

REPORT OF THE BOARD OF DIRECTORS

Kind attention to: THE GENERAL MEETING OF SHAREHOLDERS OF DHG PHARMACEUTICAL JOINT STOCK COMPANY

- Pursuant to the Law on Enterprises No.59/2020/QH14 dated 17 June 2020;
- Pursuant to the Charter of DHG Pharmaceutical JSC issued on 19 Apr 2021,

The Board of Directors (BOD) Term V (2024 - 2028) of DHG Pharmaceutical Joint Stock Company (DHG Pharma) respectfully submits to the Annual General Meeting of Shareholders (AGM): Production and business performance in 2024; Performance and remuneration of the BOD in 2024; Production and business plan for 2025 with the following main contents:

PART 1: PRODUCTION AND BUSINESS PERFORMANCE IN 2024

I. OVERVIEW AND PROSPECTS OF THE PHARMACEUTICAL INDUSTRY

In 2024, Vietnam's economy maintained an impressive recovery momentum and achieved significant growth. The country's GDP is estimated at USD 476.3 billion, a 7.09% increase compared to 2023. The average per capita income (PCI) reached \$4,700, while the Consumer Price Index (CPI) rose by 3.63%, meeting the planned target range, and contributing to market price stability. With a long-term vision, the Government has set a GDP growth target of at least 8% for 2025, surpassing the 6.1%–6.7% forecast by international organizations, demonstrating a strong commitment to fostering sustainable economic development.

Vietnam's pharmaceutical industry has also shown positive prospects in this context. According to an IQVIA report, in 2024, the Vietnamese pharmaceutical market (excluding vaccines) was valued at VND 203,827 billion (approximately USD 8 billion), a 9% increase from the previous year. During 2023–2028, the industry is expected to maintain a Compound Annual Growth Rate (CAGR) of 6% to 8%. As we move into 2025, the Vietnamese pharmaceutical industry is presented with a significant opportunity for strong development, driven by four key factors:

- ❖ **Economic growth and rising healthcare demand:** The growth target for 2025 is set at 8%, with GDP per capita projected to increase from USD 4,300 in 2023 to USD 4,900 in 2025. This will increase people's spending capacity on healthcare, coupled with the growing trend of proactive healthcare among the population. According to a 2023 study by Roland Berger, 78% of respondents are willing to spend more on healthcare products and services, reflecting the rising consumer demand in this sector.

- ❖ **Aging population trend:** The aging population is a notable trend in Vietnam, which is among the fastest-aging countries in the world. With a population of over 100 million, 13.9% of people were aged 60 and above in 2023, and this is projected to exceed 25% by 2050. By 2036, Vietnam will enter the aging population phase, transitioning from an “aging” society to an “aged” society. Elderly people tend to have a higher demand for medication and healthcare services due to the effects of aging and related health issues.
- ❖ **Government support for the Pharmaceutical industry:** Under the National Strategy for Pharmaceutical Industry Development to 2030, with a vision toward 2045, The government aims to make the pharmaceutical sector a key industry, increase domestic medicine production, reduce dependence on imported raw materials, and promote research and development (R&D). At the 2025 WEF Davos conference, Vietnam reaffirmed its commitment to strong investment in the pharmaceutical sector, creating a favorable environment for local enterprises to enhance competitiveness and integrate further into the global market.
- ❖ **Technological innovation and Artificial Intelligence (AI):** One of the key factors enabling the pharmaceutical industry to break through in the coming years is technological innovation. Artificial Intelligence (AI) and automation are gradually transforming the research, production, and distribution processes. Companies in the industry are focusing on improving workforce quality, optimizing the supply chain to increase efficiency, and enhancing product quality.

Besides these opportunities, the pharmaceutical industry also faces challenges such as competition from imported products and dependence on imported raw materials. However, these challenges serve as motivation to strengthen Vietnam’s pharmaceutical sector. In response to industry trends, DHG Pharma has proactively invested in upgrading production lines to meet high standards such as EU-GMP and Japan-GMP, increasing R&D investment, diversifying distribution channels, and integrating technology into operations. As a result, for 28 years, DHG Pharma has maintained its leading position in Vietnam’s pharmaceutical industry, distinguishing itself from competitors and fostering new opportunities and continuous growth, reinforcing its pioneering role in driving both domestic and regional industry development.

