

No.: 001/2018/BC.ĐHĐCĐ

Cantho, 12th March, 2018**REPORT OF THE BOARD OF DIRECTORS*****(Reg the evaluation on the business result in 2017; performance and remuneration of the BOD in 2017; directions, production and business plan for 2018; the adjustments of strategic goals and business targets 2018 – 2019 – 2020)*****Kind Attn to: THE ANNUAL GENERAL MEETING OF SHAREHOLDERS 2017 OF DHG PHARMACEUTICAL JSC**

- Pursuant to the Law on Enterprise No.68/2014/QH13 dated 26 Nov 2014;
- Charter of Operation and Organization of DHG Pharmaceutical JSC (“**DHG Pharma**”) on 07 Feb 2018,
- Pursuant to Resolution No.001/2016/NQ.ĐHĐCĐ dated 28 Apr 2016 of the Annual General Meeting of Shareholders 2015,

The Board of Directors (“**BOD**”) Term III (2014 – 2018) of DHG Pharma respectfully submits to the Annual General Meeting of Shareholders (“**AGM**”) 2017 the business result in 2017; performance and remuneration of the BOD in 2017; directions, production and business plan for 2018; the adjustments of strategic goals and business targets 2018 – 2019 – 2020 as follows:

PART 1: EVALUATION ON THE BUSINESS RESULT IN 2017**I. The result of business performance in 2017**

Targets	Plan 2017	Performance 2017	% achievement 2017	Growth 2017/2016
Net revenue	4,369	4,064	93%	7.4%
PBT	800	719	89.9%	-4.9%
PAT		643		-6.7%

Evaluation on the business result in 2017:Subjective factors:

- + Quarter 1: Because the initial step in transforming the central warehouse model was not well-prepared, the Company faced many difficulties in delivery, affecting the business result.

- + Quarter 2: Transitional period of senior managers affected the sales staffs' psychology.
- + Quarter 3: Evaluation on the sales staffs, new recruitment and replacement.
- + Quarter 4: Production did not meet sales demand due to sudden increase in consumption. Also, the factories have changed several production procedures. Planning method was found with many limitations. Capacity of some equipment was overloaded.
- + Objective factors:
 - + Original Equipment Manufacturer (“**OEM**”) (depending on partner): in order to reduce inventories, the partner dropped their orders by VND 56 billion.
 - + Product distribution for partner (depending on the partner): the partner adjusted their plan in 2017, that experienced a drop of VND 43 billion in revenue.

II. Report on strategic performance in 2017:

1. Being the largest generic manufacturer in Vietnam

In 2017, DHG Pharma maintains its leading position in Vietnam pharmaceutical industry in terms of revenue, profit and production capacity. DHG Pharma ranked No. 2 among the leading companies with regards to Pharmacy channel and it is the only domestic pharmaceutical manufacturer in the top 10 leading pharmaceutical companies in Vietnam.

According to IMS in Quarter 4/2017, DHG Pharma continued to maintain in Top 2 with regards to Pharmacy channel and Top 6 among the foreign and domestic pharmaceutical companies in Vietnam.

2. Being a pharmaceutical company with the most professional, diversified and widespread distribution channel

- Implemented to develop a new model of sales system.
- Completed and supplemented the managerial personnel and direct sales personnel in accordance with the organizational structure and the new model of the sales system.
- Established and operated 03 central warehouses to ensure the quantity of goods, delivery time and good storage.
- In addition to traditional channels such as pharmacies, agencies, hospitals, etc., DHG Pharma was the leader in developing the modern distribution channel and boosting exports.
- Until 31 Dec 2017, the number of customers was 23,680 (an increase of 10% over the same period). In which: The number of customers in clubs was 11,396 (an increase of 11% over the same period).

- 06 brands achieved their sales over VND 100 billion: Hapacol, Klamentin, Haginat, Hapenxin, Apitim and Hagimox.
- The hospital channel's sales accounts for over 10% of the sales sector's sales.

3. Becoming a symbol of humanity in contributing to the society and enhancing the quality of life

- For 2 consecutive years, DHG Pharma has coordinately produced the program "White Blouse Special Mission" which has built a beautiful image of health workers in white blouses; has showed the daily life of health workers; has helped people have better understanding on doctors as well as has improved the image of doctors and the health sector in people's hearts.
- Organized 2 blood donations with 186 blood donors and a total of 241 blood units stored at Cantho City Hematology Center. The Company carried out 80 free medical examinations with 45,850 times nationwide with the total amount of nearly VND 3,337 billion. Particularly, 7 medical examinations were carried out to support 4,650 people with a total amount of nearly VND 250 million in Hau Giang province.
- In addition to healthcare programs, direct counseling, skills training for customers and their employees, DHG Pharma also organized several special programs for their family members:
 - + 1,106 students who are customers' children participated in a summer program named "Hoi quan - I love Vietnam" in order to help them grow maturely and confidently.
 - + 30 health care workshops were organized for more than 3,500 customers' parents. The program "Parent's day" (Vu Lan) - "Sweat of Mothers" topic was held for 13,767 customers.
 - + The meeting program that was highly appreciated by customers was conducted with a participation of 422 customers in Phu Quoc island to discuss about strategies as well as to honor VIP Award for 286 customers.

