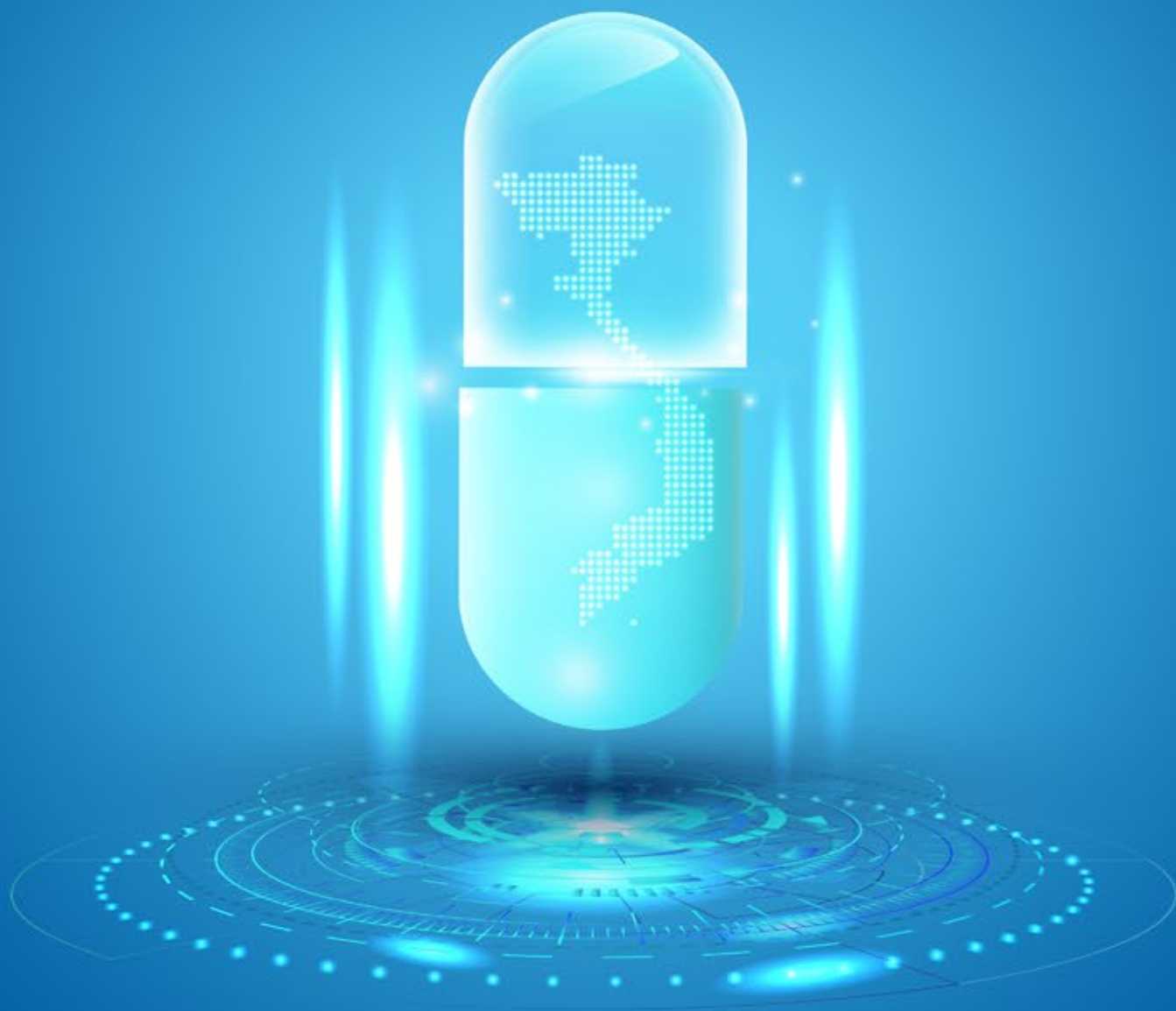


**DHG PHARMA**  
*For a more beautiful and healthier life*



**MISSION OF VIETNAMESE MEDICINE**  
**PROUDLY PAIRING INTERNATIONAL QUALITY STANDARDS**

**2021 ANNUAL REPORT**

## LIST OF ABBREVIATIONS

<b>AC</b>	Audit Committee
<b>AGM</b>	Annual General Meeting
<b>API</b>	Active Pharmaceutical Ingredient
<b>BOD</b>	Board of Directors
<b>BOM</b>	Board of Management
<b>COSO</b>	Committee of Sponsoring Organizations of the Treadway Commission
<b>DHG Pharma</b>	DHG Pharmaceutical Joint Stock Company
<b>FOL</b>	Foreign Ownership Limit
<b>GDP</b>	Gross Domestic Product
<b>GDP (*)</b>	Good Distribution Practice
<b>GLP</b>	Good Laboratory Practice
<b>GMP</b>	Good Manufacturing Practice
<b>GMS</b>	General Meeting of Shareholders
<b>GPP</b>	Good Pharmacy Practice
<b>GSP</b>	Good Storage Practice
<b>HOSE</b>	Ho Chi Minh Stock Exchange
<b>IA</b>	Internal Audit
<b>IC</b>	Internal Control

<b>IQVIA</b>	IQVIA Institute (formerly known as IMS Health and Quintiles)
<b>IR</b>	Investor Relations
<b>JSC</b>	Joint Stock Company
<b>J-SOX</b>	Sarbanes-Oxley Act - Japan
<b>KPI</b>	Key Performance Indicators
<b>M&amp;A</b>	Mergers and Acquisitions
<b>OTC</b>	Over-the-counter drugs (Non-prescription drugs)
<b>P/B</b>	Price-to-Book ratio
<b>P/E</b>	Price-to-Earnings ratio
<b>PAT</b>	Profit after tax
<b>PIC/S</b>	Pharmaceutical Inspection Co-operation Scheme
<b>QC</b>	Quality Control
<b>R&amp;D</b>	Research and Development
<b>RM</b>	Risk Management
<b>ROA</b>	Return On Assets
<b>ROE</b>	Return On Equity
<b>ROS</b>	Return On Sales
<b>VND</b>	Vietnamese Dong
<b>WHO</b>	World Health Organization



## THEME OF THE ANNUAL REPORT DHG PHARMA 2021

With non-stop efforts on the 47-year journey of development, steadfast in its strategy of becoming **"the largest generic pharmaceutical enterprise in Vietnam"**, DHG Pharma has been gradually expanding its position in the international market, upgrading "Made in Vietnam" products to a new level when reaching out to global consumers.

Each product is a commitment on quality, production technology, reputation of a leading pharmaceutical brand in the industry, and above all for the health of the community in all regions of the country. That is the value DHG Pharma cultivates every day on the journey of realizing its aspiration.

**"Mission of Vietnamese Medicine - Proudly Pairing International Quality Standards".**

## OVERVIEW OF THE COMPANY

The Company's name in Vietnamese	: Công ty Cổ phần Dược Hậu Giang
The Company's name in English	: DHG Pharmaceutical Joint Stock Company
Abbreviation	: DHG Pharma
Ticker symbol	: <b>DHG</b> (listed on HOSE)
Headquarters	: 288 Bis Nguyen Van Cu, An Hoa Ward, Ninh Kieu District, Cantho City
Owner's equity (As at 31 Dec 2021)	: VND 3,793,143,627,133
Charter capital (As at 31 Dec 2021)	: 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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## MESSAGE FROM THE CHAIRWOMAN

“ Opportunities will be available to businesses who have built a solid foundation, strong internal resources and a clear strategy, and who constantly work on innovations to flexibly adapt to the new market context.

Dear our valued shareholders, partners,  
customers and employees!



Net sales in 2021  
(Unit: VND billion)

# 4,003

achieving 100.8% of our plan,  
equivalent to a year-on-year  
increase of 6.6%



Profit in 2021  
(Unit: VND billion)

# 864

Achieving 105.3% of our plan,  
equivalent to a year-on-year  
increase of 5.2%

The year 2021 has passed with strong impacts on the global economy from the Covid-19 pandemic, directly hitting the manufacturing industry when disrupting the supply chain, leading to large-scale social transformations as well as affecting operations of business organizations. The pandemic has rendered many businesses no longer able to withstand the impact and leave the market. However, it also served as an accelerant for each business to restructure its own management model and improve its resilience to adapt and thrive in the new normal.

### Ladies and Gentlemen!

In 2021, across the pharmaceutical Industry, revenues somewhat reduced. According to IQVIA's report for Q3/2021, Vietnam's pharmaceutical market only grew by 3% year-on-year. More than 50% of listed pharmaceutical companies did not record growth compared to 2020. On the stock exchange, the value of healthcare stocks, including pharmaceuticals and hospitals, increased by 25% compared to that at the beginning of 2021, 9% lower than VN-Index gains. In particular, pharmaceutical stocks increased by only 19%.

In our 47-year journey of serving the community with a mission **"For a more beautiful and healthier life"**, DHG Pharma has grown strongly despite lots of market challenges while also gradually sealing its industry-leading position and expanding its business in the international market. In 2021, the pharmaceutical industry in general and DHG Pharma in particular faced challenging issues, including disruptions in manufacturing and supply chains or reduced hospital-based healthcare demand given social distancing measures, etc., yet, DHG Pharma had a strong year eventually and achieved remarkable business results.

With such positive outcomes, DHG Pharma maintained our leading position in terms of sales and profit for 25 consecutive years and stayed in the Top 10 Pharmaceutical Companies with the largest market share in the pharmaceutical industry in Vietnam (according to the IQVIA's statistics for the third quarter of 2021. This is also a testament to DHG Pharma's flexible adaptability by adopting the **"3 on-site: stay-at-the-workplace"** campaign: a combined measure for social isolation and manufacturing to keep all production and business activities active and running in response to social distancing requirements, maintain our supply chain, and distribute our products to consumers in a fastest and timely fashion. Also, DHG Pharma's success is also attributable to our risk management and readiness to act, in the context of digital transformation when the Company advocated to optimize available technologies and continuous innovations in all production and business activities to drive further breakthrough developments.



In addition to our effective production and business activities to win customer trust with Japan - GMP products, DHG Pharma also consistently demonstrated our strong commitments to local communities through a series of humanitarian programs, with a far-reaching effect on wider audiences. In 2021, the Company allocated over VND 19 billion to support communities addressing the pandemic consequences and implement other social security activities across the country.

In 2022, there remains potential market challenges and it would not be easy to achieve our spectacular goals. Yet, with a strong determination and dedication of a pharmaceutical company, and by unleashing potential capabilities and energy of every individual at DHG Pharma, we are confident to deliver more ambitious plans and stand more ready for our journey ahead.

We are always appreciative of and grateful for your trust on and companion with DHG Pharma during these challenging times. I wish you the best of health and success.

Best regards,

**Dang Thi Thu Ha**  
Chairwoman of the Board of Directors



01

OVERVIEW OF DHG PHARMA

# BRAND MARK STABLE FOUNDATION

10	Vision - Mission - Core Values
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## VISION

FOR A MORE

# BEAUTIFUL & HEALTHIER LIFE

## MISSION

DHG Pharma always provides high-quality products and services to satisfy the aspiration for a more beautiful and healthier life.



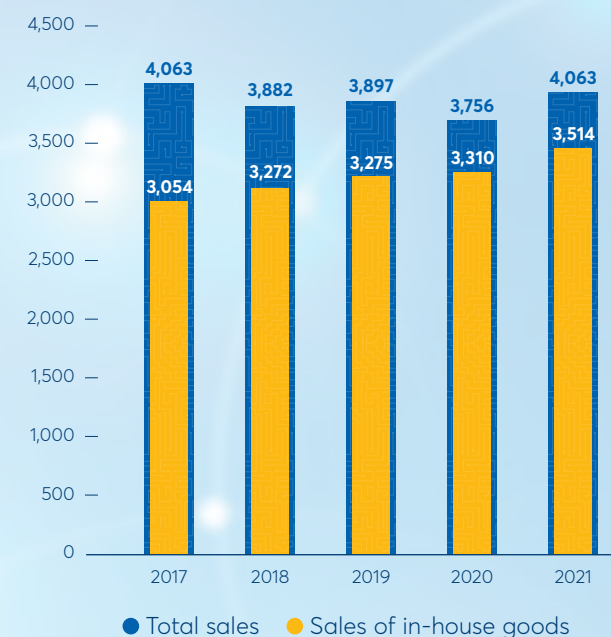
Indicators	Unit	2017	2018	2019	2020	2021
<b>Income statement</b>						
Net sales	VND Billion	4,063	3,882	3,897	3,756	<b>4,003</b>
Gross profit	VND Billion	1,783	1,717	1,712	1,811	<b>1,921</b>
Profit before tax	VND Billion	719	732	713	821	<b>864</b>
Profit after tax	VND Billion	642	651	631	739	<b>776</b>
<b>Balance sheet</b>						
Total assets	VND Billion	4,087	4,206	4,147	4,448	<b>4,618</b>
Current assets	VND Billion	2,939	3,148	3,134	3,481	<b>3,727</b>
Non-currents assets	VND Billion	1,148	1,058	1,013	967	<b>890</b>
Liabilities	VND Billion	1,328	1,062	769	879	<b>825</b>
Owner's equity	VND Billion	2,759	3,144	3,378	3,568	<b>3,793</b>
Charter capital	VND Billion	1,307	1,307	1,307	1,307	<b>1,307</b>
<b>Cash flow</b>						
Net cash inflows from operating activities	VND Billion	460	291	838	826	<b>452</b>
Net cash outflows from investing activities	VND Billion	-192	-461	-224	-248	<b>46</b>
Net cash outflows from financing activities	VND Billion	-322	-304	-620	-575	<b>-528</b>
Net (decrease)/increase in cash and cash equivalents	VND Billion	-53	-474	-6	3	<b>-30</b>
Cash and cash equivalent at the beginning of the period	VND Billion	603	550	76	70	<b>73</b>
Cash and cash equivalent at the end of the period	VND Billion	550	76	70	73	<b>43</b>
<b>Basic financial ratios</b>						
Gross Profit Margin	%	43.9%	44.2%	43.9%	48.2%	<b>48.0%</b>
Pre-tax profit margin	%	17.7%	18.9%	18.3%	21.9%	<b>21.6%</b>
ROS	%	15.8%	16.8%	16.2%	19.7%	<b>19.4%</b>
ROA	%	16.0%	15.7%	15.1%	17.2%	<b>17.1%</b>
ROE	%	22.8%	22.1%	19.4%	21.3%	<b>21.1%</b>
<b>Shares information</b>						
Market price at the end of the year	VND/share	113,350	79,000	91,500	104,000	<b>113,000</b>
Basic earnings per share	VND/share	4,378	4,445	4,668	5,443	<b>5,720</b>
Dividend	VND/share	3,000	3,500	4,000	4,000	<b>3,500</b>

## SALES

(Unit: VND billion)

4,003

NET SALES



## PROFIT

(Unit: VND billion)

864

PROFIT BEFORE TAX

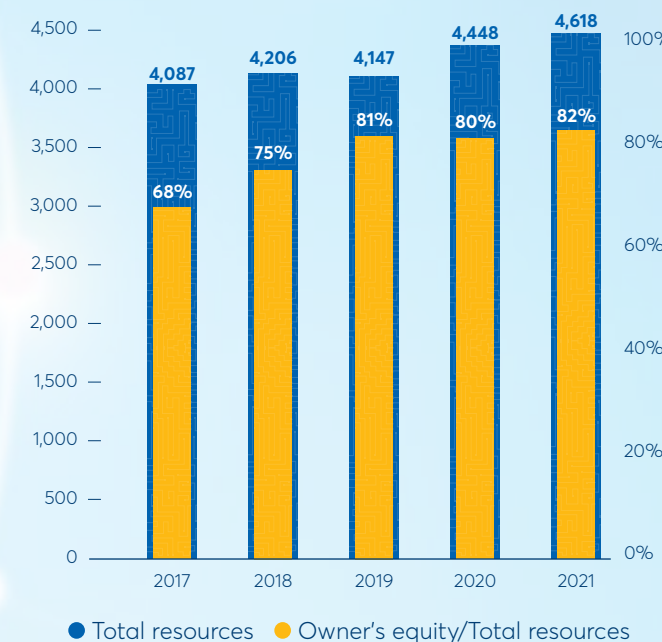


## TOTAL RESOURCES AND OWNER'S EQUITY

(Unit: VND billion)

3,793

OWNER'S EQUITY

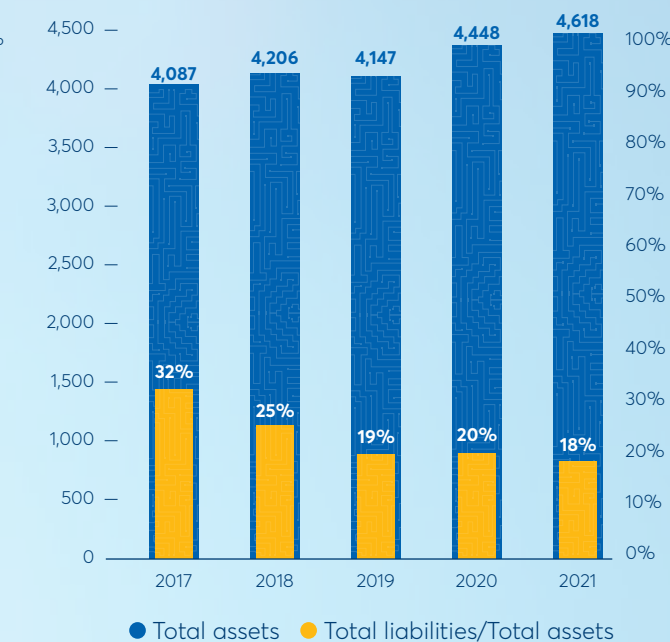


## TOTAL ASSETS AND TOTAL LIABILITIES

(Unit: VND billion)

4,618

TOTAL ASSETS





09 CONSECUTIVE YEARS



TOP 50

VIETNAM'S BEST LISTED COMPANIES

voted by Forbes Vietnam

06 CONSECUTIVE YEARS

TOP 10

PRESTIGIOUS PHARMACEUTICAL COMPANIES

voted by Vietnam Report



10 CONSECUTIVE YEARS  
TOP 50  
VIETNAM'S BEST PERFORMING COMPANIES

organized and voted by  
Vietnam Investment Review Magazine



13 CONSECUTIVE YEARS  
TOP 10

ANNUAL REPORTS  
(Midcap group in 2020 and 2021)

TOP 100

SUSTAINABLE ENTERPRISES  
IN VIETNAM

voted by Vietnam Chamber of Commerce  
and Industry (VCCI)



25 CONSECUTIVE YEARS  
VIETNAMESE  
HIGH-QUALITY GOODS

voted by consumers



03 CONSECUTIVE YEARS  
1<sup>ST</sup>

BEST CORPORATE GOVERNANCE  
REPORT

(Midcap group in 2020 and 2021)

TOP 50

VIETNAMESE ENTERPRISES  
ATTRACTIVE EMPLOYER  
BRANDS

announced by Alphabe

# DHG HISTORICAL MILESTONES

1974

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

2004

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

2009

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

2010

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

2006

DHG Pharma's stocks were listed on HOSE.

2007

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

2008

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

2011

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

2012

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

2013

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

2014

Celebrated 40<sup>th</sup> years of establishing DHG Pharmaceutical Joint Stock Company and 10 years of equitization.

2015

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

2016

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

2017

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

2018

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

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

2019

Marked the 45<sup>th</sup> historical milestone and the first year to become a member of Multinational Pharmaceutical Companies when Taisho has officially owned 51.01% of the Company's capital

2020

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

2021

Marking the decade of innovation, DHG Pharma constantly strives to overcome the pandemic to provide consumers with quality products of international standards.

## SALES

**4,003**  
(Unit: VND billion)

reaching 100.8% of the annual plan, up 6.6% over the same period

## PROFIT

**864**  
(Unit: VND billion)

reaching 105.3% of the annual plan, up 5.2% over the same period

CONTINUE TO MAINTAIN

**TOP 10**

PHARMACEUTICAL ENTERPRISES WITH  
THE LARGEST MARKET SHARE  
IN VIETNAM'S PHARMACEUTICAL INDUSTRY

(according to IQVIA Quarter 3/2021)

## STEADFASTLY OVERCOMING THE PANDEMIC

In 2021, the pharmaceutical industry faced tremendous difficulties including production interruptions, supply chain disruptions, narrowing of hospital channel demand due to social distancing measures. Confidently encountering these challenges, DHG Pharma accomplished impressive business results thanks to its assurance of raw material reserves, stable supply chains, transportation and production activities with the support of its effective information systems. This result enables DHG Pharma to retain its leading position in terms of revenue and profit for 25 consecutive years and continue to hold the position of Top 10 pharmaceutical enterprises with the largest market share in Vietnam's pharmaceutical industry (according to statistics of the Vietnam Pharmaceutical Industry Association, IQVIA Quarter 3/2021).

## WINNING CUSTOMERS' COMPLETE TRUST WITH JAPAN-GMP PRODUCTS

Japan-GMP is the symbol of high quality Japanese medicine, directly certified by the Japan Pharmaceutical and Medical Devices Agency (PMDA). This standard includes strict requirements on standards of raw materials, quality assurance and product preservation during production and shipment, quality system management in accordance with ICH Q10 standards, proper storage and transportation of finished products. Proudly passing these high-standard tests, DHG Pharma now has around 100 products manufactured on 2 production lines of tablets and film-coated tablets that meet this Japan-GMP.

With these two production lines, nearly 300 technicians of DHG Pharma currently are operating 32 professional machinery and equipment, meeting Japan-GMP standard. With the support of Japanese experts from Taisho all employees are seriously trained to improve their skills, qualification and compliance to meet the requirements of production processes in accordance with international standards.

Hence, any of DHG Pharma tablets produced on these 2 lines is strictly controlled with respect to all factors related to quality in the production process from receiving raw materials to finished products in accordance with international standards, aiming to bring the best quality to our users.



## "THREE-ON-SITE" CAMPAIGN AT DHG PHARMA

In the context of the pandemic spreading throughout Vietnam's cities and provinces, which seriously affected people's lives, health and safety, increasingly strict epidemic prevention regulations were issued in both Can Tho City and Hau Giang Province. In response to the scenario, the Board of Management and Executive Committee of the Trade Union of DHG Pharma agreed to implement the three-on-site solution - **"quarantine and production in the same spot"** with the message "21 days for safety and development of DHG Pharma".

With the strong determination to ensure production and business, firmly maintain the supply chain, distribute pharmaceutical products to consumers during the epidemic, protect employees' health and retain their income, DHG Pharma has conquered all seemingly insurmountable difficulties in implementing the three-on-the-spot campaign. This continues to enable DHG Pharma to leave the mark of an enterprise imprinted with a strong aspiration for **Promoting values and Connecting the future.**

## CONNECTING AND EXTENDING THE NATIONWIDE JOURNEY TO PREVENT COVID-19 PANDEMIC

It can be said that, from 2020 to now, the world as well as Vietnam have made constant effort to cope with the Covid-19 pandemic. In the face of difficulties caused by the Covid-19 pandemic, DHG Pharma's "Sharing love" journey has been increasingly extended with meaningful activities. The total value of contributions to the community through these activities in 2021 was over VND 19 billion.

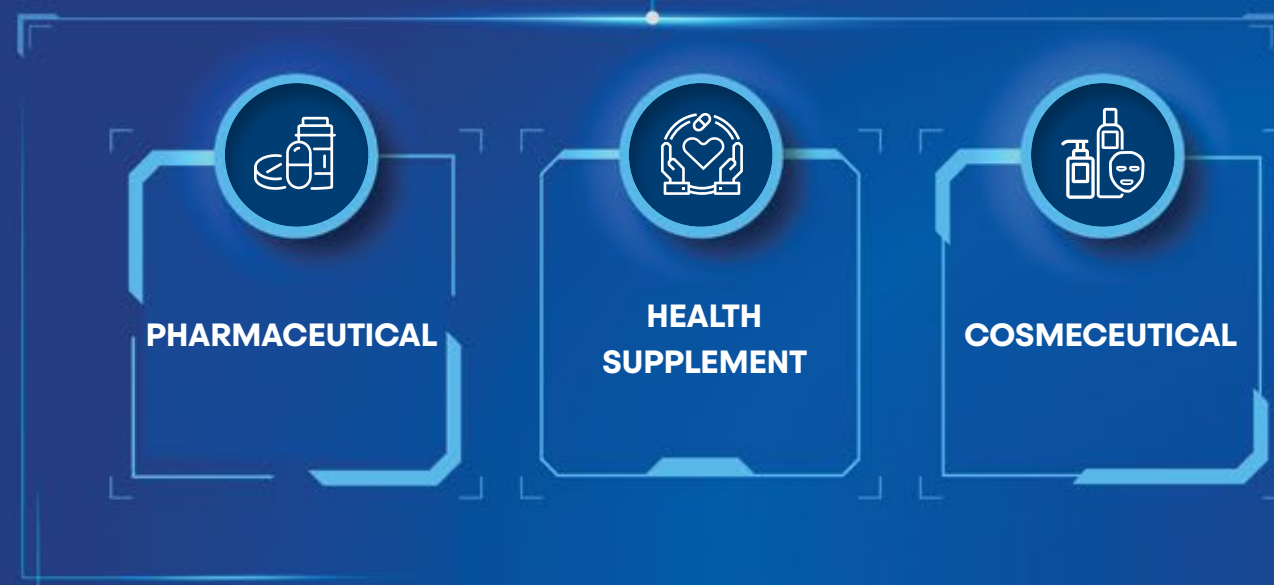
- As soon as Covid-19 began to spread in the country, DHG Pharma sponsored a wide range of anti-epidemic products such as Bioskin antibacterial hand sanitizer gel, Bocalex Multi resistance-boosting vitamin effervescent tablets, etc. to more than 30 provinces in the whole country.
- When the 4<sup>th</sup> pandemic outbreak occurred in April 2021 which quickly became the fastest and most widespread one in Vietnam, the Government established a Covid-19 vaccine fund, serving the needs of purchasing, importing, researching, producing and using Covid-19 vaccine. Responding to the Government's call, DHG Pharma swiftly contributed VND 2 billion to the Ministry of Health for vaccine purchase to combat Covid-19.
- Continuing to join hands in the nationwide journey in fighting the pandemic, DHG Pharma continued to contribute VND 2 billion to Can Tho City. In particular, DHG Pharma's employees volunteered to donate one day's salary to contribute VND 1 billion to the vaccine fund, and VND 1 billion to sponsor 5,000 Covid-19 rapid test kits for the Center for Disease Control of Can Tho City.





# DHG BUSINESS LINES AND MARKET REGIONS

The core business line of DHG Pharma is to manufacture and trade



Several other business lines are as below

- Printing and services related to printing;
- Produce, trading, import and export of packaging;
- Trading, import and export of raw materials, medical equipment;
- Technology transfer and technology transfer services; Product research and development services;
- Manufacture of soft drinks, mineral water;
- Wholesales and retails of bottled water;
- Testing services for raw materials, packaging, finished pharmaceutical products, dietary supplements.

## BUSINESS LINES

Pharmaceutical contributes

**82%**  
OF THE TOTAL SALES

Other business lines contribute

**5%**  
OF THE TOTAL SALES

Health supplement and cosmeceutical contribute

**13%**  
OF THE TOTAL SALES

As of 31 Dec 2021, DHG Pharma owned more than **300** visa numbers. In which, nearly **100** products were manufactured on the tablet production line and the film-coated tablet production line meeting **Japan-GMP** and **43** products meeting bioequivalent.



## MARKET REGION

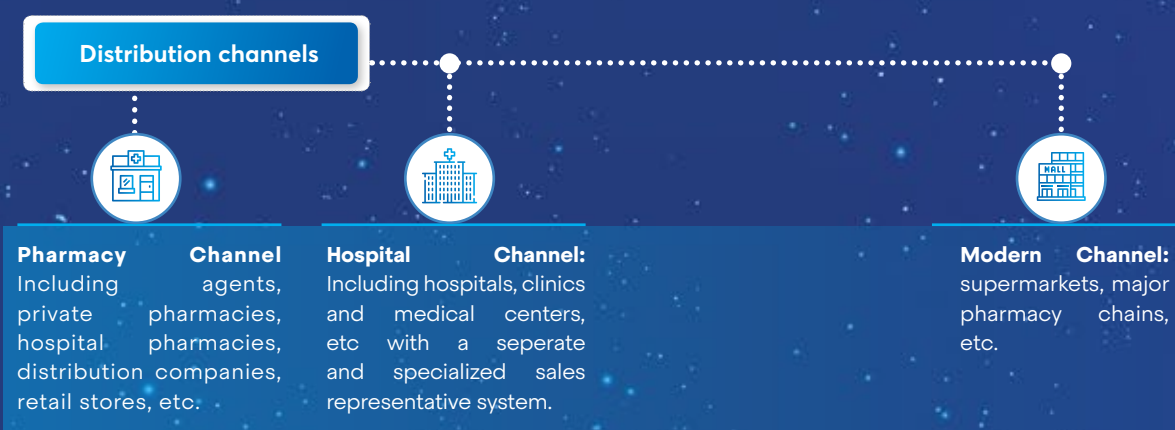
### DOMESTIC MARKET

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

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

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

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



- List of 34 distribution branches of DHG Pharma: Please refer to page 186 for more information.

DOMESTIC SALES IN 2021 - **3,348** Contributed **84%** OF THE TOTAL SALES

### EXPORT MARKET

In 2021, DHG Pharma has strong growth markets for vitamin C and Hapacol despite the Covid-19 situation. Also this year, DHG Pharma develops 3 more countries in the CIS (Commonwealth of Independent States) region. Accordingly, DHG Pharma has distributed its products to 16 countries with typical export markets such as Singapore, Cambodia, Laos, Myanmar, Moldova, Mongolia, Nigeria, Indonesia, Malaysia, Russia, etc with approximately 157 registered visa numbers.

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

Sales in 2021 **86** VND billion

Contributed **2%** of the total sales

**34** DISTRIBUTION BRANCHES nationwide

Export to **16** COUNTRIES



## DHG PHARMA

### DHG PHARMACEUTICAL JOINT-STOCK COMPANY



- MAJOR CHANGES OF THE COMPANY IN 2021: NONE

### DETAILED INFORMATION OF THE SUBSIDIARY



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

#### FUJI MEDIC CO., LTD (Fuji Medic)

Official operation date: 27 Jul 2016

Headquarters: Cantho City

Charter capital: VND 26.946 billion

Business lines: Polyclinic and dental clinic

DHG Pharma's equity: 51%

*Note: Fuji Medic has been no longer in operation since Apr 2019. Fuji Medic's assets were liquidated in 2Q/2021. Legal procedures are being completed to liquidate Fuji Medic.*



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



## TAISHO PHARMACEUTICAL CO., LTD.

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

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

## 大正製薬

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

Ownership ratio at DHG Pharma:



Taisho is currently one of the companies having largest OTC market share in Japan, accounting for 12% of the OTC market share with outstanding products such as Lipovitan, Biofermin, Pabron, etc. With the strategy of expanding its business in countries around ASEAN and East Asia, Taisho increased its ownership in DHG Pharma to 51.01% on 17 May 2019.

