

REPORT OF THE BOARD OF SUPERVISORY TERM 2014 – 2018**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 Charter of Organization and Operation of DHG Pharmaceutical Joint Stock Company (DHG Pharma);
- Pursuant to Resolution of the Annual General Meeting of Shareholders (“AGM”) Term 2014 – 2018 of DHG Pharma;
- Pursuant to operational regulation and the working programs of the Board of Supervisory,

The Board of Supervisory (BOS) of DHG Pharma respectfully reports to the AGM the inspecting and supervising results of DHG Pharma’s activities as follows:

I. SUMMARY OF THE BOS MEETINGS

- During the term, the BOS held quarterly meetings with the participation of all members to summarize working results during the period, to make plans for the next period and to prepare recommendation reports for submission to the Board of Directors (BOD).
- In addition, the BOS fully participated in the BOD meetings to grasp business situation, investment situation and to make suggestions, recommendations to the BOD and the Board of Management (BOM) within the scope of their responsibilities and powers.

Attendance rate of the BOS in 2018

No.	BOS Members	Position	Starting date to be a BOS Member	Meeting attendance	Rate	Reason for absence
1.	Mr. Tran Quoc Hung	Head of the BOS	08 Sept 2004	4/4	100%	
2.	Mrs. Nguyen Phuong Thao	Supervisor	26 April 2012	3/4	75%	Submitted resignation letter from 25 Oct 2018
3.	Mr. Tran Trung Kien	Supervisor	28 Mar 2018	3/4	75%	Additional election from 28 Mar 2018

II. PERFORMANCES OF THE BOS IN 2018

- The BOS inspected, supervised the compliance with the provisions of the Enterprise Law, the Charter of Organization and Operation of DHG Pharma in managing and

operating the production and business activities of the Company.

- The BOS fully participated in BOD meetings to grasp the business situation, investment situation and to make suggestions, recommendations to the BOD and BOM within the scope of their responsibilities and powers.
- Monitored and supervised the implementation of Resolutions in the BOD meetings during the term.
- The BOS verified interim and annual financial statements to evaluate the truthfulness and rationality of financial data in accordance with accounting standards, regimes and current financial policies. Simultaneously, the BOS collaborated with the independent auditor to consider impacts of material misstatement in the financial statements. In addition, the BOS also monitored the implementation of the recommendations given by the independent auditor.
- Coordinated with the auditor within the auditing scope and contents of the interim and annual financial statements of the parent company and the consolidated financial statements. Simultaneously, the BOS reviewed the comments of the auditor through management letters.
- In addition to the regular works of the BOS, the BOS collaborated with functional units in the Company, including the Internal Audit Committee and the Internal Control Department to perform a number of special subjects regarding inspections and recommendations in order to improve management procedures of the Company.
- During the term, the BOS did not receive any complaint in writing from shareholders in term of the Company's business activities.

Comments and evaluation

❖ *Advantages:*

- + The BOS members always demonstrated the spirit of independence, objectivity and respect for the law in supervising all activities of the Company.
- + The BOS members strived to follow the functions and duties of the Board, closely supervised the Company's operation during the work process in order to detect potential risks and propose solutions, in contribution to ensure the Company's operation is safe, effective and law-abiding.
- + The BOS members coordinated with the BOD, Executive Board, functional departments and related individuals during the work process, fully organized regular meetings (quarterly, yearly) to carry out the supervision of the Board.

❖ *Disadvantage:*

- + Due to the limitation of the BOS' personnel, most of the members were part time and there was a significant change during the term, while the Company was a large-scale business with large scale operation, thus sometimes the implementation of the BOS' activities did not meet the expectation.

III. SUPERVISION RESULT ON ACTIVITIES OF THE BOD AND BOM

- The BOD held quarterly periodic (and extraordinary) meetings, the members fully participated in these meetings, in accordance with the Company's Charter and the BOD's Operation Regulation. The BOD considered the business results in the period, as well as evaluated the effectiveness of investments and discussed business strategies in accordance with the annual approved resolutions of the AGM.
- The BOD issued many Resolutions and Decisions related to the Company's activities within the scope of the BOD's responsibilities and authorities. The BOD's Resolutions and Decisions were issued in an accurate order with full legal basis as prescribed by law and in accordance with the annual Resolutions of the AGM regarding the annual management of the Company's business and production activities.
- The BOD supervised the operation of the Executive Board in implementing the AGM Resolutions and coordinated with the Executive Board to monitor, operate the business and production activities of the Company in order to achieve targets approved in the AGM Resolutions Term 2014 - 2018.

IV. EVALUATION ON THE COORDINATION AMONG THE BOS, BOD AND BOM

- During the term, the BOD and BOM created favorable conditions for the BOS to provide sufficient information on the Company's production and business situation as well as financial situation.
- The management and administration activities of the Company were directed and closely supervised by the BOD. The BOM regularly reported to the BOD for timely guidance when necessary.
- Periodically, the BOS submitted reports and recommendations in writing to the BOD and BOM. The BOS' recommendations were recognized and implemented.
- The BOD and the Executive Board succeeded in lifting the Foreign Ownership Limit (100%) on the stock market to improve the Company's image in the hearts of investors and partners.
- Within the scope of its powers and responsibilities, the BOS evaluated that the BOM performed in accordance with its functions and duties; in accordance with the regulations, the Enterprise Law and the Company's Charter, promptly implemented Decisions and Resolutions of the BOD, the AGM without any violations that greatly affected the Company's performance.