II. BUSINESS PERFORMANCE IN 2024

1. Overview

Target	2024 Budget	2024 Actual	2023 Actual	% Actual/ Budget 2024	Growth 2024/2023
Net sales	5,200	4,885	5,015	94%	-3%
Profit before tax	1,080	904	1,159	84%	-22%
Profit after tax		779	1,050		-26%

In 2024, the company did not meet the business targets set by the General Meeting of Shareholders (GMS), achieving only 94% of the plan for net sales and 84% of the full-year profit plan. Although the goals were not fully met as expected, it was still a meaningful

year with the relentless efforts and dedication of the Board of Management and all employees of DHG Pharma.

Achievements in 2024:

- DHG Pharma has maintained its position as the leading pharmaceutical company in Vietnam for 28 consecutive years in terms of net sales and profit.
- According to IMS 4Q/2024, DHG is among the top three pharmaceutical companies with the largest market share in Vietnam and ranks number one in the pharmacy channel (excluding vaccines).
- In 2024, DHG Pharma's Non Betalactam factory obtained EU-GMP certification for 3 production lines: tablets, film-coated tablets, and hard capsules. With this achievement, DHG Pharma now possesses production lines that meet two global standards - Japan GMP and EU GMP - serving as clear proof of its steadfast commitment to quality and its position as a leading pharmaceutical company in Vietnam.
- The new Betalactam plant, built according to global GMP standards, commenced operations in May 2024 and is expected to achieve EU-GMP certification by 2025.
- DHG Pharma continued its efforts in healthcare activities for the community, towards primary healthcare and national social security programs.
- International-quality products at Vietnamese prices are increasingly affirming their position in the hearts of consumers, customers, and the medical community.
 - + The Hapacol brand, remains the market leader in the Analgesic – Antipyretic segment.
 - + The NattoEnzym brand leads in applying nattokinase extract to prevent blood clotting and strokes in Vietnam.
 - + The Naturenz brand, a liver detoxification formula invented by Vietnamese researchers, continues to support the health of Vietnamese consumers.
 - + The Bipp brand dominates the children's nutritional candy segment.
- Awards received in 2024:
 - + 12 consecutive years - Top 50 Listed Companies voted by Forbes Vietnam.
 - + 13 consecutive years - Top 50 Best Performing Companies in Vietnam, voted by "Nhip Cau Dau Tu" Magazine.
 - + 08 consecutive years – Top 10 Most Reputable Pharmaceutical Companies, selected by Vietnam Report.
 - + 28 consecutive years - High-quality Vietnamese Goods title, voted by consumers.
 - + 03 consecutive years - Top 10 Best Working Environments in the Pharmaceutical/Medical Equipment/Healthcare sector.
 - + 03 consecutive years - Top 100 Best Workplaces in Vietnam.
 - + 04 consecutive years - Top 100 Sustainable Enterprises in Vietnam by the Vietnam Chamber of Commerce and Industry (VCCI).

- + 07 consecutive years - Best Corporate Governance Report awarded by Ho Chi Minh Stock Exchange (HOSE), Hanoi Stock Exchange (HNX), and Investment Newspaper.
- + Top 20 Best Annual Reports (non-financial group) awarded by HOSE, HNX, and Investment Newspaper.
- + Top 50 Most Reputable & Effective Public Companies in 2024 voted by Forbes Vietnam.
- + Top 5 pioneering enterprises in fostering diversity, equity, and inclusion values in 2024
- + Certificate of Merit from the State Securities Commission of Vietnam for contributions to the development of HOSE and the stock market from 2015-2020.
- + "Prescription for the Community" by DHG Pharma was honored as the "Perseverance Project" at the 2024 Human Act Prize Awards.

