relationships with banks. The Company also performs L/C contracts so that banks can make payment to hedge the risks of foreign currency shortage.• The Company continuously trades in raw materials in bulk to take the negotiating advantages in terms of prices and selecting many reputable suppliers.• At the beginning of the year, the BOM will review the ranks for banks and submit to the BOD for approving the list of banks permitted to be traded in the year. <ul style="list-style-type: none">• Complying with tax regulations.• Hiring tax consultants for large projects and operations with suspected tax incidence.• Communicating regularly with tax authorities on issues incurring during its operation.• Inviting local tax authorities for periodically reviewing the tax declaration every year.



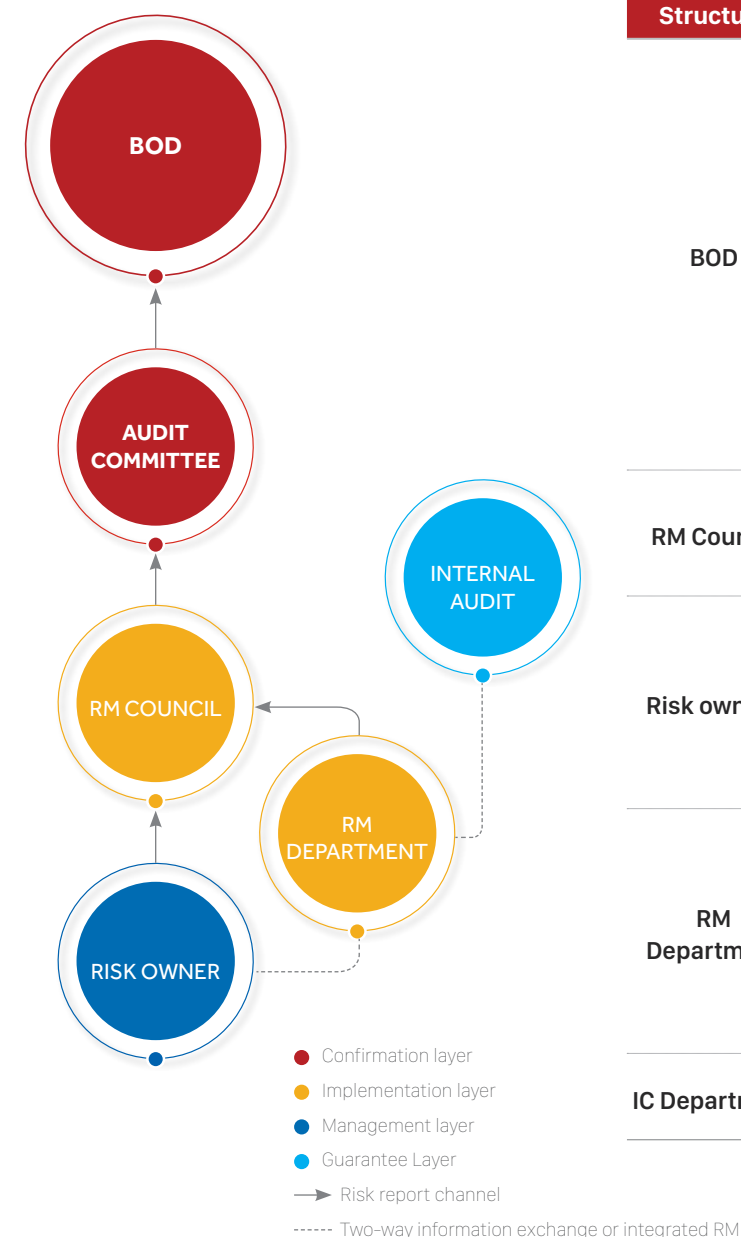
DIRECTION FOR RISK MANAGEMENT IN 2020



In 2020, the Company will continue to upgrade the RM System to the “mature” level before proceeding to the strategic stage in the following years.

RM activities in 2020 will focus on developing RM policies and regulations so that they can be put into operation in the system. At the same time, the RM Council will be established to serve the needs of timely updating, evaluating and reporting issues related to important risks of the Company.

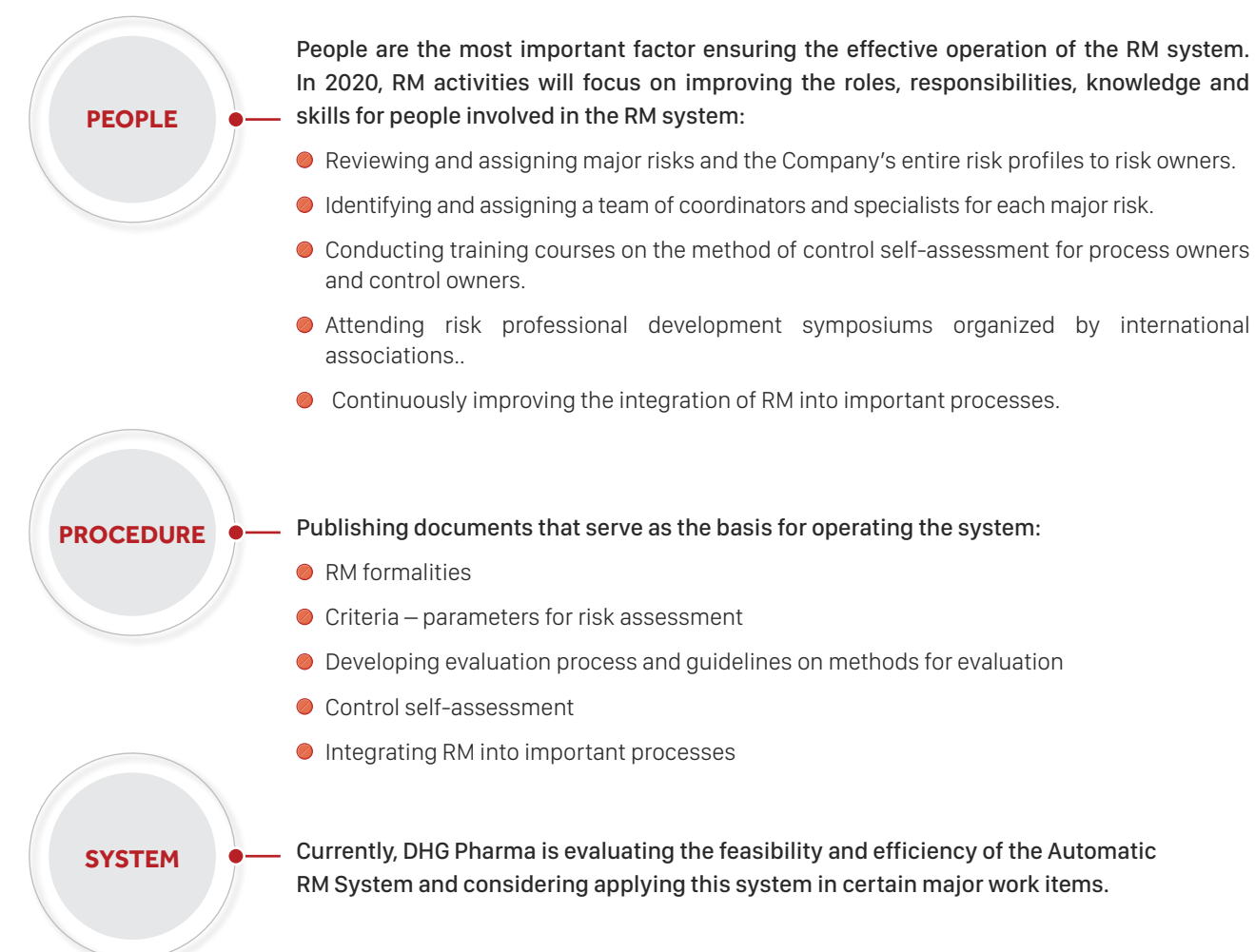
The operating structure
of the RM System



Responsibilities of the operational structure

Structure	Roles
BOD	<ul style="list-style-type: none">Approving RM structure and policies;Monitoring and reviewing the effectiveness of the RM structure;Providing guidelines and approving risk acceptance threshold;Periodically reviewing reports and evaluating RM performance;Assessing risks and suggests measures for risk minimization;Audit Committee: assisting the BOD in executing RM tasks.
RM Council	<ul style="list-style-type: none">Reviewing the evaluation results of risk owners;Making periodical RM reports.
Risk owners	<ul style="list-style-type: none">Identifying, assessing and rating risks in the area of responsibility;Proposing action plans;Explaining to the RM Council and Audit Committee about the major risks.
RM Department	<ul style="list-style-type: none">Implementing and coordinating RM activities;Organizing awareness-raising activities about risks;Developing documents and guidelines about RM methods and procedures.
IC Department	<ul style="list-style-type: none">Monitoring and evaluating the operation of the RM system.