## CORE OPERATIONS



## DETAILED INFORMATION OF THE PARENT COMPANY

### NETWORK OF TAISHO GROUP

#### JAPAN

- Tokyo** Taisho Pharmaceutical Co., Ltd  
Research, development, manufacture and sales of OTC drugs, quasi-drugs, foods, prescription pharmaceuticals and other products
- Tokyo** Taisho Pharma Co., Ltd  
Promotion of prescription pharmaceuticals
- Hyogo** Biofermin Pharmaceutical Co., Ltd  
Development, manufacture and sales of OTC drugs, prescription pharmaceuticals and other products
- Tokyo** TOKUHON Corporation  
Development, manufacture and sales of OTC drugs, prescription pharmaceuticals and other products
- Tokyo** Dr. Program Co., Ltd  
Production and sales of OTC skincare products, pharmaceuticals and cosmetic materials
- Saitama** Taisho Pharmaceutical Logistics Co., Ltd  
Management and operation of transport services for Taisho Pharmaceutical Group
- Tokyo** Taisho M.T.C. Co., Ltd  
Manufacture and sales of raw materials for medicines and quasi-drugs
- Tokyo** MEJIRO KOSAN Co., Ltd  
Leasing, management, possession and operation of real estate, provision of employee welfare and benefit services, etc.
- Tokyo** Taisho ACTIVE HEALTH Co., LTD  
Supply of health foods, quasi-drugs and skin care products
- Okinawa** Taisho Okinawa Co., Ltd  
Sales of OTC drugs and other products in Okinawa Prefecture
- Tokyo** Yomeishu Seizo Co., Ltd  
Manufacture and sales of herbal liqueurs and other products

Two other companies

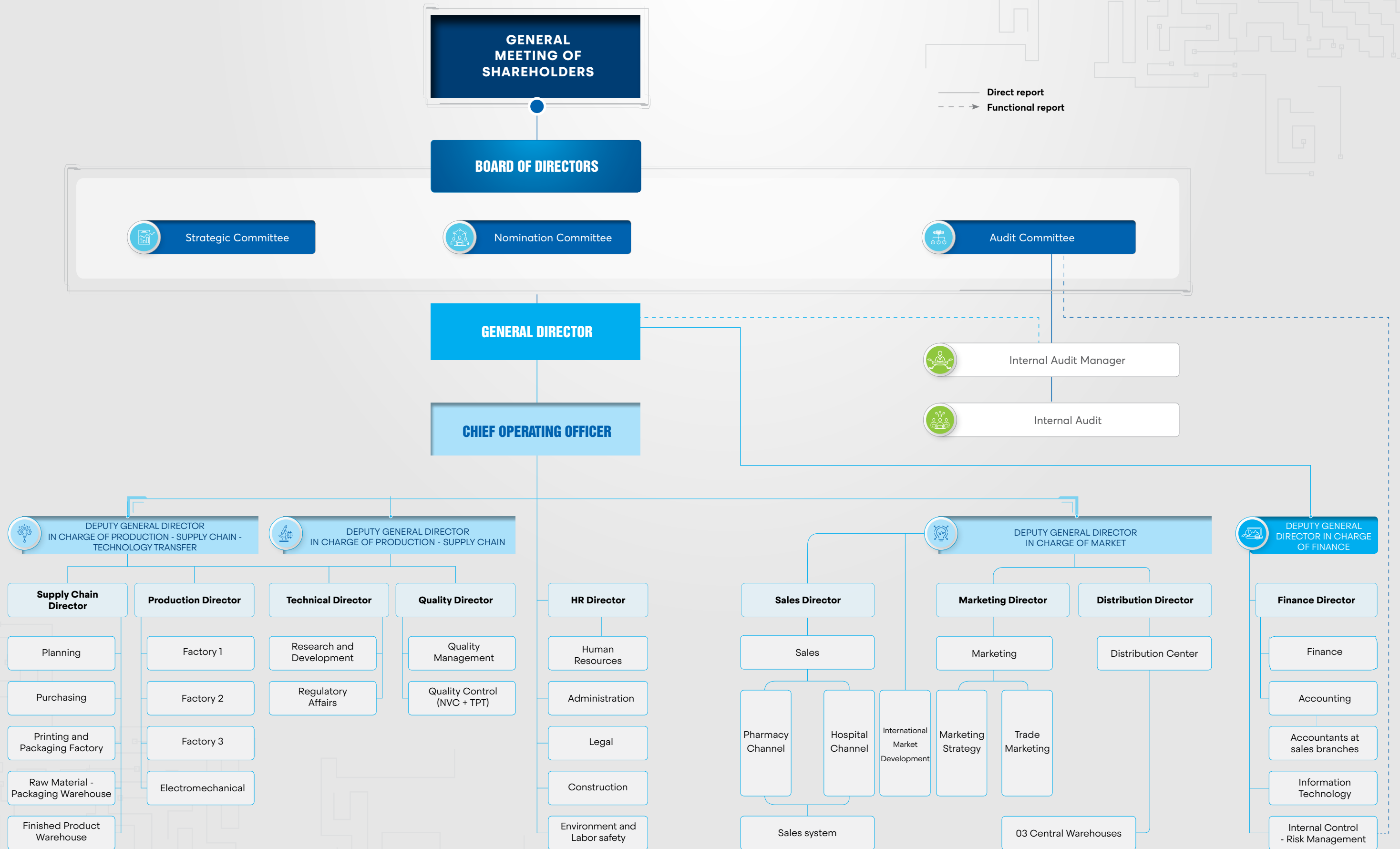
#### OVERSEA

- France** UPSA SAS  
Development, manufacture and sales of OTC drugs and prescription pharmaceuticals
- Vietnam** Duoc Hau Giang Pharmaceutical JSC  
Manufacture and sales of OTC drugs and other products
- Thailand** Osotspha Taisho Pharmaceutical Co., Ltd.  
Sales of OTC drugs, energy drinks and other products
- Indonesia** PT. Taisho Pharmaceutical Indonesia Tbk  
Manufacture and sales of OTC drugs and other products
- Singapore** Taisho Pharmaceutical Singapore Private Limited  
Sales of OTC drugs
- Malaysia** Hoepharm Holdings Sdn. Bhd.  
Management of a subsidiary that conducts pharmaceutical business, mainly in Malaysia
- China** Taisho Co., Ltd Shanghai  
Manufacture and sales of energy drinks and other products
- Vietnam** Taisho Vietnam Co., Ltd.  
Manufacture and sales of energy drinks and other products
- Taiwan** Taisho Pharmaceutical (Taiwan) Co., Ltd.  
Manufacture (commissioned) and sales of OTC drugs, energy drinks and other products
- Philippines** Taisho Pharmaceuticals (Philippines), Inc.  
Manufacture (commissioned) and sales of OTC drugs, energy drinks and other products
- Hong Kong SAR** Taisho Pharmaceutical (H.K.) Ltd.  
Sales of OTC drugs
- U.S.A** Taisho Pharmaceutical California Inc.  
Sales of OTC drugs, energy drinks and other products
- U.S.A** Taisho Pharmaceutical R&D Inc.  
Development of prescription pharmaceuticals
- Mexico** Compania Internacional de Comercio, S.A.P.I. de C.V.  
Manufacture and sales of OTC drugs and other products

13 other companies



# DHG ORGANIZATIONAL APPARATUS







### Mrs. DANG THI THU HA

BOD Chairwoman  
Non-executive BOD member  
Member of the Audit Committee

Born in	Nationality	Professional qualifications
1973	Vietnamese	<ul style="list-style-type: none"> <li>Master of Business Administration (MBA), Institute of Management</li> <li>Bachelor of Economics in Business Administration, National Economics University</li> <li>Bachelor's degree in foreign languages (English), National University, Hanoi</li> <li>Practising certificate for corporate finance consultancy, State Security Commission of Vietnam</li> </ul>

#### 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 Mar/2022: 4 years 8 months
- BOD Chairwoman of DHG Pharma: since 11 Jun 2019

#### Positions held in other organizations

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



### Mr. JUN KURODA

Non-executive BOD member  
Chairman of the Strategic Committee

Born in	Nationality	Professional qualifications
1956	Japanese	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 Mar/2022: 5 years 7 months

#### Positions held in other organizations

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



### Mr. MASASHI NAKAURA

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

Born in	Nationality	Professional qualifications
1958	Japanese	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 Mar/2022: 2 years 9 months

#### Join DHG Pharma as a BOM Member

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

#### Positions held in other organizations: None

Possessing over 29 years of international experience in business development and marketing at multinational companies, including 21 years of 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 the Strategic Committee  
Member of the Nomination Committee  
Chief Operating Officer (COO)

Born in	Nationality	Professional qualifications
1974	Vietnamese	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 Mar/2022: 15 year 11 months

Join DHG Pharma as a BOM Member

Having over 22 years of experience in Sales and Marketing at DHG Pharma.

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

Positions held in other organizations: None



Mr. MAKI KAMIJO

Non-executive BOD member  
Member of the Audit Committee

Born in	Nationality	Professional qualifications
1961	Japanese	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 Mar/2022: 2 years 9 months

Positions held in other organizations

General Manager - Business Planning and Development, ASIA at International Business Headquarters - Taisho Pharmaceutical Co., Ltd. (Japan). He has over 21 years working at Taisho Group - Japan in International Business Development.



Mrs. NGUYEN THI VIET THANH

Independent BOD Member  
Chairwoman of the Nomination Committee

Born in	Nationality	Professional qualifications
1979	Vietnamese	Bachelor of Economics Hanoi Foreign Trade University

Join DHG Pharma as a BOD member

- First appointment: Apr/2021
- Term's length as DHG Pharma's BOD member as of Mar/2022: 11 months

Positions held in other organizations

- Founder and Executive Director - Anphabe Joint-stock Company



Mr. DO LE HUNG

Independent BOD member  
Chairman of the Audit Committee

Born in	Nationality	Professional qualifications
1969	Vietnamese	<ul style="list-style-type: none"> <li>• Master of Public Administration (France) with majors in Economics, Finance, Budget, Diplomacy, Law, Human Resource Management, etc.</li> <li>• Accounting Certificate - Paris Dauphine University (France)</li> <li>• Certificate of Internal Control and Anti-fraud (PwC)</li> <li>• Certificate of Intensive Audit Committee Program (Myanmar Institute of Directors)</li> <li>• BOD Member Training Certificate (Vietnam Institute of Directors)</li> </ul>

Join DHG Pharma as a BOD member

- First appointment: Jun/2019
- Term's length as DHG Pharma's BOD member as of Mar/2022: 2 years 9 months

Positions held in other organizations

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





Mr. TOMOYUKI KAWATA

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

Born in	Nationality	Professional qualifications
1966	Japanese	Bachelor Degree of Pharmacology - Tokyo University of Pharmacy and Life Sciences, Japan

Join DHG Pharma as a BOD member

- 04/1990 - 09/2010: Manager of Domestic Production - Taisho Pharmaceutical Co., Ltd. Japan. (Taisho)
- 10/2010 - 03/2013: Manager of Overseas Production Management - Taisho
- 04/2013 - 03/2014: General Manager of Okayama Plant - Taisho
- 04/2014 - 09/2014: Head of Quality Control of Domestic of Production - Taisho
- 10/2014 - Now: Director of International Technical Operations - Taisho
- 10/2017 - 07/2021: Deputy General Director in charge of Production, Supply Chain, and Technology Transfer - DHG Pharma..
- 08/2021 - Now: Deputy General Director in charge of Production, Supply Chain, and Technology Transfer cum Supply Chain Director - DHG Pharma.



Mrs. NGUYEN NGOC DIEP

Deputy General Director in charge of Production and Supply Chain

Born in	Nationality	Professional qualifications
1968	Vietnamese	Postgraduate education junior - PGJ., University of Medicine and Pharmacy, Ho Chi Minh City

Employment history

- 12/1991 - 06/1995: Employee of QC Dept. - Hau Giang Pharmaceutical Integrated Factory.
- 07/1995 - 12/1996: Deputy Manager of QC Dept. - Hau Giang Pharmaceutical Integrated Factory.
- 01/1997 - 06/1997: Deputy Manager of R&D Dept. - Hau Giang Pharmaceutical Integrated Factory.
- 06/1997 - 09/2004: Manager of QC Dept. - Hau Giang Pharmaceutical Integrated Factory.
- 09/2004 - 04/2012: Manager of QC Dept. - DHG Pharma.
- 05/2012 - 01/2019: Deputy General Director - DHG Pharma
- 01/2019 - 10/2019: Deputy General Director cum Quality Director - DHG Pharma
- 11/2019 - 07/2021: Deputy General Director cum Production Director - DHG Pharma
- 08/2021 - now : Deputy General Director - DHG Pharma



Mrs. LE THI HONG NHUNG

Finance Director  
Supporting member of the Strategic Committee

Born in	Nationality	Professional qualifications
1981	Vietnamese	EMBA - UBI (Belgium); Bachelor of General Accounting

Employment history

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



Mrs. VU THI HUONG LAN

HR Director  
Supporting member of the Nomination Committee

Born in	Nationality	Professional qualifications
1981	Vietnamese	Bachelor of Economics - Foreign Trade - Cantho University

Employment history

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



Mr. HO BUU HUAN

Chief Accountant

Born in	Nationality	Professional qualifications
1980	Vietnamese	Master of Finance - Banking (Cantho University)

Employment history

- 2003 - 2004: Accountant - Cantho Motilen Construction Materials
- 12/2004 - 2011: Banking accountant - DHG Pharma
- 11/2011 - 10/2014: Deputy Head of Financial Management Dept. - DHG Pharma
- 11/2014 - 07/2016: Chief Accountant of DHG Pharmaceutical One Member Limited Company
- 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



02

REPORT ON PERFORMANCES IN 2021

# PIONEERING PRINTS WIDE INTEGRATION

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## OVERVIEW OF VIETNAMESE ECONOMIC SITUATION 2021

Over the past two years, the global economy has witnessed drastically unpredictable fluctuations. More specifically, the economy underwent a depression in 2020 and gradually recovered in 2021. Vaccines have become the ultimate key in the fight against the Sars-Cov2 virus, which has enabled countries to fight the epidemic and at the same time develop their economies. The waves of pandemics continued to break out and new virus variants continued to appear, yet the world has learned valuable lessons to adapt to a new life.

According to a World Bank report released in Jan 2021, the global economy would grow by 5.5% in 2021, but across countries, the speed of recovery was uneven. Inflation became a major problem, prompting many countries to start to withdraw the super-loose monetary policies of the pandemic time. When the world economy recovered strongly after the pandemic, the world's supply chain failed to meet the massive increasing demands. Commodity demands have skyrocketed, but manufacturing and transportation activities have yet recovered, putting much constraint on the entire supply chain in many ways. The world economy has also been affected by a range of other reasons such as the crisis of the China's real estate industry, US-China tension, and the daunting picture of the growth prospect of the aviation industry.



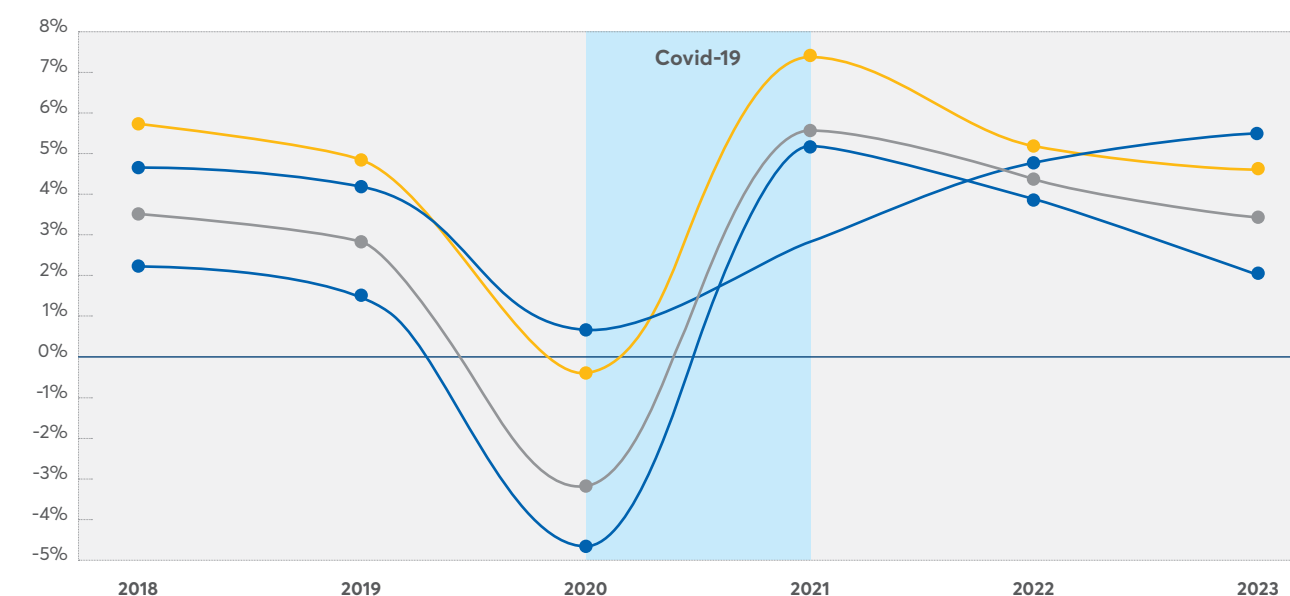
Domestically, 2021 has been a special year with many fluctuations of the economy under the impact of the pandemic. The fourth wave of Covid-19 outbreak has led to social distancing, halting production, disrupting supply chains in many different regions, which reduced all key economic indicators. People's purchasing power decreased sharply; life was severely affected and unemployment rate increased. In such a situation, Vietnam has drastically implemented a roadmap for safe adaptation, disease control, and speedy acceleration of vaccination. It has become one of the countries with a highest rate of vaccine coverage in the world, promptly supporting employers and employees. Some highlights of the socio-economic situation in 2021 are as followings:

### GDP GROWTH AND CPI INDICATORS

GDP in 2021 increased by 2.6% over the same period, which is the lowest increase in the past 10 years due to the serious impact of the Covid-19 epidemic on all sectors of the economy. Especially in the third quarter of 2021, many key economic regions, long-term social measures to prevent the pandemic were implemented. Although this is the lowest growth rate in recent years, many bright signs of hope have been spotted. The consumer price index (CPI) increased by 1.84% compared to the previous year, the lowest average increase rate since 2016.

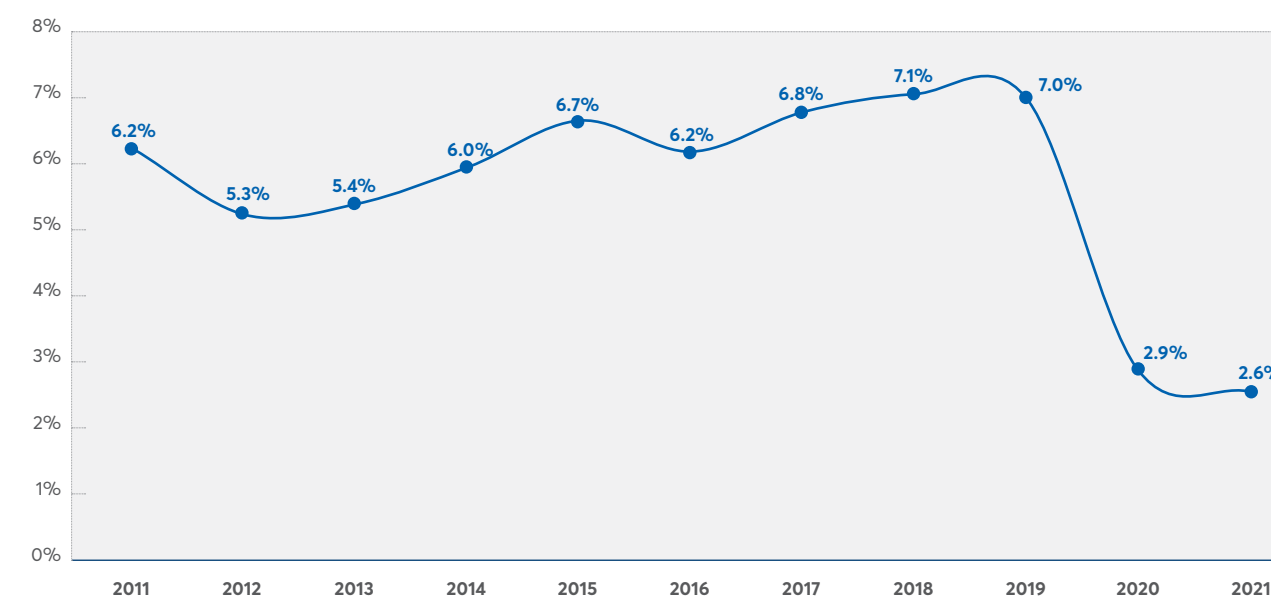
### Economic growth in the world and groups of countries (%)

● Low income countries ● High income countries ● BRICS group ● The world



Source: World Bank

### GDP growth 2011 - 2021



Source: General Statistics Department



## IMPORT & EXPORT ACTIVITIES



## ENTERING THE TOP 10 GLOBAL EMERGING LOGISTICS MARKETS



## UPGRADING "GLOBAL SOFT POWER"



Total import and export turnover of goods  
(Unit: USD billion)

# 668.5

Up 22.6%, placing Vietnam in the top 20 countries in terms of international trade.

Export turnover reached USD 336.3 billion, up 19% over the same period, which positioned Vietnam the 22<sup>nd</sup> largest export economy in the world. Import turnover reached USD 332.3 billion, up 26.5% over the previous year. Overall, the trade balance is estimated to have a trade surplus of USD 4 billion. Together with the WTO, 17 free trade agreements have been in effect and are being negotiated, making Vietnam an economy with an openness of up to 200% of GDP.



Logistics service growth rate

# 15%-20%

According to Agility's announcement, Vietnam increased 3 ranks, placed at 8th in the Top 10 countries leading the emerging market logistics index in 2021. Vietnam's production capacity and high technology level have recently improved significantly, attracting investment from manufacturers to upgrade the value chain. Vietnam's presence in the Top 10 global emerging logistics markets has opened up promising opportunities to attract investment in order to achieve the target of 2025 - the contribution of logistics services to GDP will be from 5% - 6% and logistics service growth rate is from 15% - 20%.

On 25 Feb at the 2021 Global Soft Power Summit, Vietnam was the only country in ASEAN to be upgraded in the global soft power ranking. According to the Global Soft Power Index Report 2021, Vietnam's position has improved from 50/60 to 47/105 ranked countries.

## THE COVID-19

### VACCINE STRATEGY

WAS IMPLEMENTED IN A TIMELY & COMPREHENSIVE MANNER

Up to now, Vietnam is among the 20 countries with the highest number of vaccination doses, far exceeding the forecast of the Straits Times. However, the emergence and rapid spread of the Omicron variant has prompted countries to quickly vaccinate people with booster shots. Vietnam is expected to cover the 3<sup>rd</sup> dose for all citizens aged 18 years and over before Jun, 2022.



## THE WAVE OF DIGITAL TRANSFORMATION

2021 witnessed rapid changes for businesses in the digital transformation process, which most businesses consider an "opportunity for survival".



In 2021, Vietnam's digital economy is expected to grow 31%, to USD 21 billion. Vietnam together with Indonesia are leading the growth rate in Southeast Asia with an average of 38%/year, compared to 33%/year of the whole region from 2015 to present. It is expected that by 2025, it will continue to reach USD 57 billion. AI has gradually played a central role in advanced technology with the advent of useful breakthrough applications in areas such as IT operations, customer experience and management, decision making and predictions. The online business model makes it easier to reach customers, regardless of time and space. Health services help provide online counselling that creates solutions for highly vulnerable people in remote areas. Cashless payment methods also become increasingly popular, bringing more convenience to businesses and consumers. In addition, working remotely has also become a trend, and it is expected that this remote working model will continue to gain popularity in the future.

## CLIMATE CHANGE



Vietnam is among the countries heavily affected by climate change, but it has made remarkable efforts to come up with many adaptation solutions and minimize the impacts of climate change. Vietnam is also one of the first developing countries in the world to make a pledge to reduce greenhouse gas emissions, which is integrated into the legal system, committed to be implemented by the entire population. At the Leaders' Summit within the framework of the 26<sup>th</sup> United Nations Conference on Climate Change (COP26), Prime Minister Pham Minh Chinh announced Vietnam's commitments in responding to climate change, aiming to reduce net emissions to zero by 2050.



## VIETNAMESE ECONOMIC PROSPECT 2022

After two years of turmoil due to the Covid-19 pandemic, the world has gradually adapted to a new way of life "living safely with Covid-19", instead of shutting down and "saying no to Covid-19". Entering 2022, there have been many relatively positive forecasts yet alongside with these remain numerous challenges and risks. The International Monetary Fund (IMF) and the World Bank (WB) both warn that the emergence of a new variant such as Omicron, supply chain disruptions and inflation on a broader and long-term basis are among the major factors that hinder global growth. IMF forecast that global growth would drop to 4.4% in 2022 and continue to lower to 3.8% in 2023. The World Bank also lowered its global growth forecast to 4.1% in 2022 and possibly down further to 3.2% next year.



“ In Vietnam, the forecasts by prestigious international organizations informed that Vietnam has a high chance of recovering at 6% to 6.5% in 2022, in the context of good control of the pandemic, high vaccination rates and not much damage to the economy caused by the Omicron variant.

Organisations	2022f	Driving force for development
IMF	<b>6.0%-6.5%</b>	Good control of the pandemic and improvement in the supply-demand balance.
WB	<b>6.6%</b>	Good control of the pandemic, recovery of the labour market, retention of fiscal and monetary policies with a higher supportive level compared to 2021.
Asian Development Bank (ADB)	<b>7%</b>	Good control of the pandemic, remarkable recovery of global exports, and Vietnam's quick response in taking advantage of the opportunities to accelerate exports.
United Nations Development Program (UNDP)	<b>6.3%</b>	Good control of the pandemic, strengthening of positive fiscal policy to support domestic consumption and businesses affected by the pandemic.
HSBC Bank	<b>6.8%</b>	Strong FDI investment, thereby boosting Vietnamese exports, especially when the recently signed FTAs begin to take effect.

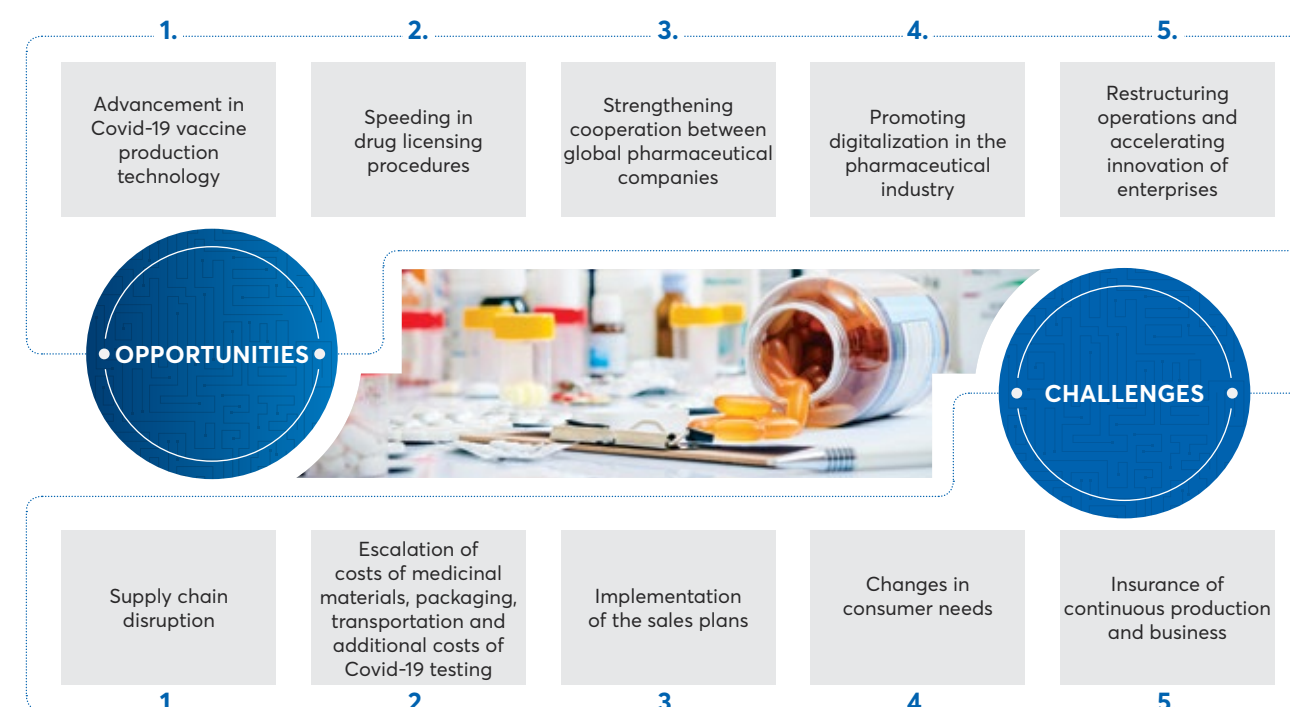
Source: IMF, WB, ADB, UNDP and HSBC



## OVERVIEW OF VIETNAMESE PHARMACEUTICAL INDUSTRY IN 2021

“ The massive outbreak of Covid-19 has clearly depicted the importance of healthcare and pharmaceuticals in ensuring global security. During the pandemic, the pharmaceutical industry also faced particular challenges, including supply chain disruptions, rising raw material and transportation prices, changes in drug habits, demands, and regulations.

The business picture of the pharmaceutical industry in 2021 has also drawn a clear division with only about 50% of enterprises that manage to gain revenue and profit growth compared to 2020. However, apart from the negative impact, the pandemic has also helped pharmaceutical companies restructure their operations and supply chains, digitize processes, strengthen risk management, and prepare for the new normal.



According to IQVIA's Q3/2021 report, the value of Vietnam's pharmaceutical market reached VND 148,097 billion, up 3% compared to 2020 over the same period. In particular, Pharmacy channel grew 11% and Hospital channel grew negative 8% over the same period.

## In 2021, pharmaceutical consumption in the Pharmacy channel grew positively thanks to

- (1) Increasing demands for epidemic prevention products, and
- (2) Gradual expansion of purchases to e-commerce channels, rather than being restricted to traditional pharmacy and drugstore models.



Pharmaceutical manufacturers and distributors reached end consumers through online sales platforms or through social media, which helps (1) manufacturers reach the end users directly while reducing selling costs, and (2) distributors expand coverage while reducing rental costs.



More than 50% of consumers gradually turned to e-commerce channels to buy over-the-counter medicines. Transactions on e-commerce channels for health products including products such as foods, functional foods, pharmaceuticals and cosmetics, ect., accounted for 16.6%.

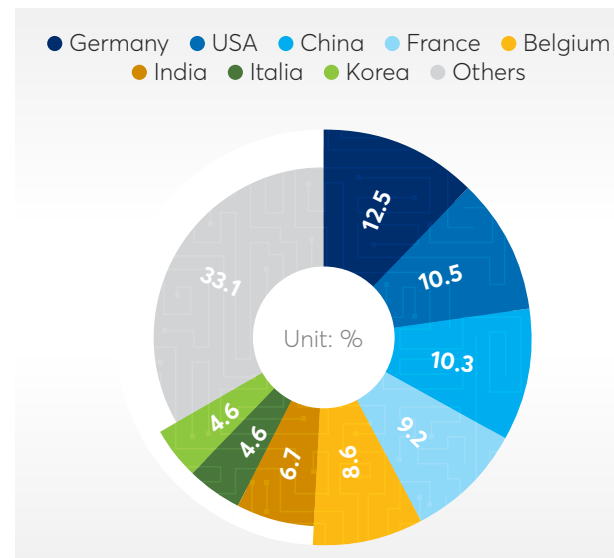


Consumption of pharmaceuticals in Hospital channel decreased over the same period due to a drop in the rate of medical examinations at hospitals and medical facilities, affected by the prolonged social distancing during the Covid-19 epidemic. The need for re-examination for chronic diseases such as hypertension, diabetes, and cancer at central and provincial hospitals also reduced because patients were able to self-medicate at lower-level medical amenities or at pharmacies.

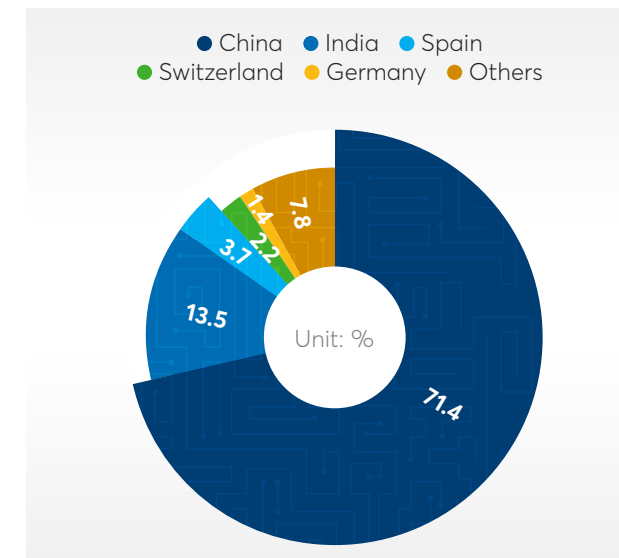
According to the General Department of Customs, the import turnover of pharmaceuticals to Vietnam in 2021 reached more than USD 4 billion, up 21.4% over the same period.

The pharmaceutical supply market was diverse, among which many enterprises imported from Germany, the US, China, France, Belgium, India, etc. Notably, Vietnam's pharmaceutical imports from such markets as China, Belgium, Thailand, Russia, etc. increased sharply compared to the same period of the previous year. Import turnover of pharmaceutical materials and accessories reached USD 419 million, up 1.7% over the previous year. The Chinese market increased by 6.7%, reaching over USD 299 million, accounting for 71.4%. With good control of the epidemic, China continued to be a stable source of APIs for Vietnam. The Indian market decreased by 16.2%, reaching over 57 million USD, accounting for 13.5%.