2. Market sector activities

- Outstanding business highlights of the year:
 - + The Modern Trade Channel achieved outstanding growth, increasing by 49% year-over-year. DHG products are now available in over 3,546 stores across five major pharmacy chains, expanding coverage and consumer access.
 - + The Hospital Channel continued its strong growth, rising by 13% year-over-year. The medical representative team actively expanded coverage and implemented various product introduction activities, significantly boosting the bidding win rate to 90%, while the national bidding win rate reached 111%, a record high for DHG.
 - + The Export channel achieved VND 130 billion, up 9% yoy. DHG products are now available in 20 countries, including Singapore, Malaysia, the Philippines, Indonesia, Myanmar, Cambodia, Laos, Mongolia, and China, etc. opening new growth opportunities in international markets.
 - + Although the Pharmacy Channel's net sales declined year-on-year, the number of customers and loyal club members continued to expand. In 2024, a total of 28,702 customers made transactions, with 15,244 being loyal club members, making a significant contribution to DHG's net sales.
 - + Five categories exceeded growth targets: Nutrition (105%), Musculoskeletal (102%), Gastrointestinal & Hepatobiliary (103%), Cardiovascular & Diabetes (116%), and Skincare (105%).
 - + Five brands surpassed VND 100 billion in net sales: Hapacol, Klamentin, Apitim, Glumeron, and Zaromax.
 - + In 2024, DHG launched 14 new products, contributing VND 62 billion in net sales, reaching 131% of the plan. Notably, LUSEFI, a patented drug containing Luseogliflozin for Type 2 diabetes, was introduced. Initially, DHG imports finished products from the parent company Taisho before transferring technology for local production in Vietnam.

- Focused on strengthening core product promotion, achieving high efficiency at points of sale, and driving sell-out in key areas, especially Ho Chi Minh City and Hanoi. At the same time, organized a series of events to enhance strategic product awareness, approaching target customers.
- Successfully organized a series of events to celebrate the 50th anniversary of establishment, with activities aimed at gratitude - connection - development. The activities not only honor the half-century journey of formation and development, but also demonstrate the spirit of innovation, the desire to reach far, and the readiness to conquer great goals.
 - + Community contributions: DHG organized and sponsored over 30 free medical check-ups and medication distribution events for more than 20,000 people across various provinces. At the same time, the Company conducted 500 voluntary blood donations, published 3,000 health newsletters, and collaborated with the Trade Union to visit and support the elderly living alone and underprivileged individuals.
 - + For customers and consumers: DHG held 160 seminars, attracting 19,000 customers, and hosted 160 sample distribution events, reaching 104,500 consumers. The company successfully hosted the "Southern Impression" Customer Conference, which attracted 6,000 customers. This is not only a gratitude event but also a journey of connection, sharing, and reinforcing the sustainable relationship between DHG and customers.
 - + For pharmacies: DHG conducted 70 shows, reaching 19,000 customers.
 - + For employees: DHG's Trade Union organized a series of events to honor previous generations, showing recognition for their contributions to the company's development, a program to visit employees' families, and various meaningful activities organized by the Youth Union.
- Strong focus on research and application of new technologies, particularly in the 4.0 industrial revolution: Launched communication programs via apps such as "DHG Prosperity Together" and "DHG Family", communicating on digital platforms, etc.
- Successfully developed and established a structured and effective KPI system with criteria aligned with sales performance (Area Sales Manager/ Branch Manager/ Team Leader/ Sales Representatives).

3. Production sector activities

- The total production output of the two factories in 2024 reached 5,181 million product units, with a total value of VND 6,340 billion.
- Upgrading international GMP Standards and maintaining compliance with domestic standards for production lines:
 - + The Non-Betalactam production line for hard capsules, tablets, and film-coated tablets was certified EU-GMP on 22 Aug 2024, and officially announced as EU-GMP certified by the Drug Administration Vietnam (DAV) on 15 Oct 2024.