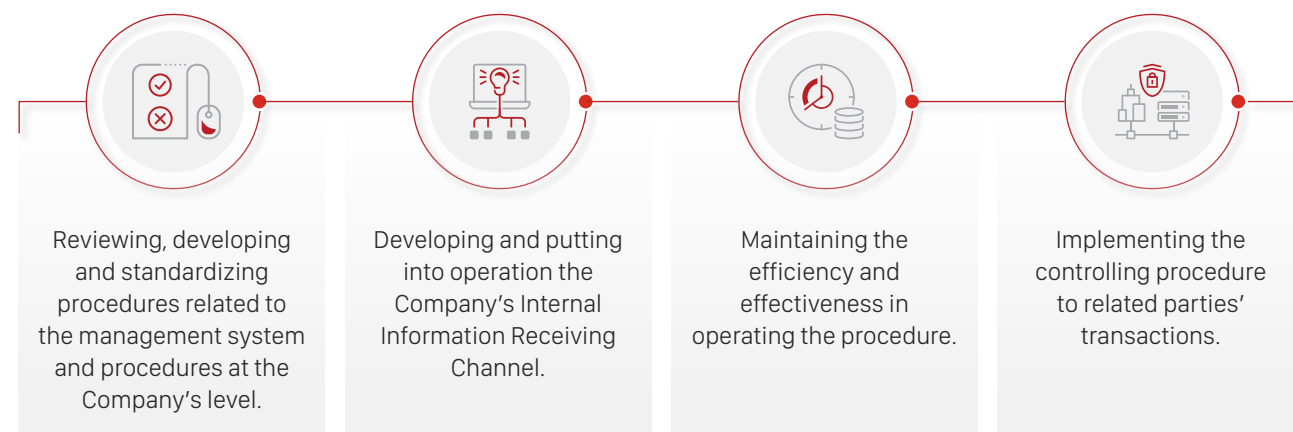
RISK MANAGEMENT SYSTEM IS OPERATED ON BASIS OF 3 ASPECTS





INTERNAL CONTROL ACTIVITIES

In 2019, DHG Pharma's Internal Control (IC) System continued to improve and upgrade its defense functions:



In 2020, the IC Department will implement the following tasks to ensure the effectiveness of its functions:



- Continuing to improve and perfect the IC system in accordance with J-SOX standards as requested by the parenting company - Taisho Group.
- Continuing to coordinate, support and monitor departments in developing and standardizing professional skills system for the whole Company.
- Coordinating, supporting and supervising departments in developing and standardizing internal document system throughout the Company, including policies, statutes, regulations and procedures.
- Regularly evaluating and updating management procedures and regulations to ensure that all control activities are effective, appropriate and supportive to production and business activities.
- Periodically examining and making reports on the transactions of related parties.
- Monitoring and making reports on the effectiveness of the General Director's centralized information reception channel.



INTERNAL AUDIT

After its restructuring in Oct 2019, the Internal Audit (IA) function has been separated from the IC and the RM. IA reports are also now directly submitted to BOD (Audit Committee). This is a prerequisite condition to ensure that the IA to be independent and objective in performing its tasks, and gradually improving its quality and professionalism. Thanks to the coordination between the General Director and the Audit Committee, the internal auditing task has progressively optimize its functions not only in meeting the compliance requirements but also in support departments in maximizing their management, improving internal control and risk management.

After 2 months of establishment, the IC Committee has initially carried out the following tasks in order to prepare for its development in the years to come:

- Along with the restructuring of the internal audit function, the quantity and quality of the auditors have been improved.
- IC Committee has developed and published the IA Regulation, which clearly specifies the functions, duties and rights of the IA, as well as the responsibilities of audited units, basic principles of the internal audit activities at DHG Pharma. The Audit Committee has evaluated that the current IA Regulation and found that gradually it has been in good alignment with international practices and meets legal requirements.
- The IA has developed and implemented the audit plan 2019 (including the revised plan approved by the AC).
- Audit recommendations and plans for implementation are monitored regularly and periodically, which significantly contributes to improving the quality of the internal control system, raising the compliance awareness of audited divisions as well as facilitating the improvement of professional procedures and the optimization of management effectiveness.



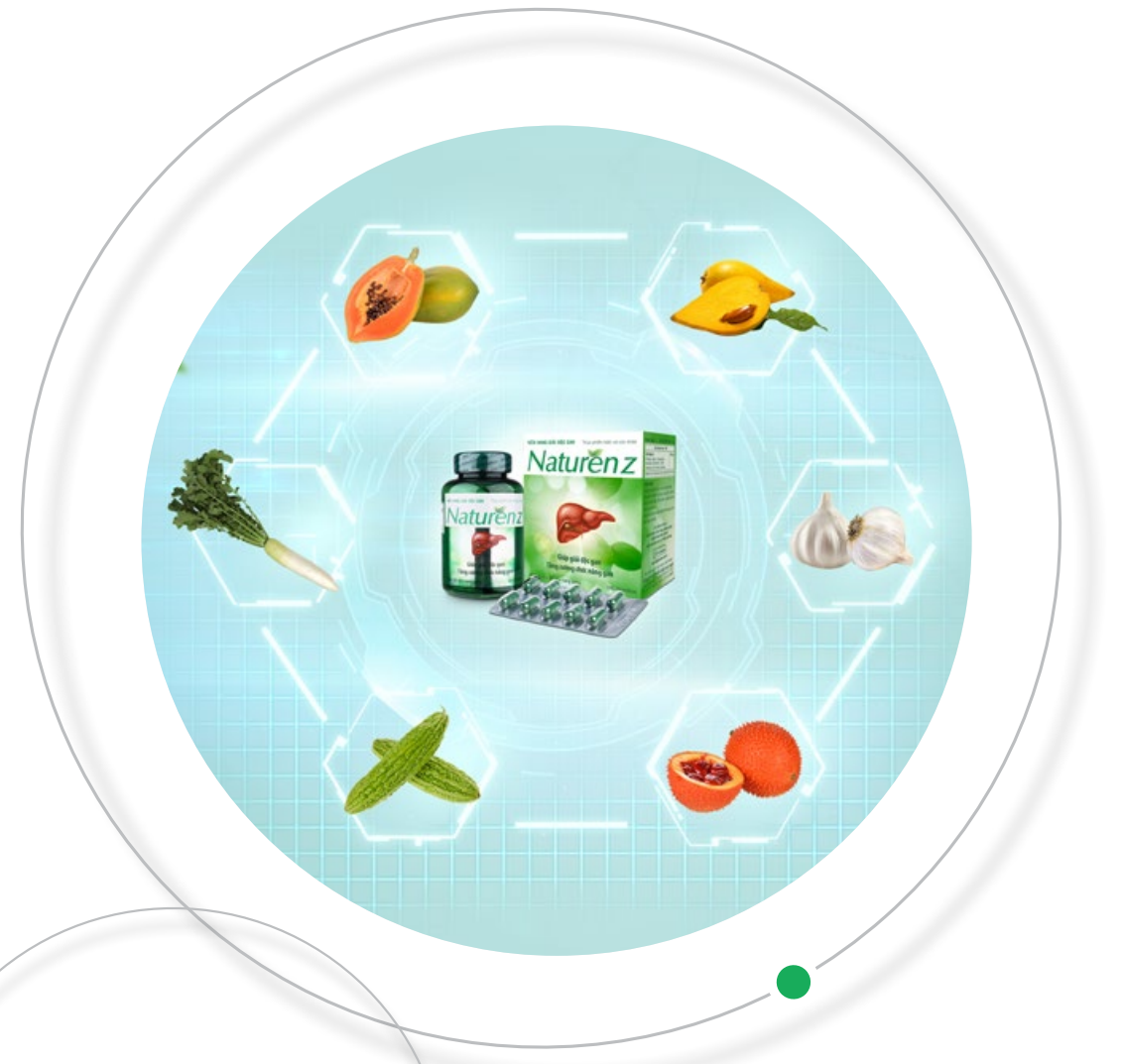
Increasing connections BETWEEN DIVERSE FACTORS

On the path of sustainable development with a close-knit connection between 3 factors: economy - environment - society, DHG Pharma has also increased and extended the connection with top-tier domestic and international research institutes and medical schools so as to continuously expand its development cooperation. At the same time, DHG Pharma has always performed well the role of responsibility for community connection, joining hands for a humane and meaningful society.