### Structure of the pharmaceutical import market in Vietnam in 2021



### Structure of the import market for pharmaceutical ingredients in Vietnam in 2021



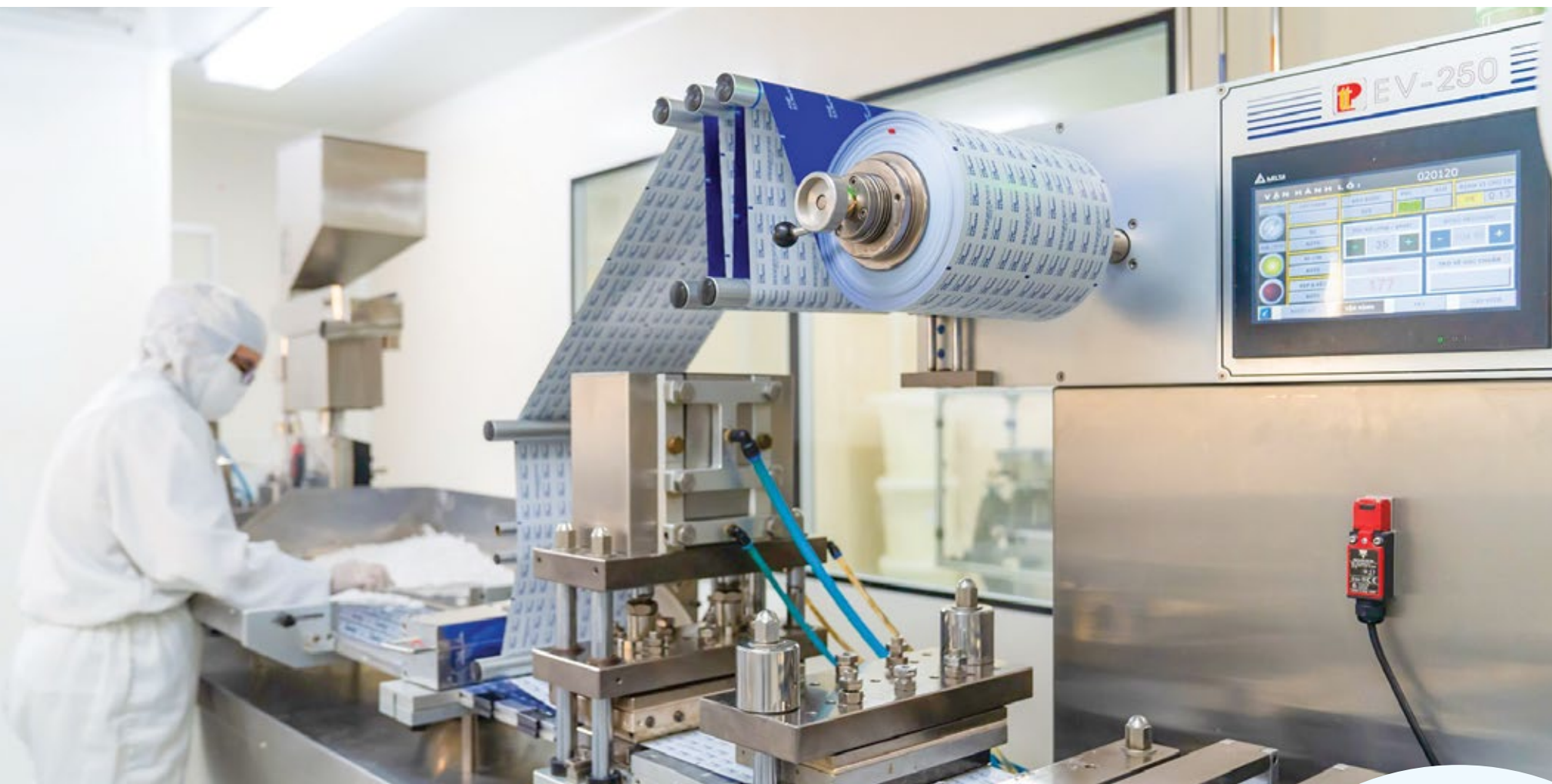
Source: General Department of Customs

M&A activities in the pharmaceutical industry in 2021 continued to be a bright spot during the pandemic, which remained active and attracted the extensive attention from foreign investors. Several notable deals were made including increasing Stellapharm's ownership rate in Pymepharco; SK Group's USD 100 million investment in Pharmacity's chain; Sumitomo Corporation's (Japan) investment of tens of millions

of USD in Insmart - an enterprise specializing in providing insurance and health care-related services in the Vietnamese market; the handshake between Pharmascience (Canada) and Benovas with the ambition to participate in the supply chain, manufacturing and distribution of high quality First-To-Market products in Vietnam through both OTC and ETC channels;...







# VIETNAMESE PHARMACEUTICAL MARKET PROSPECT 2022

“ The ability to control the pandemic remains the leading factor determining the business results of pharmaceutical companies in the coming year. The Government's responses in the pandemic control including the facilitation to quickly complete vaccine coverage by the end of 2021, the addition of a new economic stimulus package, and the shift in strategy from Zero Covid to “living safely with the epidemic” help the pharmaceutical industry recover and create momentum for growth in 2022. The growth driver for the pharmaceutical market also comes from the Vietnamese young population that is rapidly aging. As such, people are increasingly interested in health care, environmental-pollution-related incidents, natural disasters and epidemics, all leading to an increase in spending on health.

Today's consumers prefer foreign drugs and are used to using previously-used products under the guidance of doctors. When the epidemic broke out, people held a mentality of “**prevention is better than cure**” and avoided crowded places like hospitals. This negatively affected the revenue of Hospital channel, which accounts for around 70% of the market share of the whole drug market. Before the epidemic, the Hospital channel was the main growth driver of the pharmaceutical industry, yet it slowed down in the period of 2020 - 2021. The growth momentum of this channel in the coming time still depends on the ability to control the pandemic. Consumers have also increased their choice of Pharmacy channel mainly for vitamin products and resistance-boosting products.

As for the price fluctuations of input materials, imported pharmaceutical materials currently account for approximately 80-90% of the demand in Vietnam. The Covid-19 pandemic has affected the supply chain of pharmaceutical raw materials, with prices rising sharply over the same period, especially at the time of strong outbreaks in the two main suppliers namely China and India. The Indian government is also promoting domestic API production through two programs to encourage production linkages, aiming to increase the supply and reduce costs of pharmaceutical materials, which thereby potentially improves the profits of Vietnamese pharmaceutical enterprises.

New-generation free trade agreements and the wave of M&A will be the growth drivers for the pharmaceutical industry in the medium and long term since these create favorable conditions for pharmaceutical enterprises to expand export markets and develop distribution networks, access to more capital, technology and high-quality human resources. These enable them to drive towards higher standard product lines such as EU-GMP, Japan-GMP and improve corporate governance skills.





# REPORT OF THE BOARD OF DIRECTORS

## IMPLEMENTATION PROGRESS OF THE AGM RESOLUTION 2020

No.	Resolution contents	Implementation progress
1.	Business targets for 2021: Net sales: VND 3,970 billion PBT: VND 821 billion	Business results in 2021: Net sales: VND 4,003 billion, achieved 100.8% of the yearly target PBT: VND 864 billion, achieved 105.3% of the yearly target
2.	Profit distribution of 2020: Dividend payment of 2020: 40% par value Allocation to the Bonus and Welfare Fund, the BOD Remuneration Fund and the Investment and Development Fund	The dividend 2020 has been paid. Payment date: 18 May 2021. Allocated funds in accordance with the Meeting's resolution.
3.	Selecting Deloitte Vietnam Ltd. to audit the financial statements of 2021.	Signed an audit contract with Deloitte on 25 Jun 2021.
4.	Amending and supplementing DHG Pharma's Charter	Amended and supplemented the 24 <sup>th</sup> version of the Charter which was issued on 19 Apr 2021.
5.	Amending and supplementing DHG Pharma's Internal Regulation on Corporate Governance	Amended and supplemented the 3 <sup>rd</sup> version of the Internal Regulation on Corporate which was issued on 19 Apr 2021.
6.	Amending and supplementing DHG Pharma's BOD Operational Regulation	Amended and supplemented the 2 <sup>nd</sup> version of the BOD Operational Regulation which was issued on 19 Apr 2021.

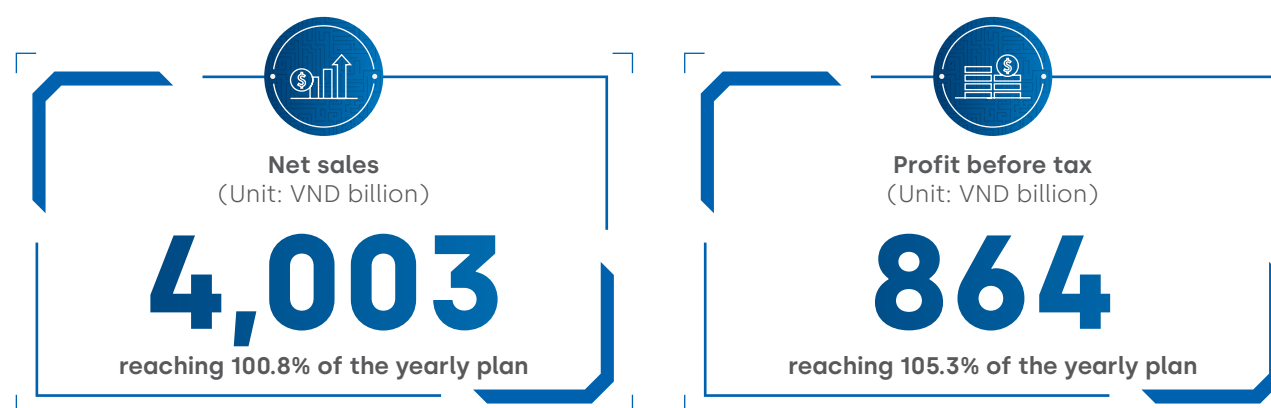
## BUSINESS PERFORMANCE IN 2021

Unit: VND billion

Target	2021 Budget	2021 Actual	2020 Actual	% Actual/ Budget 2021	Growth 2021/2020
Net sales	3,970	4,003	3,756	100.8%	6.6%
Profit before tax	821	864	821	105.3%	5.2%
Profit after tax		776	739		5.1%

Thanks to the sustainable development foundation and flexible strategies, DHG Pharma has made a spectacular breakthrough in the midst of the pandemic and achieved the best business result in the Company's history of foundation and development. The total net sales in 2021 of DHG Pharma was closely monitored by the Board of Management, reaching VND 4,003 billion, equivalent to 100.8% of the yearly target, up 6.6% yoy.

The profit before tax in 2021 reached 105.3% of the yearly plan, up 5.2% over the same period, equivalent to VND 864 billion. This is the highest profit in 47 years of the Company's operation thanks to the assurance of reserve raw materials sources, stable supply chain, transportation and production activities. All these activities were supported by an information technology system that helps to keep all operations running smoothly during the pandemic and costs are used optimally.



The business results in 2021 help DHG Pharma



“ The complicated and difficult-to-control Covid-19 pandemic has significantly impacted all economies worldwide. Despite the far-reaching costs of economic disruption, the Covid-19 pandemic can provide a long-term boost to productivity and sustainable growth by forcing companies to adapt and adopt new technologies. Faced with numerous opportunities and challenges, with the efforts, determination, courage, solidarity, and consensus of the Board of Directors, Board of Management, and all employees of the Company, DHG Pharma has surpassed the business plan targets FY2021 assigned by the General Meeting of Shareholders. Hence, it has created a solid foundation for the development of DHG Pharma in the coming years.



## HIGHLIGHTS IN THE PRODUCTION AND BUSINESS ACTIVITIES

**1** DHG PHARMA CONTINUES TO MAINTAIN ITS LEADING POSITION IN VIETNAM'S PHARMACEUTICAL INDUSTRY FOR 25 YEARS IN TERMS OF SALES AND PROFIT



**2** THE DISTRIBUTION CHANNEL IS INCREASINGLY EXPANDING TO ALL REGIONS & AFFIRMING ITS POSITION IN THE DOMESTIC MARKET, REACHING OUT TO THE WORLD



### Domestic business

Domestic business recorded a net sales of VND 3,348 billion, up 6.9% over the same period, accounting for 84% of the total consolidated net sales. The distribution system was expanded. The frequency of interactions with drugstores was boosted along with products meeting Japan-GMP standard, which is increasingly trusted by professionals and consumers to drive sales growth.



### Export

DHG Pharma exported its products to foreign countries including Cambodia, Peru, Malaysia, Myanmar, Taiwan, Laos, Mongolia, Singapore, Turkey, Indonesia, Nigeria, and Uzbekistan. In 2021, countries having good sales growth trends are Cambodia, Malaysia, Myanmar, and Laos.



### Modern channel

DHG Pharma takes the leading position in developing the modern channel through supermarket chains, the e-commerce channel, etc. DHG Pharma's products are available at more than 1,480 pharmacies of 5 major pharmacy chains (including Trung Son, Pharmacy, An Khang, Long Chau, Matsumoto Kiyoshi, etc.) nationwide. Amid the pandemic, consumers tend to buy pharmaceutical products from the modern channel due to its convenience, safety and speed, and it is seen that this channel has a great growth potential in the coming period.

**3** SCIENCE AND TECHNOLOGY ARE APPLIED AND INNOVATED CONTINUOUSLY IN ALL ACTIVITIES OF THE COMPANY (R&D, PRODUCTION, INFORMATION, ADMINISTRATION)

The tablet and film-coated tablet production lines meeting Japan-GMP standard are under three-shift operation with optimal production plan to reduce product transition period and to fully exploit the plant capacity.



- DHG Pharma put 5 new products into production; upgraded 4 products to achieve in-vitro; 4 products were granted domestic registration numbers and 25 products were issued export registration numbers.
- 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.
- DHG Pharma continuously considers to choose strategic products to upgrade to EU standard, Japan standard, etc. and strongly facilitate technology transfer cooperation projects with Taisho and partners.



## INTERESTS FOR STAKEHOLDERS ARE ALWAYS GUARANTEED AND OPTIMIZED



### Shareholders and investors

Dividends are attractive, higher than the average of the pharmaceutical industry average, and stable at > 30% of par value along with solid growth prospects. Those are the Company's long-term commitments to shareholders and investors. Dividends are always fully and timely paid as announced. Information was disclosed to shareholders, investors, partners, customers and the community in a transparent and timely manner, helping DHG Pharma maintain its reputation.



### Employees

The fourth wave of Covid-19 is complicated and unpredictable, causing many businesses to suffer heavy consequences such as production stagnation, broken supply chains, and labor shortages. In such context, DHG Pharma strived to maintain continuous production through the "three on-site" campaign to meet the market demand while maintaining income for employees. To keep employees' mind on their work, all employees received over 2 doses of vaccines. Simultaneously, DHG Pharma also paid more attention to employees' health by

providing nutritious meals and the Company's products to enhance their resistance. The Company has also strictly followed pandemic prevention procedures to avoid spreading the pandemic. In order for the employees to always feel secure, devote themselves and bring true value to their work, the Company has also developed a good remuneration policy, diverse welfare works, training programs, periodical training, etc. for them. Such policies help the employees trust and stay with the Company for a long time.



### Suppliers

DHG Pharma ensures fair, equal, transparent and effective competition among suppliers. Simultaneously, DHG Pharma conducts annual assessment of all suppliers to ensure the quality of input materials and satisfaction on environmental and working conditions of the suppliers' employees.



### Government agencies

DHG Pharma contributed billions of dong to the government budget and many social and community activities. Total payment to the government budget in 2021 is VND 311 billion. In which, payable to Cantho government is VND 145 billion and payable to Hau Giang is VND 41 billion.



### 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 high-quality human resources, researches new technologies, ensures a stable source of raw materials, improves production and quality management systems, and procures modern equipment to thereby bringing the best products and services to customers.



### Community

DHG Pharma has always been the leading enterprise in social activities for community with plentiful programs featuring humanity values and creating widespread impact for all objects. In 2021, the Company spent over VND 19 billion for community activities to overcome the pandemic and social security activities across the country.



## PLATFORM RESOURCES ARE CONSTANTLY BEING IMPROVED AND WELL-DEVELOPED



- The internal control system in the whole system was operated in accordance with the instructions of COSO. The policies/processes/regulations/job descriptions were perfected.
- In the context of the Covid-19 pandemic, the Business Continuity Plan (BCP) was effectively implemented to minimize the impact of the pandemic on business operations and ensure the safety of employees, customers, and partners.
- Developing and maintaining high-quality human resources: DHG Pharma constantly fosters and trains high-quality personnel to meet the market development requirements. Therefore, the Company's employees are increasingly creative, and their work skills are fulfilled, especially grasping and mastering technology.

## INVESTMENT SITUATION IN 2021

**In 2021, the system of regulations/processes related to investment, procurement, construction, maintenance and repair activities will be completed and supplemented, making management more and more strict.**



In fact, DHG Pharma has implemented investment items to purchase machinery, equipment, and supplies for production, office, and management; procurement of equipment, means of transport and maintenance, repair and construction of new buildings and structures,... with a total disbursement of 88.4 billion VND (including VAT) according to regulations of the Government. Projects planned at the beginning of the year and before being implemented, they were fully analyzed and evaluated in many different aspects. In addition, resources and cash outflows were in the most effective way, yet still ensured that projects were implemented in a timely manner, meeting the needs of the Company and the market. These machines and equipment were invested with modern technology, high capacity from reputable suppliers in the international market according to the strategy of improving GMP standards. However, the progress of implementation, disbursement, depreciation and amortization of some items has been slower due to Covid-19 pandemic. Departments focus on production and business activities, only purchasing and repairing a few items that are really urgent, so this affects the acceptance and put into use of some investment items.



# REPORT OF THE AUDIT COMMITTEE



## AC'S MONITORING RESULTS TOWARDS THE BOD AND THE BOM

The AC supervised by directly monitoring the BOD's activities via meetings, discussions, methods of issuing the BOD's resolutions, and simultaneously supervising the BOM's performances via the compliance with the BOD's Resolutions and the decentralization mechanism between the BOD and the General Director.

AC's supervision activities are implemented in various ways through reporting channels and communication with the Finance Director, Chief Accountant, Internal Audit (IA) Manager, Internal Control (IC) and Risk Management (RM) Manager, Legal Department Manager, and Independent Auditor.

AC always coordinates well with members of the BOD, BOM, and related managers within the framework of its monitoring, and AC always receives cooperation from the BOM.

AC periodically reports its monitoring results to the BOD.

## MONITORING RESULTS OF AC

### IMPLEMENTATION SITUATION OF THE BOD RESOLUTIONS

All critical issues were discussed openly and democratically in the BOD meetings. At the BOD meetings, the General Director, and key managers in charge of professional fields were invited to report, discuss, etc. Therefore, the issues were evaluated, discussed thoroughly and carefully to reach a unified decision before issuing the Resolutions.

The BOM always closely followed and strictly implemented the issued BOD Resolutions.

The Company Secretariat Team performed well in monitoring, urging the implementation, and reporting on the implementation of the BOD Resolutions.

### IMPLEMENTATION OF THE AC RESOLUTIONS

AC Resolutions after promulgation were sent to the BOM and related persons for implementation. Monitoring results showed that the recommendations and requirements of the AC mentioned in the Resolutions were implemented strictly, fully, and timely.

### FINANCIAL STATEMENTS AND THE ACCOUNTING SYSTEM

**AC noted and approved the audited financial statements FY2021.**

Accordingly, the financial statements FY2021 were prepared and presented in accordance with the Vietnam Accounting Standards (VAS), and no material misstatement that could affect the truthfulness of the financial statements were found.

The monitoring process did not detect unusual fluctuations in material items of assets and business results. Accounting policies and the principles of determining accounting estimates were applied consistently, and no material changes were recognized.

Transactions with related parties were strictly controlled and complied with the provisions of the law and the Charter, the Company's regulations on control of related party transactions. No problems found.

Questions and requests from the AC were answered and clarified by the BOM and the Independent Auditor.

Some recommendations on improving the IC system from the Independent Auditor were recognized and planned for implementation by the BOM.

### IC AND RM SYSTEM

**The Company has been maintaining an effective RM and IC framework, including the issued policy and procedures of RM and IC.**

The AC assessed that RM activities and improvement of the IC system were implemented thoughtfully and effectively. Therefore, the AC could identify promptly, assess appropriately, and take proper actions to deal with risks.

In 2021, the AC recognized the Company's efforts in perfecting and improving the effectiveness of RM and IC, including the issuance and application of operational processes and regulations. These include RM Policy and Process, Conflicts of Interest Policy, Whistleblowing Policy and Process, IT Management Policy and Processes, IC regulation, etc.

In terms of implementation organization, besides training, communicating, updating, checking, and monitoring the implementation of regulations and operating processes, the Company implemented and updated the Risk portfolio of the entire Company and its units and fields. The Company also implemented activities within the framework of the Business Continuity Plan (BCP), etc. This is a common basis for all departments and units to organize effective RM and IC. Thereby, RM reports are prepared periodically or irregularly depending on the arising risk level.

In 2021, the Company also implemented a comprehensive assessment on the IC system in accordance with J-SOX standard (Sarbanes-Oxley Act - Japan) requested and supported by the parent company - Taisho Group.

As for the Covid-19 risk, the Company is still closely monitoring and applying effective preventive measures.

## INTERNAL AUDIT

IA plays an essential position and role in the corporate governance system. It has been designed, organized, and implemented in accordance with provisions of law, good and common practices.

IA Department completed the assigned audit task in 2021, and it was consistent with the approved annual IA plan.

In 2021, IA carried out remote audits due to social distancing requirements. Although this was a new audit method, there were still several confusions, but IA still tried to ensure the required audit quality.

Audit recommendations and implementation plans were monitored regularly and periodically. This contributed to improving the quality of the IC system, raising the compliance consciousness of the audited units and departments, and supporting to improve business processes, optimize management.

AC recommends that the Company should perfect the IA management personnel apparatus soon so that it can meet higher audit requirements of the BOM.

## COMPLIANCE AND PROFESSIONAL ETHICS

### Legal compliance

DHG Pharma owns a specialized legal apparatus to support legal issues for departments, monitor and regularly update legal provisions in corporate management and pharmaceutical business. Simultaneously, Legal Department also assesses legal risks from policy factors to specific applications at the Company, enabling them to ensure that DHG Pharma fully complies with law provisions.

### Professional ethics compliance

The Company established a monitoring system and mechanism for professional ethics compliance, including the operation of the Compliance Monitoring Council and a hotline to receive information and denounce violations.

Professional ethics compliance has improved significantly compared to the previous year. The number of violations and the level of violations has tended to decrease. No severe cases have been reported. This is also the implementation result of the project "Strengthening the IC system" from 2020 and especially the BOM efforts in communication, employee education, the strictness and decisiveness of the BOM in handling cases.

## EVALUATION ON RESULTS AND QUALITY OF INDEPENDENT AUDITOR

The AC evaluated that Deloitte successfully fulfilled its tasks, entirely performed its obligations under the audit contract signed with DHG Pharma. Deloitte also met AC's expectations on major criteria such as reliability assurance, truthfulness, and quality of the audited financial statements; compliance with audit deadlines as prescribed; compliance with professional regulations, independence, and objectivity assurance when giving audit opinions.

In addition, the AC recognized the contribution of the Independent Auditor in improving the Company's IC system. Independent Auditor responded to the AC requests promptly, adequately, and clearly.



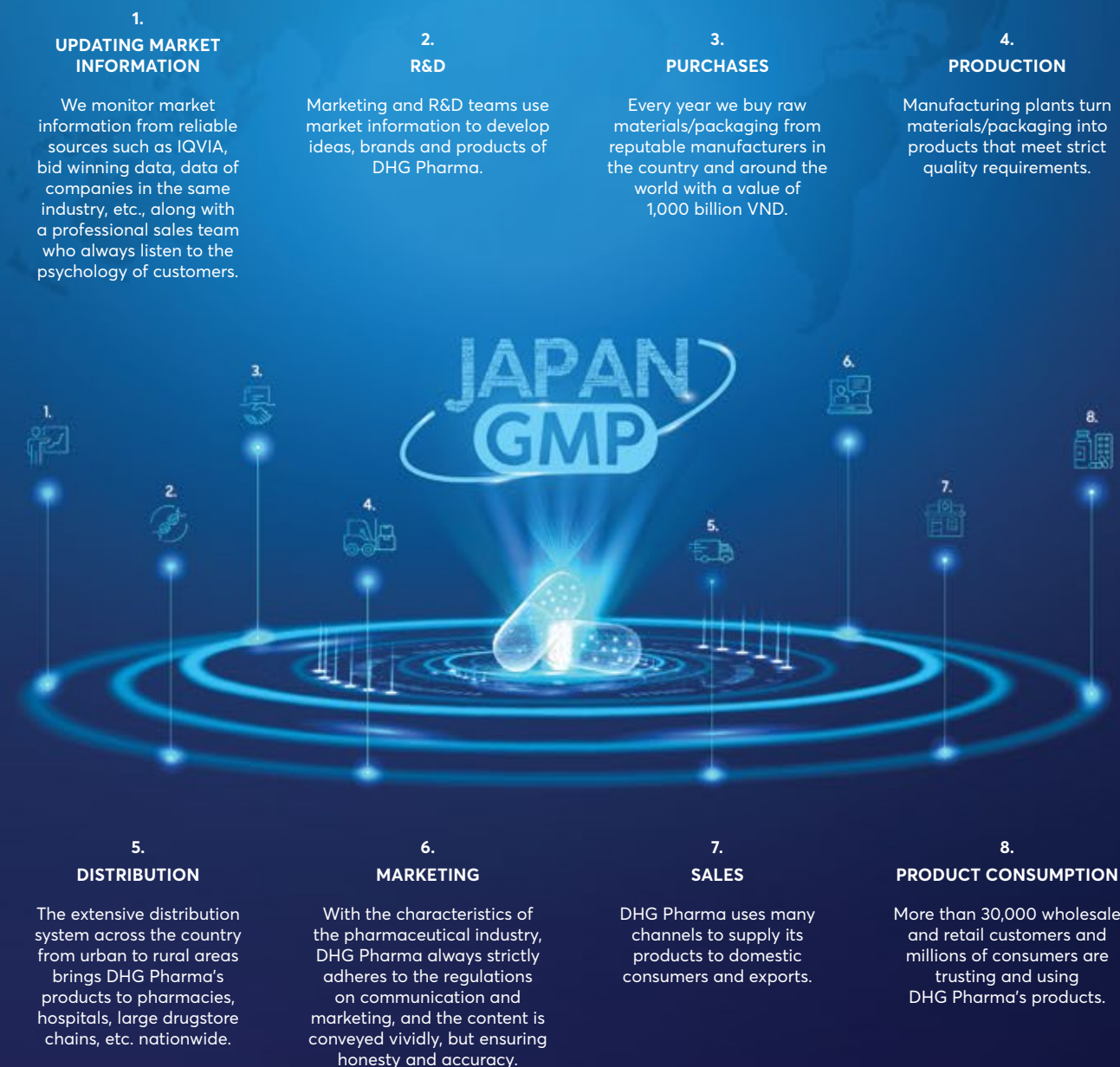
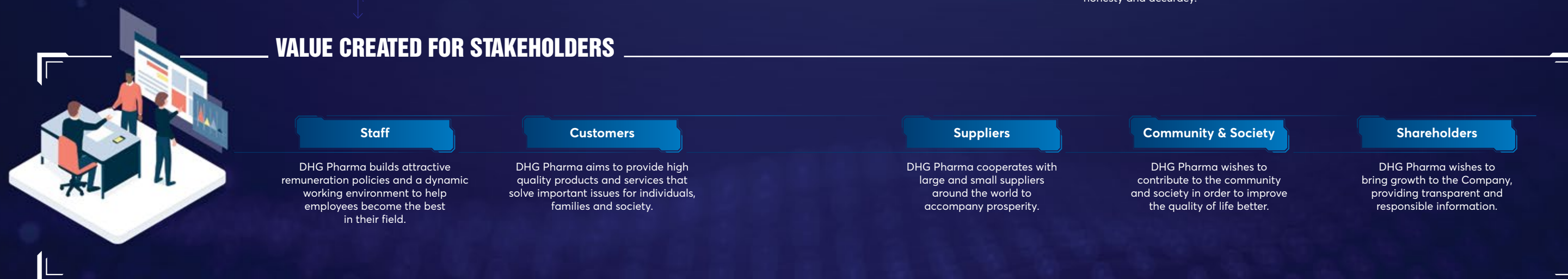


# REPORT OF DHG THE BOARD OF MANAGEMENT

## DHG PHARMA'S VALUE CHAIN



### VALUE CREATED FOR STAKEHOLDERS





## 1 RESEARCH, DEVELOPMENT AND REGISTRATION OF PRODUCTS

Starting in the value chain of DHG Pharma is product research and development (R&D). Investment in R&D is a premise to have a different product system suitable to the changing tastes of consumers every day and improve competitiveness when integrating with the world pharmaceutical market.



DHG Pharma has abundant financial resources, dedicated and highly qualified staff who are always willing to respond to research work. Self-research and development of new products by internal resources; scientific cooperation with institutes/schools; cooperation with Japanese partners contributes to increasing the difference in the product system of DHG Pharma, increasing competitiveness so that the Company continues to lead the pharmaceutical market.

After the products are researched and developed, the product registration staff with in-depth knowledge of the processes and regulations prepare complete and clear documents and records so that the products can be soon licensed for circulation by the Ministry of Health.

### Results achieved in 2021

1. Deploying production of many new products during the year and researching to improve product quality.
2. Implementing technology transfer projects with Japanese partners, Taisho's subsidiaries, DHG Pharma product transfer projects,...
3. As of 31 Dec 2021, the total number of products reaching bioequivalence: 43
4. Meeting the schedule of the project to upgrade the production line of effervescent powder and effervescent tablets to Japan-GMP standards.



## 2 WAREHOUSE SYSTEM AND SUPPLY CHAIN

2021 was the year of unprecedented supply chain disruptions and bottlenecks around the world, and the pharmaceutical industry was not an exception. The disruption of the supply chain has caused the price of raw materials to increase and significantly affected the profit margin of not only domestic pharmaceutical manufacturers but also other pharmaceutical manufacturing enterprises in the world.

With good forecasting ability and proactively looking for more new manufacturers and suppliers, DHG Pharma has fully stocked raw materials for production, at the same time signed long-term contracts to ensure the purchase of quality raw materials at the best prices. In addition, the trading of raw materials also contributes to the benefit of

the company in reducing the cost of purchasing raw materials when making contracts to buy in large quantities. The company also owns a warehouse system of finished products and raw materials meeting GSP and GDP standards and a nationwide delivery network with a heating system that meets GDP standards.

### Results achieved in 2021

1. Continuing to implement the project of building a new finished product warehouse at the Pharmaceutical factory in Hau Giang.
2. Trading in raw materials achieved 117% of the year plan. Outbound packaging business achieved 106% of the year plan.
3. Coordinating with relevant units to submit registration documents for additional raw materials, helping to be more proactive in the source of raw materials and reducing production costs.
4. Ensuring safety in transportation and meeting the needs of goods for the Market Division quickly as required.





3

## PRODUCTION AND QUALITY

The Company currently has 02 pharmaceutical factories with production lines meeting WHO-GMP standards, PIC/s - GMP standards and Japan-GMP standards.

### Pharmaceutical factory in Can Tho

Pharmaceutical factory in Can Tho has been operating for over 30 years, mainly producing pharmaceutical chemicals, herbal medicines and health food.

### Pharmaceutical factory in Hau Giang

Pharmaceutical factory in Hau Giang was built with a total initial investment of over 700 billion VND with modern and synchronous production lines, meeting the high requirements of the pharmaceutical industry with advanced technologies in the world. The factory includes 02 pharmaceutical production factories including Non-Betalactam and Betalactam and 01 packaging printing plant.

Total initial investment  
(Unit: VND billion)

**>700**

with modern and synchronous  
production lines.



### Quality management system and testing

Quality management system and testing always strictly control and manage from input materials to production process - finished product shipment, to product quality control in the distribution process to ensure to provide consumers with quality, safe and effective products. The quality system has always been improved and updated to meet the increasing standards of domestic and international management agencies

### Results achieved in 2021

The total production output of  
the two factories in 2021 reached  
(Unit: billion product units)

**4.1**

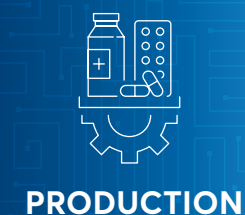
reaching 105% of the year plan

Production value  
reached  
(Unit: VND billion)

**4,657**

reaching 105% of the year plan

Most of DHG Pharma's production activities are concentrated  
in 2 factories in Hau Giang.



- Having implemented projects to increase productivity, reduce costs such as project to increase batch size, project to evaluate the overall performance of equipment, ...
- Conducting additional training for employees in order to improve their qualifications and proactively create backup human resources to rotate when needed. Building and training a team of engineers with expertise suitable to the function in charge of investing in new equipment.
- Coordinate with relevant units to train employees to ensure labor safety in production.
- Reducing the loss of raw materials, finished products, aluminum - PVC packaging with the amount of 5.7 billion VND.



