

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 IV (2019 - 2023) of DHG Pharmaceutical Joint Stock Company (DHG Pharma) respectfully submits to the Annual General Meeting of Shareholders (AGM) the Company's performance in 2022; Performance and remuneration of the BOD in 2022; Production and business plan 2023 with the following main contents:

PART 1: PERFORMANCE OF THE COMPANY IN 2022**1. Overview of the pharmaceutical industry in 2022**

In 2022, the world economy witnessed many complicated and unpredictable changes due to the impact of the Russia-Ukraine war, inflation, reduction in consumption in some countries, disruption of global supply chains, and other disadvantages. Despite the aforementioned challenges, the Vietnam economy remarkably rebounded and increased with the following highlights: (1) GDP achieved a high growth rate of 8%, this was the highest increase in the period 2011 - 2022 and belonged to the high growth group in the region and the world; (2) Foreign exchange reserves exceeded USD 100 billion and continue to grow sustainably; (3) Import-export turnover reached approximately USD 732.5 billion - up 9.5%, with trade balance of goods surplus of USD 12.4 billion. The signing of free trade agreements with countries all over the world has improved Vietnam's export activities; (4) Average inflation was just 3.2% in line with the target set by the National Assembly; (5) The financial system was controlled and stable at a safe level; (6) Vietnam spent nearly 6% of GDP on infrastructure - one of the highest in the ASEAN; (7) Vietnam had the second fastest digital economy growth rate in the world (12.3%) in 2022, behind only India.

Vietnam is a country with a rapidly aging population, increasing income and citizen are more interested in health-care services. Along with that, the Government's attempts to make healthcare more accessible and affordable are the primary drivers of growth in Vietnam pharmaceutical industry. Vietnam is ranked in the group of Pharmerging Markets by IQVIA - the group of 17 nations with the highest growth rate of the pharmaceutical industry in the world. The Pharmerging Market is divided into 3 subcategories. Vietnam is ranked in the third group with 12 countries - a growth rate of 14%. Vietnam is only behind Argentina and Pakistan. According to IQVIA

report in 4Q/2022, the value of Vietnam's pharmaceutical market reached VND 187,659 billion, up 29% over the same period. In which, the Pharmacy channel grew by 27% and the Hospital channel increased by 33% compared to the previous year. The business performance of Vietnamese pharmaceutical enterprises in 2022 was brighter and more optimistic. Above 80% of enterprises increased their sales and profits. Pharmaceutical enterprises have boosted their investment in product research and development activities, built research facilities, and increased technology transfer for raw material production (patent purchases, inventions, cooperation, etc.). This was also the year when pharmaceutical enterprises accelerated in the race to upgrade and build factories in accordance with international standards. Typically, DHG Pharma started construction of Betalactam factory meeting Japan-GMP/EU-GMP standards, Cuu Long Pharmaceutical JSC invested in EU-GMP pharmaceutical factory project, IMP acquired EU-GMP accreditation for the IMP4 factory. The construction of high-quality factories promises to increase the competitiveness of various local pharmaceutical enterprises in high-value bidding packages. In addition, modern drugstore chains experienced strong growth in both quantity and quality when capturing more market share from traditional pharmacies as the Government issued stricter regulations on retailers and prescription medicines, the form of e-prescriptions was deployed, and the consumption demand for vitamins, functional foods, personal care products, pharmaceuticals and cosmetics increased.

However, Vietnam pharmaceutical industry in 2022 was still mainly dependent on foreign suppliers of raw materials, particularly China and India. Pursuant to the General Department of Customs, the import turnover of pharmaceutical materials were USD 461 million, up 9.9% over the previous year. Pharmaceutical import turnover to Vietnam in 2022 reached USD 3.5 billion, an 11% decrease from the previous year. The pharmaceutical supply market is relatively abundant. In which, enterprises import mainly from France, the United States, Germany, India and Belgium. The weakness of domestic enterprises is the fragmented market, limited scale and a lack of financial competence. The potential to expand investment in research and equipment for production technology is limited, investment in large-scale projects and purchase of intellectual property rights for pharmaceuticals is challenging, there is a shortage of high-quality human resources for product research and development. The majority of domestic enterprises concentrate on the production of common medicines, while specialized and treatment medicines that require modern preparation technology are not concerned. Thereby, there has been a scenario of overlapping production, with the bulk of local firms fighting for a limited market sector. The high-quality specialized and treatment medicines is entirely dominated by foreign enterprises.