SUSTAINABLE DEVELOPMENT REPORT

154 Overview of the Sustainable Development

160 Material aspects at DHG Pharma





OVERVIEW OF THE SUSTAINABLE DEVELOPMENT



OVERVIEW OF THE SUSTAINABLE DEVELOPMENT

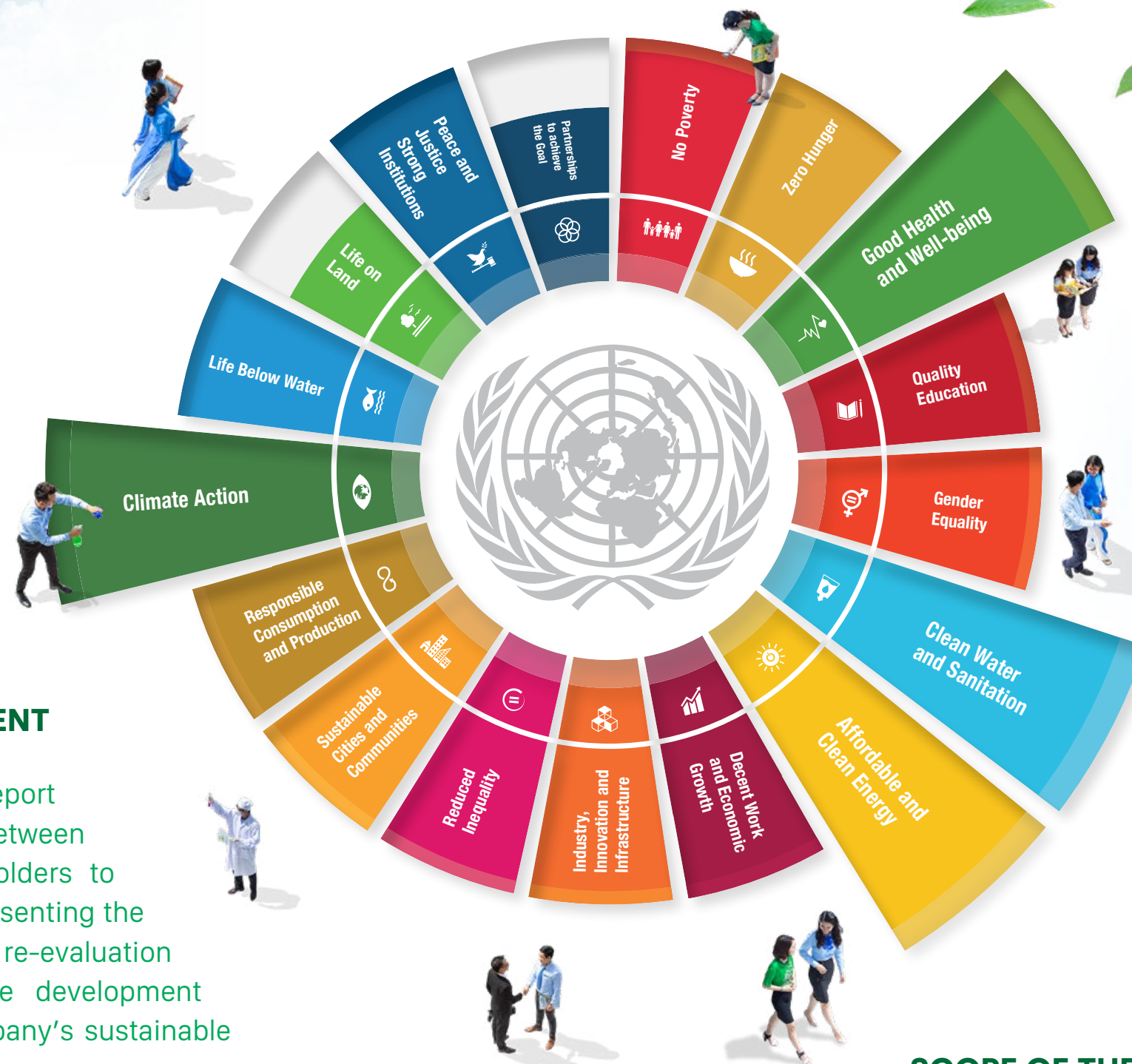
Sustainable development report (SDR) is prepared as a bridge between the Company and its stakeholders to provide an overall picture representing the announcements, review and re-evaluation of DHG Pharma's sustainable development activities in line with the Company's sustainable strategic orientation in the year.

At DHG Pharma, we understand that the concern of shareholders and investors for sustainable development are significantly increasing. Therefore, DHG Pharma's SDR is independently prepared in accordance with the latest standard of the Global Reporting Initiative (GRI).

The content of the report demonstrates DHG Pharma's approach to sustainable development issues such as commitment to stakeholders, medium and long-term sustainable development strategies, product

commitment, etc. All are prerequisites to the Company's sustainable strategy with the desire to bring a life not only healthy but also sustainable.

In the Annual Report, DHG Pharma presents the overall content of sustainable development in 2019. For detailed information on the sustainable development report, please refer to DHG Pharma's Sustainable Development Report 2019 (independent report).



SCOPE OF THE REPORT

Reporting period: The sustainable development report 2019 is prepared in accordance with the accounting year, starting from 01 Jan 2019 to 31 Dec 2019.

Latest report: 31 Dec 2018

Reporting cycle: every year

Scope of the report: This report was prepared within the scope of operation of DHG Pharma in Vietnam's territory in the field of pharmaceutical production and trading. It is made up of DHG Plant under the parent company, DHG Pharmaceutical Plant Branch in Hau Giang, and branches in provinces and cities across the country. The report excludes Vinh Hao Algae Processing Affiliate (DHG Pharma owned 31.36%) and Fuji Medic subsidiary (DHG Pharma owned 51%). The financial figures in this Report are referenced from the 2019 audited consolidated financial statements.





SUSTAINABLE DEVELOPMENT MODEL

The sustainable development model of DHG Pharma is targeted to create positive effects for 3 groups:



Under the direction of the BOD, DHG Pharma regularly reviews its operational procedures related to sustainable development through proactive communication with stakeholders. The process of proactive dialogues between DHG Pharma and its stakeholders ensures that implementations are effective and consistent with sustainable development strategies and orientations. The sustainable development program is applied in the Company's practice through the following governance model:





MATERIAL ASPECTS AT DHG PHARMA

Material ASPECTS AT DHG PHARMA



ECONOMY

GRI	GRI	GRI	GRI	GRI
401	403	404	405	406
GRI	GRI	GRI	GRI	GRI
407	408	409	413	416

SOCIETY

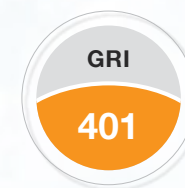
GRI	GRI	GRI
201	202	203
GRI	GRI	GRI
204	205	206

ENVIRONMENT

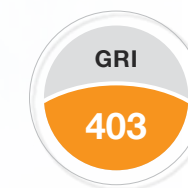
GRI	GRI	GRI
301	302	303
GRI	GRI	GRI
305	306	307



SOCIETY



Employment



Occupational Health and Safety



Training and Education

ORIENTATION

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

Ensuring labor safety in production.

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

ACHIEVEMENTS IN 2019

CREATED JOBS FOR
2,900
PEOPLE

AVERAGE INCOME
19.9
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;

Occupational safety trainings were in accordance with plans;

The Company checked and evaluated training effectiveness and awareness of employees.

203,058
TOTAL TRAINING HOURS

COST OF TRAINING
VND
3.8
BILLION

90
TOTAL TRAINING PROGRAMS

THE UNITED NATION STANDARDS





MATERIAL ASPECTS
AT DHG PHARMA

SOCIETY



Diversity and Equal
Opportunity



Non -
Discrimination



Freedom of Association and
Collective Bargaining



Child Labor



Forced or
Compulsory Labor

ORIENTATION

Gender equality, recruitment/ promotion based on each individual's competence;
Developing capacity assessment area for each job position;
Improving the quality of Union activities.

ACHIEVEMENTS IN 2019



FEMALE EMPLOYEES ACCOUNTED FOR
40%

During the year, the trade union organized numerous workshops/ consultation events for employees;
DHG Pharma did not use child labor and did not mistreat, coerce or force its employees.

THE UNITED NATION STANDARDS



No Poverty



Zero Hunger



Good Health and Well - being



Quality Education



Local Communities



Customer Health and Safety

ORIENTATION

Training cultural identity and educating community awareness;
Providing knowledge about disease prevention, safe and effective use of products through the media;
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;
Promoting innovation, effective savings, and waste zero.

ACHIEVEMENTS IN 2019

CONTRIBUTED TO THE COMMUNITY
VND
5.4
BILLION
43
FREE MEDICAL EXAMINATIONS AND
MEDICINE FOR OVER
20.250
PARTICIPANTS

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/disabilities Center of Can Tho City.



02
PRODUCTION LINES MET HIGH STANDARDS
(PIC/S – GMP, AND JAPAN – GMP).

100%
OF INFRASTRUCTURE WAS EVALUATED
AND CHECKED ANNUALLY.

THE UNITED NATION STANDARDS



Gender Equality



Industry, Innovation, and Infrastructure



Reduced Inequality



MATERIAL ASPECTS AT DHG PHARMA

ECONOMY



Economic Performance



Market Presence



Indirect Economic Impact



Procurement Practices



Anti-corruption



Anti - competitive Behavior

ORIENTATION

Maintaining the leading position in Vietnam Pharmaceutical Industry;
Improving brand value, maintaining Top 50 most valuable brands in Vietnam;
Expanding export markets.

Ensuring the quality of life for employees and their families to be above the average level.

Maximizing enterprise values and increasing interests of stakeholders.

ACHIEVEMENTS IN 2019

MAINTAINED THE LEADING POSITION IN VIETNAM PHARMACEUTICAL INDUSTRY FOR
23
CONSECUTIVE YEARS IN TERMS OF SALES, PROFIT, AND PRODUCTION CAPABILITY

TOP **40**
MOST VALUABLE BRANDS IN VIETNAM VOTED BY FORBES VIETNAM

ESTABLISHED EXPORT NETWORKS IN
14
COUNTRIES AROUND THE WORLD



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.

CONTRIBUTED TO THE GOVERNMENT'S BUDGET VND
225,8
BILLION

DIVIDEND OF 2019 VND
523
BILLION

TOTAL TRANSACTION VALUE IN THE YEAR WITH SUPPLIERS VND
4,426
BILLION

Contributed to the "Fund for a more beautiful and healthier life".

THE UNITED NATION STANDARDS



Decent Work and Economic Growth



Responsible Consumption and Production

ORIENTATION

Searching for more sources of raw materials, packaging with competitive quality and prices.

Ensuring DHG Pharma's operations are public and transparent.

Ensuring competition and fairness.

ACHIEVEMENTS IN 2019



86.1%
PROPORTION OF IMPORTED MATERIALS AND PACKAGING IN 2019.

The Company did not record any violations related to corruption.

All transactions, external relations, business activities, and other activities were closely monitored to ensure that DHG Pharma's development goals are on track.

THE UNITED NATION STANDARDS



Decent Work and Economic Growth



Responsible Consumption and Production



MATERIAL ASPECTS AT DHG PHARMA

ENVIRONMENT



Materials



Energy



Water

ORIENTATION

The Company's activities are always associated with protecting the environment, saving raw materials, using clean technology machines and equipment.
Using energy efficiently at the production plants.