- Regularly reviewing the entire quality management system for deviations. At the same time, reviewing/updating/promulgating procedures, work instructions and regulations to meet system management requirements in accordance with regulatory requirements and professional regulations.
- Carrying out the review/assessment of the raw material producer, completing the assessment of the manufacturer's profile 131/124 (105.6 %) compared the plan.



## 4 MARKETING AND SALES

ONE OF THE IMPORTANT  
STRATEGIC GOALS OF  
**DHG PHARMA**  
IS THE STRATEGY OF BUILDING  
A PROFESSIONAL, EXTENSIVE  
AND DIVERSIFIED DISTRIBUTION  
SYSTEM



to implement this strategy  
DHG Pharma  
has the following advantages:

Extensive  
branches distribution  
system with **34** distributing  
goods  
across the country from urban to rural areas  
(distribution to 3 stages: city, district, commune)  
with more than **30,000** customers  
operating on all 3 channels and all over the country.

- ➔ The increasingly professional sales team is well-trained and coached to help DHG Pharma's products increasingly cover every customer in 63 provinces and cities.
- ➔ Marketing strategy is invested in long-term, clear and throughout manner (5 years) according to the Company's strategy.
- ➔ Attractive sales policies, customer care and gratitude activities make a good impression.
- ➔ Sales, sales schedule, money collection, customer care are implemented closely and strictly.



### Achievements in 2021

1. DHG Pharma continues to focus on boosting sales of key brands, sales of DHG in-house goods in 2021 reached **3,513** up 6.1% over the same period  
(Unit: VND billion)

BOCALEX became

## THE LEADING BRAND

in effervescent products to increase resistance during the pandemic season (in accordance with the 3Q/2021 IQVIA's report), sales reached **154%** increased 61%

2. Practical marketing campaigns focusing on bringing benefits to users also continuously implemented by brands in 2021.

- ➔ Doctors, consumers increasingly trust in using Japanese products - GMP.
- ➔ Hapacol is the first brand to carry out a **vaccine campaign** in Vietnam. Hapacol contributes to helping consumers feel more secure when injecting vaccines, helping Vietnam quickly achieve vaccine coverage.
- ➔ Creating and successfully implementing a new communication tool "**Face Shield**" to increase brand awareness and receive high appreciation from customers.

3. Accompanying agencies, agencies and the press to carry out many epidemic prevention campaigns, the total value of sponsoring activities is over **19**  
(Unit: VND billion)



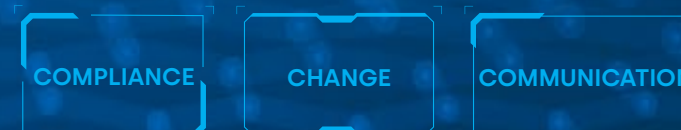


## HUMAN RESOURCE DEVELOPMENT

●● DHG Pharma is well aware that employees are the main resource and decisive factor for the sustainable development of the Company according to the criterion of "Taking responsibility, cooperation, and remuneration as the motto of action". Therefore, building and developing a team of professional, high-quality, dynamic and enthusiastic employees has always been a top priority in the Company's long-term development strategy. In particular, ensuring a stable human resource, improving work ethics and adapting in a "three-on-site" working environment along with allowing employees to flexibly work from home are prerequisites to help "living together" with the pandemic.



APPRECIATION AND RESPECT FOR HUMAN RESOURCES IS ALSO REFLECTED IN THE MANAGEMENT PROCESS ACCORDING TO 3C PRINCIPLES





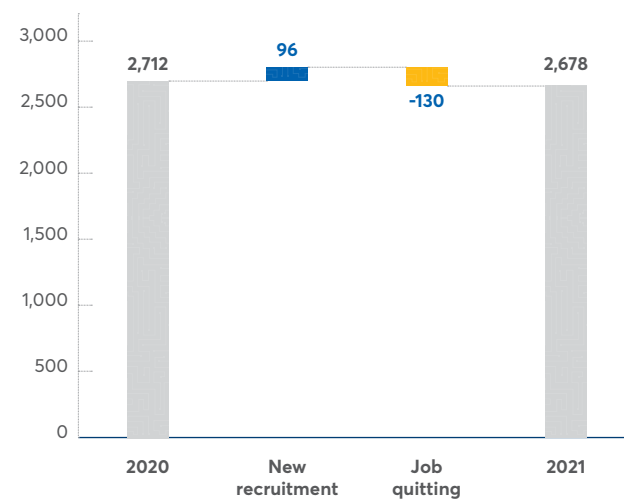


With 34 branches and nearly 2,700 employees spread across the country, DHG Pharma is aware that the Company has significant contributions and great influence to the general situation of society. Therefore, the BOM always pays great attention to the issue of creating jobs for employees, increasing the average annual income to ensure the living standards of employees. Appreciation and respect for human resources is also reflected in the management process according to 3C principles: Compliance - Change - Communication. Each corporate employee is a part of the Company and is encouraged to respond and communicate with superiors and other parties to facilitate smooth work and achieve the highest performance. On the other hand, leaders and management levels respect and listen to employees' opinions, and at the same time create conditions for employees to make long-term dedication and consider DHG Pharma as a second home.

### Personnel picture of DHG Pharma in 2021

#### Personnel fluctuation in 2021

● Increase ● Decrease ● Total



#### Number of personnel by age

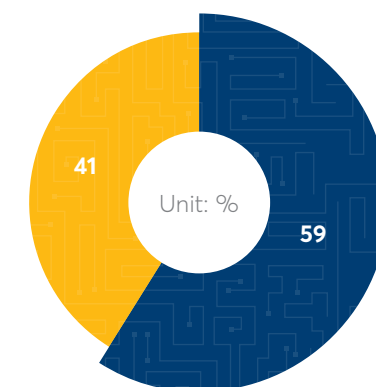
< 30	595
30 - 50	1,967
> 50	116

#### Number of personnel by management level

Board of Management	4
Functional directors	7
Heads/Deputy Heads/Branch managers	77
Specialists/Workers	2,590

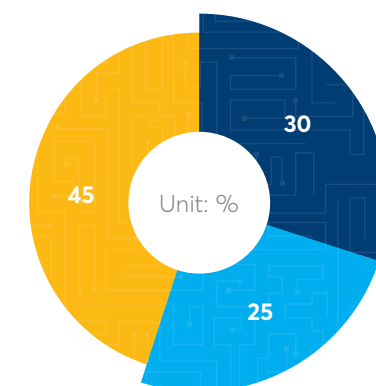
#### Number of personnel by gender

● Male ● Female



#### Personnel by functional groups

● Back-office Sector ● Production Sector ● Sales Sector



## TRAINING AND DEVELOPING HUMAN RESOURCES



Human resource training and development at DHG Pharma is built in accordance with the capacity and professional skills for each employee. The company always tries to build an organization that regularly shares knowledge and experience of effective teamwork. Training programs are continuously innovated, but still retain the cultural identity of DHG Pharma in order to build employee loyalty with the spirit of enthusiasm, commitment, acceptance and adaptation to change.

### GENERAL OBJECTIVES

- DHG Pharma maintains a good working environment; increases the efficiency of internal human resources, improves the adaptability of employees to work requirements.
- DHG Pharma renews its human resource policies with flexibility and in line with the complicated situation of the epidemic.

### OBJECTIVES FOR 2021

- All employees are trained to improve their professional qualifications and skills.
- New employees are well trained to quickly adapt and integrate with the Company's working environment.
- The content of the program closely follows reality to help employees update new knowledge and skills to cope with the rapidly changing business environment. Human resources are highly trained in each field.
- Training the successor team to be solid in management and good in expertise.
- Training activities are organized flexibly and cost-effectively.

### OUTSTANDING ACHIEVEMENTS IN 2021

- Training forms were diversified such as tutoring-on-site instruction, training under the guidance of lecturers invited by the Company, organizing conferences/workshops, online training.
- In 2021, the Company organized 68 training programs with 2,677 trainees, 70,466 hours of training with a total cost of nearly VND 1 billion. Due to the impact of the Covid-19 epidemic, face-to-face training could not be carried out regularly, so the Company mainly conducted it in the form of online training, App or sending documents to employees for self-referencing.

### OBJECTIVES FOR 2022

- Promoting internal exchange and learning so that accumulated knowledge and experience can be shared among many people.
- Enhancing online training because it is easy to implement, flexible in terms of time and location, and cost-effective.
- It is expected that in 2022, the Company will deploy 80 training programs with an estimated cost of VND 3 billion.



## RECRUITMENT

### New contents in 2021

Recruitment transparently, fairly and objectively. All candidates have an equal opportunity to participate in recruitment activities.

### Orientations for 2022

- Continuing to maintain and improve the Company's recruitment policies.
- Registering to participate in some HR awards to enhance brand value.

## TRAINING

### New contents in 2021

Providing training programs tailored to actual needs to help employees develop soft skills, professional expertise, fostering and strengthening the successor staff.

### Orientations for 2022

- Training for all employees according to appropriate needs: Soft skills training and Professional training.
- Training successors according to the list of selected potential employees.
- Consider building and deploying an e-learning system for training.

## LABOR PRODUCTIVITY MANAGEMENT

### New contents in 2021

- Evaluating labor productivity based on KPIs.
- Conducting an objective and comprehensive assessment of the capacity of employees/management levels, thereby providing an appropriate income level, creating creative motivation for employees.

### Orientations for 2022

- Reviewing, perfecting and improving the KPIs system according to reality; evaluating the right people for the right jobs, creating motivation to promote labor efficiency for employees.

## JOB SECURITY DURING COVID-19 PANDEMIC

### New contents in 2021

- 2 doses of vaccine for all employees.
- Flexible working in accordance with the changing situation due to the Covid-19 pandemic:
  - Establishing a Steering Committee for Covid-19 Prevention - closely monitoring the Government's policy, developing regulations on epidemic prevention and control, propagating to all employees to do the same..
  - Allowing to work from home, ensuring work efficiency.
  - Reducing appropriate personnel costs to overcome difficulties together with the Company.

### Orientations for 2022

- Adjust the appropriate response plan, ensure the safety of employees and the continuous operation of the Company.
- Allowing to work from home, ensuring work efficiency.

**DHG PHARMA**  
*For a more beautiful and healthier life*

# EMPLOYEES

ARE THE PRIMARY  
**RESOURCE & DECISIVE FACTOR**  
FOR THE COMPANY'S  
SUSTAINABLE DEVELOPMENT



## DIGITAL TRANSFORMATION

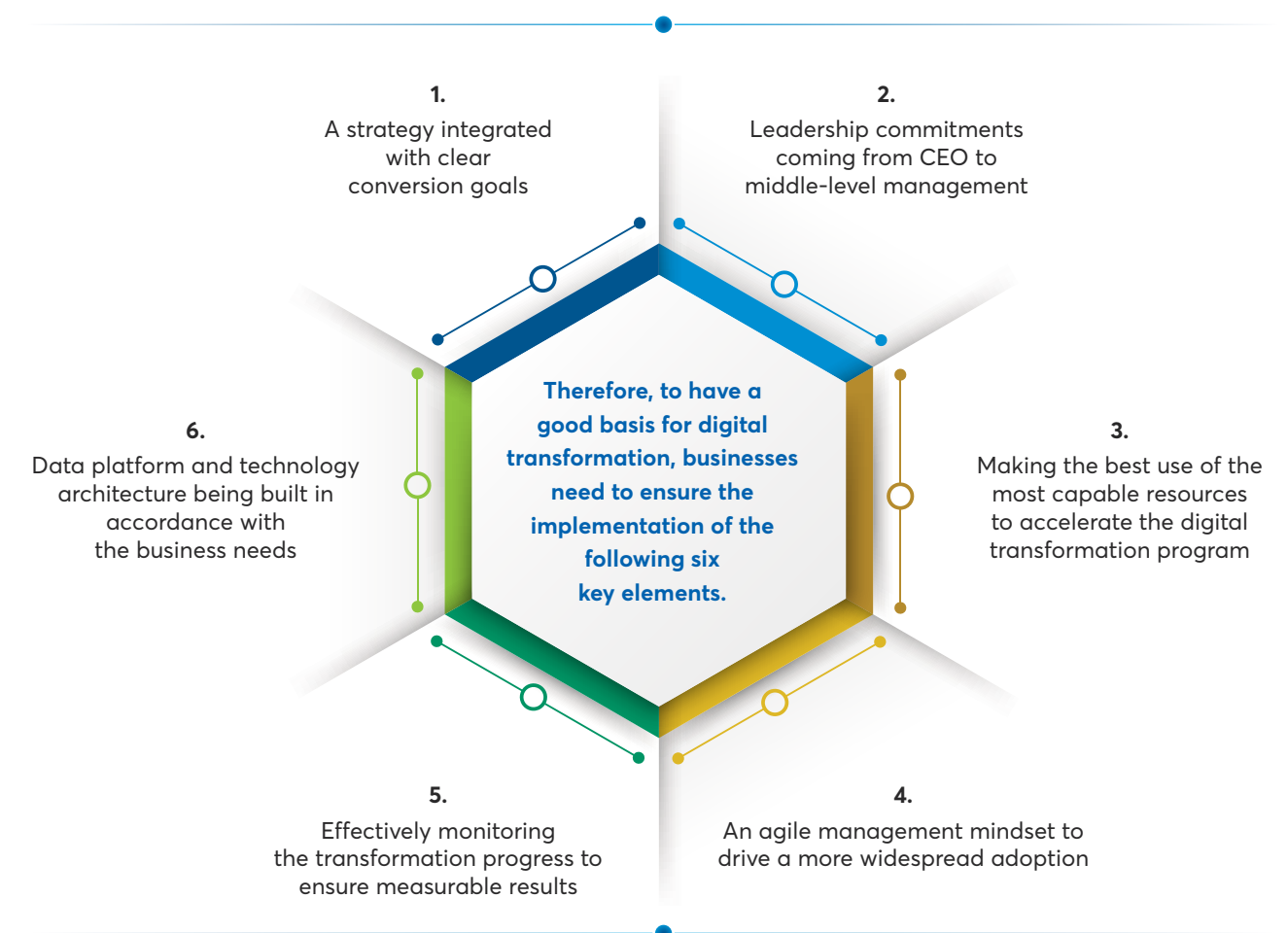
Under the influence of the Covid-19 pandemic, digital transformation has switched from being an optional requirement to a compulsory one in every country. For corporations, it even dictates the survivability of their businesses. With proper investment in and preparation for digital transformation, corporations can have a competitive edge against others, helping develop faster and more sustainable. This is considered to be the key in overcoming challenges and making use of market's opportunities to recover hastily in the time of the pandemic crisis.

**According to the World Bank, digital transformation offers four major benefits to businesses:**

1. It increases the amount of information, number of choices and satisfaction of customers. At the same time, it provides insights into new consumption trends and sales approaches to adapt quickly to customers' new interests.
2. It helps businesses deliver products and services more quickly, which saves time at the consumer's end.
3. It cuts expenses, making products more competitive. It also provides favourable conditions that enable people to work from home and have flexible working hours.
4. It deals with procedures more quickly, enhancing customer services.



“ In the process of preparation and implementation, businesses have been facing with numerous barriers such as lack of IT skills and human resources, insufficient infrastructure for the transformation, inadequate mindset for technology and challenges in technology culture in the office.



With the motto **“Knowledge and creativity serve as the foundation for development”** and **“Outstanding differences serve as an advantage in competitions”**, over the years, DHG Pharma has applied software solutions in business administration activities such as sales management, customer information documenting; analysis, data mining and reporting through the BI system; deploying ‘DHG Cùng thịnh vượng’ App (DHG Pharma Co-prosperity App) and ‘DHG Family’ App; software/applications to support working from home; document management software, etc. These applications help optimize expenses in managing and operating the Company, improve employee performance and maximize the workforce. At the same time, they revolutionize the conventional operation of the organization.

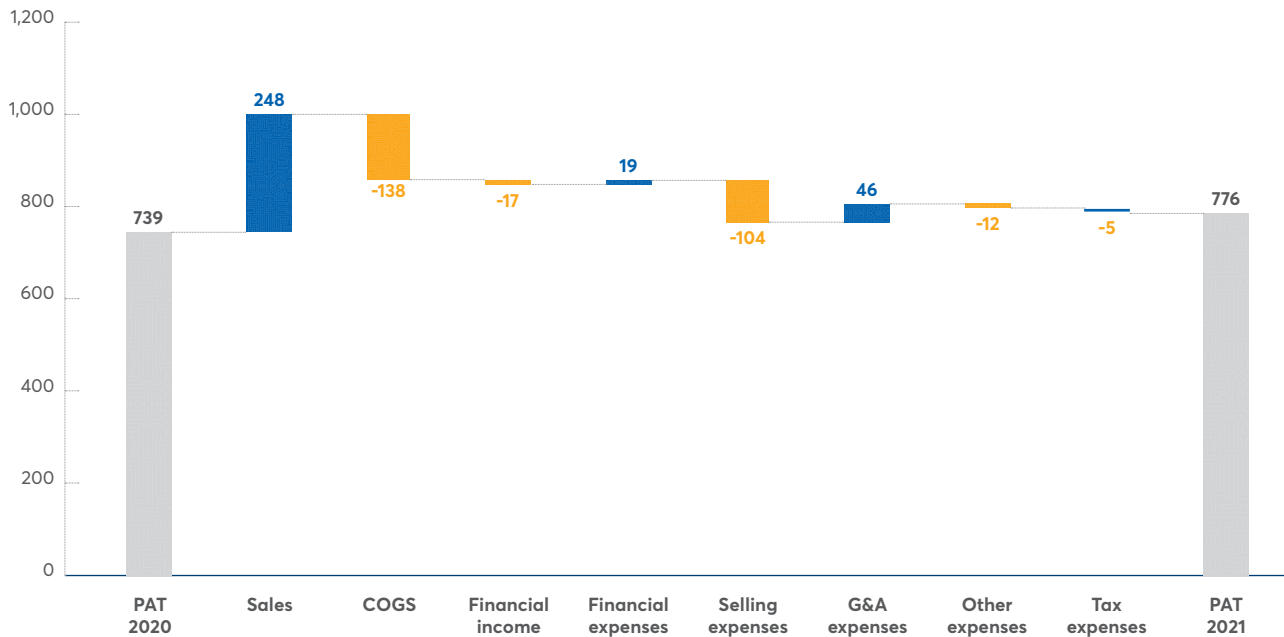


OVERVIEW

With the proactive and effective implementation of business measures, combining with the joint effort, determination, and constant innovation of all staff and the BOD' decisiveness, DHG Pharma has excellently overcome the adverse impact of the Covid-19 pandemic to achieve 100.8% of the net revenue plan and 105.3% of the pre-tax profit plan assigned by the General Meeting of Shareholders. After-tax revenue reached VND 776 billion, rising by 5.1% year-over-year. This is the highest profit level the company has ever gained. With impressive results during the pandemic in 2020 and 2021, DHG has strengthened its position as the leading pharmaceutical company in the industry with radical solutions and policies when the business environment encounters challenges.

PAT growth in 2020 and 2021

(Unit: VND billion) ● Increase ● Decrease ● Total



Source: Audited consolidated financial statements of DHG Pharma

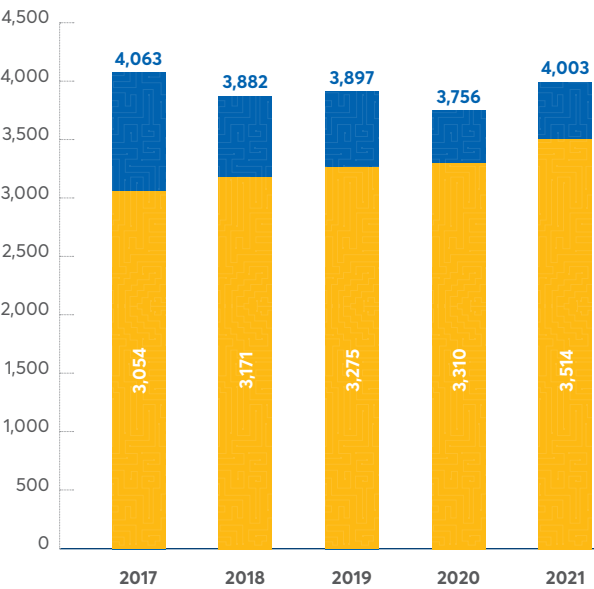


DHG's total net sales  
(Unit: VND billion)

4,003

6.6% higher than 2020's rates and achieved 100.8% of the plan assigned by the AGM

Total sales and sales of DHG's in-house goods in 5 years  
(Unit: VND billion) ● Total sales ● DHG's in-house goods



Source: Audited consolidated financial statements of DHG Pharma



Sales of DHG's in-house goods

3,514

rising by 6.1% year-over-year



Other sales

488

10.0% higher compared to 2020

During the Covid-19 pandemic, with its cutting-edge strength for medicines for pain relief - fever reducer, immunity and health supplements, DHG's directors have boosted production and launched promotions to make the best out of this competitive advantage. These product lines have become vital in improving the consumers' health, preventing and reducing the symptoms of the virus. With this strategy, DHG's total net sales in 2021 reached VND 4,003 billion, 6.6% higher than 2020's rates and achieved 100.8% of the plan assigned by the AGM.

In detail:

Products manufactured by DHG still play a pivotal role, accounted for VND 3,514 billion, rising by 6.1% year-over-year. This is the highest growth rate in the last 5 years (2017-2021). Also, the average sales growth rate of in-house goods in this period was 2.0%/year. Antibiotics and pain - fever relievers were still the two key products which accounted for more than 50% of DHG in-house goods sales. Cardiovascular - Diabetes and Digestive saw sharp growth. Other categories all achieved growth year-over-year. The BOM have executed timely with comprehensive strategies that well supported the Sales Division to help its system overcome difficulties during the pandemic and supply pharmaceutical products to consumers. In addition, DHG's net revenue growth is also made up from sales of new products, many of which came from Taisho shareholders, which helps to diversify the Company's product portfolio to fully meet consumers' demands.

Other sources of revenue include sales of OEM (Mitoyo, Yunpro, Hoshi), trading of raw materials and promotional products which reached VND 488 billion, 10.0% higher compared to 2020. The biggest proportion of this revenue went to sales of pharmaceutical raw materials. This was achieved when DHG successfully built up an abundant inventory of raw materials, not only meeting internal production needs but also serving its pharmaceutical raw materials trading business.

## PROFITABILITY RATIO

Year	2019	2020	2021
Gross profit margin	43.9%	48.2%	48.0%
<b>In which:</b>			
DHG's goods	51.6%	53.9%	53.9%
Others	3.4%	5.7%	5.7%
Before-tax profit margin	18.3%	21.9%	21.6%
After-tax profit margin (ROS)	16.2%	19.7%	19.4%
ROA	15.1%	17.2%	17.1%
ROE	19.4%	21.3%	21.1%

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

Prior to 2018, the Company deducted 10% of its after-tax annual profit for the Bonus and Welfare Fund for employees. From 2019 onwards, DHG Pharma has deducted into the Company's expenses with a value equal to 7.0% of profit after tax. Therefore, we hereby only present profitability and operating ratio for the 3-year period from 2019 to 2021 for accounting comparison.

When indicators in 2020's indexes rocketed compared to 2019, in general, the profitability rates did not change significantly in 2021. A good level of profitability was maintained, compared to the past and benchmarked with other companies in the same industry. The Company has faced many difficulties in the production process such as the scarcity of raw materials for necessary products during the pandemic times, global logistics congestion and overloading, personnel shortages in sales and manufacturing departments, etc. These indexes fell slightly, which was mainly due to the unexpected expenses to deal with the Covid-19 pandemic.

### Compare DHG Pharma's profitability ratio with that of other companies in the same industry

Year	DHG	TRA	DMC	IMP	OPC	DBD
<b>2021</b>						
ROS	19.4%	12.2%	10.6%	14.9%	11.0%	12.1%
ROA	17.1%	15.8%	10.3%	8.6%	10.3%	12.6%
ROE	21.1%	21.1%	11.9%	10.7%	17.0%	17.8%
<b>2020</b>						
ROS	19.7%	11.4%	12.4%	15.3%	10.7%	12.6%
ROA	17.2%	13.5%	12.0%	10.6%	8.8%	10.3%
ROE	21.3%	18.9%	14.0%	12.7%	14.7%	16.4%

Source: Audited financial statements of DHG Pharma and other companies in the same industry in 2020 and 2021.

DHG Pharma retained its top one position among listed pharmaceutical companies thanks to the Company's improvements in 2020 and its good ability to maintain the profit margin in 2021. All of these enable the company to further prove its leading position in terms of efficient manufacturing and trading.

## DUPONT ANALYSIS

Formula	Meaning	2019	2020	2021
Net income/Earnings before taxes (EBT)	Tax Burden	88.5%	90.0%	89.8%
EBT/Earnings before interest and taxes (EBIT)	Interest Burden	115.5%	117.0%	113.4%
EBIT/Net sales	Operating Profit Margin	15.9%	18.7%	19.0%
Net income/ Net sales	Return on Sales (ROS)	16.2%	19.7%	19.4%
Net sales/Total average assets	Asset Turnover Ratio	0.93	0.87	0.88
ROA	Return on Asset	15.1%	17.2%	17.1%
Total average assets/Total average equity	Financial Leverage Ratio	1.28	1.24	1.23
ROE	Return on Equity	19.4%	21.3%	21.1%

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

The pharmaceutical plant in Hau Giang continues to enjoy tax incentives with the tax rate currently at only about 10% of the profit. For the following years, the CIT rate is expected to be around 10% - 12% when the tax rate applies for the plant at 5%.

The income from interest (EBT/Earnings before tax and interest) decreased by about 4% as revenue from financial activities dropped by -12.5% year-over-year, which amounted to a decrease of VND 17 billion. In 2021, the Company began to disburse for production lines development projects and research of new products. The average bank deposit, as such, was not as high as 2020's level. For other indexes, in general, there have been no significant changes.

## PERFORMANCE

Formula	2019	2020	2021
Inventory turnover	2.7	2.5	2.2
Payable turnover	16.4	10.4	9.2
Receivable turnover	6.9	8.1	10.3
Days of inventory on hand	133	144	164
Days of payables outstanding	22	34	39
Days of sales outstanding	52	44	35
Cash conversion cycle	163	153	160

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

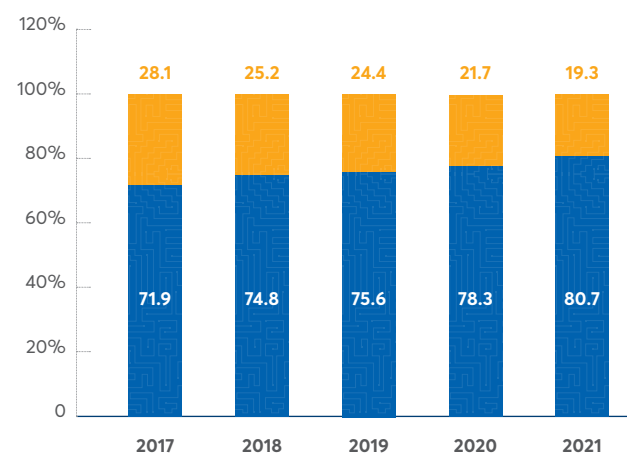
Cash conversion cycle in 2021 reached 160 days, an increase of 7 days compared to the previous year. In detail, the average number of days in inventory increased by 20 days due to an increase in the need to stockpile finished products and raw materials. The average number of days receivable decreased by 5 days when the debt collection efficiency was improved. Bad debts were thoroughly handled, helping to increase income from sales activities.



## COMPANY ASSET STRUCTURE

**Asset structure** (Unit: %)

● Short-term assets ● Long-term assets



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

### ASSET STRUCTURE

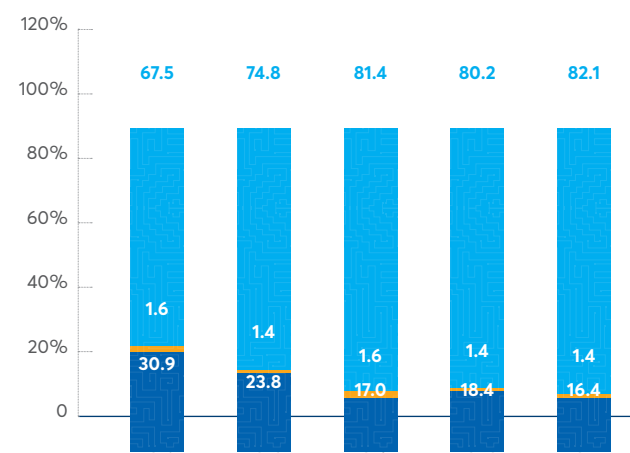
**Short-term assets:** The Company's working capital in the form of cash and deposits has been increasingly abundant, which guaranteed funding for production and business activities. At the end of the year, the Company stockpiled scarce raw materials and finished products with high demand in the context of the pandemic, which sharply increased the value of inventory at the end of 2021 by VND 246 billion, accounting for 23.2% the total assets of the Company. At the same time, a number of raw material suppliers had to suspend production to relocate to other venues due to climate change and environmental issues. This led to an increase in prices of some raw materials. To counter this, the Company has reserved more raw materials, yet this remains a short-term solution. The Company will actively adjust accordingly so that excess inventory does not occur. Cash, cash equivalents and short-term financial investments (mainly deposits under 12 months) decreased slightly by VND 36 billion, accounting for only 46.6% of the Company's total assets.

**Long-term assets:** Due to the impact of the epidemic, some fixed asset investment items have not been implemented on schedule, leading to the delay in the acceptance and operation of some investment items. As such, the new historical cost of the assets did not increase as much as the depreciation expense during the period. The company still maintains its operation in replacing fixed assets that have been exhausted, further investing in more modern equipments to improve product quality aiming to upgrade plants to meet international GMP standards. The proportion of long-term assets only accounted for 19.3%, down by 2.5% compared to the balance at the beginning of the year.



**Resource structure** (Unit: %)

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

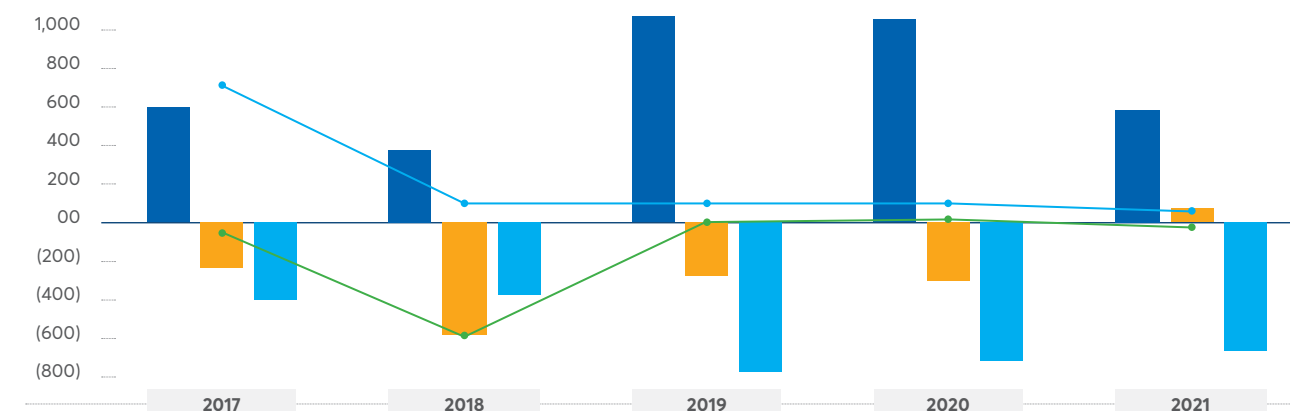


### RESOURCE STRUCTURE

**Resources:** With abundant capital, the proportion of equity in total capital as of December 31, 2021 remained high, accounting for 82.1%. Equity increased by 6.3% year-over-year thanks to the large retained earnings after tax from 2020. The balance and proportion of liabilities both increased because there were more short-term payables to sellers, some of which are undue.

## CASH FLOW FROM THE COMPANY'S ACTIVITIES

● CFO: Cash flow from operating activities ● CFI: Cash flow from investing activities  
● CFF: Cash flow from financial activities — Net cash outflows/inflows — Cash and cash equivalents at the end of the period



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

Cash flow from manufacturing and business activities decreased sharply at the end of the year mainly because it was invested heavily in increasing inventory to cope with the demand for storing raw materials and commodities during the pandemic. This also led to an increase in payables. With such a large inventory,

DHG had an advantage over competitors in the business market. With pre-tax profit reaching an all time high and the decrease in receivables, the Company maintained its optimal level of working capital for manufacturing and business activities.

## OTHER ASSESSMENTS

### Assessing the impact of exchange rate differences and loan interest

Target	2017	2018	2019	2020	2021
<b>Financial income</b>					
Interest income	81.4	104.3	118.2	133.5	114.3
Foreign exchange gain	3.2	3.2	3.5	5.4	8.6
<b>Financial expenses</b>					
Interest expense	24.5	28.5	22.7	14.0	12.1
Foreign exchange losses	4.3	7.3	5.6	8.3	4.5

Source: Audited consolidated financial statements of DHG Pharma.