V. EVALUATION ON THE FINANCIAL STATEMENTS (FS)

1. Preparation and audit of the financial statements

- The Company's financial statements were prepared in accordance with the current Vietnamese Accounting Standards and Regime. The financial statements Term 2014 - 2018 were audited by 1 of 4 companies (Big Four) that have been approved by the State Securities Commission to audit listed companies.

- The BOS considered the interim and annual financial statements and the BOS came into an agreement with the production and business performances over the years during the term. According to the auditor's conclusion, the Company's financial statements reflected a true, fair, sufficient, clear presentation and in accordance with the Accounting standards.

2. Production and business results

- The implementation results of the key business and production targets in Term 2014 - 2018 as reported in the financial statements are as follows:

Indicators	Figures in	2014	2015	2016	2017	2018
Net sales	VND billion	3,912.5	3,607.7	3,783	4,062.7	3,882.1
Profit before tax	VND billion	721.9	701.3	756.6	719.2	731.7
Profit after tax	VND billion	533.7	592.6	688.6	642.3	651.1
Charter capital	VND billion	871.6	871.6	871.6	1,307.4	1,307.4
Owner's equity	VND billion	2,293.6	2,521.2	2,869.8	2,759.1	3,144.2
Total assets	VND billion	3,482.7	3,363.2	3,945.3	4,087.5	4,205.9
Liabilities	VND billion	1,189	841.9	1,075.6	1,328.3	1,061.7
Dividend payment rate	%	30	30	35	30	35 (Projected)

- + The Company's charter capital in Term 2014 – 2018 increased by 1.5 times (from VND 871.6 billion in 2014 to VND 1,307.4 billion at the end of 2018).
- + Owner's equity in Term 2014 – 2018 increased by 1.37 times (from VND 2,293.6 billion in 2014 to VND 3,144.2 billion at the end of 2018)
- + Maintained an annual dividend payment rate of 30% according to the AGM Resolution, especially in 2016, the Company paid a dividend rate of 35%. In 2018, the dividends were projected to be 35%, the Company already paid 30% for shareholders and the remaining 5% will be paid after the AGM approves.

3. The Company's financial situation as at 31 Dec 2018

Indicators	2014	2015	2016	2017	2018
1. Liquidity ratios					
- Current ratio	2.13	2.85	2.70	2.32	3.14
- Quick ratio	1.43	2.03	1.98	1.82	2.25
2. Capital structure ratios					
- Debt to Total assets ratio (%)	34.14	25.03	27.26	32.50	25.24
- Debt to Owner's equity ratio (%)	51.84	33.39	37.48	48.15	33.77
3. Operational capacity ratios					
- Inventory turnover	2.32	3.09	3.02	3.34	2.84
- Net revenue to Total average assets ratio (%)	119.22	105.40	103.52	101.15	93.62
4. Profitability ratios					
- Return on Sales (ROS) (%)	13.64	16.43	18.20	15.81	16.77
- Return on Equity (ROE) (%)	24.97	24.62	25.55	22.82	22.06
- Return on Assets (ROA) (%)	16.27	17.31	18.84	15.99	15.70
- Earnings per share (VND)	5,169	5,748	4,485	4,378	4,445

VI. IMPLEMENTATION OF THE AGM RESOLUTIONS

1. With regards to profit distribution

The Company allocated funds in accordance with the annual profit distribution plan of the AGM Resolution over the years in the term.

2. With regards to remunerations

In Term 2014-2018, the BOS received its remunerations in accordance with the annual AGM Resolution over the years. Detailed information has been presented in the BOD's report submitted to the AGM.

3. With regards to independent auditors

The BOD collaborated with the BOS to select 1 of the 4 companies in Big Four as an independent auditor for the financial statements in Term 2014 – 2018 of DHG Pharma and its subsidiaries.

4. Amendments and supplements of the Charter and Internal regulations on Corporate Governance

The Company amended and supplemented its Charter and Internal Regulations on the Corporate Governance in accordance with the provisions of the Enterprise Law 2014 and Decree 71/2017/NĐ-CP.

VII. RECOMMENDATIONS OF THE BOS

- The Company should develop and continue to improve the system of procedures, regulations as a basis for management, efficiency assessment and risk control.
- Regarding the provision for doubtful debts that was deducted by the Company, the Company should continue to urge the relevant departments to carry out the debt recovery, complete the debt recovery documents.
- The BOD and BOM are requested to direct the investment management, accelerate the implementation of projects and investment categories to put into production as soon as possible, in order to promote investment efficiency.

The BOS's performance Term 2014 – 2018 was fulfilled thanks to the efforts of each member and the trust, support and facilitation of the BOD, BOM and departments of DHG Pharma. On behalf of the BOS Term 2014-2018, I would like to express my deepest gratitude and appreciation to the AGM, BOD, BOM for trusting and creating favorable conditions for the BOS to fulfill its tasks during the term.

Best regards./.

Recipients:

- As above;
- Archived: BOD Secretary, BOS

**ON BEHALF OF THE BOS
HEAD OF THE BOARD**

Tran Quoc 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.]