ACHIEVEMENTS IN 2019



QUANTITY OF RAW MATERIALS
USED IN THE YEAR
3,161
TONS
RAW MATERIALS AND EXCIPIENTS

ELECTRICITY BILLS
VND
45
BILLION

TOTAL ELECTRICITY CONSUMPTION
26,257,028
KWH/YEAR

WATER BILLS
VND
2
BILLION

TOTAL WATER CONSUMPTION
221,374
M³/YEAR

THE UNITED NATION STANDARDS



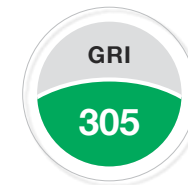
Clean Water and Sanitation



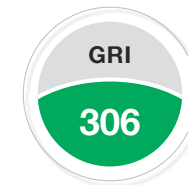
Affordable and Clean Energy



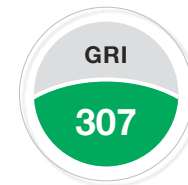
Climate Action



Emissions



Effluents and Waste



Environmental Compliance

ORIENTATION

Environmental monitoring: 4 times/year;
Reduce of CO₂ emission

Periodically assessing the discharge
to promptly handle and minimize
environmental pollution.

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

ACHIEVEMENTS IN 2019



Monitoring results were
within permitted limits.

WASTEWATER TREATMENT FEE
VND
1.9
BILLION/YEAR

7.2%
WASTEWATER REUSE RATE

4
TIMES/ YEAR
THE COMPANY COLLECTED SAMPLES FOR
PERIODIC MONITORING OF WASTEWATER
AND EXHAUST FUME TREATMENT SYSTEMS



The Company did not record any
violations on environmental laws.

THE UNITED NATION STANDARDS



Clean Water and Sanitation



Affordable and Clean Energy



Climate Action

Energy for THE NEW DAY

With a sacred role in carrying out the mission of serving public health, DHG Pharma has continuously strived to bring more and more practical values to life. The accumulation of every day values will help DHG Pharma strengthen the trust and close connection with relevant parties like stakeholders, partners and customers on the journey of development and creation of new achievements.

THE CONSOLIDATED FINANCIAL STATEMENTS

168	Statement of the management
170	Independent auditors' report
172	Consolidated balance sheet
174	Consolidated income statement
175	Consolidated cash flow statement
176	Notes to the consolidated financial statements



STATEMENT OF THE MANAGEMENT

The Management of DHG Pharmaceutical Joint Stock Company (the "Parent Company") and its subsidiary (the Parent 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 2019.

BOARD OF DIRECTORS, SUPERVISORY BOARD, AUDIT COMMITTEE AND MANAGEMENT

The members of the Board of Directors, Supervisory Board, 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	Chairman (appointed on 11 June 2019)
Mr. Nguyen Chi Thanh	Chairman (resigned on 11 June 2019)
Mr. Jun Kuroda	Member
Mr. Masashi Nakaura	Member (appointed on 11 June 2019)
Mr. Maki Kamijo	Member (appointed on 11 June 2019)
Mr. Doan Dinh Duy Khuong	Member
Mr. Phan Minh Tien	Member
Mr. Do Le Hung	Member (appointed on 11 June 2019)
Ms. Pham Thi Viet Nga	Member (resigned on 11 June 2019)
Mr. Tran Chi Liem	Member (resigned on 11 June 2019)

Supervisory Board

From 11 June 2019, the Company changed the organization, management and control structure from the Supervisory Board model to the Audit Committee under the Board of Directors.

Mr. Tran Quoc Hung	Head of the Board (resigned on 11 June 2019)
Ms. Nguyen Phuong Thao	Member (resigned on 11 June 2019)
Mr. Tran Trung Kien	Member (resigned on 11 June 2019)

Audit Committee

Mr. Do Le Hung	Head of the Committee (appointed on 11 June 2019)
Ms. Dang Thi Thu Ha	Member (appointed on 11 June 2019)
Mr. Maki Kamijo	Member (appointed on 11 June 2019)

Management

Mr. Masashi Nakaura	General Director (appointed on 1 January 2020)
Mr. Doan Dinh Duy Khuong	Acting General Director (resigned on 1 January 2020)/ Chief Operating Officer (appointed on 1 January 2020)
Mr. Le Chanh Dao	Deputy General Director (retired on 1 August 2019)
Ms. Nguyen Ngoc Diep	Deputy General Director
Mr. Tomoyuki Kawata	Deputy General Director

Legal representative

Legal representative of the Company who held office during the year and to the date of this report is:

Mr. Masashi Nakaura	Legal representative (appointed on 1 January 2020)
Mr. Doan Dinh Duy Khuong	Legal representative (resigned on 1 January 2020)

MANAGEMENT' 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 2019, 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
23 March 2020



INDEPENDENT AUDITORS' REPORT

No.: 0452/VN1A-HC-BC



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57-69F Dong Khoi Street, Ben Nghe Ward,
District 1, Ho Chi Minh City, Vietnam

Tel: +84 28 7101 4555
Fax: +84 28 3910 0750

www.deloitte.com/vn

**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 23 March 2020 as set out from page 172 to page 205, which comprise the consolidated balance sheet as at 31 December 2019, 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' 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 2019, 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



Nguyen Thi Thanh Huyen
Auditor
Audit Practising Registration Certificate
No. 3026-2019-001-1

BRANCH OF DELOITTE VIETNAM COMPANY LIMITED

23 March 2020
Ho Chi Minh City, Vietnam

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CONSOLIDATED BALANCE SHEET

As at 31 December 2019

Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
A. CURRENT ASSETS	100		3,133,924,348,700	3,147,636,450,849
I. Cash and cash equivalents	110	4	70,328,408,693	75,835,597,431
1. Cash	111		66,628,408,693	75,330,296,062
2. Cash equivalents	112		3,700,000,000	505,301,369
II. Short-term financial investments	120	5	1,768,000,000,000	1,459,722,000,000
1. Held-to-maturity investments	123		1,768,000,000,000	1,459,722,000,000
III. Short-term receivables	130		560,791,995,735	669,787,225,237
1. Short-term trade receivables	131	6	510,101,306,774	618,503,855,955
2. Short-term advances to suppliers	132		42,468,675,491	26,841,394,656
3. Short-term loan receivables	135	12	434,193,523	3,395,400,976
4. Other short-term receivables	136	7	63,005,203,593	55,618,287,897
5. Provision for short-term doubtful debts	137	8	(55,217,383,646)	(34,571,714,247)
IV. Inventories	140	9	725,438,891,568	891,486,976,436
1. Inventories	141		726,529,994,856	892,301,302,668
2. Provision for devaluation of inventories	149		(1,091,103,288)	(814,326,232)
V. Other short-term assets	150		9,365,052,704	50,804,651,745
1. Short-term prepayments	151	10	2,828,340,389	3,452,228,975
2. Value added tax deductibles	152		6,536,161,194	32,191,908,956
3. Taxes and other receivables from the State budget	153	11	551,121	15,160,513,814
B. NON-CURRENT ASSETS	200		1,012,894,372,557	1,058,328,035,945
I. Long-term receivables	210		459,000,000	1,560,000,000
1. Long-term loans receivable	215	12	-	1,330,000,000
2. Other long-term receivables	216		459,000,000	230,000,000
II. Fixed assets	220		900,116,925,455	976,618,370,054
1. Tangible fixed assets	221	13	689,664,585,904	741,098,658,417
- Cost	222		1,376,010,941,578	1,347,704,245,077
- Accumulated depreciation	223		(686,346,355,674)	(606,605,586,660)
2. Intangible assets	227	14	210,452,339,551	235,519,711,637
- Cost	228		247,918,493,964	269,077,826,514
- Accumulated amortization	229		(37,466,154,413)	(33,558,114,877)
III. Investment property	230	15	15,345,447,332	247,880,293
- Cost	231		17,304,956,819	1,249,521,792
- Accumulated depreciation	232		(1,959,509,487)	(1,001,641,499)
IV. Long-term assets in progress	240		28,927,855,544	14,087,991,804
1. Construction in progress	242	16	28,927,855,544	14,087,991,804
V. Long-term financial investments	250		28,122,793,643	25,219,928,995
1. Investments in associates	252	5	2,929,990,852	3,042,620,558
2. Equity investments in other entities	253	5	27,908,170,200	27,908,170,200
3. Provision for impairment of long-term financial investments	254	5	(2,715,367,409)	(5,730,861,763)
VI. Other long-term assets	260		39,922,350,583	40,593,864,799
1. Long-term prepayments	261	10	27,575,362,385	30,170,914,891
2. Deferred tax assets	262	17	12,346,988,198	10,422,949,908
TOTAL ASSETS (270=100+200)	270		4,146,818,721,257	4,205,964,486,794