2. Business performance in 2022

2.1. Overview

Target	2022 Budget	2022 Actual	2021 Actual	% Actual/Budget 2022	Growth 2022/2021
Net sales	4,220	4,676	4,003	110.8%	16.8%
Profit before tax	853	1,100	864	128.9%	27.3%
Profit after tax		988	776		27.3%

Thanks to the sustainable development foundation and flexible strategies, DHG Pharma has made a spectacular breakthrough in the new normal and has archived the highest net sales and profit before tax in the Company's history. The total net sales in 2022 of DHG Pharma was closely monitored by the Board of Management, reaching VND 4,676 billion, equivalent to 111% of the yearly target, up 17% yoy. The profit before tax in 2022 reached 129% of the yearly plan, up 27% over the same period, equivalent to VND 1,100 billion thanks to the sales growth, increased labor productivity, investment efficiency and good cost management. Thanks to increased production output, low inventory of raw materials and finished products, the gross profit improved significantly.

The above business results help DHG Pharma continue to retain its leading position in the Vietnam Pharmaceutical Industry for 26 consecutive years in terms of sales and profit. DHG Pharma continued to present in the Top 5 pharmaceutical enterprises with the largest market share in Vietnam Pharmaceutical industry (according to IQVIA's statistics in 4Q/2022).

Rank	Rank LY	Corporation	Sales (Billion VND)	Growth	Share	EI
1	1	SANOFI	7,915	16%	4.2%	90
2	2	GSK	5,467	11%	2.9%	86
3	3	DHG	4,983	20%	2.7%	93
4 ▲	5	ASTRAZENECA	3,325	25%	1.8%	97
5	4	MSD	3,254	21%	1.7%	94

Source: IQVIA 4Q/2022

2.2. Sales and Marketing activities

- Professional, widespread and diversified distribution system and increasing frequency of interactions with pharmacies along with products meeting Japan-GMP standard are increasingly trusted by professionals and consumers.
- + Domestic business recorded net sales of VND 3,910 billion, up 17% over the same period, accounting for 84% of the total consolidated net sales. A system of 34 branches in 63 provinces and cities in Vietnam, DHG Pharma products have been available in nearly 2,700 drug stores of 5 major drugstore chains, the total number of customers having transactions in the year is more than 30,000 customers, the total number of club members is more than 15,000 customers. As a result, DHG continues to promote its strengths to expand the business activities.

- + Export activities recorded a net sales of VND 117 billion, up 36% over the same period. The Company has exported to 21 countries in Asia, Central Asia, Middle East, Europe and Americas.
- The Company timely forecasted the market's consumption demand and seized the opportunity to promote marketing activities to the right customers during the treatment of Covid-19, runny nose, dengue fever, prevention of post-Covid-19, etc. The activities of promoting and raising the awareness of key products to customers and target consumers have achieved high efficiency, contributing to promoting sales activities at key areas and big cities.
 - + 17/20 key brands exceeded the target at the beginning of the year. 6 brands achieved their sales from VND 100 billion.
 - + The communication campaign of Hapacol brand with the message "Pain and fever relief for the whole family" has successfully increased the affection for the entire brand and the consideration factor for the Elderly. The campaign contributes to improving the high-end brand image of key product lines such as Hapacol.
- The Company effectively implemented product introduction activities to doctors and focused on bidding Japan-GMP products. As a result, the Hospital channel's net sales increased by 33% over the same period and accounted for about 13% of domestic sales.
- The sales staff is professionally trained and improved. At the same time, they closely follow annual business targets and strictly implement daily/weekly/monthly work plans to help DHG Pharma's products increasingly reach each customer across the country.
- Debt limit is set appropriately and timely for each customer, branches and the Head Office monitor and urge the collection of money to help customers not lose their benefits and limit risks. As a result, sales were implemented more effectively, while debts were well managed, and overdue debts decreased sharply.