- + The DAV has reissued the WHO-GMP certification, expanding the recognized scope to include the "Batch Release" and "Secondary Packaging" activities for the "Patch" dosage form (LOCOA) at the Non-Betalactam plant.
- + The newly established Betalactam factory received WHO-GMP certification from the DAV on 25 Mar 2024. It is expected to achieve EU-GMP certification in 2025.
- + The Quality Control (QC) (NVC Site) successfully completed re-evaluation and maintained ISO/IEC 17025 certification on 15 Nov 2024.
- The Technology Transfer Projects, including Ventinos Spray, Lusefi Innovative Drug, EU Project, Gx Project, etc., are being implemented as planned, with registration and evaluation phases completed. These projects not only demonstrate DHG Pharma's commitment to adopting and applying advanced technologies but also play a crucial role in diversifying and expanding the company's product portfolio. This serves as a solid foundation for sales growth, enhancing competitiveness, and strengthening market position.

4. Human resources, Finance, and administration sector

- As at 31 Dec 2024, DHG's total workforce reached 2,806 employees (2023: 2,789 employees), reflecting no significant changes compared to the previous year. Outstanding human resource activities in 2024:
 - + Ensured stable employment and income for employees.
 - + Employees benefited from healthcare policies and welfare programs. Salaries, bonuses, and other incentives were not only provided to employees but also extended to their families. These policies were approved at the Annual Labor Conference, ensuring transparency and consensus.
 - + The recruitment process has been optimized to promptly meet staffing needs.
- Continuously reviewed and updated/revised regulations, operational procedures, and developed new processes within the company and its system.
- Implemented compliance training from basic to advanced levels, across various topics. Conducted compliance audits to effectively prevent potential risks that could lead to company losses. Simultaneously, recommended improvements and adjustments to operational mechanisms to enhance productivity and efficiency.
- Ensured budget utilization aligned with strategic objectives, and optimized resource allocation through flexible and effective cost-control measures.
- Developed and automated management reports to provide accurate and timely information, and supported the Board of Management in making strategic decisions effectively.
- Increased the company's financial income by effectively utilizing cash flow, strengthened cash flow management, and applied financial leverage strategies to optimize capital and enhance profitability.

PART 2: PERFORMANCE AND REMUNERATION OF THE BOD IN 2024

I. MEMBERS AND STRUCTURE OF THE BOD

The AGM, which was held on 23 Apr 2024, approved the number of BOD members term V (2024 – 2028) to be 07 members. In which: The number of Independent BOD Members is 02 members, including:

No.	BOD members	Position	Date of appointment
1.	Ms. Dang Thi Thu Ha	BOD Chairwoman Non-executive BOD member	First appointment: 28 Jul 2017 Most recent appointment: 23 Apr 2024
2.	Mr. Jun Kuroda	Non-executive BOD member	First appointment: 15 Aug 2016 Most recent appointment: 23 Apr 2024
3.	Ms. Toshiyuki Ishii	Executive BOD Member General Director (CEO)	First appointment: 19 Apr 2023 Most recent appointment: 23 Apr 2024
4.	Mr. Maki Kamijo	Non-executive BOD member	First appointment: 11 Jun 2019 Most recent appointment: 23 Apr 2024
5.	Mr. Doan Dinh Duy Khuong (*)	Executive BOD Member	First appointment: 29 Apr 2010 Most recent appointment: 23 Apr 2024
6.	Mr. Do Le Hung	Independent BOD Member	First appointment: 11 Jun 2019 Most recent appointment: 23 Apr 2024
7.	Mr. Truong Anh Hung	Independent BOD Member	First appointment: 23 Apr 2024

(*) On 27 Jun 2024, Mr. Doan Dinh Duy Khuong submitted his resignation from the position of BOD member. The resignation will take effect once it is approved by the next GMS.

II. PERFORMANCE OF THE BOD IN 2024

1. Evaluation of the BOD performance in 2024

- In 2024, the BOD held 17 BOD meetings to discuss and approve several issues under the functions and authorities of the BOD. In which: there were 4 in-person meetings and 13 meetings conducted via mail.
- All meeting contents were prepared in detail and informed to each member before the meeting. The BOM was invited to all of the BOD meetings in order to discuss and generate unanimity in the BOD's strategies, business orientation and directions over the BOM.
- The BOD members participated in all meetings and submitted their opinions in writing. The contents under the responsibility and authority of the BOD on governance, risk management, compliance, audit supervision on strategies, and human resources were handled carefully and thoroughly. The BOD members were evaluated as having successfully fulfilled their assigned duties with a high sense of responsibility for the benefit of shareholders and the Company's sustainable development.