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
C. LIABILITIES	300		769,267,239,060	1,061,702,377,563
I. Current liabilities	310		704,899,493,292	1,001,487,737,988
1. Short-term trade payables	311	18	120,317,315,145	145,750,476,107
2. Short-term advances from customers	312		16,010,766,057	9,728,206,186
3. Taxes and amounts payable to the Statebudget	313	11	30,787,765,604	13,641,750,175
4. Payables to employees	314		132,481,915,608	180,019,655,715
5. Short-term accrued expenses	315	19	46,576,741,462	40,052,115,726
6. Short-term unearned revenue	318	20	29,295,047,003	9,030,131,533
7. Other current payables	319	21	1,907,128,227	2,004,193,753
8. Short-term loans	320	22	264,666,851,754	557,901,327,419
9. Bonus and welfare funds	322	23	62,855,962,432	43,359,881,374
II. Long-term liabilities	330		64,367,745,768	60,214,639,575
1. Long-term provisions	342	24	47,943,012,779	39,753,692,402
2. Scientific and technological development fund	343	25	16,424,732,989	20,460,947,173
D. EQUITY	400		3,377,551,482,197	3,144,262,109,231
I. Owner's equity	410		3,377,551,482,197	3,144,262,109,231
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	1,392,604,475,464	1,270,235,596,228
4. Retained earnings	421	26	665,297,795,718	550,252,659,422
- Retained earnings brought forward from the previous years	421a		29,909,699,604	28,072,641,016
- Retained earnings of the current year	421b		635,388,096,114	522,180,018,406
5. Non-controlling interests	429	27	5,409,553,015	9,534,195,581
TOTAL RESOURCES (440=300+400)	440		4,146,818,721,257	4,205,964,486,794

Tran Ngoc Hien
Preparer

Ho Bui Huan
Chief Accountant



Masashi Nakaura
General Director
23 March 2020



CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019

Unit: VND

ITEMS	Codes	Notes	Current year	Prior year
1. Gross revenue from goods sold and services rendered	01		4,413,958,643,618	4,421,559,894,432
2. Deductions	02		517,204,814,394	539,431,684,721
3. Net revenue from goods sold and services rendered (10=01-02)	10	30	3,896,753,829,224	3,882,128,209,711
4. Cost of sales	11	31	2,184,461,607,643	2,165,405,025,080
5. Gross profit from goods sold and services rendered (20=10-11)	20		1,712,292,221,581	1,716,723,184,631
6. Financial income	21	33	122,487,815,915	107,785,026,956
7. Financial expenses	22	34	98,859,012,607	96,053,992,493
- In which: Interest expense	23		22,715,202,068	28,523,706,808
8. Share of net losses from associates	24		(112,629,706)	(86,927,791)
9. Selling expenses	25	35	687,045,221,994	724,884,959,648
10. General and administration expenses	26	35	333,829,908,766	285,637,232,611
11. Operating profit (30=20+(21-22)+24-(25+26))	30		714,933,264,423	717,845,099,044
12. Other income	31	36	15,583,127,368	18,209,846,265
13. Other expenses	32	37	17,321,295,887	4,272,517,757
14. (Loss)/profit from other activities (40=31-32)	40		(1,738,168,519)	13,937,328,508
15. Accounting profit before tax (50=30+40)	50		713,195,095,904	731,782,427,552
16. Current corporate income tax expense	51	38	83,855,680,646	55,332,650,287
17. Deferred corporate tax (income)/expense	52	38	(1,924,038,290)	25,360,746,447
18. Net profit after corporate income tax (60=50-51-52)	60		631,263,453,548	651,089,030,818
In which:				
Profit after tax attributable to Parent Company	61		635,388,096,114	653,029,446,317
Losses after tax attributable to non-controlling shareholders	62	27	(4,124,642,566)	(1,940,415,499)
19. Basic earnings per share	70	39	4,668	4,451

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant



Masashi Nakaura
General Director
23 March 2020



CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019

Unit: VND

ITEMS	Codes	Current year	Prior year
I. CASH FLOWS FROM OPERATING ACTIVITIES			
1. Profit before tax	01	713,195,095,904	731,782,427,552
2. Adjustments for:			
Depreciation and amortization of fixed assets and investment properties	02	88,710,979,693	88,607,459,577
Provisions	03	26,907,747,769	3,326,854,111
Foreign exchange loss/(gain) arising from translating foreign currency items	04	42,737,167	(256,709,543)
Gain from investing activities	05	(122,667,908,308)	(111,551,817,456)
Interest expense	06	22,715,202,068	28,523,706,808
3. Operating profit before movements in working capital	08	728,903,854,293	740,431,921,049
Changes in receivables	09	119,150,350,172	102,583,668,709
Changes in inventories	10	165,771,307,812	(256,037,269,896)
Changes in payables	11	(41,251,889,486)	(114,239,302,717)
Changes in prepaid expenses	12	3,463,741,092	9,533,005,655
Interest paid	14	(22,858,370,847)	(28,505,436,659)
Corporate income tax paid	15	(65,982,154,011)	(76,742,927,770)
Other cash outflows	17	(48,956,622,398)	(86,232,427,352)
Net cash generated by operating activities	20	838,240,216,627	290,791,231,019
II. CASH FLOWS FROM INVESTING ACTIVITIES			
1. Acquisition and construction of fixed assets and other long-term assets	21	(57,101,418,800)	(40,845,253,595)
2. Proceeds from sale, disposal of fixed assets and other long-term assets	22	11,584,129,859	9,906,521,326
3. Cash outflow for lending and time deposits	23	(3,015,673,917,808)	(2,795,800,810,202)
4. Cash recovered from lending and time deposits	24	2,711,687,125,261	2,280,521,910,076
5. Equity investments in other entities	25	-	(160,000,000)
6. Interest, dividends and profits received	27	125,848,754,578	85,825,118,708
Net cash used in investing activities	30	(223,655,326,910)	(460,552,513,687)
III. CASH FLOWS FROM FINANCING ACTIVITIES			
1. Proceeds from borrowings	33	1,916,023,391,699	2,851,557,133,423
2. Repayment of borrowings	34	(2,209,257,867,364)	(2,763,455,806,004)
3. Dividends and profits paid	36	(326,865,177,500)	(392,238,213,000)
Net cash used in financing activities	40	(620,099,653,165)	(304,136,885,581)
Net decreases in cash (50=20+30+40)	50	(5,514,763,448)	(473,898,168,249)
Cash and cash equivalents at the beginning of the year	60	75,835,597,431	549,777,216,585
Effects of changes in foreign exchange rates	61	7,574,710	(43,450,905)
Cash and cash equivalents at the end of the year (70=50+60+61)	70	70,328,408,693	75,835,597,431

Significant non-cash transactions for the year ended 31 December 2019 are presented in Note 42.

Tran Ngoc Hien
Preparer

Ho Buu Huan
Chief Accountant



Masashi Nakaura
General Director
23 March 2020



NOTES 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 “Parent 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 2019, 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 2019 was 2,872 (as at 31 December 2018: 3,054).

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 31 December 2019, 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	31.36%	31.36%

According to the Resolution of the Board of Directors No.003/2019/NQ.HĐQT dated 1 April 2019, the Board of Directors of the Company approved the plan to transfer its interest in Fuji Medic Limited Liability Company (“Fuji Medic”) or to liquidate 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.

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 2018.

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’ best knowledge, actual results may differ from those estimates.

Basis of consolidation

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

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

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

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

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



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 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 with a remaining maturity term exceeding 3 months from balance sheet date 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:

	Years
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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The 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' 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 2016 to the time of returning the premises or land.

Unearned revenue

Unearned revenue represents the fair value of goods and services provided to customers for free or at discount in the customer loyalty programs. Unearned revenue is recognized for the portion of obligation that the Group has not yet fulfilled to customers.

Revenue recognition

Revenue from the sale of goods is recognized when all five (5) following conditions are satisfied:

- (a) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits associated with the transaction will flow to the Group; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Revenue of a transaction involving the rendering of services is recognized when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several periods, revenue is recognized in each period by reference to the percentage of completion of the transaction at the balance sheet date of that period. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

- (a) the amount of revenue can be measured reliably;
- (b) it is probable that the economic benefits associated with the transaction will flow to the Group;
- (c) the percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- (d) the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate.

Dividend income from investments is recognized when the Group's right to receive payment has been established.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 the consolidated income statement.

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 consolidated income statement 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 consolidated income statement 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 applied 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The 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	11,739,260,444	27,969,606,758
Demand deposits	54,889,148,249	47,360,689,304
Cash equivalents (*)	3,700,000,000	505,301,369
	70,328,408,693	75,835,597,431

(*) 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 reporting date.

As at 31 December 2019, the Company mortgaged the cash deposit contract at Vietnam Prosperity Joint Stock Commercial Bank ("VPBank") with the amount of VND 20,000,000,000 to provide guarantee to customers who have borrowings at VPBank. Loan balance of customers guaranteed by the Company at the balance sheet date is as follows:

	Closing balance VND	Opening balance VND
Unsecured guarantee	5,883,260,249	-
Secured guarantee	691,567,932	-
	6,574,828,181	-

As at 31 December 2019, term deposits with maturity term of over 3 months of VND 140,000,000,000 were pledged as collaterals for the short-term loans from the banks (Note 22) (as at 31 December 2018: VND 296,200,000,000).