2.3. Production, Quality, Research and Supply Chain

- The total production output of the two factories in 2022 reached 5,668 million product units, up 40% yoy. Production value reached VND 6,405 billion, up 38% yoy. The production demand increased sharply in 2022, but the Production sector made efforts to stabilize the supply of goods with the best quality.
- DHG Pharma has obtained Japan-GMP certification for tablets, film-coated tablets effervescent tablets, and effervescent granule. The skills of production staff are gradually improved to adapt to global GMP standards.
- The Company continues to maintain to meet domestic standards:
 - + Department of Food Safety and Hygiene issued a certificate to maintain GMP Food for health protection.
 - + The Betalactam factory is certified to maintain WHO-GMP by the Drug Administration of Vietnam.
 - + The Quality Control Department completed the re-evaluation and obtained ISO/IEC: 17025 certification.
 - + The Non-Betalactam factory has received the WHO-GMP re-evaluation and was certified by the Drug Administration on 18 Jan 2023.

- Technology transfer projects with Japanese partners, Taisho's subsidiaries, DHG's product transfer projects, etc. were implemented as planned.
- 5 new products have been produced, 16 new products have been granted domestic visa numbers, 23 products have been granted export visa numbers. As of 31 Dec 2022, the total number of products achieved bioequivalence: 48 products, up 5 products compared to the previous year.
- The new finished product warehouse at the pharmaceutical factory in Hau Giang was completed in Nov 2022, helping to increase the warehouse capacity and meet the needs of goods storage.
- Raw materials trading achieved 107% of the year plan. VND 7.9 billion has been saved thanks to loss reduction of raw materials, finished products, and aluminum - PVC packaging.

2.4. Activities of Human Resources, Information Technology and Internal Control

- DHG Pharma continues to ensure jobs and income for the Company's employees. Employees are guaranteed health care policies; good welfare works; remuneration and care regimes for employees and their relatives as approved by the Annual Labor Conference. Improved recruitment mechanism helps to provide enough human resources when needed. Regulations/processes related to Human Resources and Labor Regulations are standardized and updated. The Conflict of Interests (COI) policy was implemented and the structure of the salary, bonus and welfare system was restructured so that DHG Pharma would become more and more complete and aim to become an international standard company.
- Operating procedures are always reviewed/ updated/ supplemented/ adjusted/ constructed. The criteria and parameters to measure risks in the business process are continuously updated. In particular, sales activities are always focused to help prevent potential risks that may lead to damages to the Company, continuing to improve productivity and operational efficiency.

2.5. Finance and investment activities

- The management capacity and internal control have been modernized and improved through the following projects: funding into specialized spending accounts, non-cash payment, electronic receipts, electronic invoices, centralized payment at the Head Office, and centralized shopping.
- In 2022, the system of regulations/processes related to investment, procurement, construction, maintenance and repair will be completed and supplemented to help the management more and more closely. In fact, DHG Pharma has implemented many projects such as purchasing machinery, equipment and supplies for production, office, and management; Procurement of equipment and means of transport and renovating, upgrading and building new buildings, structures, etc.
- Big project: Investment and expansion of Pharmaceutical Factory and DHG Packaging Printing Factory _ phase 1. Site clearance has been completed and construction has been started since Nov 2022. The plant is expected to be completed and put into operation in 2024.

2.6. Other activities

- DHG Pharma contributes billions of dong to the government budget and many social and community activities.
 - + The total payment to the government budget in 2022 is VND 366 billion. In which, payment to the Cantho government's budget is VND 118 billion and to Hau Giang province is VND 62 billion.
 - + For the community, the brand DHG – Healthy for Love continues to become a symbol of humanity. DHG Pharma carried out community health care activities to overcome the Covid-19 pandemic and social security activities across the country.