The source of capital for manufacturing and business activities of the Company is mainly equity, accounted for more than 80%. Moreover, the total value of deposits as of December 31, 2021 was VND 2,110 billion. Income from bank deposits (deposit interest – interest expense) in 2021 reached VND 102 billion, 14.5% lower compared to 2020 due to lower interest rates. This income also made up 12% of the Company's total profit.

More than 80% value of raw materials purchased in the period was imported and paid via foreign currencies. Therefore, the Company is partly under influence of exchange rate differences. The Company has adopted strategies to hedge against exchange and interest rate risks through buy/sell/spot contracts or foreign currency exchange contracts, etc.



### Assessing the impact of liabilities

In 2021, the Company continued to strengthen the control, manage, and collect public debts promptly and closely to each locality to avoid prolonged occupied funds which might affect the profitability of the Company. As of December 31, 2021, short-term receivables from customers were only VND 364 billion, a 12% decrease year-over-year. Short-term provision for bad receivable debts fell from VND 51 billion to VND 49 billion.

# DHG S.W.O.T ANALYSIS

## STRENGTHS

- Being the biggest Generic pharmaceutical enterprise in Vietnam with strong financial resource; effective operation enables the Company to implement development strategies.
- Owning an experienced, skilled, enthusiastic, and dedicated human resource that well meet the need of international integration and especially always uphold the spirit of social responsibility.
- Showcasing products that meet global quality standards and owning a modern management system, which serve as foundations for DHG Pharma to step further and reach regional and international standards.
- Having the deepest and widest distribution system in Vietnam compared to both domestic and foreign competitors. The sales management, sales methods and Marketing activities are increasingly professional.

## WEAKNESSES

- R&D of DHG Pharma is currently focusing on generic products and patent-o products. DHG Pharma has not spent a lot of research budget on new products (new ingredients and formulas) due to limitation of the Supporting Industries in Vietnam.
- DHG Pharma has developed regulations/policies in accordance with current regulations on corporate governance, which closely meet international requirements. However, there are still many points that need to be completed to achieve high efficiency in management and to suit the Company's development.
- The main production materials of DHG Pharma as well as other enterprises in the industry are mainly imported (80% - 90%), so they are affected by input factors such as raw material price fluctuations, tax policy, imports, foreign exchange rates, etc.

## OPPORTUNITIES

- Thanks to Vietnamese economic growth, improved income and educational level, citizens are increasingly interested in caring for and protecting health and beauty; thus, creating opportunities for pharmaceutical enterprises, DHG Pharma included, to develop.
- The State manages more closely, scientifically and professionally. It creates favorable conditions for enterprises with a prestigious trademark, high-quality products, etc. to promote their advantages. The State policy and the new Pharmaceutical Law create numerous opportunities for enterprises to be self-reliant in production and business.
- Opportunities for R&D development from collaborative relationships, joint ventures, technical transfer, purchasing scientific projects, and hiring research.
- Thanks to economic integration, many international pharmaceutical groups are entering the Vietnam market, which facilitates the learning and experiences growth for DHG Pharma personnel in science and technology for new and modern products.
- Dense population with a rapid pace of aging, polluted environment, increasing morbidity rates along with rising spending on medicines and dietary supplements open up numerous growth opportunities for pharmaceutical enterprises.

## CHALLENGES

- The monetary policy of exchange rate in the macro-economic with export priority unfavorably affects enterprises with large importing proportions (materials, equipment, and technology).
- Maintenance of continuous operation, quick recovery, and development of production and business activities in the new normal state will be one of the main challenges for both domestic and foreign businesses.
- Foreign pharmaceutical enterprises with modern technology, international experience, strong financial potential, and preference for foreign goods are the main reasons for which domestic drugs only account for nearly 50% of the national market share. This figure shows both opportunities and potentials but it also indicates a big challenge for domestic pharmaceutical enterprises to bring the value of domestically produced drugs to 70% of the market share in accordance with the Government's policy.



## BUSINESS PLAN IN 2022

Net sales  
(Unit: VND Billion)

Profit before tax  
(Unit: VND Billion)

**4,220** **853**



## ORIENTATION

Building a business towards international standards and sustainable development of DHG Pharma's products.

## KEY STRATEGIES

### INCREASING SALES

- Strengthening corporate branding and brands for key products.
- Promoting DHG Pharma's branding and developing communication platforms for the Company.
- Building brands for key products and consumer-oriented marketing campaigns.
- Continuing to improve the image and increasing stakeholders' trust with regards to products meeting Japan-GMP standard.
- Enhancing product portfolio and promoting new product development.
- Expanding markets, increasing loyal customers and improving sales performance in big cities.
- Upgrading production lines according to global GMP standards.

### MAINTAINING HIGH GROSS PROFIT MARGIN

- Well control gross profit margin of in-house goods, especially high standard products trusted and used by customers and consumers.
- Optimizing the Company's operating costs.

### HUMAN DEVELOPMENT

- Developing and improving the quality of human resources with high qualifications, professional working style and readiness for the globalization process. Developing a promotion roadmap for each position and completing the missing senior personnel.

### SUSTAINABLE DEVELOPMENT

- Being a symbol of humanity in contributing to the society in order to improve the quality of life of each individual amid the complicated context of the pandemic.
- **With the locality:** always accompanies the locality with practical sponsorship programs, especially in the fields of health and education.
  - **With people:** always care and help them to actively improve their awareness of health care for themselves and their families in a scientific and economic way.



## 03 CORPORATE GOVERNANCE REPORT

### VISION MARK POSITION UPGRADES

88	Share information and shareholder structure
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# SHARE INFORMATION DHG AND SHAREHOLDER STRUCTURE

## SHARE INFORMATION



Share name  
**SHARE OF  
DHG PHARMACEUTICAL JSC**

Ticker symbol  
**DHG**  
Share exchange  
**HOCHIMINH STOCK EXCHANGE**

NUMBER OF LISTED AND  
OUTSTANDING SHARES  
(SHARES)  
**130,746,071**

Charter capital  
(VND)  
**1,307,460,710,000**

Par value  
VND **10,000**  
(Ten thousand dong)

Type of share  
**ORDINARY SHARE**

Number of treasury shares  
**NONE**

Even though the 4<sup>th</sup> wave of the pandemic made a negative impact on the economy, Vietnamese share market still recorded impressive growth. In Nov 2021, VN-Index reached a new all-time high at 1,501 points on 25 Nov 2021. At the end of a trading session on 31 Dec, VN-Index reached 1,498 points, up 36% compared to the end of 2020. This fluctuation reflected the investors' expectation for economic recovery and pandemic control in the last quarter of 2021. Moreover, the outstanding performance of the share market was inspired by the faster vaccine deployment, the domestic vaccines being brought to the market earlier than expected, and the Government's post-pandemic economic support program.

Pharmaceutical shares also recorded positive results during the complicated situation of the Covid-19. In particular, DHG share price increased by 18% from VND 104,600 on 04 Jan 2021 to VND 113,000 on 31 Dec 2021. The reasons for the growth of DHG share were the profitability ratios still growing well during the challenging situation, the general trend of the pharmaceutical industry, great demand for post-vaccination recovery products, as well as factors related to Covid-19 treatment drugs, etc.

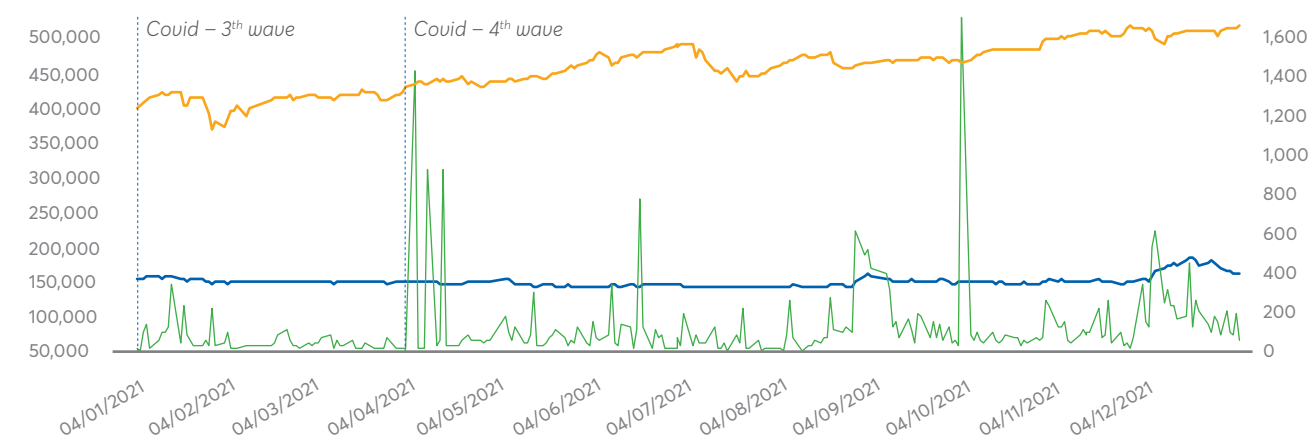
### Fluctuation of DHG share in 2021

No.	Indicators	Unit	Value
1	Share price	VND	113,000
2	Market capitalization	VND billion	14,774
3	From 04 Jan 2021 to 31 Dec 2021		
	Highest price	VND	135,800
	Lowest price	VND	92,000
	Average trading volume	shares/day	33,566
	Average trading value	VND billion/day	3.43
4	Foreign ownership limit (FOL)	%	100%
	Ownership rate of foreign shareholders	%	54.26%
5	EPS	VND	5,720
6	P/B	Time	3.9
7	P/E	Time	19.8

(\*) Share prices and related information finalized on 31 Dec 2021.  
Source: website <https://vietstock.vn/> and calculation of DHG Pharma.

### Total trading volume and price of DHG share from 04 Jan 2021 to 31 Dec 2021

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



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

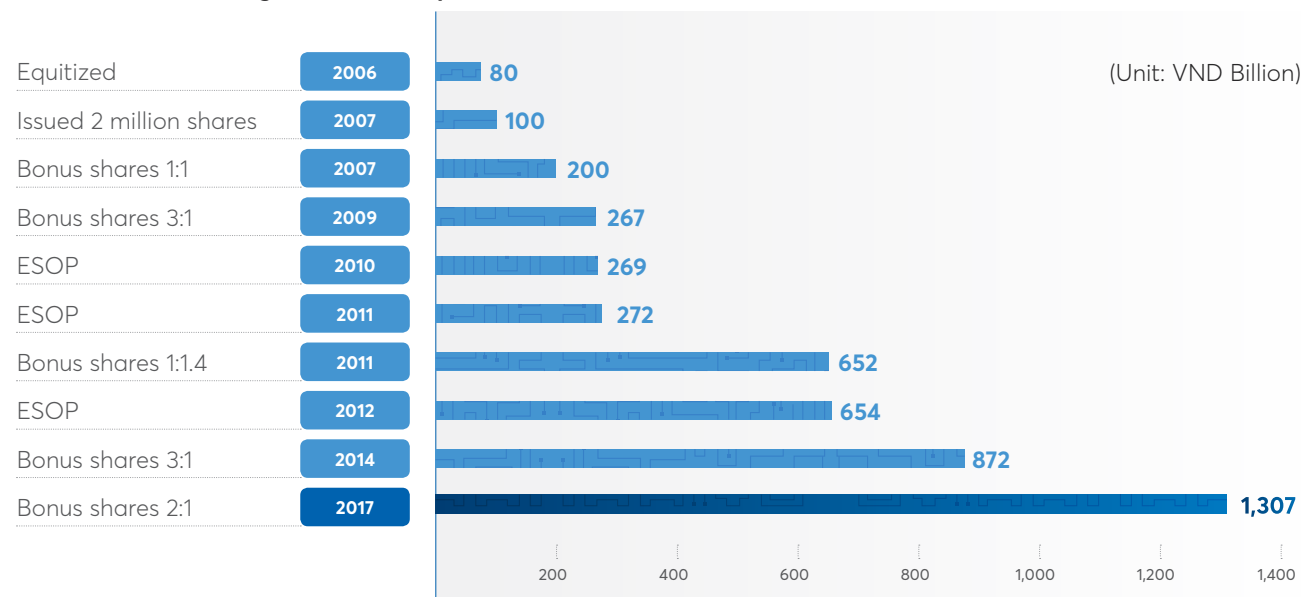
## TREASURY SHARES TRANSACTIONS

In 2021, DHG Pharma did not make any treasury share transaction. At present, the number of treasury shares that the Company is holding is 0 share.

## CHANGES IN OWNER'S CONTRIBUTED CAPITAL

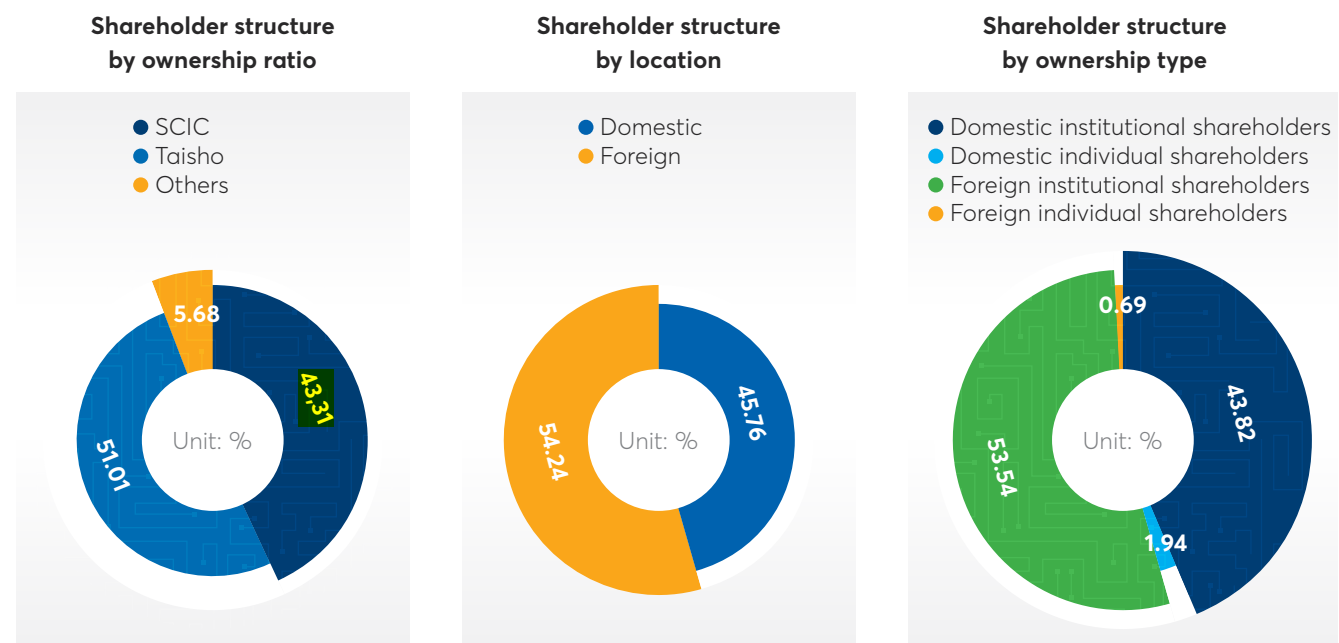
Since equitization, the Company has increased its charter capital 9 times from VND 80 billion to VND 1,307 billion. The latest time DHG Pharma increased its charter capital was in the form of issuing bonus shares at a ratio of 2:1 in 2017. Since then, the owner's contributed capital at DHG Pharma has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

### Timeline for increasing the charter capital



## SHAREHOLDER STRUCTURE

According to the list of shareholders on 15 Feb 2022, DHG Pharma's shareholder structure is as follows:



### 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	-
	<b>Major shareholders</b>	<b>66,697,052</b>	<b>51.01%</b>	<b>1</b>	<b>1</b>	<b>-</b>
2	- Domestic	-	-	-	-	-
	- Foreign	66,697,052	51.01%	1	1	-
3	The Company's Union	538,147	0.41%	1	1	-
4	Treasury shares	-	-	-	-	-
	Other shareholders	6,884,635	5.27%	3,657	111	3,546
5	- Domestic	2,670,853	2.04%	3,126	57	3,069
	- Foreign	4,213,782	3.22%	531	54	477
<b>TOTAL</b>		<b>130,746,071</b>	<b>100.00%</b>	<b>3,660</b>	<b>114</b>	<b>3,546</b>
	<i>In which:</i> - Domestic	59,835,237	45.76%	3,128	59	3,069
	- Foreign	70,910,834	54.24%	532	55	477

### Shareholder structure by type of shares

	Subject	Restricted shares	Transferable shares	Total	Ownership ratio (%)
I.	Internal persons	-	12,494	12,494	0.01%
II.	The Company's Union	-	538,147	538,147	0.41%
III.	Other shareholders	9	130,195,421	130,195,430	99.58%
1.	<b>Domestic</b>	<b>9</b>	<b>59,284,587</b>	<b>59,284,596</b>	<b>45.34%</b>
1.1	Individual	-	2,528,654	2,528,654	1.93%
1.2	Organization	9	56,755,933	56,755,942	43.41%
2.	<b>Foreign</b>	<b>-</b>	<b>70,910,834</b>	<b>70,910,834</b>	<b>54.24%</b>
2.1	Individual	-	903,524	903,524	0.69%
2.2	Organization	-	70,007,310	70,007,310	53.54%
<b>TOTAL</b>		<b>9</b>	<b>130,746,062</b>	<b>130,746,071</b>	<b>100.00%</b>

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



## SHARE INFORMATION AND SHAREHOLDER STRUCTURE

### 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 $\geq 5\%$ 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 $\geq 5\%$ 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	3,315,805	2.54%	98	98	-
	- Domestic	5,547	0.00%	44	44	-
	- Foreign	3,310,258	2.53%	54	54	-
TOTAL		126,639,094	96.86%	100	100	-

### Transactions on DHG share of internal persons

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 PERSON							
1	Le Thi Hong Nhung	FN Director	7,426	0.01%	3,426	0.00%	Sold 4,000 shares
2	Vu Thi Huong Lan	HR Director	1,500	0.00%	2,800	0.00%	Purchased 1,300 shares
3	Vo Van Kim Y	Technical Director	265	0.00%	65	0.00%	Sold 200 shares

### DHG Share Ownership of internal persons

No.	Full name	Title	Number of shares held		Total shares held	Ownership ratio
			Representative ownership	Personal ownership		
I BOD MEMBERS TERM IV (2019 – 2023)						
1	Dang Thi Thu Ha	BOD Chairwoman	34,000,000 (SCIC's capital representative)	-	34,000,000	26.00%
2	Doan Dinh Duy Khuong	BOD member Chief Operating Officer (COO) Authorized person to disclose information	22,626,237 (SCIC's capital representative)	7	22,626,244	17.31%
3	Jun Kuroda	BOD member	-	-	-	-
4	Masashi Nakaura	BOD member General Director (CEO)	-	-	-	-
5	Maki Kamijo	BOD member	-	-	-	-
6	Do Le Hung	Independent Board Member	-	-	-	-
7	Nguyen Thi Viet Thanh	Independent Board Member	-	-	-	-
II INTERNAL PERSONS						
1	Masashi Nakaura	BOD member General Director (CEO)	-	-	-	-
2	Doan Dinh Duy Khuong	BOD member Chief Operating Officer (COO) Authorized person to disclose information	22,626,237 (SCIC's capital representative)	7	22,626,244	17.31%
3	Nguyen Ngoc Diep	Deputy General Director	-	3,180	3,180	0.00%
4	Tomoyuki Kawata	Deputy General Director cum Supply Chain Director	-	-	-	-
5	Le Thi Hong Nhung	Finance Director	-	3,426	3,426	0.00%
6	Ngo Thi Phuong Loan	QM Director	-	210	210	0.00%
7	Vu Thi Huong Lan	HR Director	-	2,800	2,800	0.00%
8	Huynh Thi Kim Tui	Distribution Director	-	1,868	1,868	0.00%
9	Vo Van Kim Y	Technical Director	-	65	65	0.00%
10	Nguyen Ngoc Chuong	Production Director	-	-	-	-
11	Tran Duy Hung	Marketing 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%

## MEMBERS AND STRUCTURE OF THE BOD

The Annual General Meeting of Shareholders, which was held on 11 Jun 2019, approved the number of BOD members term IV (2019 – 2023) to be 07 members. In which: The number of Independent Board Members is 02 members. In 2021, changes in BOD personnel are as follows:

### 1. \_\_\_\_ Mr. Phan Minh Tien

**Title:** Independent Board Member

**Date of appointment:** 28 Mar 2018

**Date of dismissal:** 19 Apr 2021

**Note:** On 19 Mar 2021, Mr. Phan Minh Tien submitted his resignation letter from the Independent Board Member position.

### 2. \_\_\_\_ Ms. Nguyen Thi Viet Thanh

**Title:** Independent Board Member

**Date of appointment:** 19 Apr 2021

**Note:** At the AGM 2020 dated 19 Apr 2021, the BOD introduced Ms. Nguyen Thi Viet Thanh a candidate joining as an Independent Board Member. The AGM approved the election of Ms. Nguyen Thi Viet Thanh as the Independent Board Member for the remaining time of Term IV (2019 - 2023) at DHG Pharma with a win ratio of 99.98%.



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



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



Having at least 02 independent board members if DHG Pharma has from 06 to 08 members of the Board of Directors.

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

No.	BOD members	Independent Board member	Non-executive BOD member	Executive BOD member
1.	Ms. Dang Thi Thu Ha		X	
2.	Mr. Jun Kuroda		X	
3.	Mr. Masashi Nakaura			X
4.	Mr. Doan Dinh Duy Khuong			X
5.	Mr. Maki Kamijo		X	
6.	Mr. Do Le Hung	X		
7.	Ms. Nguyen Thi Viet Thanh	X		



## PERFORMANCES OF THE BOD IN 2021

In 2021, the BOD conducted 09 meetings, issued 09 Resolutions and 26 Decisions to solve issues under the functions and authorities of the BOD. In which, there were 02 face to face meetings and 07 meetings via email.

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

### Meeting attendance rate

No.	BOD members	Title	The date becoming/ ceasing to be the BOD/ Independent member		Meeting attendance	Rate
			Date of appointment	Date of dismissal		
1.	Ms. Dang Thi Thu Ha	BOD Chairwoman Non-executive BOD Member	28 Jul 2017		9/9	100%
2.	Mr. Jun Kuroda	Non-executive BOD Member	15 Aug 2016		9/9	100%
3.	Mr. Masashi Nakaura	Executive BOD Member General Director (CEO)	11 Jun 2019		9/9	100%
4.	Mr. Maki Kamijo	Non-executive BOD Member	11 Jun 2019		9/9	100%
5.	Mr. Doan Dinh Duy Khuong	Executive BOD Member Chief Operating Officer (COO)	29 Apr 2010		9/9	100%
6.	Mr. Do Le Hung	Independent Board Member	11 Jun 2019		9/9	100%
7.	Mr. Phan Minh Tien	Independent Board Member	28 Mar 2018	19 Apr 2021	3/9	33.3%
8.	Ms. Nguyen Thi Viet Thanh	Independent Board Member	19 Apr 2021		6/9	66.7%



The BOD Resolutions in 2021

No.	Resolution No.	Date	Resolutions contents	Approval rate
1.	001/2021/ NQ.HĐQT	27 Jan 2021	Approval of the BOD Secretary report; The BOM's report on the business results in 2020 – Plan for 1Q/2021. Approving the statement on term deposit limit and credit limit for 2021; and other contents within the BOD's authorities.	100%
2.	002/2021/ NQ.HĐQT	04 Mar 2021	Approving the business plan in 2021, the dividend rate in 2020, and the plan to select an independent auditor in 2021 to submit to the AGM.	100%
3.	003/2021/ NQ.HĐQT	26 Mar 2021	Approving the preparation and the document set for the AGM 2020.	100%
4.	004/2021/ NQ.HĐQT	19 Apr 2021	Approval of the BOD Secretary report; The BOM's report on the production and business results in 1Q/2021 - plan for 2Q/2021; Personnel structure of Committees under the BOD; Promulgation of Risk Management Policy.	100%
5.	005/2021/ NQ.HĐQT	23 Apr 2021	The General Director was assigned to carry out recruitment procedures for several key positions.	100%
6.	006/2021/ NQ.HĐQT	03 Jun 2021	Approving the dismissal of Mr. Pham Chi Truc from the position of Deputy General Director in charge of Finance of DHG Pharma from 04 Jul 2021; Promulgation of the Audit Committee Charter and other contents within the BOD's authorities.	100%
7.	007/2021/ NQ.HĐQT	30 Jul 2021	Approval of the BOD Secretary, Report on receipts and expenses of the BOD Remuneration Fund and the Corporate Governance Report; Report of the BOM on the business results in 1H/2021 and business plan for 2H/2021; Report of the Nomination Committee and the Audit Committee.  Appointment and relinquishment of the following positions from 01 Aug 2021: <ul style="list-style-type: none"> <li>• Ms. <b>Nguyen Ngoc Diep</b> - Relinquishment as Production Director.</li> <li>• Mr. <b>Nguyen Ngoc Chuong</b> - Appointment as Production Director.</li> <li>• Mr. <b>Atsushi Toyoshima</b> - Relinquishment as Supply Chain Director.</li> <li>• Mr. <b>Tomoyuki Kawata</b> - Concurrently holds the position of Supply Chain Director.</li> <li>• Mr. <b>Tran Duy Hung</b> - Appointment as Marketing Director.</li> </ul> Approval of related transactions between DHG Pharma with Taisho and Taisho's subsidiaries.	100%
8.	008/2021/ NQ.HĐQT	04 Nov 2021	Approval of the BOD Secretary's report; Report on the BOD Remuneration Fund; Report of the BOM on the evaluation of the business results in 9Ms/2021 and plan for 4Q/2021; Report of the Nomination Committee.  Issuance of the Conflicts of Interest Policy and other contents within the BOD's authorities.	100%
9.	009/2021/ NQ.HĐQT	10 Dec 2021	Approval of budget limit and credit limit in 2022	100%

During the business operation in 2021, DHG Pharma's BOD held periodic and extraordinary meetings in order to promptly discuss issues falling under the BOD authorities, to develop development strategies, business and production plans, dividend payment policies, appointment and dismissal decisions for Executives/Managers as well as other important issues of the Company. Information on the production and business situation, activities of the Committees, etc. were timely and accurately updated by the BOM and the BOD Secretary

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

### Performances of the Independent Board Members

“ In 2021, the composition of DHG Pharma's BOD members was 2/7 members, who satisfied the criteria of Independent Board Members. Independent Board 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.



#### 1. — Mr. DO LE HUNG

Independent Board Member  
Chairman of the Audit Committee

With knowledge and experience in the fields of corporate governance, internal audit, internal control, risk management and control, 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.



#### 2. — Ms. NGUYEN THI VIET THANH

Independent Board Member  
Chairwoman of the Nomination Committee

With her knowledge and experience in the field of human resources, she assisted DHG Pharma in finding candidates to strengthen the personnel of DHG Pharma. Researching, appraising and evaluating the issues proposed by the General Director on personnel issues, labor management and salary and bonus policies of the Company. At the same time, she advises the BOD in planning, promoting and evaluating the implementation of the Company's human resource development strategy and plan.

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

### Monitoring methods

1.  The BOD always monitored the completion of key targets during the year that the General Director and the BOM committed in accordance with Resolutions of the GMS and the BOD.
2.  The BOD 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.
3.  The AGM 2020 was successfully organized on 19 Apr 2021. The reporting regime of Financial Statements FY 2020, Quarterly Financial Statements, the Annual Report and Sustainable Development Report FY 2021 was strictly implemented.
4.  The BOD frequently directed the operations of the BOM, promptly resolved arising issues under the BOD's authority to create favorable conditions for the BOM's performances.
5.  Processes/regulations were fulfilled in accordance with the operation situation of the Company.

### General assessment

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

## ORIENTATION OF THE BOD'S ACTIVITIES IN 2022

Based on the strategic development orientation of the Company in the period of 2019 - 2023, the business targets of 2022 and actual condition of the Company, the BOD will improve the efficiency and operating methods in accordance with good domestic and regional practices, ensuring good performances of the BOD's functions, clear and transparent operating regulations as well as advantageous operation and implementation. At the same time, the BOD needs to intensively manage and supervise activities of the BOM and managers in implementing the resolutions of the GMS/ BOD. The BOD will ensure all activities of the Company are effective, regulated by law and complete the business targets of 2022. In addition, the BOD shall improve its corporate governance capacity based on international practices to maximize the operational efficiency and enterprise values.


### Several key tasks of the BOD in 2022

1. CONTINUING TO STRENGTHEN **THE LEADING POSITION** IN VIETNAM PHARMACEUTICAL INDUSTRY
2. Implementing the resolution of the AGM 2021. Focusing on completing the 2022 business plan.
3. Increasing personnel training associated with successive training plans to improve the personnel quality and to prepare for the human resources meeting the business demand.
4. Continuously reviewing the system of IA, IC and RM to ensure the Company's compliance with applicable laws.
5. Monitoring the truthfulness of financial statements and information disclosures, aiming to prepare financial statements in accordance with IFRS (International Financial Reporting Standards).
6. Monitoring the implementation process of the new Betalactam factory project to meet global GMP standard.





# PERFORMANCES OF THE COMMITTEES UNDER THE BOD

Categories	Personnel structure	Responsibilities	Meetings in 2021	Performances in 2021	Operational orientation in 2022
 <b>STRATEGIC COMMITTEE</b>	<b>4 members:</b> <ul style="list-style-type: none"> <li>Mr. Jun Kuroda – Chairman</li> <li>Mr. Masashi Nakaura – Member</li> <li>Mr. Doan Dinh Duy Khuong – Member</li> <li>Mr. Naoaki Sugano – Member</li> </ul>	<ul style="list-style-type: none"> <li>Developing long-term development strategies for production, business and investment.</li> <li>Determining annual, mid-term development and production plans based on the objectives and strategies approved by the GMS. Developing basic performance targets of DHG Pharma.</li> <li>Developing annual dividend rates and proposals to the BOD for making decisions on temporary dividend rates.</li> </ul>	<b>5 meetings</b> (19 Apr 2021, 30 Jul 2021, 04 Nov 2021, 23 Dec 2021, and 25 Jan 2022)	<ul style="list-style-type: none"> <li>Developed strategic development of production and business in 2021.</li> <li>Developed plans, strategic goals, medium-term business targets until 2023.</li> <li>Advised the BOD on dividends in 2021 and the plan to pay dividends in 2022.</li> <li>Consulted the BOD on short, medium and long-term investment projects under the BOD's authority.</li> </ul>	<ul style="list-style-type: none"> <li>Shall implement, perform and complete business plan in 2022 assigned by the GMS.</li> <li>Shall build the development strategy, goals and business plan of the Company for the period 2021 – 2023.</li> <li>Shall consult, advise on short, medium and long-term investment under the BOD's authority.</li> <li>Shall advise the BOD on annual and medium-term dividends.</li> </ul>
 <b>AUDIT COMMITTEE</b>	<b>3 members:</b> <ul style="list-style-type: none"> <li>Mr. Do Le Hung – Chairman</li> <li>Ms. Dang Thi Thu Ha – Member</li> <li>Mr. Maki Kamijo – Member</li> </ul>	<ul style="list-style-type: none"> <li>Inspecting and confirming quality, reliability of economic, finance and accounting information.</li> <li>Proposing to select an independent audit company, audit fee, nature and scope of work, etc.</li> <li>Managing, supervising internal audit activities in terms of functions. Reviewing internal audit reports.</li> <li>Inspecting compliance with operating principles, management, and legal compliance.</li> </ul>	<b>5 meetings</b> (26 Jan 2021, 20 Apr 2021, 11 Jun 2021, 23 Jul 2021, and 28 Oct 2021)	<ul style="list-style-type: none"> <li>Supervised quarterly financial statements.</li> <li>Restructured IA, IC and RM system.</li> <li>Monitored the enhancement of IC system.</li> <li>Selected Deloitte Vietnam Ltd Co., as an independent auditor for financial statements FY2021.</li> </ul>	<ul style="list-style-type: none"> <li>Shall propose to select an independent auditor for financial statements FY2022.</li> <li>Shall continue to supervise financial statements and IC &amp; RM, IA system.</li> <li>Shall monitor compliance with laws and internal regulation.</li> <li>Shall participate in building the Company's development strategy for the period 2021 – 2023, especially completing IA, IC and RM systems.</li> </ul>
 <b>NOMINATION COMMITTEE</b>	<b>3 members:</b> <ul style="list-style-type: none"> <li>Ms. Nguyen Thi Viet Thanh – Chairwoman</li> <li>Mr. Masashi Nakaura – Member</li> <li>Mr. Doan Dinh Duy Khuong – Member</li> </ul>	<ul style="list-style-type: none"> <li>Proposing criteria and appointment procedures as well as proposing appointments and dismissals of BOD members and managerial staff under the appointment authorities of the BOD.</li> <li>Developing orders and procedures for nomination and candidacy of BOD members. Developing regulations to determine the independence of non-executive BOD members.</li> <li>Developing processes assessing the BOD's performances such as the effectiveness of the BOD and the contribution of each member.</li> <li>Developing and proposing human resource development plans.</li> <li>Proposing remuneration policies, and other benefits for members of the BOD, the BOD's Committees and the BOM.</li> <li>Monitoring operational evaluation of DHG Pharma's managerial apparatus.</li> <li>Executing other tasks assigned by the BOD in relation to the personnel policy of DHG Pharma.</li> </ul>	<b>4 meetings</b> (23 Feb 2021, 12 Jul 2021, 14 Oct 2021, and 17 Jan 2022)	<ul style="list-style-type: none"> <li>Proposed and advised the BOD to develop human resources; appointment/ dismissal of senior managerial staff, policies of salary, bonus and remuneration of the Company in 2021.</li> </ul>	<ul style="list-style-type: none"> <li>Shall develop the training programs in 2022.</li> <li>Shall propose and consult the BOD on the salary, bonus and remuneration policy of the Company.</li> <li>Shall continue to perfect human resources and senior managerial staff development of the Company.</li> <li>Shall build the development strategy of the Company for the period 2021 - 2023, especially the development strategy of human resources and senior managerial staff of the Company.</li> </ul>

## REMUNERATIONS, BONUSES AND BENEFITS OF THE BOD AND BOM IN 2021

### RECEIPT AND EXPENDITURE OF THE BOD REMUNERATION FUND IN 2021

No.	Items	Amount
1	Balance at the beginning of the year (01 Jan 2021)	4,350,961,280
2	Allocation from the PAT FY 2020 in line with the AGM Resolution	6,000,000,000
3	Total expenditure	8,273,884,316
3.1	Remunerations and bonuses of the BOD and collaborators in 2021	2,964,000,000
3.2	Vaccine donation to Vietnam	2,000,000,000
3.3	Supporting employees during the Covid-19 pandemic	2,000,000,000
3.4	Supporting anti-pandemic supplies	499,859,456
3.5	Other expenses	810,024,860
4	Balance as at 31 Dec 2021	2,077,076,964
5	Appropriation plan from the PAT in 2021 (projected)	6,000,000,000
6	Balance after profit distribution in 2021 (projected)	8,077,076,964

#### BOD Remuneration in 2022

The BOD would like to submit to the GMS for approval the BOD Remuneration in 2022 shall be VND 7 billion. In which, VND 5 billion shall be recognized in the Company's expenses and VND 2 billion shall be appropriated from the profit after tax in 2022.