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	3,042,620,558	3,129,548,349
Share of losses	(272,755,733)	(86,927,791)
Adjustment for gain from prior years	160,126,027	-
Closing balance	2,929,990,852	3,042,620,558

Equity investments in other entities

	Closing balance		Opening balance	
	Cost VND	Provision VND	Cost VND	Provision VND
Equity investments in other entities	27,908,170,200	(2,715,367,409)	27,908,170,200	(5,730,861,763)

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 Joint Stock Company (renamed from Becamex Pharmaceutical Joint Stock Company)	4,286,800,000	4,286,800,000
TV.Pharm Pharmaceutical Joint Stock Company	2,575,315,200	2,575,315,200
Ninh Thuan Pharmaceutical & Medical Equipment Joint Stock Company	796,675,000	796,675,000
Tay Ninh Pharmaceutical Joint Stock Company	221,960,000	221,960,000
Cuu Long Pharmaceutical Joint Stock Company	27,420,000	27,420,000
	27,908,170,200	27,908,170,200

In accordance with Circular No. 200/2014/TT-BTC issued on 22 December 2014, the fair value of investment in subsidiaries, associates and other entities needs to be presented. However, the Circular does not provide guidance on determination of fair value of unquoted entities. Accordingly, as at 31 December 2019 and 31 December 2018, fair values of long-term investments in other entities were not determined by the Group as there is no quoted price in the market, except for the following companies which are public in the stock market exchanges :

	Fair value	
	Closing balance VND	Opening balance VND
Enlie Pharmaceutical Joint Stock Company	2,282,500,000	1,332,980,000
TV. Pharm Pharmaceutical Joint Stock Company	3,245,721,600	2,207,568,000
Cuu Long Pharmaceutical Joint Stock Company	197,568,000	65,973,600

The balance of provision as at 31 December 2019 and 31 December 2018 represents the provision for impairment of the investment in ATP Packaging Joint Stock Company.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

6. SHORT-TERM TRADE RECEIVABLES

	Closing balance VND	Opening balance VND
Receivables from third parties (*)	508,481,730,242	618,503,855,955
Receivables from related parties (Note 41)	1,619,576,532	-
	510,101,306,774	618,503,855,955

(*) As at 31 December 2019 and 31 December 2018, there was no single short-term trade receivables from third parties accounting for 10% or more of total trade accounts receivable.

7. OTHER SHORT-TERM RECEIVABLES

	Closing balance VND	Opening balance VND
Accruals of interest income	39,427,941,088	46,266,887,751
Receivables from employees	20,788,864,119	5,715,446,761
Other receivables	2,788,398,386	3,635,953,385
	63,005,203,593	55,618,287,897

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	150,144,912,078	(55,217,383,646)	94,927,528,432
	Opening balance		
	Cost VND	Provision VND	Recoverable amount VND
Total amount of receivables and loan receivables past due or not past due but impaired	205,852,717,492	(34,571,714,247)	171,281,003,245

As at 31 December 2019 and 31 December 2018, 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	34,571,714,247	21,712,831,939
Additional provision	20,645,669,399	12,865,960,026
Reversal of provision	-	(7,077,718)
Closing balance	55,217,383,646	34,571,714,247

9. INVENTORIES

	Closing balance		Opening balance	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	63,594,013,463	-	66,470,323,130	-
Raw materials	265,797,233,287	-	376,766,969,549	-
Work in progress	52,106,518,719	-	54,189,946,414	-
Finished goods	300,316,307,143	(1,091,103,288)	346,534,828,838	(814,326,232)
Merchandise	44,715,922,244	-	48,339,234,737	-
	726,529,994,856	(1,091,103,288)	892,301,302,668	(814,326,232)

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	814,326,232	2,456,156,179
Additional provision	276,777,056	-
Utilization of provisions	-	(1,320,277,628)
Reversal in the year	-	(321,552,319)
Closing balance	1,091,103,288	814,326,232

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

10. PREPAYMENTS

	Closing balance VND	Closing balance VND
a. Current		
- Prepayment related to operating lease	679,023,036	101,800,010
- Others	2,149,317,353	3,350,428,965
	2,828,340,389	3,452,228,975
b. Non-current		
- Prepaid land rental	10,022,421,258	10,367,868,894
- Tools and supplies	8,756,525,105	11,828,145,326
- Leasehold improvement	-	77,295,492
- Others	8,796,416,022	7,897,605,179
	27,575,362,385	30,170,914,891



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The 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	Refund during the year VND	Paid during the year VND	Closing balance VND
Value added tax for import goods	(3,713,591,537)	47,411,508,160	-	(43,698,198,905)	(282,282)
Import and export duties	(926,396,477)	11,960,291,097	(3,382,446,739)	(7,651,716,720)	(268,839)
Value added tax for domestic goods	13,499,506,643	65,049,577,896	-	(63,884,868,484)	14,664,216,055
Corporate income tax	(10,504,843,481)	83,855,680,646	(129,039,584)	(65,982,154,011)	7,239,643,570
Personal income tax	142,243,532	47,087,040,118	-	(38,362,739,463)	8,866,544,187
Land rental fee	(15,682,319)	5,551,884,990	-	(5,518,840,879)	17,361,792
Other taxes	-	728,039,322	-	(728,039,322)	-
	(1,518,763,639)	261,644,022,229	(3,511,486,323)	(225,826,557,784)	30,787,214,483
In which:					
Tax receivables	15,160,513,814				551,121
Tax payables	13,641,750,175				30,787,765,604

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	523,308,829,235	591,454,224,302	162,771,502,625	70,169,688,915	1,347,704,245,077
Additions	-	985,000,000	-	34,900,000	1,019,900,000
Transfer from construction in progress	4,387,764,915	28,733,020,749	4,842,452,274	2,784,324,310	40,747,562,248
Transfer from investment property	267,073,636	-	-	-	267,073,636
Disposals	(1,631,302,720)	(729,446,519)	(7,562,067,403)	(286,395,787)	(10,209,212,429)
Write off	-	-	-	(62,789,273)	(62,789,273)
Revaluation (*)	-	(2,865,342,228)	(524,639,283)	(65,856,170)	(3,455,837,681)
Closing balance	526,332,365,066	617,577,456,304	159,527,248,213	72,573,871,995	1,376,010,941,578
ACCUMULATED DEPRECIATION					
Opening balance	182,276,573,936	263,974,535,576	100,903,919,325	59,450,557,823	606,605,586,660
Charge for the year	29,010,129,476	46,034,199,555	10,978,604,803	3,639,475,855	89,662,409,689
Transfer from investment property	267,073,636	-	-	-	267,073,636
Disposals	(1,570,237,581)	(707,224,267)	(7,562,067,403)	(286,395,787)	(10,125,925,038)
Write off	-	-	-	(62,789,273)	(62,789,273)
Closing balance	209,983,539,467	309,301,510,864	104,320,456,725	62,740,848,618	686,346,355,674
NET BOOK VALUE					
Opening balance	341,032,255,299	327,479,688,726	61,867,583,300	10,719,131,092	741,098,658,417
Closing balance	316,348,825,599	308,275,945,440	55,206,791,488	9,833,023,377	689,664,585,904

(*) Cost of tangible fixed assets decreases during the year due to the revaluation of assets of Fuji Medic Co., Ltd. ("Fuji Medic") at market price in order to liquidate Fuji Medic. The market price is based on the asset disposal contract signed between Fuji Medic and Tay Do Song Hau Medical Co., Ltd.

As at 31 December 2019, the cost of tangible fixed assets included VND 232,330,033,046 (as at 31 December 2018: VND 206,527,246,637) of assets which were fully depreciated but are still in use.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The 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	95,158,560,046	157,471,235,263	16,448,031,205	269,077,826,514
Transfer to investment property	(2,431,128,400)	(17,072,889,750)	-	(19,504,018,150)
Reclassify	(1,560,000,000)	1,560,000,000	-	-
Disposals	(1,376,804,000)	-	-	(1,376,804,000)
Write-off	-	-	(278,510,400)	(278,510,400)
Closing balance	89,790,627,646	141,958,345,513	16,169,520,805	247,918,493,964
ACCUMULATED DEPRECIATION				
Opening balance	-	22,026,708,192	11,531,406,685	33,558,114,877
Charge for the year	-	3,153,725,586	2,366,585,916	5,520,311,502
Transfer to investment property	-	(1,554,698,176)	-	(1,554,698,176)
Write-off	-	-	(57,573,790)	(57,573,790)
Closing balance	-	23,625,735,602	13,840,418,811	37,466,154,413
NET BOOK VALUE				
Opening balance	95,158,560,046	135,444,527,071	4,916,624,520	235,519,711,637
Closing balance	89,790,627,646	118,332,609,911	2,329,101,994	210,452,339,551

As at 31 December 2019, the cost of intangible assets included VND 6,007,417,805 (as at 31 December 2018: VND 6,007,417,805) of assets which were fully amortized but are still in use.

15. INVESTMENT PROPERTIES

	Buildings VND
COST	
Opening balance	1,249,521,792
Transfer from intangible assets	19,504,018,150
Transfer to tangible fixed assets	(267,073,636)
Disposals	(3,181,509,487)
Closing balance	17,304,956,819
ACCUMULATED DEPRECIATION	
Opening balance	1,001,641,499
Charge for the year	220,672,312
Transfer from intangible assets	1,554,698,176
Transfer to tangible fixed assets	(267,073,636)
Disposals	(550,428,864)
Closing balance	1,959,509,487
NET BOOK VALUE	
Opening balance	247,880,293
Closing balance	15,345,447,332

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

Fair value of the Company's investment properties as at 31 December 2019 was VND 36,262,694,400, 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

16. CONSTRUCTION IN PROGRESS

	Closing balance VND	Opening balance VND
Construction of Branch DHG Pharmaceutical Plant at Hau Giang province	11,773,591,495	11,746,318,768
BUD product project	1,293,522,895	1,143,281,604
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	145,077,537
Raw materials for testing new machines	719,784,577	144,235,771
Construction of effervescent tablets plant - stage 2	-	83,100,000
REB product project	858,768,402	-
Renovating departments	1,141,681,818	-
GX Project	111,034,727	-
Other machineries	11,882,568,506	-
	28,927,855,544	14,087,991,804

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%.

