

REPORT OF AUDIT COMMITTEE IN 2019**Kind Attn to: THE GENERAL MEETING OF SHAREHOLDERS OF DHG PHARMA**

- Pursuant to Enterprise Law No.68/2014/QH13 on 26 Nov 2014;
- Pursuant to the Charter of DHG Pharmaceutical Joint Stock Company (DHG Pharma) issued on 25 June 2019;
- Pursuant to Resolution of the Annual General Meeting of Shareholders (AGM) 2018 of DHG Pharma dated 11 June 2019;
- Pursuant to operational regulation and the working programs of the Audit Committee,

Audit Committee (AC) under the Board of Directors (BOD) of DHG Pharma consists of 3 members, of which:

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

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

Although the model of AC under the BOD is relatively new at DHG Pharma, thanks to the support and determination of the BOD, AC has submitted the operational regulation to the BOD for approval right after its establishment. AC submitted to the BOD for approval the Operating Regulation of Audit Committee, which clearly stipulated the rights, responsibilities as well as the operation mechanism of AC. This has created favorable conditions for AC in its work process.

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

Following is the monitoring results FY2019 reported by AC:

1. Financial statements:

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

- The financial statements FY2019 were prepared and presented truthfully in accordance with Vietnamese Accounting Standard (VAS) and current regulations. No material misstatement identified that may falsify the financial statements results.

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

2. Internal control and risk management system:

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

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

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

AC recognizes the following positive points:

- + The Company has a specialized apparatus including professionally trained and experienced personnel in the field of IC and RM.
- + IC Department coordinates, supports and supervises departments to build and standardize business process systems throughout the Company.
- + The Company regularly reviews and updates management processes and regulations, ensuring effective, appropriate control and support for production and business activities.

- + The Company has been performing a comprehensive evaluation of the IC system according to J-SOX standard (Sarbanes-Oxley Act - Japan) as requested and supported by parent company Taisho.
- + The Company has developed and managed a risk map, including significant risks that are monitored and assessed periodically and continuously.
- + RM measures along with specific action programs are regularly monitored and reported.
- + Transactions with related parties and people are also periodically controlled and reported.

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

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

3. Internal audit:

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

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

AC recognizes the following positive points:

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

AC recommends the following issues for IA Department:

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

4. Compliance:

4.1 Legal compliance:

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

4.2 Compliance with professional ethics:

AC recognizes the following points:

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

5. Independent auditor:

AC evaluates that the proposed plan and the implementation of the audit plan FY2019 of an independent auditor and finds that they are consistent with the Company's requirements with regards to scope, subjects, methods, and time. They also meet requirements about quality assurance, independence, and with no conflicts of interest of independent auditor.

Regarding the implementation of the audit plan FY2019, Deloitte Vietnam Company Limited successfully completed the tasks, met the expectations of AC, and ensured the reliability and honesty of the financial statements provided to shareholders and related parties.

Best regards./.

Recipients:

- As above;
- Archived: BOD Secretary.

**ON BEHALF OF THE AUDIT COMMITTEE
HEAD OF THE AUDIT COMMITTEE**

Do Le Hung

[NOTICE: This Convocation Notice is a translation of the Vietnamese language original for convenience purpose only, and in the event of any discrepancy, the Vietnamese language original shall prevail.]