2. Activities of Committees under the BOD

- Strategic Committee: Consulting, advising the BOD in building long-term development strategies; Long-term investment plan; Developing annual business plan; dividend payment plan.
- Nomination Committee: Proposing and advising the BOD on the appointment/dismissal of senior management; human resource development plan: detection, recruitment, training, and nurturing senior management and succession plan program; Proposing and advising the BOD on Company's salary, bonus, and benefits policies; Preparing quarterly and annual HR performance reports.
- Audit Committee: Continuing to monitor financial statements and systems of internal control & risk management and internal audit; Supervising compliance with laws and internal policies; participating in the development of the Company's strategy, particularly in enhancing internal control and risk management system. Preparing periodic quarterly and annual reports.

3. Monitoring results with regard to the General Director, Managers and Executives of the Company

In accordance with the Company's Charter and Internal Regulations on Corporate Governance, the BOD supervised the activities of the General Director, Managers, and Executives in operating the business and implementing the resolutions of the GMS and the BOD in 2024.

Monitoring method:

- **Evaluation and feedback on strategic decisions:** The BOD provides timely feedback and establishes a two-way dialogue with the General Director and managers in terms of strategic decisions, helping to better understand the BOD's perspectives and expectations, thereby contributing to the Company's development and achieving business goals.
- **Periodic report and analysis of business results:** The BOD requires periodic reports from the General Director and managers, including financial statements, operational reports, and reports on specific projects. The BOD reviews these reports to assess the Company's operational situation and make appropriate decisions.
- **Regular meetings and performance evaluation:** The BOD holds regular meetings with the General Director and managers to discuss current situations and future plans. In these meetings, the BOD evaluates work performance and provides necessary recommendations or directions.
- **Information disclosure:** The BOD supervises, directs, and ensures that information is disclosed fully, transparently, and timely in accordance with the regulations of the Stock Exchange and the State Securities Commission. The AGM is organized successfully; the annual/quarterly financial statements, annual reports and sustainable development reports are prepared thoroughly.

- **Risk management:** The BOD assesses and manages the enterprise's potential risks, including financial, human resources, legal, market, corporate governance, and other risks.
- **Supervision of compliance with internal regulations and professional ethics:** The BOD ensures that the General Director and managers comply with legal regulations and the Company's ethical standards and code of conduct.
- **Evaluation of leadership capabilities and personnel development:** The BOD regularly assesses the leadership capabilities of the General Director and managers, including management, leadership, and personnel development skills.

Overall assessment: In the context of major fluctuations in the global and domestic economy, maintaining growth and stability for the enterprise is a significant challenge. At DHG Pharma, strategies have been implemented from optimizing operations, applying technology to expanding markets, and diversifying products. This reflected the management's flexibility and the determination of the General Director and managers.

III. REMUNERATION, BONUSES, AND BENEFITS OF THE BOD

In 2024, the GMS approved the total remuneration and the BOD operating fund at VND 7 billion. Of this amount, VND 5 billion was recorded as company expenses, while VND 2 billion was allocated from the 2023 after-tax profit.

(The remuneration of the BOD members in detail has been disclosed in the Annual Report FY2024 and the audited financial statements FY2024, notes to the financial statements, section 34: transactions and balances with related parties)

Remuneration for the BOD in 2025:

We respectfully submit for the GMS's approval the total remuneration and the BOD operating fund in 2025, with a maximum of VND 7 billion. Of this amount, VND 5 billion will be recorded as company expenses (*the actual amount will depend on the number of members*), and VND 2 billion will be allocated from the 2024 after-tax profit

In addition to the remuneration and BOD operating fund approved annually by the GMS, the BOD members also receive business trip allowances in accordance with the Company's internal regulations. They continue to be covered under the Directors & Officers (D&O) liability insurance for the BOD and the Executive Management, as per the GMS resolution dated 18 Mar 2022. This program is renewed annually unless otherwise decided by the GMS.