#### Detailed distribution to each BOD and BOM member

STT	Name	Title	Salary	Remuneration	Total
<b>I. THE BOARD OF DIRECTORS</b>					
1	Dang Thi Thu Ha	BOD Chairwoman	0%	100%	100%
2	Jun Kuroda	BOD Member Chairman of the Strategic Committee	0%	100%	100%
3	Masashi Nakaura	BOD Member General Director	98%	2%	100%
4	Maki Kamijo	BOD Member	0%	100%	100%
5	Doan Dinh Duy Khuong	BOD Member Chief Operating Officer	87%	13%	100%
6	Phan Minh Tien	Former Independent Board Member Former Chairman of the Nomination Committee	0%	100%	100%
7	Do Le Hung	Independent Board Member Chairman of the Audit Committee	0%	100%	100%
8	Nguyen Thi Viet Thanh	Independent Board Member Chairwoman of the Nomination Committee	0%	100%	100%

STT	Name	Title	Salary	Remuneration	Total
<b>II. THE BOARD OF MANAGEMENT</b>					
1	Masashi Nakaura	BOD Member General Director	98%	2%	100%
2	Doan Dinh Duy Khuong	BOD Member Chief Operating Officer	87%	13%	100%
3	Tomoyuki Kawata	Deputy General Director in charge of Production, Supply Chain and Technical Transfer Supporting member of the Strategic Committee	100%	0%	100%
4	Nguyen Ngoc Diep	Deputy General Director in charge of Production and Technical Transfer	100%	0%	100%
5	Pham Chi Truc	Former Deputy General in charge of Finance	100%	0%	100%

### PERSONNEL CHANGES IN TERMS OF MANAGERIAL TITLES APPOINTED BY THE BOD IN 2021

No.	Full name	Title before change	Current title	Reason for change	Basis
1	Mr. Pham Chi Truc	Deputy General Director in charge of Finance	Nil	Submitted resignation letter	BOD Resolution No.006/2021/ NQ.HĐQT dated 03 Jun 2021
2	Mr. Nguyen Ngoc Chuong	Interim Production Director	Production Director	Competence evaluation and had a 6 month trial period	BOD Resolution No.007/2021/ NQ.HĐQT dated 30 Jul 2021
3	Ms. Nguyen Ngoc Diep	Deputy General Director cum Production Director	Deputy General Director	Resigned from the position of Production Manager due to having a successor (Mr. Nguyen Ngoc Chuong)	BOD Resolution No.007/2021/ NQ.HĐQT dated 30 Jul 2021
4	Mr. Atsushi Toyoshima	Supply Chain Director	Nil	End of working time at DHG Pharma and return to the Parent Company - Taisho	BOD Resolution No.007/2021/ NQ.HĐQT dated 30 Jul 2021
5	Mr. Tomoyuki Kawata	Deputy General Director in charge of Production, Supply Chain and Technology Transfer	Deputy General Director in charge of Production, Supply Chain and Technology Transfer cum Supply Chain Director	Temporarily holding the concurrent position until a suitable candidate is selected.	BOD Resolution No.007/2021/ NQ.HĐQT dated 30 Jul 2021
6	Mr. Tran Duy Hung	Nil	Marketing Director	New recruitment to fill up the Marketing Director position	BOD Resolution No.007/2021/ NQ.HĐQT dated 30 Jul 2021



# CORPORATE GOVERNANCE

## PRINCIPLES

### FOR PUBLIC COMPANIES IN VIETNAM



“Excellent corporate governance plays a crucial role in improving business performance and risk management quality, contributing to the improvement of the transparency, corporate value, creating trusts for investors, favorable conditions for accessing capital markets, which promotes the long-term sustainable development.”



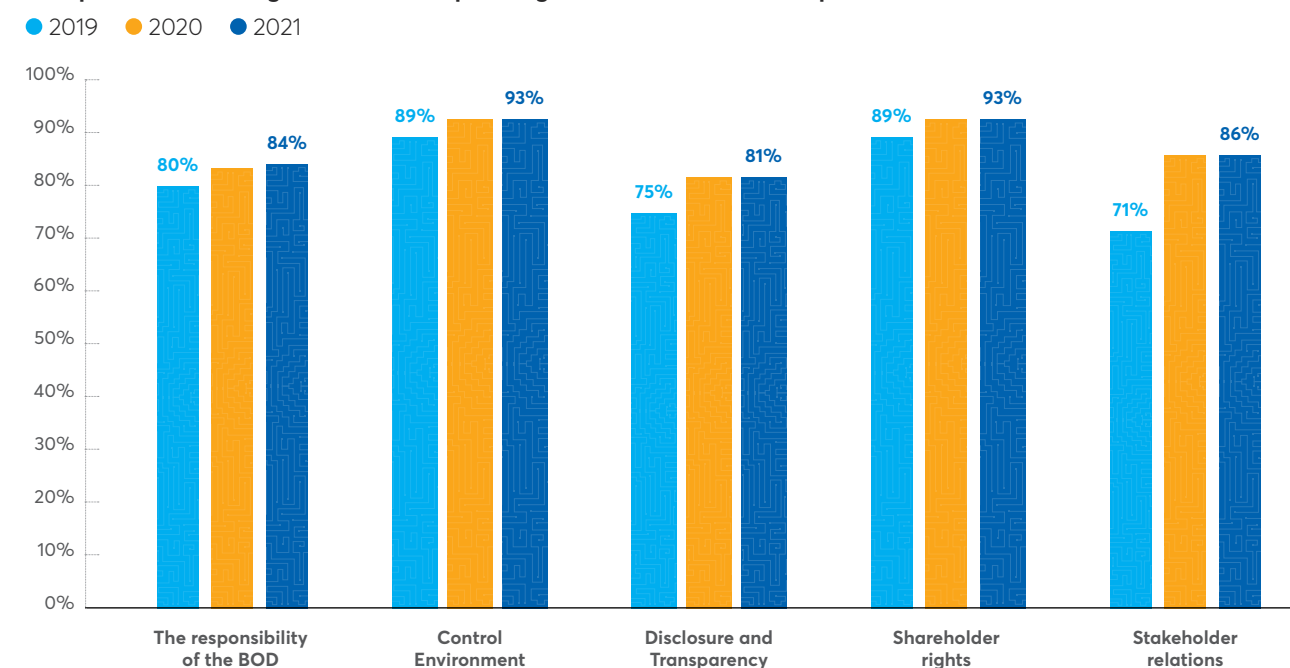
DHG Pharma has realized the importance of corporate governance and actively followed both domestic and international good practices/ rules such as Corporate Governance Code for public companies in Vietnam, OECD's Corporate Governance Principles, Asean Corporate Governance Scorecard, Decree No.155/2020/ND/CP dated 31 Dec 2020 replace Decree No.71/2017/ND-CP dated 06 Jun 2017, Circular No.95/2017/TT-BTC dated 22 Sep 2017 of the Ministry of Finance, etc. Such good compliance in Corporate Governance principles at DHG

Pharma has not only contributed to the improvement of its business performance, optimized its development ability in the medium and long term, but also enhanced its trust and reputation with related stakeholders.

In 2021, DHG Pharma evaluated its corporate governance performance in accordance with Vietnamese Corporate Governance Code and ASEAN Corporate Governance Scorecard. The details of evaluation result according to Vietnamese Corporate Governance Code are as follow:

Section	Contents	Recommendation	Đáp ứng	Tỷ trọng
1.	The responsibility of the BOD	94	79	84%
2.	Control Environment	27	25	93%
3.	Disclosure and Transparency	16	13	81%
4.	Shareholder rights	28	26	93%
5.	Stakeholder relations	7	6	86%
TOTAL		172	148	87%

### Compliance according to Vietnam corporate governance code of best practices FY 2019 - 2021



# EVALUATION ON THE CORPORATE GOVERNANCE PRINCIPLES FOR PUBLIC COMPANIES IN VIETNAM

● From >= 75%   ● From > 50%   ● From < 50%

## 1. ESTABLISHING CLEAR ROLES, RESPONSIBILITIES AND COMMITMENT OF THE BOARD

**Information source:** Charter, Internal Regulation on Corporate Governance, Company's website, DHG's Cultural identity, Operational regulation of the BOD, Annual report.

### Principle 1.1

Rate: 10/10

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

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

### Principle 1.3

Rate: 5/5

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

### Principle 1.2

Rate: 9/9

The BOD members of DHG Pharma must commit to performing their duties honestly, faithfully, carefully and in the best interest of the Company, not allowing to exploit business opportunities that may benefit DHG Pharma for their personal purposes, not allowing to use information obtained thanks to their positions for personal gain or for the benefits of other organizations or individuals.

Each member of the BOD is responsible for attending all the Company's BOD meetings in a year. In particular, the BOD has conducted 9 meetings, issued 9 Resolutions and 26 Decisions that address issues within the functions and authority of the BOD in 2021. Simultaneously, members of the BOD will receive the meeting documents sent by the BOD Secretary at least five (05) working days before the meeting.

Currently, the BOD's members who are foreigners have not got certificates of corporate governance awarded by the State Securities Commission, but they all have expertise and experience in corporate governance.

### Principle 1.4

Rate: 4/4

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



## 2. ESTABLISHING A COMPETENT AND PROFESSIONAL BOARD

**Information source:** Charter, Internal Regulation on Corporate Governance, GMS materials, Operational regulation of the BOD, Annual report, Corporate governance report.

### Principle 2.1

Rate: 6/8

- Current BOD member structure include 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).
- With the assistance of the Nomination Committee, the BOD has selected and proposed candidates for shareholders to vote. Candidacy and nomination of the Board of Directors' members are stipulated in Article 33 in the Charter of DHG Pharma.
- The current ratio of the BOD's non-executive and female members is 2/7.

#### Criteria have not met:

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

### Principle 2.4

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

### Principle 2.2

Rate: 3/3

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

### Principle 2.3

Rate: 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.

The Secretariat of the BOD does not hold senior management position in the Company. In 2021, the Secretariat of the BOD successfully completed the task of advising and counseling the BOD to ensure their compliance with the Company's Charter, Internal Regulation on Corporate Governance, business ethics and related legal issues, prevent any potential conflicts of interest that may arise, and update the Company's information and prepare for the BOD meetings.

Rate: 4/5



# EVALUATION ON THE CORPORATE GOVERNANCE

## CORPORATE GOVERNANCE PRINCIPLES

### FOR PUBLIC COMPANIES IN VIETNAM

● From >= 75% ● From > 50% ● From < 50%



### 3. ENSURING EFFECTIVE BOARD LEADERSHIP AND INDEPENDENCE

**Information source:** Charter, Internal Regulation on Corporate Governance, GMS resolution, BOD report submitted to the GMS, BOD resolutions.

#### Principle 3.1

Rate: 3/3

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

#### Principle 3.2

Rate: 2/3

The ratio of independent members of DHG Pharma's BOD is currently 2/7, including Mr. Do Le Hung and Ms. Nguyen Thi Viet Thanh. Although this number of independent members of the BOD has not reached the ratio of at least one-third (1/3) as required, the number of independent board members has complied with the provisions of the Charter and the internal regulation on corporate governance of DHG Pharma: "Having at least 02 independent board members if DHG PHARMA has from 06 to 08 members of the BOD".

#### Principle 3.3

Rate: 4/4

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

#### Principle 3.4

Rate: 2/2

DHG Pharma's Charter and Internal Regulation on Corporate Governance stipulate criteria of an independent member of the BOD are: "not ever holding the position of members of the BOD, the Board of Supervisory of the Company for at least previous five (05) consecutive years, unless being appointed continuously for 02 consecutive terms". Currently, 02 independent BOD members at DHG Pharma have just joined the BOD for a period not exceeding 05 years. At the same time, these two independent members also function as Chairs of the Nomination Committee and Audit Committee.

#### Principle 3.5

Rate: 1/4

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

### 4. ESTABLISHING BOARD COMMITTEES

**Information source:** Charter, Internal Regulation on Corporate Governance, Audit Committee Charter, Annual Reports, Operational regulation of the BOD.

#### Principle 4.1

Rate: 4/4

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

#### Principle 4.2

Rate: 3/4

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

#### Principle 4.3

Rate: 2/3

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

### 5. ENSURING EFFECTIVE PERFORMANCE FOR BOARD

**Information source:** Annual reports.

#### Principle 5.1

Rate: 2/4

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

#### Principle 5.2

Rate: 0/3

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

#### Principle 5.3

Rate: 3/3

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

# EVALUATION ON THE CORPORATE GOVERNANCE PRINCIPLES FOR PUBLIC COMPANIES IN VIETNAM

● From >= 75%   ● From > 50%   ● From < 50%

## 6. ESTABLISHING AND MAINTAINING AN ETHICAL CORPORATE CULTURE

**Information source:** Charter, Internal Regulation on Corporate Governance, Operational regulation of the BOD, DHG's cultural identity.

### Principle 6.1

Rate: 3/3

DHG Pharma has issued "DHG Pharma's cultural identity" to establish a business culture with high standards in the Company, which is disseminated to all members of the BOD, the BOM and its employees. DHG Pharma will also consider disclosing "DHG Pharma Cultural Identity" on its website.

### Principle 6.2

Rate: 3/3

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

Rate: 3/3

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

## 7. ESTABLISHING A SOUND RISK MANAGEMENT AND CONTROL ENVIRONMENT

**Information source:** Charter, Audit Committee's reports, Annual report, DHG's cultural identity, Company's regulation, The process of selecting an independent auditor.

### Principle 7.1

Rate: 6/6

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

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

### Principle 7.2

Rate: 4/4

The BOD has established an IA function to ensure the effectiveness of its IC systems, RM framework and corporate governance, including: (1) The Audit Committee under the BOD (presented in Principle 4), (2) The IA Dept.

The IA Dept. is established in accordance with current regulations and internationally recognized standards of the IA Institute (IIA). The IA Dept. under the authority and reports directly to the Audit Committee on the functions, expertise and under the General Director on administration. IA Manager is appointed by the Audit Committee.

The Audit Committee receives the results of annual risk assessment, IA reports, results of the completion plan and quality assessment of the IA Dept., updating high-risk audit issues, recommendations of the IA Dept. and providing necessary guidance.

### Principle 7.3

Rate: 3/3

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

### Principle 7.4

Rate: 6/6

Quarterly, the Strategic Committee and the Audit Committee report to the BOD on the implementation of the Company's strategies and key risks. Risk appetite and RM framework are established with acceptable levels of risk corresponding to each strategy of the Company.

The remuneration of the BOM is appropriate with the annual business situation to ensure the sustainable benefits of shareholders. In the construction of the compensation framework, the Company often hires consultants to ensure the harmony of interests of both the shareholders and employees.

### Principle 7.5

Rate: 3/4

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

### Principle 7.6

Rate: 3/4

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

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

The independent auditor for DHG Pharma's fiscal year 2021 is Deloitte Vietnam Co., Ltd. - one of the Big Four Companies in auditing field. DHG Pharma has published its contract signing with independent auditors but has not disclosed the audit service fees and non-audit service fees.

## 8. DISCLOSURE AND TRANSPARENCY

**Information source:** Charter, Information Disclosure Process, Corporate governance report, Annual report, Sustainable Development Report, Company's website, GMS's materials.

### Principle 8.1

Rate: 6/6

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

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

### Principle 8.2

Rate: 3/3

IR activities are disclosed on page 121 of the Annual Report.

### Principle 8.3

Rate: 3/4

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

### Principle 8.4

Rate: 1/3

Remuneration and bonuses of the BOD and BOM are presented on page 102 of the Annual Report. However, the disclosed information should be presented in more detail.



● From >= 75%
● From > 50%
● From < 50%

9.
ESTABLISHING A FRAMEWORK FOR EFFECTIVE EXERCISE OF SHAREHOLDER RIGHTS

**Information source:** Charter, Internal Regulation on Corporate Governance, Company's website, Corporate governance report, Annual report, Financial statements, GMS materials, Information Disclosure Process, Regulation on transactions with related parties.

Principle 9.1

Rate: 5/5

Basic rights of shareholders include:

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

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

Principle 9.2

Rate: 10/10

Contents related to the GMS are disclosed on pages 116-117 of the Annual Report.

Principle 9.3

Rate: 4/4

Dividend policy is disclosed on page 115 of the Annual Report.

Principle 9.4

Rate: 3/4

To ensure equitable treatment of all shareholders, the rights and obligations of shareholders are clearly and transparently stated in the Company's Charter and Internal Regulation on Corporate Governance. The Company's Charter, Internal Regulation on Corporate Governance, Annual Reports, Quarterly Financial Statements and Information Disclosures in accordance with Circular 96/2020/TT.BTC are all published on the website of the State Securities Commission, HoChiMinh Stock Exchange, and the Company's website so that all shareholders can access the information quickly and accurately.

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

Clause 3, Article 15 of the Company's Charter stipulates that a shareholder or a group of shareholders holding five percent (5%) of ordinary shares or more shall have the following rights:

- To nominate members to the BOD.
- To request the BOD to convene the AGM.
- To inspect and receive a copy or an extract of the list of shareholders entitled to attend and vote at the AGM.
- To examine, extract the minutes, resolutions and decisions of the BOD, interim and annual financial statements, reports of the Audit Committee, contracts and transactions subject to approval by the BOD and other documents, except documents relevant to the Company's trade secrets;
- To propose inclusion of issues in the agenda of the GMS. The proposal must be made in writing and sent to the Company at least 03 working days before the opening date. The proposal shall specify the shareholder's name, quantity of each type of shares being held by the shareholder and the proposed issues;
- To request the BOD to inspect each particular issue related to the management and operation of DHG Pharma whenever necessary.

Principle 9.5

Rate: 4/5

Contents related to transactions with related parties are disclosed on page 119 of the Annual Report.

10.
BUILDING EFFECTIVE STAKEHOLDER ENGAGEMENT

**Information source:** 7 core values of DHG Pharma, DHG's cultural identity, Annual report, Sustainable Development report, Regulation on transactions with related parties.

Principle 10.1

Rate: 4/5

The BOD is committed to considering and respecting the interests of all related stakeholders as well as stakeholders affected by the Company's activities. Currently, the BOD has not yet issued process for identifying related stakeholders such as employee, debtor, customers, supplier, local community and other important non-governmental organizations. These points are specified in the Cultural identity of DHG Pharma/ 7 core values and annually evaluated in the Sustainable Development report.

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

Rate: 2/2

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



# ASEAN CORPORATE GOVERNANCE SCORECARD



DHG Pharma has not only achieved a high score in Corporate Governance Code for public companies in Vietnam but also got a good response in ASEAN Corporate Governance Scorecard.

In particular:  
DHG Pharma got **159/184**  
for meeting 100% of the practice  
(equivalent to 86.4%), 1 N/A criteria  
(not apply for DHG Pharma) and 24 criteria that haven't  
been implemented fully and haven't been implemented.

The criteria are evaluated in detail as follows:

Section	Contents	Recommendation	Response	Ratio
<b>A.</b>	Rights of shareholders	21	20	95%
<b>B.</b>	Equitable treatment of shareholders	15	15	100%
<b>C.</b>	Role of stakeholders	13	12	92%
<b>D.</b>	Disclosure and transparency	32	31	97%
<b>E.</b>	Board responsibility	65	51	78%
	Bonus card	13	6	46%
	Penalty card	25	25	100%
	<b>TOTAL</b>	<b>184</b>	<b>160</b>	<b>87%</b>



## A. RIGHTS OF SHAREHOLDERS

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

**Criteria that DHG Pharma has met:** 20/21 criteria.

### EVALUATION GROUNDS

#### A.1 Basic Shareholder Rights

With many difficulties in 2021, many businesses struggling to survive amid the Covid-19 pandemic, paying dividends from VND 3,000 to VND 4,000/share for many consecutive years is a firm commitment of the Company for the interests of shareholders. DHG Pharma is also one of the few pharmaceutical companies that bring in such attractive profits. In the period 2017 - 2021, more than VND 2,400 billion was paid to shareholders by cash dividend.

No.	Target	2017	2018	2019	2020	2021
1.	Dividend (VND/share)	3.000	3.500	4.000	4.000	3.500
2.	Total dividend value (VND billion)	392,2	457,6	523,0	523,0	457,6
3.	% dividend/profit after tax (%)	61,1	70,3	82,8	70,8	58,9
4.	EPS (VND/share)	4.378	4.445	4.668	5.443	5.720

- DHG Pharma always pays full dividends to shareholders within 30 days after the resolution of the BOD/GMS is approved.
- Dividends for the fiscal year 2020: The Company has paid cash dividends at the rate of 40%/par value, announced on 20 Apr 2021, the last registration date was 10 May 2021, payment date was 18 May 2021.
- Dividend of the fiscal year 2021: The BOD plans to submit to the GMS (March 2022) the dividend at 3,500 VND/share.
- Information on dividends is announced by the Company within 24 hours from the date of the resolution of the BOD/GMS. The Company will consider disclosing the dividend policy on the Company's website.

#### A.2 Right to participate in decisions concerning fundamental corporate changes

Article 18 of the Company's Charter has detailed rights of shareholders. At the AGM 2020 on 19 Apr 2021, shareholders voted to approve the amendment and supplement of the Company's Charter with approval rate of 99.80%.



### 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**



**“ In 2021, DHG Pharma held the AGM on 19 Apr 2021. The procedures for organizing the Annual General Meeting have been implemented by the Company in accordance with the law to ensure maximum rights and benefits for shareholders.**

On 27 Feb 2021, DHG Pharma publishes information on the closing date of the list to attend the 2020 AGM on the Company's website. In which: the last registration date is 19 Mar 2021 (DHG Pharma disclosed information 20 days before the last registration date).

On 27 Mar 2021, the AGM notice was sent by secured method to the shareholders named in the list of shareholders provided by the Ho Chi Minh City Securities Depository Center (21 days before the opening of the meeting).

On 26 Mar 2021, all AGM documents were posted on the website of DHG Pharma in Vietnamese and English (21 days before the opening date of the Meeting). It includes complete information about the experience and background of the candidate for independent BOD members including age, education and other relevant experience, information about the BOD positions at other listed or unlisted companies.

At the Meeting, shareholders voted on issues according to each item of the reports/statements by "voting ballot" under each voting opinion (for/against/abstain). The resolution approved by the GMS is as follows:

- ➔ Approving the BOD's report on the Company's performance in 2020; Performance and remuneration of the BOD in 2020; Report of the Audit Committee 2020; the audited consolidated financial statements FY 2020; the business plan 2021-2025.
- ➔ Report on the profit distribution 2020, balances of funds after the profit distribution of 2020 and the profit distribution plan 2021.
- ➔ Authorizing the BOD/ Audit Committee to select one out of four auditors to audit the financial statements 2021 of DHG Pharma.
- ➔ Amending and supplementing the Company's Charter (24th version), the Internal regulation on corporate governance, the operational regulation of the BOD of DHG Pharma.
- ➔ Dismissal of the independent board member title Term IV (2019 – 2023) to Mr. Phan Minh Tien from 19 Apr 2021.
- ➔ Additionally electing Ms. Nguyen Thi Viet Thanh as the independent board member as a replacement for the remaining period of Term IV (2019 – 2023).

In addition, all members of the BOD and Committees under the BOD and the BOM attended the AGM. The Company also invited the independent auditor's representative to attend the Meeting. After twenty-four (24) hours from closing, the Meeting Minutes, Vote Counting Minutes and AGM's Resolution were posted on DHG Pharma's website in both Vietnamese and English for domestic and foreign shareholders to update information.

#### Criteria have not met:

- Voting in absentia: The Internal regulation on corporate governance include remote voting form, however, DHG Pharma has not met necessary criteria for implementation. The Company shall consider the implementation of this form at the next general meetings.

### A.4

**Markets for corporate control should be allowed to function in an efficient and transparent manner**

In 2019, 2020 and 2021, there is no cases in DHG Pharma.

### A.5

**The exercise of ownership rights by all shareholders, including institutional investors, should be facilitated**

DHG Pharma always updated its quarterly business results, the Company's strategies to shareholders and investors in the meetings, teleconference, email, etc. The IR team is ready to answer questions and record feedback from shareholders and investors.

### B. EQUITABLE TREATMENT OF SHAREHOLDERS

**Source of information:** Charter/Internal regulation on corporate governance/GMS documents/ Regulation on controlling transactions of related parties and related members.

**Criteria that DHG Pharma has met:** 15/15 criteria.



#### EVALUATION GROUNDS

##### B.1 Shares and voting rights

Voting form is distributed to shareholders or proxy in the GMS. Shareholder/proxy will mark (X) or mark (✓) in each decision: "For", "Against", "Abstain" with confirmation signature in the voting form.

##### B.2 Notice of AGM: reference section A.3

##### B.3 Insider trading and abusive self-dealing should be prohibited:

Reference section 9.5, Vietnamese Corporate Governance Code of Best practice for public company.

##### B.4 Related party transactions (RPTs) by directors and key executives

The Audit Committee coordinates with Internal Control and Risk Management department to build and issue Regulation on controlling transaction between related parties and members. The BOD member participates in the AGM but has no voting right on matters, transactions in which that member has conflicts of interest.

### B.5 Protecting minority shareholders from abusive actions

#### Stock trading of internal persons and related persons:

Internal persons and related persons must disclose information and report before and after making transactions to the State Securities Commission, and the Stock Exchange when trading shares having projected value from VND 50 million/day or from VND 200 million/month (at par value) to avoid using inside information to buy/sell securities as follows:

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

#### Contracts or transactions of internal shareholders:

The Regulation on corporate governance and the Company's Charter clearly prescribed "The responsibility to be honest and avoid conflicts of interests" in Article 50 of the 24<sup>th</sup> version of DHG Pharma's charter.

- 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 GMS 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 this 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.

#### Transactions with related persons:

Transactions with Subsidiaries, Associates and dividend payments are presented in the Corporate Governance Report 2021, Item 39 - "Related-party transactions and balances" in the explanation of the audited financial statements of the parent company 2021 and Item 41 in the explanation of the audited consolidated financial statements 2021. Besides the above transactions, there were no arising transactions with related persons in 2021.

The Company issued the regulation on transactions with related parties in order to identify those who are related parties, control these transactions, and ensure the legitimate interests and interests of DHG Pharma and shareholders.



## C. ROLE OF STAKEHOLDERS

**Source of information:** Annual report/Sustainable Development Report/Regulation on centralized information receiving channel/Company's website/Collective labor agreement/Democratic regulation/Regulation on dialogue at workplace.

**Criteria that DHG Pharma has met:** 12/13 criteria.

### EVALUATION GROUNDS

#### C.1 The rights of stakeholders that are established by law or through mutual agreements are to be respected.

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

#### Criteria have not met:

DHG Pharma has not yet had policies to protect the interests of creditors and will consider supplementing.

#### C.2 Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights.

Related stakeholders have the right to raise concerns and/or complaints for possible violation of their rights based on uploaded information on the Company's website, Annual report and Sustainable Development report.

#### C.3 Mechanisms for employee participation should be permitted to develop.

Policies and practices on health, safety, welfare, training and development programs for employees are detailed in Annual report and Sustainable Development report.

#### C.4 Stakeholders including individual employee and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the board and their rights should not be compromised for doing this.



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

## D. DISCLOSURE AND TRANSPARENCY

**Source of information:** Annual report/Corporate governance report/Financial statements.

**Criteria that DHG Pharma has met:** 31/32 criteria.

### EVALUATION GROUNDS

In 2021, DHG Pharma excellently surpassed hundreds of listed companies to enter the Mid Cap group and won 2 awards at the "Vietnam Listed Company Awards 2021" including Top 10 Best Annual Report and First Prize for Best Corporate Governance Report. In addition, DHG Pharma was honored in the Top 100 "Vietnam's Most Sustainable Enterprises 2021" reflecting the Company's efforts in jointly promoting sustainable development activities in Vietnam.

- Information disclosed in bilingual must be accurate, complete and clear and must be disclosed within the prescribed time limit on the websites of DHG Pharma, the State Securities Commission and Ho Chi Minh Stock Exchange, aiming to meet higher international standards so that domestic and foreign investors can access timely and consistent information.
- All shareholders and investors have the right to access the information DHG Pharma announced on the Company's website by following the link: <http://www.dhgpharma.com.vn/en/investor-relations/>

Important information is notified to shareholders in a timely manner and published on the Company's website in English and Vietnamese, including:

- The Annual Report and the Sustainability Report provide an overall picture of business operations, major changes, and development strategies in the short/medium/long term.
- Notice, meeting documents, minutes/resolutions of the General Meeting of Shareholders.
- Report on corporate governance every 6 months/year providing full information about the General Meeting of Shareholders, members of the BOD, meetings and transactions with related parties.
- Quarterly financial statements, reviewed semi-annual financial statements, pre-audited and post-audited financial statements to help shareholders grasp the Company's latest business results. The financial statements are also reviewed by the Audit Committee before being issued to ensure the truthfulness of the financial statements.
- Other extraordinary information disclosures such as appointment/dismissal of members of the BOM, functional directors, notice of share transactions, etc.
- In 2021, DHG Pharma conducted about 20 disclosures within the prescribed time limit and has not been reminded or violated on information disclosure.

- In the context of the Covid-19 pandemic, DHG Pharma organized face-to-face meetings in parallel with conference calls, email exchanges, etc. to regularly update operations, business results, and strategies of the Company to shareholders and investors.
- Internal persons and related persons must disclose information at least 03 working days before the transaction date and within 05 working days after completing the transaction. As for transactions with estimated value from VND 50 million/day or from VND 200 million/month (calculated at par value).

Being aware of the role of investor relations as an essential part of corporate governance, DHG Pharma will continue to promote information sharing channels, increase professionalism and enhance DHG Pharma's reputation on the stock market, aiming for sustainable development and creating long-term values for shareholders and investors. This is also the vision that runs through all the strategies.



Contact information on the investor relations:

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Tel: (8429) 23 891 433 - Ext: 242  
Address: 288 Bis Nguyen Van Cu, An Hoa Ward, Ninh Kieu District, Cantho City.