PART 2: PERFORMANCE AND REMUNERATION OF THE BOARD OF DIRECTORS IN 2022

In 2022, the BOD focused on working in accordance with the functions, duties and powers of the collective and individuals and in compliance with the Enterprise Law, the Company's Charter, and applicable laws. The BOD meetings were held and conducted in accordance with the Internal Regulation on Corporate Governance. The Minutes, Resolutions, and Decisions of the BOD were based on the unanimity of the members and were archived in accordance with regulations.

1. Evaluation of the BOD performance in 2022

- In 2022, the BOD held a 2021 AGM on 18 Mar 2022 and 11 BOD meetings to discuss and approve several issues under the functions and authorities of the BOD. 11 Resolutions and 26 Decisions were issued.
- 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 fully participated in the BOD meetings and provided timely instruction, contributing to achieving the business results in 2022 assigned by the AGM. The contents under the responsibility and authority of the BOD on governance, risk management, compliance, audit supervision on strategies, and human resources were strictly implemented. The BOD members were assessed to successfully complete their assigned tasks with a high sense of responsibility for the interests of shareholders and the Company's stable development.

2. Activities of Committees under the Board of Directors

The BOD Term IV (2019 - 2023) has established 03 Committees, comprising of Strategic Committee, Nomination Committee and Audit Committee. Quarterly, the Committees hold meetings and send reports to the BOD in accordance with their assigned scope of work.

- Strategic Committee: Developing strategies for production and business in 2022; Giving advice in terms of the dividend payment plan for the BOD; Advising and

- counseling the BOD on short-term, mid-term and long-term investment projects under the BOD's authority; Quarterly assessing the implementation of the strategies.
- Nomination Committee: Proposing and advising the BOD on appointment/removal of General Director and other senior managers; human resource development plans: finding, selecting, training and fostering senior managers and succession program; Developing the Company's salary, bonus and remuneration policies; Preparing quarterly and annual HR reports.
 - Audit Committee: Checking the internal control system and checking the compliance with the operating principles, management, laws, financial regime, accounting, policies, resolutions and decisions of the Company and its subordinates. Checking the compliance in management and administration of business activities, accounting, statistics and preparing financial statements.

3. Remuneration, bonuses, and benefits of the BOD and BOM

Receipts/expenses of the BOD Operation Fund in 2022

Unit: VND

No.	Targets	Amount
1	Balance at the beginning of the year (01 Jan 2022)	2,077,076,964
2	Allocation from the PAT 2021 in line with the AGM Resolution	6,000,000,000
3	Total expenses:	476,436,930
3.1	Public relationship	93,636,000
3.2	Other expenses	382,800,930
4	Balance as of 31 Dec 2022	7,600,640,034
5	Appropriation plan from the PAT in 2022 (projected)	2,000,000,000
6	Balance after profit distribution in 2022 (projected)	9,600,640,034

* Note: Remuneration and bonuses for the BOD and the BOD Secretariat Team in 2022 recorded in the Company's expenses were VND 4,669,000,000.

The BOD Operation Fund in 2023:

The BOD submits to the AGM for approving the BOD Operation Fund in 2023 to be VND 7 billion. In which, VND 5 billion shall be recognized in the Company's expense and VND 2 billion shall be appropriated from the profit after tax 2022.

Detailed distribution to each BOD and BOM member:

No.	Name	Title	Amount
I. The Board of Directors			
1	Dang Thi Thu Ha	BOD Chairwoman	700,000,000
2	Jun Kuroda	BOD Member Chairman of the Strategic Committee	490,000,000

No.	Name	Title	Amount
3	Masashi Nakaura	BOD Member Former General Director	734,146,000
4	Maki Kamijo	BOD Member	490,000,000
5	Doan Dinh Duy Khuong	BOD Member Chief Operating Officer	595,000,000
6	Do Le Hung	Independent Board Member Chairman of the Audit Committee	765,000,000
7	Nguyen Thi Viet Thanh	Independent Board Member Chairwoman of the Nomination Committee	595,000,000
II. The Board of Management			
1	Masashi Nakaura	BOD Member Former General Director	4,695,259,676
2	Doan Dinh Duy Khuong	BOD Member Chief Operating Officer	4,080,582,978
3	Tomoyuki Kawata	Deputy General Director in charge of Production, Supply Chain and Technical Transfer. Supporting member of the Strategic Committee	2,860,483,376
4	Nguyen Ngoc Diep	Deputy General Director in charge of Production and Technical Transfer.	2,949,130,423