PART 3: PRODUCTION AND BUSINESS PLAN FOR 2025

I. THE BUSINESS PLAN OF 2025:

- Net sales: VND 5,210 billion
- Profit before tax: VND 940 billion

II. KEY STRATEGIES:

In 2025, DHG Pharma will focus on sustainable growth strategies, market expansion, and operational efficiency improvements. The key initiatives include:

1. Brand Development and Market Expansion

- Strengthening marketing activities, building brand awareness, and expanding new channels for supplements and beauty care products.
- Focusing on strategic products to enhance brand image and market share, contributing to DHG Pharma's future growth.
- Maintaining the position of the Pharmacy channel (Traditional Pharmacy channel), focusing on strategic product lines in the Hospital Channel, expanding coverage, and increasing recognition for new products.
- Increasing market share in pharmacy chains (MTC channel), particularly strengthening presence and expanding coverage in Ho Chi Minh City and Hanoi.
- Exploring and expanding export markets through partnerships, participation in international exhibitions, and developing a portfolio of EU-GMP standard products.
- Enhancing customer engagement through sales policies and loyalty programs to secure the leading position in the pharmacy channel.
- Driving consumer/patient demand and sales while supporting pharmacies in attracting new consumers and building a database of loyal customers to establish long-term and sustainable market relationships.

2. Production improvement and quality enhancement

- Increasing production efficiency through cost optimization, waste reduction, and effective budget management of each unit, approaching highly efficient production processes and adapting to the changing business environment.
- Continuously improving quality management and production systems to meet international standards like EU-GMP and Japan-GMP while complying with domestic regulations to enhance product quality and competitiveness.
- The new Betalactam factory, built to EU-GMP standards, has been operational since May 2024 and is expected to receive certification by 2025. This factory aims to produce high-standard products, boost competitiveness, and contribute to DHG Pharma's revenue and profit growth.

- Continuing the implementation of technology transfer projects as scheduled for 2025. These projects will not only expand international markets but also enhance production capabilities and quality standards, reinforcing DHG Pharma's competitiveness in the global market.
- Allocating appropriate budgets for R&D to strengthen resources in equipment, infrastructure, and high-quality talent recruitment for DHG Pharma's projects. Strengthening collaboration with leading pharmaceutical research centers, institutes, universities, and experts to expand the product portfolio and ensure industry leadership.

3. Financial, Human Resource, and Technology Management

- Establishing, reviewing, and revising processes and regulations related to finance, investment, and accounting to optimize financial management and risk control.
- Focusing on analyzing and evaluating the effectiveness of investment projects to make strategic adjustments and enhance operational efficiency.
- Training successor personnel and optimizing resources through the "Human Resource Development" project. Improving organizational structure towards a more streamlined and efficient operation.
- Implementing a comprehensive KPI establishment and evaluation process to enhance productivity, foster a learning culture, and promote development to enhance the professional capacity and adaptability of personnel.
- Implementing IT projects to optimize production and business operations: ensuring stable operation of the BFO system, continuing to refine the DMS project to improve sales management, and assessing and proposing a new ERP system to enhance operational efficiency and corporate governance.
- Strengthening internal control systems to enhance governance and compliance. Promoting compliance training on specialized topics, while surveying, updating, and developing new regulations and procedures to suit the operating environment.
- Developing a complete risk management system, continuously improving the capacity to build, deploy, and execute the Company's governance based on compliance with the Charter, legal regulations; and Company Regulations.
- Practicing advanced "Corporate governance practices" worldwide and in Vietnam to help improve governance efficiency, contributing to the good implementation of the Company's business strategies and plans.

Note: For more information, please refer to the Annual Report and Corporate Governance Report 2024 posted on the Company's website via: <https://dhgpharma.com.vn/en/investor-relations/10257-annual-report-2024>

Above is the Report of the BOD on the Production and business performance in 2024; Performance and remuneration of the BOD in 2024; and the Production and business plan for 2025.

Kindly submit to the AGM for consideration and approval.

Best regards./.

Recipients:

- Ditto;
- Archived: BOD Secretary

**OBO. THE BOARD OF DIRECTORS
BOD MEMBER, GENERAL DIRECTOR**

Toshiyuki Ishii

[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.]