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	15,665,540,764	15,665,540,764	5,470,145,212	5,470,145,212
Centrient Pharmaceuticals India Private Limited	13,322,405,000	13,322,405,000	-	-
Develing Trade BV	-	-	4,450,801,628	4,450,801,628
Dsm Sinochem Pharmaceuticals Spain S.A	7,205,946,000	7,205,946,000	20,246,688,000	20,246,688,000
Dsm Sinochem Pharmaceuticals India PVT Ltd	-	-	18,987,080,000	18,987,080,000
Roquette Freres	1,789,778,580	1,789,778,580	15,258,076,053	15,258,076,053
Others	82,333,644,801	82,333,644,801	81,337,685,214	81,337,685,214
	120,317,315,145	120,317,315,145	145,750,476,107	145,750,476,107

As at 31 December 2019 and 31 December 2018, 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	6,557,465,332	6,553,611,056
Marketing and customer care expenses	-	94,419,309
Interest payable	327,951,231	471,120,010
Other accruals	39,691,324,899	32,932,965,351
	46,576,741,462	40,052,115,726

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	578,813,579	638,977,697
Others	1,328,314,648	1,365,216,056
	1,907,128,227	2,004,193,753

22. SHORT-TERM LOANS

	Opening balance VND	Increases in year VND	Decreases in year VND	Closing balance VND
Loans from banks	557,901,327,419	1,916,023,391,699	2,209,257,867,364	264,666,851,754
	557,901,327,419	1,916,023,391,699	2,209,257,867,364	264,666,851,754

	Closing balance VND	Opening balance VND
Joint Stock Commercial Bank for Foreign Trade of Vietnam - Can Tho Branch	254,666,851,754	500,848,825,994
Sai Gon Thuong Tin Commercial Joint Stock Bank	-	30,000,000,000
Saigon Hanoi Commercial Joint Stock Bank	-	20,000,000,000
Military Commercial Joint Stock Bank	-	7,052,501,425
HSBC Bank (Vietnam) Ltd.	10,000,000,000	-
	264,666,851,754	557,901,327,419



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

22. SHORT-TERM LOANS (continued)

As at 31 December 2019, short-term loans from banks represent the loans from following banks:

- Loan 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 due on 16 May 2020. The duration for each withdrawal is from 3 to 4 months. These loans are secured by term deposits, as presented in Note 5.
- Loan from HSBC Bank (Vietnam) Ltd. with a maximum credit limit of VND 170,000,000,000. This facility can be drawn in Vietnam Dong or equivalent United States Dollar or Euro (“EUR”) or Hong Kong Dollar (“HKD”) and expired on 28 February 2020. This is an unsecured loan.

These loans bear interests at the rates ranging from 0.4% per month to 0.72% per month (as at 31 December 2018: from 0.23% per month to 0.69% per month).

23. BONUS AND WELFARE FUNDS

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

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

	Bonus and welfare fund VND	Bonus fund for Management VND	Welfare fund in form of assets VND	Total VND
Opening balance	17,760,519,100	7,983,652,438	17,615,709,836	43,359,881,374
Appropriation to the funds (Note 26)	65,108,903,082	6,000,000,000	-	71,108,903,082
Depreciation of assets formed from the funds	-	-	(2,656,199,626)	(2,656,199,626)
Utilization	(40,908,508,806)	(8,048,113,592)	-	(48,956,622,398)
Closing balance	41,960,913,376	5,935,538,846	14,959,510,210	62,855,962,432

24. LONG-TERM PROVISIONS

	Provision for dismantling and restoration cost VND	Severance allowance VND	Total VND
Opening balance	15,535,236,761	24,218,455,641	39,753,692,402
Additional provision for the year	3,954,284,426	5,046,511,242	9,000,795,668
Utilization of provisions	-	(811,475,291)	(811,475,291)
Closing balance	19,489,521,187	28,453,491,592	47,943,012,779

25. SCIENCE AND TECHNOLOGY DEVELOPMENT FUNDS

In accordance with Circular No. 12/2016/TTLT-BKHCHN-BTC dated 28 June 2016, enterprises are allowed to establish the science and technology development funds for research and development activities. Funds are utilized when 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	20,460,947,173
Depreciation of assets formed from the fund	(4,036,214,184)
Closing balance	16,424,732,989



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

26. SHAREHOLDERS' EQUITY

Movement in shareholders' equity

	Shareholders' contributed capital VND	Share premium VND	Investment and development fund VND	Retained earnings VND	Total VND
Prior year's opening balance	1,307,460,710,000	6,778,948,000	1,112,177,317,110	321,006,296,742	2,747,423,271,852
Profit for the year	-	-	-	653,029,446,317	653,029,446,317
Third dividend distribution for 2017	-	-	-	(65,373,035,500)	(65,373,035,500)
First interim dividends for 2018	-	-	-	(130,746,071,000)	(130,746,071,000)
Fund distribution	-	-	157,918,391,319	(157,918,391,319)	-
Appropriation to bonus fund for the Boards of Directors	-	-	-	(6,472,934,796)	(6,472,934,796)
Appropriation to bonus and welfare fund	-	-	-	(63,169,294,111)	(63,169,294,111)
Changes in interest after increasing investment in Song Hau Pharmaceutical One Member Limited Company	-	-	139,887,799	(103,356,911)	36,530,888
Current 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 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 closing balance	1,307,460,710,000	6,778,948,000	1,392,604,475,464	665,297,795,718	3,372,141,929,182

Charter capital

According to the amended Business Registration Certificate, the Parent Company's charter capital is VND 1,307,460,710,000. The value and number of shares of the Parent 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 outstanding	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 Parent Company. Ordinary shares are ranked equally with regard to the Parent Company's residual assets.

Dividends

According to Resolution of the Company's Annual General Meeting No. 001/2019/NQ.ĐHĐCĐ dated 11 June 2019, the shareholders of the Parent Company have approved payment of dividends from profit after tax of 2018 at 35% in cash, equivalent to VND 457,611,248,500.

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

Fund distribution

According to the Resolution of the Parent Company's Annual General Meeting No. 001/2019/NQ.ĐHĐCĐ dated 11 June 2019, the shareholders of the Parent Company approved distribution of bonus, welfare fund out of profit after tax of 2018 at the rate of 10%, equivalent to VND 65,108,903,082, remuneration for the Board of Directors, the Supervisory Board 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 2018 is appropriated to the Investment and Development Fund.

27. NON-CONTROLLING INTERESTS

	Current year VND	Prior year VND
Opening balance	9,534,195,581	11,671,141,968
Net loss attributable to non-controlling interests	(4,124,642,566)	(1,940,415,499)
Changes in interests due to transferring investments	-	(196,530,888)
Closing balance	5,409,553,015	9,534,195,581



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

28. OFF BALANCE SHEET ITEMS

Foreign currencies

Cash and cash equivalents included following foreign currencies:

	Closing balance	Opening balance
United States Dollar ("USD")	276,958	239,703
Euro ("EUR")	32,087	34,833
Japanese Yen ("JPY")	32,879	-

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	3,273,464,482,830	3,313,372,658,190
Functional foods	422,467,004,347	377,747,888,070
Others	200,822,342,047	191,007,663,451
	3,896,753,829,224	3,882,128,209,711
Cost of sales		
Pharmaceutical products	(1,739,045,341,277)	(1,808,366,453,817)
Functional foods	(267,881,193,257)	(210,378,841,770)
Others	(177,535,073,109)	(146,659,729,493)
	(2,184,461,607,643)	(2,165,405,025,080)
Gross profit		
Pharmaceutical products	1,534,419,141,553	1,505,006,204,373
Functional foods	154,585,811,090	167,369,046,300
Others	23,287,268,938	44,347,933,958
	1,712,292,221,581	1,716,723,184,631

30. NET REVENUE OF GOODS SOLD AND SERVICES RENDERED

	Current year VND	Prior year VND
Sales of goods and services		
Sales of finished goods	3,788,505,284,333	3,697,829,058,032
Sales of merchandise	619,260,064,265	704,779,329,679
Others	6,193,295,020	18,951,506,721
	4,413,958,643,618	4,421,559,894,432
Deductions		
Sales discount	511,544,456,173	532,732,767,227
Sales return	5,660,358,221	6,698,917,494
	517,204,814,394	539,431,684,721
Net revenue sales of goods and services		
<i>In which:</i>		
Sales of finished goods	3,275,187,421,488	3,171,187,626,750
Sales of merchandise	615,373,112,716	691,989,076,240
Others	6,193,295,020	18,951,506,721
	3,896,753,829,224	3,882,128,209,711

31. COST OF GOODS SOLD AND SERVICES RENDERED

	Current year VND	Prior year VND
Cost of finished goods sold	1,585,905,697,944	1,498,942,529,432
Cost of merchandise sold	594,174,991,925	663,209,443,293
Cost of leasing, disposal of investment property	4,104,140,718	3,574,604,674
Provision for devaluation of inventories	276,777,056	(321,552,319)
	2,184,461,607,643	2,165,405,025,080

32. OPERATING COSTS BY NATURE

	Current year VND	Prior year VND
Raw materials and consumables	1,926,821,900,103	1,982,456,539,598
Staff costs	851,669,219,473	852,365,897,180
Depreciation and amortization	87,974,994,516	87,857,894,079
Out-sourced services	195,153,522,073	188,939,360,980
Other expenses	252,294,636,498	268,524,705,325
	3,313,914,272,663	3,380,144,397,162



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

33. FINANCIAL INCOME

	Current year VND	Prior year VND
Dividends and profits earned	768,004,044	323,341,080
Interest income	118,241,803,871	104,266,241,086
Foreign exchange gain	3,464,877,012	3,195,444,790
Others	13,130,988	-
	122,487,815,915	107,785,026,956