#### Criteria have not met:

#### D.5 External auditor and Auditor Report:

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

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

## E. BOARD RESPONSIBILITY

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

**Criteria that DHG Pharma has met:** 51/65 criteria.

### EVALUATION GROUNDS

#### E.1 Board Members Duties and Responsibilities

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

Vietnamese link:

<https://www.dhgpharma.com.vn/vi/quan-he-co-dong>

English link:

<https://www.dhgpharma.com.vn/en/investor-relations>



#### E.2 Board Structure

Operational model, structure, role, responsibility and remuneration of BOD members are stated in the Company's Charter and Corporate governance regulation. Please refer to page 106 (Principle 1: Establishing clear roles, responsibility and commitment of the Board).



#### E.3 Board Processes

##### Meetings and attendance of the BOD - Access to information

In 2021, the BOD conducted 9 meetings, all BOD members fully attended all meetings. In 2021, due to the impact of the Covid-19 pandemic, most meetings were held online or by email. All meeting documents were sent to BOD members at least 5 working days before the meeting date and all meeting documents were prepared in Vietnamese and English. All BOD members actively participate in supervising the Company's activities, participating in discussions, and giving recommendations and proposals, etc.

##### Company's secretary

Please refer to section 2.3, Corporate Governance Code for Public Companies in Vietnam.

##### Appointment and re-election of BOD members

Please refer to section 2.1, Corporate Governance Code for Public Companies in Vietnam. The term of office of a BOD member at DHG Pharma is 5 years.

##### Remuneration

Please refer to sections 5.3 và 8.4, Corporate Governance Code for Public Companies in Vietnam.

##### Internal audit – Risk management

Please refer to principle 7 - Establishing a sound risk management and control environment.

#### E.4 Board Personnel

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

#### E.5 Board Performance

Annual performances of the BOD through periodic meetings and these were shown in the Annual reports. However, the orientation program for new BOD members was unclear.



### CRITERIA HAVE NOT MET

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



## PLAN FOR IMPROVING THE QUALITY OF CORPORATE GOVERNANCE

As the result of the assessment of the implementation of corporate governance based on ASEAN Corporate Governance Scorecard and Vietnam Corporate Governance Code, DHG Pharma has set a number of focal goals that need to be implemented and completed in 2022 to further improve the quality of governance. The objectives that should be implemented are specified as follows:

### CONTENT RELATES TO BOD

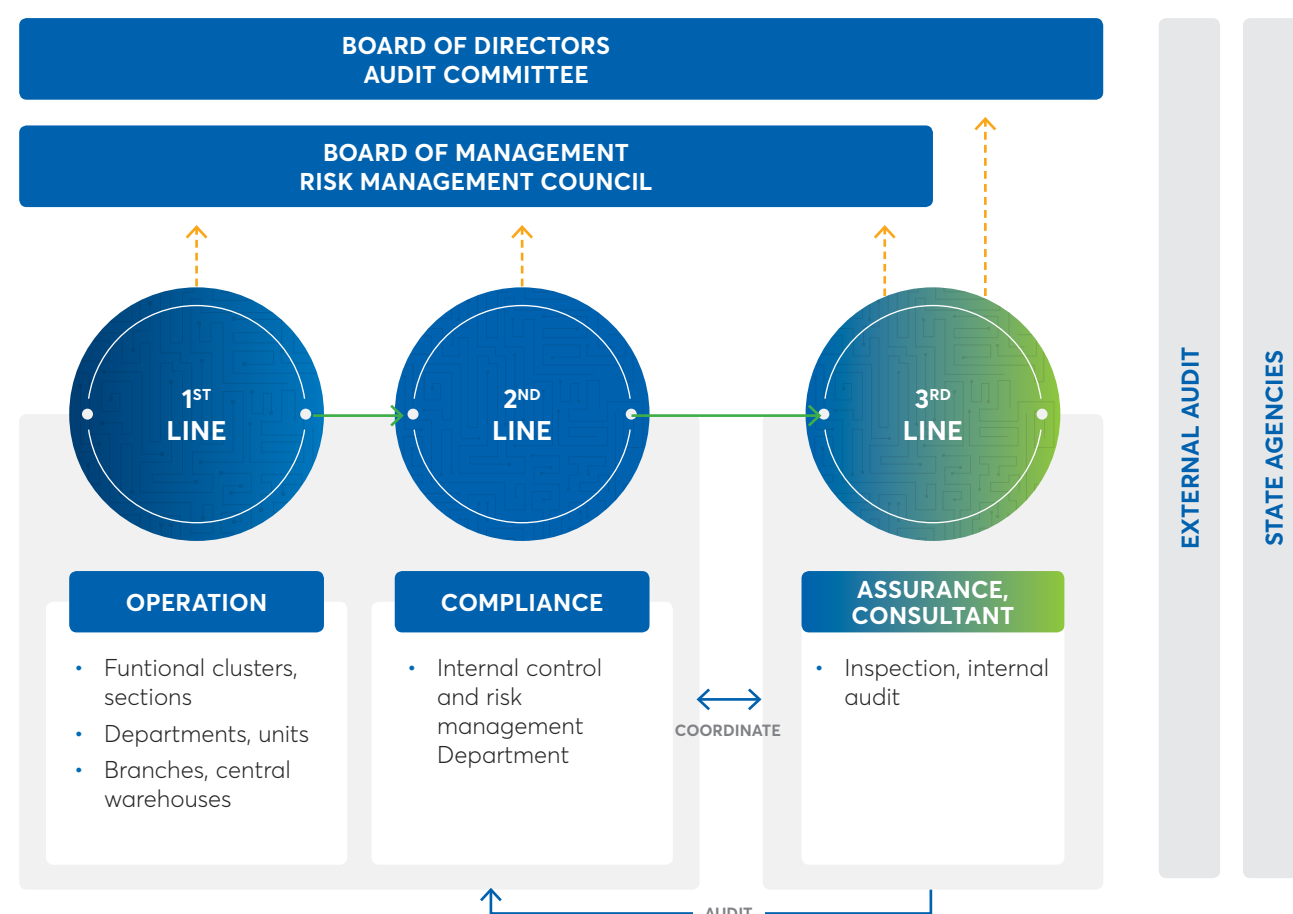
- ➔ Developing skills matrix for the BOD that describes roles and qualifications needed for nomination, including factors such as independence, diversity, age gender, future planning, integrity, skills, expertise, experience, and knowledge of the business and business lines of the Company.
- ➔ Developing orientation and professional training programs for BOD members on regular basis.
- ➔ Considering the appointment of a "lead member" among the independent BOD members. The leader of independent board member must have the power to lead the BOD in case the remaining BOD members (including Chairwoman cum General Director) have conflicts of interests.
- ➔ Conducting periodic assessment of performance of each BOD member and Committee under the BOD.

### CONTENT RELATES TO INFORMATION DISCLOSURE

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

## INTERNAL CONTROL

DHG Pharma develops and operates the internal control system based on the three lines model and guidelines of COSO to enhance the possibility of achieving Company objectives, ensure the operational effectiveness and efficiency, the reliability of the financial statements, in accordance with the law and internal regulations. The internal control system is organized and operated efficiently to help the Company protect its assets, reputation, value, maintain and improve the stakeholders' interest.



DHG Pharma applied the operational framework of the internal control system including 05 components and 17 principles under the direction of the COSO internal control framework to help the Company get closer to good practices on Corporate Governance and Risk management in all fields as well as operational aspects and governance.



### 1<sup>ST</sup> COMPONENT

#### PRINCIPLE

**THE CONTROL ENVIRONMENT** at DHG Pharma is the set of standards, processes, and structures that provide the foundation for internal control across the Company. The BOD and BOM of DHG Pharma established leadership principles related to the importance of internal control and the standards of action that DHG Pharma expects.

#### Principles of setting up a control environment:

1. The organization demonstrates its commitment to integrity and ethical values in the performance of its duties and functions.
2. DHG Pharma's BOD demonstrates its independence from the Management level and supervises the implementation and performance of the internal controls. Management focuses on the development and operation of internal control at their units.
3. Managers at all levels under the supervision of the BOD need to establish an organizational structure, reporting process, division of responsibility and authority in order to achieve the objectives of the Company and the units.
4. The units must demonstrate a commitment to employing competent employees by complying with the recruitment, retention and development policy of human resources in line with its objectives.
5. The units should require responsible individuals to report on their responsibility for meeting the unit's objectives.

### 2<sup>ND</sup> COMPONENT

#### PRINCIPLE

**RISK MANAGEMENT** at DHG Pharma in general and the unit in particular is an iterative process to identify and analyze related risks affecting the achievement of the objectives of DHG Pharma and the Units, creating a basis to identify response actions appropriate to the specific business contexts of DHG Pharma.

#### The principles of the Unit-specific Risk Assessment include:

6. The units must establish clear and complete objectives to identify and evaluate the risks arising in the achievement of its objectives.
7. The units must identify risks in achieving its objectives, conduct a risk analysis to determine how risks need to be managed.
8. The units should consider potential types of fraud when assessing the risks to the achievement of its objectives.
9. The units should identify and evaluate changes in the environment that affect internal control at the units.



## 3<sup>RD</sup> COMPONENT

### PRINCIPLE

**CONTROL ACTIVITIES** at DHG Pharma and the units are the act of developing policies, regulations, procedures and processes to ensure management orientations that will minimize risks and create favorable conditions for the Company and the Units achieve the set goal. Controls are carried out at all levels of DHG Pharma at different stages of the business process and technology environment.

The principles of control activities include:

- 10 → The units must select and develop control activities that contribute to reducing risks and achieving objectives within acceptable limits.
- 11 → The units select and develop general controls that take into account modern technology as appropriate to assist in the achievement of the objectives.
- 12 → The units implement control activities through the content of established policies and implement policies into specific actions.

## 4<sup>TH</sup> COMPONENT

### PRINCIPLE

**INFORMATION AND COMMUNICATION:** Information necessary for the Unit to carry out its control responsibilities and support the achievement of objectives. Communication channels include both internal and external channels providing to the Unit with the information it needs to perform day-to-day controls. The communication unit helps employees understand internal control responsibilities and the importance of achieving goals.

The principles of Information and Communication include:

- 13 → The units collect, communicate and use appropriate, quality information to support the function of internal control.
- 14 → The units should internally communicate necessary information, including objectives and responsibilities for internal control, to support the control function.
- 15 → The units need to communicate to outsiders about matters affecting internal control.

## 5<sup>TH</sup> COMPONENT

### PRINCIPLE

**MONITORING ACTIVITIES:** DHG Pharma conducts ongoing, periodic, or both to determine whether each component of internal control, including the principles within each component, assesses whether they are present and functioning or not. Findings are assessed by DHG Pharma and defects/mistakes are promptly reported, serious issues are reported to the BOM of DHG Pharma.

The principles of Monitoring Activities include:

- 16 → The Company and the units must select, implement and perform ongoing or periodic reviews to ascertain whether components of internal control exist and are working.
- 17 → The Company and the Units must evaluate and notify the weaknesses of internal control in a timely manner to responsible subjects including management levels and the BOD to take remedial measures.

In the process of deep integration in corporate strategy and governance with the parent group - Taisho, in addition to the orientation of building a comprehensive internal control system according to the 5 components and 17 principles of the COSO internal control framework. Under the guidance, DHG Pharma also implements internal control activities in accordance with the J-SOX evaluation standards in accordance with the practice and the Group's practice by enhancing the ability to control risks, protect assets, apply comprehensive and consistent good practices, helping the company maximize its ability to achieve short-, medium- and long-term strategic goals.

In order to gradually improve and strengthen the internal control system, in 2021, the key activities of the internal control function of DHG Pharma have been implemented:



- 1 Reviewing to update/adjust, do the new promulgation of statute, regulation, policy, operational process in the whole system to ensure the rules are in accordance with the law, business ethic, Company governance demand in the new and changeable environment business but ensure the risk governance competent and flexible adaptation.
- 2 Participating in information technology project deployed to support system in setting up control points, stratifying, controlling at the first time to help the system operate efficiently, reduce risk and ensure the flexibility of business activities.
- 3 Supplementing, completing the internal control according to the evaluation standards of J-SOX from parent group Taisho.
- 4 Assessing the compliance of operational processes in the whole company to have a reliable assessment of the processes' effectiveness and efficiency, then make appropriate changes.
- 5 Monitoring on developing, supplementing, completing, training, and implementing the Conflict of interest policy and transaction with related parties.
- 6 Supporting the BOM to implement the Whistleblowing policy in order to record the reflects, investigate and confirm the grievance information, denounce through the General Director's mailbox, therein enhance self-discipline and cross-monitoring in the system, step by step contribute to improve competence and efficient operation.





“ In order to further improve the internal control system to support the BOM to improve its ability to achieve the set operational and strategic objectives, DHG Pharma has developed significant action plans to actualize them, as follows

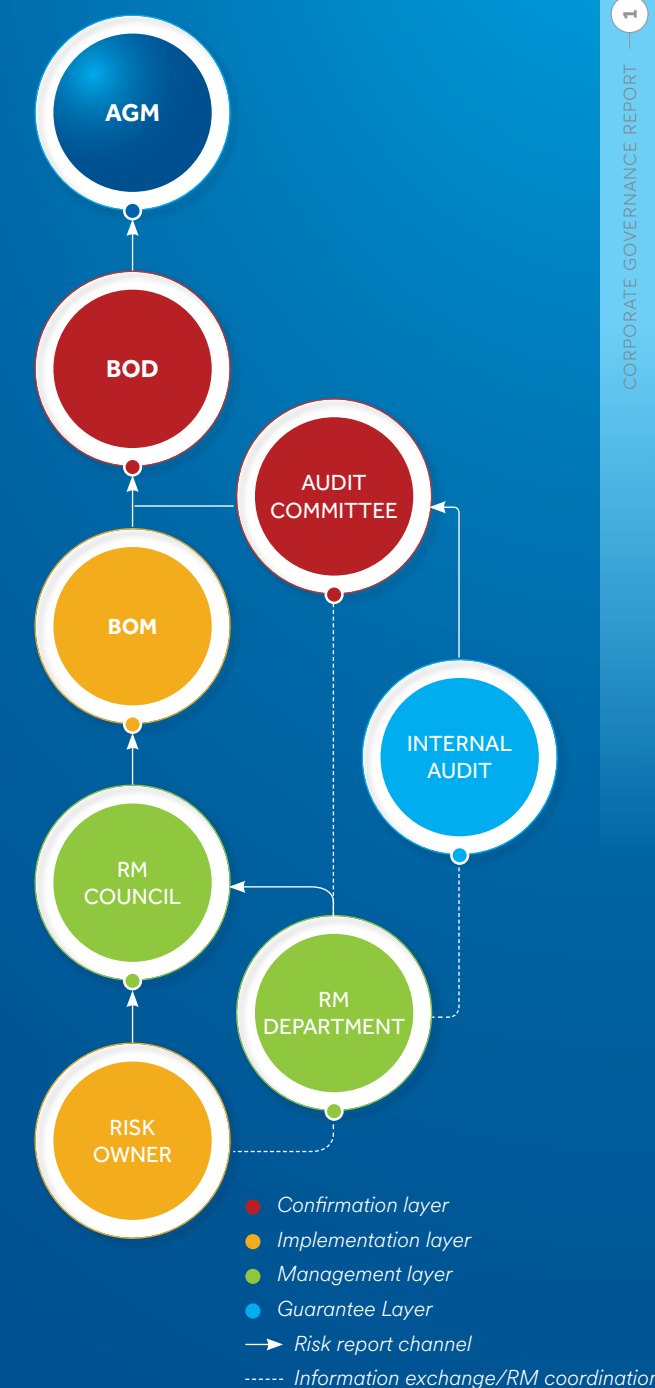
- 7 Continuing to review and oversee the activities of developing, updating, and editing the statutes, regulations, policies, and processes, help the system to set up the efficient control points in all operational steps, ensuring to minimize and monitor risks as same as ensuring the business flexibility.
- 8 Continuing to develop oversight plans, corrective action, and preventive action plans/ improve internal control system capacity plans according to the higher and higher operating conditions of international business based on J-SOX assessments from the parent group - Taisho.
- 9 Implementing to assess the level of understanding of each department/division/unit in the whole system about the internal control system, thereby proposing the programs and plans of training, remedial, and improving knowledge about the internal control system corresponding for each separate unit/cluster of units in line with operational features, which helps DHG Pharma's internal control system become stronger.
- 10 Rolling out the activities of the Compliance Oversight Council, coordinate with functional cluster to implement the training/re-training of compliance.
- 11 Participating in information technology projects to monitor and support the development of control designs effectively and closely with the operational characteristics of DHG Pharma and the more and more fluctuated business environment.
- 12 Continuing to monitor anti-corruption and conflict of interest activities, control transactions with related parties, support the General Director in managing the Whistleblowing Policy, and recommend specific appropriate measures to handle related incidents, protect the value of DHG Pharma.

## RISK MANAGEMENT

### RISK MANAGEMENT STRUCTURE OF THE COMPANY

In 2021, the Covid-19 pandemic continues to ravage with new waves of infection, increasingly dangerous variations and increasingly serious effects on all aspects of socio-economic life. Risk management continues to strengthen as an effective means to help DHG Pharma adapt, flexibly and safely respond to the Covid-19 pandemic with an anti-pandemic mindset in the direction of risk management to ensure operations business continuity and sustainable development.

Risk management is increasingly focused and applied to all aspects of the Company's operations, helping the Company to have flexible and timely management solutions and stay on track to achieve plans and goals.



### RISK MANAGEMENT PROCESS





## Management of critical risks



### 1. DOMESTIC MARKET COMPETITION

#### Risk description

Not promptly prepare and address the competitive pressure from competitors in the market.

#### Risk trends

The competitive trend is increasing, and the risk of competitive pressure is assessed at a high level.

The main solution is diversifying and differentiating products, and at the same time strengthening the implementation and application of quality standards for factories.



### 2. RAW MATERIALS FOR PRODUCTION

#### Risk description

Not promptly and sufficient supply raw materials for production at reasonable costs.

#### Risk trends

The risk of not providing materials in time tends to increase when traveling is restricted between regions and localities. Therefore, an important measure is to be proactive in the procurement process and develop diverse channels for purchasing raw materials.



### 3. PRODUCT QUALITY ASSURANCE

#### Risk description

Products delivered to end-users do not guarantee its quality.

#### Risk trends

Product quality is always the first concern and focus of the company. Therefore, in addition to ensuring stable product quality, the Company also regularly checks and evaluates product quality and conducts risk assessment before applying new technology or implementing changes that affect product quality.



### 4. INFORMATION SECURITY

#### Risk description

Risk of system disruption and loss of important information to the outside.

#### Risk trends

Since the Covid-19 pandemic took place, the trend of remote working has become popular. However, there is also a potential risk of information security. Therefore, the enhancement of implementation of solutions to improve control points in IT and training communication to improve user knowledge are the two core solutions and are executed throughout the operation process.



### 5. MAINTAIN A HIGH-QUALITY LABOR FORCE

#### Risk description

Loss of high-quality personnel without appropriate and timely replacements.

#### Risk trends

High-quality personnel are an important factor, contributing to the sustainable development of DHG Pharma. Over the years, in order to control this risk, the Company has always improved its remuneration policy in order to attract and retain employees, and at the same time, develop a human resource plan, focusing on training, especially the successors to get ready to meet the changing requirements of the Company.



### 6. BUSINESS CONTINUITY PLAN

#### Risk description

Inability to maintain business continuity when serious risk events occur, or at a high cost.

#### Risk trends

Building an effective business continuity plan (BCP) helps the Company minimize adverse impacts on production and business activities, especially in the context of complicated and unpredictable Covid-19. The Company regularly updates information, checks, reviews and updates appropriate adjustments to help the Company's operations not be interrupted.



### 7. COMPLIANCE WITH HSE REGULATIONS

#### Risk description

Failure to timely detect and prevent violations of HSE regulations (Health, Safety and Environment).

#### Risk trends

Risks to health, safety, and the environment always contain unexpected factors. Therefore, the Company always maintains training and inspects the implementation and compliance of HSE: Periodic training and practice on HSE, Fire prevention and rescue; measuring the working environment, checking the operation and efficiency of environmental treatment equipment, etc.



### 8. FLUCTUATIONS IN EXCHANGE RATE & INTEREST RATE

#### Risk description

Exchange rate & interest rate negatively fluctuate for business activities.

#### Risk trends

The Covid-19 pandemic on a global scale is still complicated. However, by strictly managing import and export plans in terms of implementation time as well as payment terms to establish foreign currency demand and reserves; Regularly updating and forecasting exchange rate fluctuations to balance demand and adjusting plans have helped the Company control this risk stably.

## PLANS FOR **RISK MANAGEMENT** ACTIVITIES IN 2022

and become an indispensable part, helping DHG Pharma ensure the achievement of its goals and the risk management system also reached a new level of maturity. The 2022 operational plan contain the following main tasks:

1

Reviewing and updating the risk portfolio periodically in line with the Company's operational strategy, focusing on the key risks that affect the achievement of the Company's strategic goals.

2

Continuing to combine with internal audit activities based on risks to ensure consistent connection, optimization on assessment results with the most reasonable cost and resources.

3

Reviewing and adjusting/updating the appropriate risk management policy and process for each period.

4

Building and developing a specific quantitative system of criteria - risk measurement parameters, dividing them down to levels and determining specific measurement and calculation methods for each assessed risk.

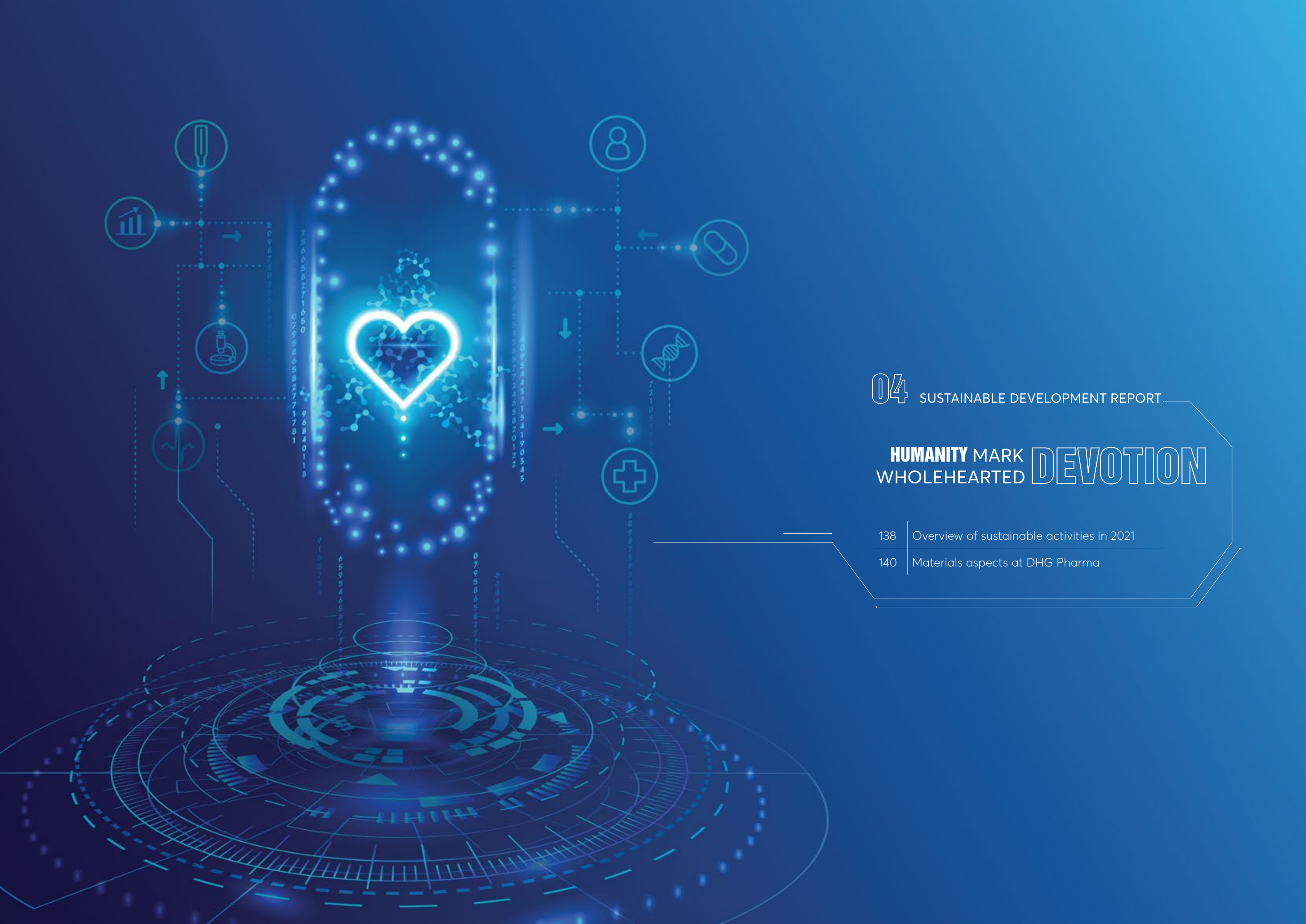
5

Researching, evaluating and updating automation tools and software to upgrade risk management activities.



FACED WITH THE IMPACT OF THE DIGITAL  
REVOLUTION 4.0, PROMOTING THE DIGITAL  
TRANSFORMATION PROCESS WILL BRING LOTS  
OF OPPORTUNITIES FOR BUSINESSES TO OPERATE  
ACTIVELY BUT THE RISK MANAGEMENT ACTIVITIES  
MUST BE UPGRADED CONSTANTLY.





04 SUSTAINABLE DEVELOPMENT REPORT

HUMANITY MARK DEVOTION  
WHOLEHEARTED

138	Overview of sustainable activities in 2021
140	Materials aspects at DHG Pharma



IN THE ANNUAL REPORT,  
**DHG PHARMA**  
 PRESENTS A SUMMARY OF  
 MATERIAL ASPECTS IN



UNDER 3 TOPICS



For detailed information on the sustainable development report, please refer to DHG Pharma's Sustainable Development Report 2021 (independent report).

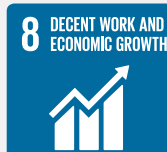
DHG Pharma clearly recognizes and realizes the Sustainable Development Strategy by taking specific actions in making business decisions, ensuring economic growth, protecting the environment, contributing to ensuring peace and community development on the basis of grasping international trends in sustainable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



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



## ECONOMY



### ORIENTATION

### ACHIEVEMENTS IN 2021



#### Economy GRI 201 Economic Performance

- Maintaining the leading position in Vietnam Pharmaceutical Industry.
- Improving brand value, maintaining Top 50 leading brands in Vietnam.

Maintained the leading position in Vietnam pharmaceutical industry for **25 consecutive years** in terms of sales, profit.

- ➔ Net sales: **VND 4,003 billion**
- ➔ Profit before tax: **VND 864 billion**

Top 50 leading brands in Vietnam voted by Forbes Vietnam Magazine.

#### Economy GRI 202 Market Presence

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

- ➔ The average income of employees at DHG Pharma is about 5 times higher than the minimum wage in the compared localities.

#### Economy GRI 203 Indirect Economic Impacts

- Creating decent jobs
- Maximizing enterprise values and increasing interests of stakeholders

- ➔ Created jobs: nearly **2,700 employees** nationwide.
- ➔ Dividend payment in 2021: **VND 457.6 billion**
- ➔ Total transaction value with suppliers: **VND 5,230 billion**
- ➔ Contributed to the community: > **VND 19 billion**

#### Economy GRI 204 Procurement Practices

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

- ➔ Raw materials are always carefully reviewed by DHG Pharma and chosen from reputable suppliers in the world and Vietnam.
- ➔ Each material of DHG Pharma has **2-3 suppliers**.

#### Economy GRI 205 Anti-corruption

- Ensuring DHG Pharma's operations are public and transparent.

- ➔ The Company **did not record** any violations related to corruption.

#### Economy GRI 206 Anti-competitive behavior

- Ensuring competition and fairness.

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

#### Economy GRI 207 Tax

- Contributing to the State budget.
- Complying with tax laws.

- ➔ Contributed to the State budget: **VND 311 billion**.
- ➔ Total contribution to the State budget in the last 5 years: **VND 1,408 billion**.

## ENVIRONMENT



### ORIENTATION

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



### ACHIEVEMENTS IN 2021

- ➔ Quantity of raw materials: **3,004 tons**
- ➔ Electricity bills **VND 46 billion**
- ➔ Total electricity consumption: **26,409,650 Kwh/year**
- ➔ Water bills: **VND 2.3 billion**
- ➔ Total water consumption: **242,294 m³/year**
- ➔ Wastewater recycled rate: **7.9%**
- ➔ Wastewater treatment fee: **VND 1.36 billion/year**
- ➔ In 2021, the Science and Technology Committee at DHG Pharma received **141** ideas and improvements.
- ➔ Amount of hazardous waste: reduced by **17%** compared to 2020.
- ➔ Treatment cost: **VND 740 million.**
- ➔ In 2021, DHG Pharma **did not record** any violations of environmental laws.



## SOCIETY



### ORIENTATION

Society	<b>GRI 401</b>	Employment	<ul style="list-style-type: none"> <li>Maintaining and improving the quality of activities and programs caring about employees' health and lives.</li> </ul>
Society	<b>GRI 402</b>	Labor/management Relations	<ul style="list-style-type: none"> <li>Minimum notice periods regarding operational changes.</li> </ul>
Society	<b>GRI 403</b>	Occupational Health and Safety	<ul style="list-style-type: none"> <li>Ensure a safe working and production environment.</li> </ul>
Society	<b>GRI 404</b>	Training and Education	<ul style="list-style-type: none"> <li>Training human resources with expertise, skills, and being able to adapt to changes in science and technology.</li> </ul>
Society	<b>GRI 405</b>	Society	<ul style="list-style-type: none"> <li>All employees are treated equally.</li> <li>Developing capacity assessment framework for each job position.</li> <li>Improving the quality of Union activities.</li> </ul>
Society	<b>GRI 406</b>	Society	
Society	<b>GRI 407</b>	Diversity - Equality - Non-discrimination - Freedom of Association	



### ACHIEVEMENTS IN 2021

- Employee retention rates: **> 95%**
- Average income: **VND 20.6 million/person/month**
- 100%** of benefits for maternity, women raising children under 12 months of age, etc was guaranteed.
- Before signing, the draft collective labor agreement is consulted by all employees in the Company.
- 100%** of employees were offered periodic health check-ups.
- The Company complied with labor safety regulations.
- Total training hours **70,466 hours**.
- Cost of training: **nearly VND 1 billion**.
- Total number of training courses: **68** training programs with **2,677** participants.
- Female employees accounted for **41%**.
- 18%** of senior managers are women.
- 100%** of employees providing comments on collective labor agreement and democratic regulations.

## SOCIETY



### ORIENTATION

Society

**GRI 408**

Society

**GRI 409**

**Child Labor - Forced Labor**

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

Society

**GRI 413**

**Local Communities**

- Training cultural identity and educating community awareness.
- Providing knowledge about disease prevention, safe and effective use of products.
- Continuing the free medical examinations and medicine program.
- Maintaining the Youth Union's activities such as visiting the elderly, orphans and disabled children, etc.

Society

**GRI 416**

**Customer Health and Safety**

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

Society

**GRI 417**

**Marketing and Labeling**

- All products must be labeled before bringing to market.

Society

**GRI 418**

**Customer privacy**

- Confidentiality of customer information.

Society

**GRI 419**

**Socioeconomic Compliance**

- Compliance with laws and regulations in the social and economic area.



### ACHIEVEMENTS IN 2021

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

- ➔ Contributed to the community: **> VND 19 billion**.
- ➔ In 2021, **13 programs** were organized to provide free medical examinations and medicine for **6,600** participants nationwide. Due to the Covid-19 pandemic, DHG Pharma has changed into programs to sponsor hospitals for Covid-19 treatment, field hospitals nationwide (30 programs).
- ➔ Every month, DHG Pharma purchases necessities according to the needs of the supported units and centers.

- ➔ 02 production lines meeting **Japan-GMP** standard.
- ➔ **100%** of infrastructure was evaluated and checked annually.

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

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

- ➔ DHG Pharma always complies with laws and regulations in the social and economic area.



## 05 CONSOLIDATED FINANCIAL STATEMENTS

**TARGET** MARK  
**STABLE** **GROWTH**

150	Statement of the Management
152	Independent auditors' report
154	Consolidated balance sheet
156	Consolidated income statement
157	Consolidated cash flow statement
158	Notes to the consolidated financial statements

The Management of DHG Pharmaceutical Joint Stock Company (the "Company") and its subsidiary (the Company and its subsidiary are referred to as the "Group") presents this report together with the Group's consolidated financial statements for the year ended 31 December 2021.