4. Monitoring results with regards to the General Director, Managers and Executives of the Company

- 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 AGM and the BOD.
- 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.
- The BOD supervised, directed and ensured information to be disclosed sufficiently, transparently and promptly in accordance with regulations of Ho Chi Minh Stock Exchange and State Securities Commission. The AGM 2021 was successfully organized on 18 Mar 2022. The reporting regime of the Financial Statements FY 2022, the Quarterly Financial Statements, the Annual Report, Corporate Governance Report and Sustainable Development Report FY 2022 were strictly implemented.
- The BOD directed the BOM to constantly strengthen and perfect the organizational structure, focusing on risk management to promptly detect, handle and gradually improve corporate governance capacity.
- The BOD supervised and directed the Company's investment projects to be implemented effectively.

- Processes/regulations/policies were fulfilled in accordance with the operation situation of the Company

Overall assessment: In 2022, the BOD and the managerial team have successfully fulfilled the tasks and business targets assigned by the General Meeting of Shareholders. The BOD commended the BOM's unwavering determination to overcome obstacles, safely adapt, make breakthroughs, expand production and commercial operation and rigorously adhere to regulations, internal regulations, and laws.

PART 3: PRODUCTION AND BUSINESS PLAN IN 2023

I. The business plan of 2023:

- Net sales: VND 5,000 billion
- Profit before tax: VND 1,130 billion

II. Key strategies:

- ❖ Upgrading production lines according to global GMP standards and maintaining domestic standards.
- + Continuing to upgrade the remaining production lines to global GMP standards and maintaining domestic standards.
- + Improving production capacity by deploying production on newly invested high-capacity automatic machines in factories.
- + Improving supply chain, ensuring stable supply of goods by controlling production, ensuring proper inventory, proper capacity of each warehouse, purchasing raw materials and packaging steadily, adding supplying sources for the main raw materials.
- + Enhancing the transfer of new products and comprehensive cooperation with Taisho investor.
- ❖ Enhancing the position & competitiveness of DHG Pharma as a multinational pharmaceutical company
- + Increasing investments in research and development of Generic products with high potential, quality and value.
- + Expanding network, increasing loyal customers and improving sales performance in big cities.
- + Focusing on branding, product portfolio strategy and key products.
- + Building new channels for supplements and beauty care products.
- + Promoting the effectiveness of sales policies and sales support programs.
- ❖ Strengthening the organization and developing the internal governance platform.

- + Building a workforce, stabilizing the organization, assessing the quality of personnel and screening; training, coaching and promoting employees with outstanding performance achievements; succession training.
- + Optimizing the management system on the 4C criteria: Change – Chance – Challenge – Charge.
- + Strengthening compliance training throughout the Company. Developing methods and signs to promptly identify possible risks to enhance the business performance.
- + Developing a roadmap and implementing the transformation of financial statements in accordance with international standards (IFRS).
- + Applying information technology to improve the operational efficiency of the Company.
- + Effectively managing receivables and overdue debts, optimizing support policies for debt collection.
- ❖ Being a symbol of humanity in contributing to the society in order to improve the quality of life
- + 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.

Above is the Report of the Board of Directors on the Company's performance in 2022; Performance and remuneration of the BOD in 2022; and the Production and business plan 2023.

Kindly submit to the AGM for consideration and approval.

Best regards./.

Recipients:

- Ditto;
- Archived: BOD Secretary

**OBO. THE BOARD OF DIRECTORS
BOD MEMBER, CHIEF OPERATING OFFICER**

Doan Dinh Duy Khuong

Note: For more information, please refer to the Annual Report and Corporate Governance Report 2022 posted on the Company's website via <https://www.dhgpharma.com.vn/en/investor-relations-2/annual-report-2/3215-annual-report-2022-dhg-pharma>

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