34. FINANCIAL EXPENSES

	Current year VND	Prior year VND
Settlement discount	73,484,194,144	70,935,042,222
Interest expense	22,715,202,068	28,523,706,808
Foreign exchange losses	5,596,686,129	7,251,272,759
Provision for impairment of investments	(3,015,494,354)	(10,769,138,237)
Other financial expenses	78,424,620	113,108,941
	98,859,012,607	96,053,992,493

35. SELLING, GENERAL AND ADMINISTRATION EXPENSES

	Current year VND	Prior year VND
a. Selling expenses		
- Advertising expenses	115,787,256,759	131,526,936,415
- Staff costs	348,720,686,022	376,492,304,101
- Others	222,537,279,213	216,865,719,132
	687,045,221,994	724,884,959,648
b. General and administration expenses		
- Staff costs	232,893,323,189	202,608,495,908
- Others	100,936,585,577	83,028,736,703
	333,829,908,766	285,637,232,611

36. OTHER INCOME

	Current year VND	Prior year VND
Gain from disposals of fixed assets	7,064,948,649	6,980,017,626
Income from transferring product manufacturing technology	-	1,295,959,553
Others	8,518,178,719	9,933,869,086
	15,583,127,368	18,209,846,265

37. OTHER EXPENSES

	Current year VND	Prior year VND
Losses due to fair value revaluation of liquidating assets of Fuji Medic	3,455,837,681	-
Severance allowances	5,622,651,750	-
Write off of intangible assets	220,936,610	-
Others	8,021,869,846	4,272,517,757
	17,321,295,887	4,272,517,757

38. CURRENT CORPORATE INCOME TAX EXPENSE

	Current year VND	Prior year VND
Profit before tax	713,195,095,904	731,782,427,552
Tax calculated at a normal rate of 20%	142,639,019,181	146,356,485,510
Adjustments for:		
Non-assessable income	(153,600,809)	(64,688,566)
Non-deductible expenses	12,086,783,085	3,660,197,703
Deferred income tax asset of provision	1,683,527,578	855,293,179
Under provision of tax in prior year	-	20,203,562
Tax incentive	(71,504,817,230)	(100,873,547,384)
Adjustments for consolidation	(895,231,159)	(11,873,632,807)
Corporate income tax before applying the market profit margin on related party transactions	83,855,680,646	38,080,311,197
Increase in corporate income tax by applying the market profit margin on related party transactions	-	17,252,339,090
Corporate income tax expense	83,855,680,646	55,332,650,287



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

	Current year VND	Prior year VND
Deferred corporate tax income/(expense)	1,946,486,540	(1,175,081,582)
Change of eliminated entries of fixed assets	(22,448,250)	(8,237,274)
Change of eliminated entries of inventories, merger of subsidiaries	-	(24,177,427,591)
	1,924,038,290	(25,360,746,447)

The corporate income tax expense for the year is estimated based on taxable income and is subject to adjustments upon review of the tax authorities.

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 remaining subsidiary in the Group is obliged to pay corporate income tax at the normal rate of 20% of taxable income.

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 (Restated) VND
Accounting profit after corporate income tax (VND)	635,388,096,114	653,029,446,317
Appropriation to fund (*)	(25,061,642,883)	(71,108,903,082)
Profit attributable to ordinary shareholders (VND)	610,326,453,231	581,920,543,235
Weighted average ordinary shares outstanding (share)	130,746,071	130,746,071
Basic earnings per share (VND/share)	4,668	4,451

(*) Bonus and welfare fund appropriation for the year ended 31 December 2019 is estimated based on the planned rate of appropriation of 3% in accordance with Resolution of the Company's Annual Meeting No. 001/2019/NQ-DHĐCĐ dated 11 June 2019.

The amounts for bonus and welfare funds and remuneration for the Board of Directors, Supervisory Board and subcommittees under the Board of Directors, secretary of the Board of Directors for 2018 is redetermined according to the actual amount approved in Parent Company's Annual General Meeting held on 11 June 2019. Accordingly, the prior year basic earnings per share is restated at VND 4,451/share (the previously reported amount was VND 4,445/share).

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	5,323,267,288	5,466,649,543

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	104,737,053,537	110,234,387,865
	131,847,195,427	137,344,529,755

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	1,298,265,181	6,412,563,066
Approved and contracted but not implemented	4,898,999,936	4,763,046,095
	6,197,265,117	11,175,609,161



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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
Taisho Pharmaceutical Co., Ltd. ("Taisho")	Major shareholder
The State Capital Investment Corporation ("SCIC")	Major shareholder
Hoe Pharmaceuticals Sdn Bhd	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		
Hoe Pharmaceuticals Sdn Bhd	3,356,406,686	-
Purchases of goods and services		
Vinh Hao Algae Processing Joint Stock Company	2,633,183,600	650,406,800
Support for products development received		
Taisho Pharmaceutical Co., Ltd.	1,026,346,453	-
Dividends paid		
SCIC	141,565,592,500	169,878,711,000
Taisho Pharmaceutical Co., Ltd.	124,870,698,000	96,518,288,000
The Management' Remuneration		
Salaries and other benefits	22,310,288,363	21,158,862,663

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

	Closing balance VND	Opening balance VND
Trade receivables		
Hoe Pharmaceuticals Sdn Bhd	1,619,576,532	-

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	193,477,782,318	227,560,620,226
Transfer from construction in progress to tangible fixed assets	40,747,562,248	37,785,438,197
Transfer from construction in progress to intangible assets	-	786,031,200
Transfer from construction in progress to prepayments	244,300,000	2,283,909,837
Accrued interest expense	327,951,231	471,120,010
Interest and dividends earned but not yet been received	39,427,941,088	46,266,887,751

b. Proceeds from borrowings

	Current year VND	Prior year VND
Proceeds from borrowings under normal contracts	1,916,023,391,699	2,851,557,133,423

c. Repayment of borrowings

	Current year VND	Prior year VND
Repayment of borrowings under normal contracts	2,209,257,867,364	2,763,455,806,004

Tran Ngoc Hien
Preparer

Ho Bui Huan
Chief Accountant



Masashi Nakaura
General Director
23 March 2020

AUDITED FINANCIAL STATEMENTS IN 2019

Shareholders, please refer to this link:

<https://www.dhgpharma.com.vn/en/investor-relations-2/financial-report-2/2581-information-disclosure-of-audited-financial-statements-in-2019-and-explanation-of-changes>

DISTRIBUTION SITES



STT	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	Can Tho	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 str., Hai Tan Ward, Hai Duong City, Hai Duong	0220. 3550 079	0220. 3550 039

STT	Name	Address	Tel	Fax
16	Nam Dinh	123 – 125 Truong Han Sieu str., Hoa Vuong urban area, Nam Dinh City, Nam Dinh	0228 3677 301	0228 3682 347
17	Thai Binh	Lot 243 m2 Group 34, Tran Lam Ward, Thai Binh City, Thai Binh	0227. 3847 231	0227. 3641 433
18	Bac Ninh	39 Ly Dao Thanh str., Ninh Xa Ward, Bac Ninh City, Bac Ninh	0222. 3812 281	0222. 3812 281
19	Vinh Phuc	189 Phan Chu Trinh str., Khai Quang Ward, Vinh Yen City, Vinh Phuc	0211. 3860 088	0211. 3721 052
20	Ninh Binh	Resettlement zone of Electric factory, Trung Son str., Bich Dao Ward, Ninh Binh City, Ninh Binh	0229. 3896 772	0229. 3899 884
21	Thai Nguyen	91 - 93 Nguyen Thai Hoc str., Tuc Duyen Ward, Thai Nguyen City	0208. 3652 299	0208. 3652 209
22	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
23	Nghe An	No. 06, 146B Hamlet, Nguyen Sy Sach str., Hung Phuc Ward, Vinh City, Nghe An	0238. 3843 015	0238. 3523 363
24	Hue	153A Pham Van Dong str., Vy Da Ward, Hue City, Thua Thien Hue	0234. 3813 479	0234. 3816 084
25	Da Nang	36-38 Trinh Dinh Thao str., Khue Trung Ward, Cam Le District, Da Nang	0236. 2242 406	0236. 6257 008
26	Quang Ngai	09 Le Thanh Ton str., Nghia Chanh Ward, Quang Ngai City, Quang Ngai	0255. 3823 266	0255. 3831 357
27	Binh Dinh	Lot 1, Street 3, Bac Song Ha Thanh Area, Quy Nhon City, Binh Dinh	0256. 3793 768	0256. 3791 768
28	Gia Lai	179B CMT8 str., Group 10, Hoa Lu Ward, Pleiku City, Gia Lai	0269. 3887 071	0269. 3887 080
29	Dak Lak	23A Cong Quynh str., Tan An Ward, Buon Ma Thuot City, DakLak	0262. 3851 175	0262. 3843 084
30	Nha Trang	10A Me Linh str., Phuoc Tien Ward, Nha Trang City, Khanh Hoa	0258. 3513 137	0258. 3513 217
31	Binh Thuan	103 Phu Khanh Hamlet, Ham Thuan Nam Village, Binh Thuan	0252. 222 0 879	0252. 3898 050
32	Dong Nai	73 - 78 Group 7, Vo Thi Sau str., Thong Nhat Ward, Bien Hoa City, Dong Nai	0251. 3825 167	0251. 3819 161
33	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
34	Vung Tau	60 Nguyen Manh Ky str., Long Toan Ward, Ba Ria Town, Ba Ria - Vung Tau	0254. 3741 888	0254. 3741 968
35	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



DHG PHARMA

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