## BOARD OF DIRECTORS, AUDIT COMMITTEE AND MANAGEMENT

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

### Board of Directors

Ms. Dang Thi Thu Ha	Chairwoman
Mr. Jun Kuroda	Member
Mr. Masashi Nakaura	Member
Mr. Maki Kamijo	Member
Mr. Doan Dinh Duy Khuong	Member
Mr. Do Le Hung	Member
Ms. Nguyen Thi Viet Thanh	Member (appointed on 19 April 2021)
Mr. Phan Minh Tien	Member (resigned on 19 April 2021)

### Audit Committee

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

### Management

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

### Legal representative

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

## MANAGEMENT'S STATEMENT OF RESPONSIBILITY

The Management is responsible for preparing the consolidated financial statements which give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and its consolidated financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime its 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

16 February 2022





No.: 0285/VN1A-HC-BC

## INDEPENDENT AUDITORS' REPORT

### Deloitte Vietnam Co., Ltd.

18<sup>th</sup> Floor, Times Square Building,  
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 16 February 2022 as set out from page 154 to page 184, which comprise the consolidated balance sheet as at 31 December 2021, the consolidated income statement and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Group's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as evaluating the overall presentation of the consolidated financial statements.

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

### Auditors' opinion

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



**Nguyen Thi Thu Sang**  
**Audit Partner**

Audit Practising Registration Certificate  
No. 1144-2018-001-1

**Vong My Thanh**  
**Auditor**

Audit Practising Registration Certificate  
No. 3460-2020-001-1

### BRANCH OF DELOITTE VIETNAM COMPANY LIMITED

16 February 2022  
Ho Chi Minh City, Vietnam

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Unit: VND

ASSETS	Codes	Notes	Closing balance	Opening balance
<b>A. CURRENT ASSETS</b>	<b>100</b>		<b>3,727,292,944,320</b>	<b>3,480,799,873,619</b>
<b>I. Cash and cash equivalents</b>	<b>110</b>	<b>4</b>	<b>43,373,518,349</b>	<b>73,054,473,018</b>
1. Cash	111		43,373,518,349	73,054,473,018
<b>II. Short-term financial investments</b>	<b>120</b>	<b>5</b>	<b>2,110,000,000,000</b>	<b>2,074,000,000,000</b>
1. Held-to-maturity investments	123		2,110,000,000,000	2,074,000,000,000
<b>III. Short-term receivables</b>	<b>130</b>		<b>488,071,438,874</b>	<b>496,020,199,824</b>
1. Short-term trade receivables	131	6	364,370,011,094	414,158,635,702
2. Short-term advances to suppliers	132		97,053,188,601	69,081,209,633
3. Short-term loan receivables	135	12	270,872,204	380,542,458
4. Other short-term receivables	136	7	75,634,454,278	63,309,022,728
5. Provision for short-term doubtful debts	137	8	(49,257,087,303)	(50,909,210,697)
<b>IV. Inventories</b>	<b>140</b>	<b>9</b>	<b>1,072,605,509,022</b>	<b>826,585,429,976</b>
1. Inventories	141		1,073,963,422,414	827,650,041,659
2. Provision for devaluation of inventories	149		(1,357,913,392)	(1,064,611,683)
<b>V. Other short-term assets</b>	<b>150</b>		<b>13,242,478,075</b>	<b>11,139,770,801</b>
1. Short-term prepayments	151	10	6,603,126,396	4,042,674,685
2. Value added tax deductibles	152		4,516,420,536	7,078,253,656
3. Taxes and other receivables from the State budget	153	11	2,122,931,143	18,842,460
<b>B. NON-CURRENT ASSETS</b>	<b>200</b>		<b>890,373,248,382</b>	<b>966,703,597,751</b>
<b>I. Long-term receivables</b>	<b>210</b>		<b>642,061,880</b>	<b>244,240,000</b>
1. Other long-term receivables	216		642,061,880	244,240,000
<b>II. Fixed assets</b>	<b>220</b>		<b>767,930,673,967</b>	<b>849,298,475,010</b>
1. Tangible fixed assets	221	13	562,150,489,910	639,214,010,669
- Cost	222		1,395,439,826,903	1,403,682,695,234
- Accumulated depreciation	223		(833,289,336,993)	(764,468,684,565)
2. Intangible assets	227	14	205,780,184,057	210,084,464,341
- Cost	228		252,779,142,186	252,779,142,186
- Accumulated amortisation	229		(46,998,958,129)	(42,694,677,845)
<b>III. Investment property</b>	<b>230</b>	<b>15</b>	<b>14,654,470,364</b>	<b>14,999,958,848</b>
- Cost	231		17,304,956,819	17,304,956,819
- Accumulated depreciation	232		(2,650,486,455)	(2,304,997,971)
<b>IV. Long-term assets in progress</b>	<b>240</b>	<b>16</b>	<b>69,507,677,936</b>	<b>66,472,781,314</b>
1. Construction in progress	242		69,507,677,936	66,472,781,314
<b>V. Long-term financial investments</b>	<b>250</b>		<b>4,577,500,000</b>	<b>4,387,520,000</b>
1. Equity investments in other entities	253	5	24,108,379,057	24,282,104,800
2. Provision for impairment of long-term financial investments	254	5	(19,530,879,057)	(19,894,584,800)
<b>VI. Other long-term assets</b>	<b>260</b>		<b>33,060,864,235</b>	<b>31,300,622,579</b>
1. Long-term prepayments	261	10	15,525,924,704	15,232,901,753
2. Deferred tax assets	262	17	17,534,939,531	16,067,720,826
<b>TOTAL ASSETS (270=100+200)</b>	<b>270</b>		<b>4,617,666,192,702</b>	<b>4,447,503,471,370</b>

Unit: VND

RESOURCES	Codes	Notes	Closing balance	Opening balance
<b>C. LIABILITIES</b>	<b>300</b>		<b>824,522,565,569</b>	<b>879,464,107,014</b>
<b>I. Current liabilities</b>	<b>310</b>		<b>757,715,602,158</b>	<b>816,433,295,601</b>
1. Short-term trade payables	311	18	201,219,543,333	252,270,552,909
2. Short-term advances from customers	312		24,082,624,119	20,694,112,030
3. Taxes and amounts payable to the State budget	313	11	34,408,305,142	38,151,677,839
4. Payables to employees	314	19	162,265,583,931	155,270,500,534
5. Short-term accrued expenses	315	20	39,619,329,167	38,824,609,041
6. Short-term unearned revenue	318	21	49,608,540,605	49,532,335,735
7. Other current payables	319		2,701,326,368	2,383,049,307
8. Short-term loans	320	22	207,391,176,993	212,271,519,448
9. Bonus and welfare funds	322	23	36,419,172,500	47,034,938,758
<b>II. Long-term liabilities</b>	<b>330</b>		<b>66,806,963,411</b>	<b>63,030,811,413</b>
1. Long-term provisions	342	24	57,297,571,580	50,102,720,849
2. Scientific and technological development fund	343	25	9,509,391,831	12,928,090,564
<b>D. EQUITY</b>	<b>400</b>		<b>3,793,143,627,133</b>	<b>3,568,039,364,356</b>
<b>I. Owner's equity</b>	<b>410</b>	<b>26</b>	<b>3,793,143,627,133</b>	<b>3,568,039,364,356</b>
1. Owner's contributed capital	411		1,307,460,710,000	1,307,460,710,000
- Ordinary shares carrying voting rights	411a		1,307,460,710,000	1,307,460,710,000
2. Share premium	412		6,778,948,000	6,778,948,000
3. Investment and development fund	418		1,668,641,014,030	1,479,946,644,695
4. Retained earnings	421		807,129,425,637	769,784,599,949
- Retained earnings accumulated to the prior year end	421a		29,909,699,604	29,909,699,604
- Retained earnings of the current year	421b		777,219,726,033	739,874,900,345
Non-controlling interests	429	27	3,133,529,466	4,068,461,712
<b>TOTAL RESOURCES (440=300+400)</b>	<b>440</b>		<b>4,617,666,192,702</b>	<b>4,447,503,471,370</b>

**Tran Ngoc Hien**  
Preparer

**Ho Buu Huan**  
Chief Accountant



**Masashi Nakaura**  
General Director  
16 February 2022





## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2021

Unit: VND

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

**Tran Ngoc Hien**  
Preparer

**Ho Bui Huan**  
Chief Accountant

**Masashi Nakaura**  
General Director  
16 February 2022



## CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2021

Unit: VND

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

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

**Tran Ngoc Hien**  
Preparer

**Ho Bui Huan**  
Chief Accountant

**Masashi Nakaura**  
General Director  
16 February 2022

# NOTE TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

## 1. GENERAL INFORMATION

### Structure of ownership

On 2 September 2004, DHG Pharmaceutical Joint Stock Company (the "Company") was equitized from Hau Giang Pharmaceutical United Factory in accordance with Decision No. 2405/QĐ-CT.UB dated 5 August 2004 issued by the People's Committee of Can Tho City. The Company was officially incorporated as a joint stock company under the Business Registration Certificate No. 5703000111 dated 15 September 2004 issued by the Department of Planning and Investment of Can Tho City with the initial charter capital of VND 80,000,000,000.

The Company's shares were listed in Ho Chi Minh Stock Exchange with DHG code in accordance with Decision No. 93/UBCK-GPNY dated 1 December 2006 issued by the State Securities Commission of Vietnam.

As at 31 December 2021, the largest shareholders of the Company are Taisho Pharmaceutical Co., Ltd. which owns 51.01% and the State Capital Investment Corporation ("SCIC") which owns 43.31% of share capital of the Company. SCIC is controlled by the Commission for the Management of State Capital at Enterprises.

The Company's head office is located at 288 Bis Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District, Can Tho City, Vietnam.

The number of employees of the Group as at 31 December 2021 was 2,678 (as at 31 December 2020: 2,712).

### Operating industry and principal activities

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

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

### The Group's structure

As at the balance sheet date, the Group's subsidiary was as follows:

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

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

### Normal production and business cycle

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

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

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

### Disclosure of information comparability in the consolidated financial statements

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

## 2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

### Accounting convention

The consolidated financial statements, expressed in Vietnam Dong ("VND"), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting.

The consolidated financial statements are not intended to present the consolidated financial position, results of consolidated operations and consolidated cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

### Financial year

The Company's financial year begins on 1 January and ends on 31 December.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Group in the preparation of these consolidated financial statements, are as follows:

### Estimates

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

### Basis of consolidation

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

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

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

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

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



## 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 the consolidated profit and loss in the year of acquisition.

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

### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in transit, demand deposits and short-term investments with maturity term not exceeding 3 months from the date of investment, which are highly liquid, readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Financial investments

#### Held-to-maturity investments

Held-to-maturity investments comprise investments that the Management has the positive intent or ability to hold to maturity.

Held-to-maturity investments include term deposits (except for term deposits presented in Note "Cash and cash equivalents") to earn periodic interest. These investments are measured at cost less provision for impairment of financial investments. Interest income from term deposits is recognized in the consolidated income statement on accrual basis.

### Loan receivables

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

### Equity investments in other entities

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

Equity investments in other entities are carried at cost less provision for impairment. The provision for impairment of investments is made when there is a reliable evidence for declining in value of these investments at the balance sheet date.

### Receivables

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

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

### Inventories

Inventories are stated at the lower of cost and net realizable value. Cost of inventories comprises cost of purchases and other directly attributable expenses. In the case of manufactured products, cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realizable values as at the balance sheet date.

### Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives, as follows:

	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.

### 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.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### Intangible assets and amortization

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

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

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

### Investment properties

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

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

### Construction in progress

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

### Prepayments

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

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

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

### Provisions

Provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Management's best estimate of the expenditure required to settle the obligation as at the balance sheet date.

### Severance allowance payable

The severance allowance for employees is accrued at the end of each reporting period for all employees having worked at the Group for full 12 months and above. Working time serving as the basis for calculating severance allowance shall be the total actual working time subtracting the time when the employees have made unemployment insurance contributions as prescribed by law, and the working time when severance allowance has been paid to the employees. The allowance made for each year of service equals to a half of an average monthly salary under the Vietnamese Labour Code, Social Insurance Code and relevant guiding documents. The average monthly salary used for calculation of severance allowance shall be adjusted to be the average of the 6 consecutive months nearest to the date of the consolidated financial statements at the end of each reporting period. The increase or decrease in the accrued amount shall be recorded in the consolidated income statement.

### Provision for dismantling and restoration costs

In accordance with Circular No. 200/2014/TT-BTC issued by Ministry of Finance, since 1 January 2015, the Group is required to provide for dismantling and restoration costs of the Group's leased premises or land. The provision for dismantling and restoration costs is determined based on the estimated dismantling and restoration costs to be incurred at the time of returning the premises or land at the end of the lease term and recognized on a straight-line basis over the year from 1 January 2015 to the time of returning the premises or land.

### Unearned revenue

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

### Revenue recognition

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

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

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

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

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

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



## 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 revenue.

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

When customers meet all the required conditions and obligations of providing the free or discounted goods and services to customers are carried out by a third party. If the Group does not act as an agent of the third party, the unearned revenue is realized into the Group's revenue at the time that third party provides the free or discounted goods and services to customers. If the Group acts as an agent of the third party, the Group recognizes revenue for the difference between the unearned revenue amount and the amount payable to the third party for providing such free or discounted goods and services to customers.

### Foreign currencies

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

### Borrowing costs

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

## Taxation

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

The tax currently payable is based on taxable income for the year. Taxable income differs from profit before tax as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognized on significant differences between carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable income and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognized for all temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset realized. Deferred tax is charged or credited to the consolidated income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

### Dividend distribution

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

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

### Segment reporting

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

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

## 4. CASH AND CASH EQUIVALENTS

	Closing balance VND	Opening balance VND
Cash on hand	5,755,836,500	9,061,709,500
Bank demand deposits	37,617,681,849	63,992,763,518
	<b>43,373,518,349</b>	<b>73,054,473,018</b>

## 5. FINANCIAL INVESTMENTS

### Held-to-maturity investments

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

As at 31 December 2021, term deposits with maturity term of over 3 months of VND 135,000,000,000 were pledged as collaterals for the short-term loans from the banks (Note 22) (as at 31 December 2020: VND 100,000,000,000) and VND 10,000,000,000 were pledged as collaterals for guarantee as deposit to implement project expansion of DHG Pharmaceutical Plant and DHG Printing and Packaging Plant (as at 31 December 2020: nil).

Equity investments in other entities

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

Details of equity investments in other entities are as follows:

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

As at 31 December 2021 and 31 December 2020, the fair value of investment in other entities as below:

	Fair value	
	Closing balance VND	Opening balance VND
ATP Packaging JSC [1]	2,600,000,000	2,600,000,000
Enlie Pharmaceutical Joint Stock Company [2]	1,977,500,000	1,787,520,000
	<b>4,577,500,000</b>	<b>4,387,520,000</b>

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

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

The balance of provision as at 31 December 2021 and 31 December 2020 represents the provision for impairment of the investments as below:

	Closing balance VND	Opening balance VND
ATP Packaging JSC	17,400,000,000	17,400,000,000
Enlie Pharmaceutical Joint Stock Company	2,130,879,057	2,494,584,800
	<b>19,530,879,057</b>	<b>19,894,584,800</b>

## 6. SHORT-TERM TRADE RECEIVABLES

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

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

## 7. OTHER SHORT-TERM RECEIVABLES

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

### 8. BAD DEBTS

	Closing balance		
	Cost VND	Provision VND	Recoverable amount VND
Total amount of receivables and loans past due or not past due but impaired	92,048,675,046	(49,257,087,303)	42,791,587,743
	Opening balance		
	Cost VND	Provision VND	Recoverable amount VND
Total amount of receivables and loans past due or not past due but impaired	96,627,799,467	(50,909,210,697)	45,718,588,770

As at 31 December 2021 and 31 December 2020, there was no single receivable accounting for 10% or more of total amount of receivables past due or not past due but impaired.

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

	Current year VND	Prior year VND
Opening balance	50,909,210,697	55,217,383,646
Additional provision	1,168,627,725	-
Reversal of provision	-	(1,449,056,292)
Written off provision	(2,820,751,119)	(2,859,116,657)
<b>Closing balance</b>	<b>49,257,087,303</b>	<b>50,909,210,697</b>

### 9. INVENTORIES

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

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

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

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

### 10. PREPAYMENTS

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

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

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

## 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	Office equipment VND	Motor vehicles VND	Total VND
<b>COST</b>					
Opening balance	528,464,444,217	652,926,393,748	72,818,391,951	149,473,465,318	1,403,682,695,234
Transfer from construction in progress	-	20,134,788,551	288,116,363	-	20,422,904,914
Disposals	-	(23,148,370,593)	(133,668,994)	(5,383,733,658)	(28,665,773,245)
<b>Closing balance</b>	<b>528,464,444,217</b>	<b>649,912,811,706</b>	<b>72,972,839,320</b>	<b>144,089,731,660</b>	<b>1,395,439,826,903</b>
<b>ACCUMULATED DEPRECIATION</b>					
Opening balance	238,387,732,775	356,260,455,790	65,750,622,505	104,069,873,495	764,468,684,565
Charge for the year	27,367,239,555	46,088,309,214	2,906,334,704	8,555,782,479	84,917,665,952
Disposals	-	(11,222,341,996)	(72,999,994)	(4,801,671,534)	(16,097,013,524)
<b>Closing balance</b>	<b>265,754,972,330</b>	<b>391,126,423,008</b>	<b>68,583,957,215</b>	<b>107,823,984,440</b>	<b>833,289,336,993</b>
<b>NET BOOK VALUE</b>					
Opening balance	290,076,711,442	296,665,937,958	7,067,769,446	45,403,591,823	639,214,010,669
<b>Closing balance</b>	<b>262,709,471,887</b>	<b>258,786,388,698</b>	<b>4,388,882,105</b>	<b>36,265,747,220</b>	<b>562,150,489,910</b>

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



## 14. INTANGIBLE ASSETS

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

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

## 15. INVESTMENT PROPERTIES

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

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

Fair value of the Company's investment properties was VND 38,724,445,120, which was determined under valuation certificate issued on 31 March 2020 by Century Valuation Joint Stock Company, an independent valuation company, not a related party of the Group. Century Valuation Joint Stock Company has a valid practicing certificate and has experience in real estate valuation. The real estate valuation in accordance with International Valuation Standards is made in reference to market prices of similar properties.

## 16. CONSTRUCTION IN PROGRESS

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

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

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

## 17. DEFERRED TAX ASSETS

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

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

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

### 19. PAYABLES TO EMPLOYEES

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

### 20. SHORT-TERM ACCRUED EXPENSES

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

### 21. SHORT-TERM UNEARNED REVENUE

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

### 22. SHORT-TERM LOANS

	Opening balance VND	Increase in year VND	Decrease in year VND	Closing balance VND
Loans from banks	212,271,519,448	931,383,347,097	(936,263,689,552)	207,391,176,993

As at 31 December 2021, short-term loans from banks represent the loans from Joint Stock Commercial Bank for Foreign Trade of Vietnam - Can Tho Branch with a maximum credit limit of VND 660,000,000,000. This facility can be withdrawn in Vietnam Dong and withdrawal deadline expired on 9 July 2022. The duration for each withdrawal is maximum 6 months. These loans are secured by term deposits, as presented in Note 5.

These loans bear interests at the rates ranging from 0.18% per month to 0.33% per month (2020: from 0.28% per month to 0.47% per month).

### 23. BONUS AND WELFARE FUNDS

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

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

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

### 24. LONG-TERM PROVISIONS

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

### 25. SCIENCE AND TECHNOLOGY DEVELOPMENT FUNDS

In accordance with Circular No. 12/2016/TTLT-BKHCN-BTC dated 28 June 2016, enterprises are allowed to establish the science and technology development funds for research and development activities. Funds are utilized when disbursement are paid for research and development activities.

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

	Scientific and technological development fund in form of assets VND
Opening balance	12,928,090,564
Depreciation of assets formed from the fund	(3,418,698,733)
<b>Closing balance</b>	<b>9,509,391,831</b>



## 26. SHAREHOLDERS' EQUITY

### Movement in shareholders' equity

	Owner's contributed capital VND	Share premium VND	Investment and development fund VND	Retained earnings VND	Total VND
Prior year's opening balance	1,307,460,710,000	6,778,948,000	1,392,604,475,464	665,297,795,718	3,372,141,929,182
Profit for the year	-	-	-	739,874,900,345	739,874,900,345
Dividends distribution for 2019	-	-	-	(522,984,284,000)	(522,984,284,000)
Fund distribution	-	-	87,342,169,231	(87,342,169,231)	-
Appropriation to bonus and welfare fund	-	-	-	(19,061,642,883)	(19,061,642,883)
Appropriation to bonus fund for the Boards of Management	-	-	-	(6,000,000,000)	(6,000,000,000)
Current year's opening balance	1,307,460,710,000	6,778,948,000	1,479,946,644,695	769,784,599,949	3,563,970,902,644
Profit for the year	-	-	-	777,219,726,033	777,219,726,033
Dividends declared 2020	-	-	-	(522,984,284,000)	(522,984,284,000)
Fund distribution	-	-	188,694,369,335	(188,694,369,335)	-
Appropriation to bonus and welfare fund	-	-	-	(22,196,247,010)	(22,196,247,010)
Appropriation to bonus fund for the Boards of Management	-	-	-	(6,000,000,000)	(6,000,000,000)
<b>Current year's closing balance</b>	<b>1,307,460,710,000</b>	<b>6,778,948,000</b>	<b>1,668,641,014,030</b>	<b>807,129,425,637</b>	<b>3,790,010,097,667</b>

### Charter capital

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

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

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

### Dividends

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

### Fund distribution

According to the Resolution of the Company's Annual General Meeting 001/2021/NQ.ĐHĐCĐ dated 19 April 2021, the shareholders of the Company approved distribution of bonus, welfare fund out of profit after tax of 2020 at the rate of 3%, equivalent to VND 22,196,247,010, remuneration for the Board of Directors, the Audit Committee and members of the subcommittees under the Board of Directors, the secretary of the Board of Directors with an amount of VND 6,000,000,000. The remaining profit after tax of 2020 is appropriated to the Investment and Development Fund.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

### 27. NON-CONTROLLING INTERESTS

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

### 28. OFF BALANCE SHEET ITEMS

#### Foreign currencies

Cash and cash equivalents included the following foreign currencies:

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

#### Bad debt written-off

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

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

### 29. SEGMENT REPORTING

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

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

#### Product segments

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

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

### 30. NET REVENUE OF GOODS SOLD AND SERVICES RENDERED

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

### 31. COST OF GOODS SOLD AND SERVICES RENDERED

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

### 32. OPERATING COSTS BY NATURE

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

### 33. FINANCIAL INCOME

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

### 34. FINANCIAL EXPENSES

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

### 35. SELLING, GENERAL AND ADMINISTRATION EXPENSES

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

### 36. OTHER INCOME

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

### 37. OTHER EXPENSES

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

### 38. CURRENT CORPORATE INCOME TAX EXPENSE

	Current year VND	Prior year VND
<b>Current corporate income tax expense</b>		
Corporate income tax expense based on taxable profit in the current year	89,174,985,669	86,210,837,298
Adjustments for corporate income tax expense in previous years to the current year	9,331,091	-
<b>Total current corporate income tax expense</b>	<b>89,184,316,760</b>	<b>86,210,837,298</b>

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

## 38. CURRENT CORPORATE INCOME TAX EXPENSE (continued)

### Applicable tax rates

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

- Pursuant to the Investment Certificate, DHG Packaging and Printing 1 is obliged to pay corporate income tax at the rate of 10% of taxable income from 2014 to 2028. Under terms in Investment Certificate granted to DHG Packaging and Printing 1, DHG Packaging and Printing 1 is entitled to corporate income tax exemption from 2014 to 2017 and 50% reduction of corporate income tax from 2018 to 2026.
- Pursuant to Investment Certificate No. 642041000005 issued by the Management Board of Hau Giang Industrial Zone, DHG Pharma is entitled to corporate income tax at the rate of 10% of taxable income for 15 years from the date of starting its operation. DHG Pharma is entitled to the corporate income tax exemption for 4 years and 50% reduction for the following 9 years commencing from the first year of having taxable income. DHG Pharma has registered to the tax department of Hau Giang province to apply the above tax incentives effective from 2015.

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

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

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

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

## 39. BASIC EARNINGS PER SHARE

### a. Basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders after deducting the bonus and welfare funds by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares repurchased by the Group and held as treasury shares.

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

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

### b. Diluted earnings per share

The Group does not have potentially diluted ordinary shares.

## 40. COMMITMENTS

### a. Operating lease commitment

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

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	7,076,437,142	5,422,028,378
In the second to fifth year inclusive	28,305,748,568	21,688,113,512
After five years	122,337,720,625	99,224,658,019
	<b>157,719,906,335</b>	<b>126,334,799,909</b>

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

## 41. RELATED PARTY TRANSACTIONS AND BALANCES

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

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



## 41. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

	Current year VND	Prior year VND
<b>Sales of goods and provision of services</b>		
Hoe Pharmaceuticals Sdn Bhd	659,249,625	-
Taisho Viet Nam Company Limited	468,155,712	3,203,751,040
Taisho Pharmaceuticals (Taiwan) Co., Ltd.	-	3,340,734,339
<b>Purchases</b>		
Taisho Pharmaceutical Co., Ltd.	1,535,742,390	-
Taisho Viet Nam Company Limited	401,569,920	-
Osotspha Taisho Pharmaceutical Co., Ltd.	18,068,866	-
Vinh Hao Algae Processing Joint Stock Company	-	1,558,291,200
<b>Dividends paid</b>		
SCIC	226,504,948,000	226,504,948,000
Taisho Pharmaceutical Co., Ltd.	266,788,208,000	266,788,208,000
<b>Disposal of investment in associate</b>		
Vinh Hao Algae Processing Joint Stock Company	-	3,787,450,000

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

	Closing balance VND	Opening balance VND
<b>Receivables</b>		
Hoe Pharmaceuticals Sdn Bhd	279,917,338	-
Taisho Viet Nam Company Limited	-	1,576,719,144
<b>Payables</b>		
Taisho Pharmaceutical Co., Ltd.	1,513,428,227	-

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

	Current year VND	Prior year VND
Board of Directors	2,420,000,000	3,000,000,000
Management	16,358,989,005	13,956,794,486
	<b>18,778,989,005</b>	<b>16,956,794,486</b>

## 42. SUPPLEMENTAL DISCLOSURES OF CONSOLIDATED CASH FLOW INFORMATION

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

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

### b. Proceeds from borrowings

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

### c. Repayment of borrowings

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

**Tran Ngoc Hien**  
Preparer

**Ho Bui Huan**  
Chief Accountant



**Masashi Nakaura**  
General Director  
16 February 2022

## AUDITED FINANCIAL STATEMENTS IN 2021



Shareholders, please refer to this link:

<https://www.dhgpharma.com.vn/en/investor-relations/financial-report/2021/3020-audited-financial-statements-in-2021>



No.	Name	Address	Tel	Fax
DISTRIBUTION SITES				
1	Vi Thanh	82 Le Quy Don street, Area 1, Ward 3, Vi Thanh City, Hau Giang	0293. 3876 409	0293. 3580 432
2	Ca Mau	5 - 7 Street 14, Ward 5, Ca Mau City, Ca Mau	0290 3831 908	0290 3811 587
3	Kien Giang	G08-G09 Huynh Thuc Khang str., Vinh Quang Ward, Rach Gia City, Kien Giang	0297. 3867 625	0297. 3946 344
4	Dong Thap	14 Nguyen Van Troi str., Ward 2, Cao Lanh City, Dong Thap	0277. 3854 837	0277. 3854 837
5	Soc Trang	649 Tran Hung Dao str., Cluster 8, Ward 3, Soc Trang City, Soc Trang	0299. 3625 151	0299. 3625 150
6	Long Xuyen	288 Pham Cu Luong str., Tan Phu Cluster, My Quy Ward, Long Xuyen City, An Giang	0296. 3841 438	0296. 3944 664
7	Tien Giang	463A Nguyen Thi Thap str., Ward 6, My Tho City, Tien Giang	0273. 6255 177	0273. 6255 176
8	Mekong	13 Cach Mang Thang 8 str., An Thoi Ward, Binh Thuy Dist., Cantho City	0292. 6253 579	0292. 6253 539
9	Bac Lieu	67 Nguyen Thi Dinh str., Cluster 10, Ward 1, Bac Lieu City, Bac Lieu.	0291. 3822 290	0291. 3956 156
10	Ben Tre	34D, Street 3, My Tan Quarter, Ward 7, Ben Tre City, Ben Tre	0275. 381.8529	0275.381.8529
11	Vinh Long	327C/23 Phuoc Nguon A Hamlet, Phuoc Hau Village, Long Ho Dist., Vinh Long	0270.385.3179	0270. 3853 179
12	Tra Vinh	77A Nguyen Dang str., Cluster 1, Ward 7, Tra Vinh City, Tra Vinh	0294. 3850 950	0294. 3850 950
13	Ha Noi	No. 3, Lot C2 Mac Thai Tong Street, Nam Trung Yen urban area, Trung Hoa Ward, Cau Giay District - Hanoi	024. 36687 064	024. 36648 272
14	Hai Phong	91B Mang str., An Dong, An Duong Dist., Hai Phong City	0225. 391 3638	0225. 391 3839
15	Hai Duong	229 Bui Thi Xuan, Le Thanh Nghi Ward, Hai Duong City	0220. 3550 079	0220. 3550 039
16	Thai Binh	Lot 243 m2 Group 34, Tran Lam Ward, Thai Binh City, Thai Binh	0227. 3847 231	0227. 3641 433
17	Bac Ninh	39 Ly Dao Thanh str., Ninh Xa Ward, Bac Ninh City, Bac Ninh	0222. 3812 281	0222. 3812 281
18	Vinh Phuc	189 Phan Chu Trinh str., Khai Quang Ward, Vinh Yen City, Vinh Phuc	0211. 3860 088	0211. 3721 052

No.	Name	Address	Tel	Fax
19	Ninh Binh	Resettlement zone of Electric factory, Trung Son str., Bich Dao Ward, Ninh Binh City, Ninh Binh	0229. 3896 772	0229. 3899 884
20	Thai Nguyen	91 - 93 Nguyen Thai Hoc str., Tuc Duyen Ward, Thai Nguyen City	0208. 3652 299	0208. 3652 209
21	Thanh Hoa	Lot 461 of Resettlement zone of Dong Tay avenue, Dong Ve Ward, Thanh Hoa City, Thanh Hoa	0237. 3853 120	0237.37222 213
22	Nghe An	No. 06, 146B Hamlet, Nguyen Sy Sach str., Hung Phuc Ward, Vinh City, Nghe An	0238. 3843 015	0238. 3523 363
23	Hue	153A Pham Van Dong str., Vy Da Ward, Hue City, Thua Thien Hue	0234. 3813 479	0234. 3816 084
24	Da Nang	36-38 Trinh Dinh Thao str., Khue Trung Ward, Cam Le District, Da Nang	0236. 2242 406	0236. 6257 008
25	Quang Ngai	09 Le Thanh Ton str., Nghia Chanh Ward, Quang Ngai City, Quang Ngai	0255. 3823 266	0255. 3831 357
26	Quy Nhon	Lot No.1, Street No.3, Bac Song Ha Thanh Residential Planning Area, Quy Nhon City, Binh Dinh	0256. 3793 768	0256. 3791 768
27	Gia Lai	179B CMT8 str., Group 10, Hoa Lu Ward, Pleiku City, Gia Lai	0269. 3887 071	0269. 3887 080
28	Dak Lak	23A Cong Quynh str., Tan An Ward, Buon Ma Thuot City, DakLak	0262. 3851 175	0262. 3843 084
29	Nha Trang	10A Me Linh str., Phuoc Tien Ward, Nha Trang City, Khanh Hoa	0258. 3513 137	0258. 3513 217
30	Binh Thuan	103 Phu Khanh Hamlet, Ham Thuan Nam Village, Binh Thuan	0252. 222 0879	0252. 3898 050
31	Dong Nai	73 - 78 Group 7, Vo Thi Sau str., Thong Nhat Ward, Bien Hoa City, Dong Nai	0251. 3825 167	0251. 3819 161
32	Binh Duong	Lot 32 - 33 D11 str., Chanh Nghia urban area, Chanh Nghia Ward, Thu Dau Mot City, Binh Duong	0274. 3897 316	0274. 3842 351
33	Vung Tau	60 Nguyen Manh Ky str., Long Toan Ward, Ba Ria Town, Ba Ria - Vung Tau	0254. 3741 888	0254. 3741 968
34	Ho Chi Minh	37 Street 53, Tan Quy Dong residential zone, Tan Phong Ward, District 7, Ho Chi Minh City	028. 3771 8799	028. 3771 8779
REPRESENTATIVE OFFICE				
35	Representative office in HCMC	Room 404-405, 4 <sup>th</sup> Floor, The Landmark: 5B Ton Duc Thang, Ben Nghe Ward, District 1, Ho Chi Minh City	N/A	N/A

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