4. Being a leading enterprise in applying science and technology in operation (information, governance, R&D, manufacture)

❖ Information and corporate governance:

- BI (Business Intelligence) system was developed for a dynamic analysis and rapid response to management demands.
- Carried out and completed automatic orders on Emobiz and BFO.
- Became a leader in applying IT on mobile devices for the management system, and transaction management. Created transparency between customers and the Company by using App DHG Together Prosperity. As at 31 Dec 2017, 18,152 customers installed this App.

- A weekly training application named "Magic Mirror" was carried out by 100% of the sales team, teamleaders and all staffs. There have been more than 5,000 training topics set up in this App. This type of application helps the Company save time and expenses, improve skills, qualification, and knowledge of staffs.

❖ **Activities of production and R&D**

- Completed Phase 1 of PIC/s project, applied the dossiers of Hapacol 250mg effervescent powder and Hapacol 500mg effervescent tablet to the National Pharmaceutical Regulatory Agency (NPRA) of Malaysia. At the beginning of March 2018, Malaysian inspectors came to evaluate the factories at Tan Phu Thanh Industrial zone.
- Completed re-evaluation of GMP WHO for production lines of finished medicinal products in DHG Pharma Ltd.
- The laboratories at DHG Pharma's plants continued to meet ISO/IEC 17025.
- As at 31 Dec 2017, 38 products were declared bioequivalent to brand name drugs and 7 products have been manufactured by advanced processing technology.
- Successfully collaborated with the Institute of Biotechnology and Institute of Medicinal Materials in R&D.
- The quality of DHG Pharma's products is strictly complied with ISO/IEC 17025, GMP-WHO, GLP, GSP, GDP, GPP standards under the process of production, storage and distribution. These processes are in accordance with regulations of the Ministry of Health, Drug Administration of Vietnam, Department of Food Hygiene and Safety and local health departments.

5. Optimizing the business value and increasing the benefits of all stakeholders

In order to achieve the strategic goals 2016-2020, DHG Pharma will focus on strengthening internal resources and synchronously implementing key solutions. These plans were prepared to be ready for the new business environment and commitments to customers, investors, employees and the community. Specifically as follows:

- Dividend payment in 2017 expectedly to be made at 30% in cash. 25% of dividend payment was paid in advance, and the remaining of 5% is expected to be paid after the approval of the AGM 2017.
- Payables to the State budget was VND 306.6 billion in 2017. In which, payables to the State budget in Cantho City and Hau Giang province were VND 186.9 billion and VND 79.9 billion respectively.
- With regards to the policies on recruiting, training and developing HR, DHG Pharma has contributed jobs and increased income for local people as well as promoted development of the economy.

- Ensured the quality of information disclosure to shareholders, investors, partners, customers and the community, maintaining the prestige of DHG Pharma. Annual reports of DHG Pharma has always been on top over the years.

6. Well improving and developing platform resources

- The 'Standardize Corporate Governance Flowchart' project and process of corporate governance were carried out. 170 processes were issued as at 31 Dec 2017.
- SCM (Supply Chain Management) was applied to improve production process, storage and transportation.
- With regards to enterprise management, KPI (Key Performance Indicator) has been applied to all positions in the whole Company.
- The Company fulfilled its responsibilities with employees through the following activities: organizing periodic health examinations for all employees and specialized health examination for employees working under hard or harmful environment as well as VIP health examination for staffs and their family.
- The Company complied with regulations on occupational safety and health care, fire prevention and fighting and environmental protection.
- The labor protection has been fully implemented. The Company plans and organizes trainings on food safety and hygiene for its employees every year. The Company has an on-site fostered policy for employees whose working environment have direct contact with chemicals, raw materials and uncovered products.

III. Shortcomings in 2017

- The management and operation of the business targets were not strictly implemented, which leads to a fact that the business targets only reached 93% and the profit target only reached 90%. Accordingly, the financial ratios of ROS, ROA, ROE also failed to achieve the strategic objectives.
- Changes in the macro environment and bidding regulations in the health industry have caused confusion for enterprises in orienting their factory standard. However, DHG Pharma is in the process of upgrading its factory standard and improving its technology in order to timely replace brand-name drugs, which reduce medical expenses for patients.
- With regards to tax obligations of the entire DHG Pharma Group in 2016, after the General Department of Taxation on 29 Dec 2017 took into conclusion, DHG Pharma had to adjust and pay its additional CIT of VND 24.4 billion - penalty for underdeclaration of VND 6.4 billion.

In 2017, DHG Pharma was supported by Cantho People's Committee, Cantho Department of Health, Drug Administration of Vietnam, State Capital Investment Corporation, and other competent authorities. The Board of Directors, Executive Board and employees of DHG Pharma would like to acknowledge and appreciate the valuable assistance, attention and support in creating favorable conditions for DHG Pharma.

PART 2: PERFORMANCE AND REMUNERATION OF THE BOD IN 2017

In 2017, the BOD has focused their performances in accordance with collective and individual functions, duties and powers and in compliance with the Law on Enterprises, the Company's Charter and the applicable law. The BOD meetings are held in accordance with the Company's Charter. The Meeting Minutes, Resolutions and Decisions of the BOD are based on the agreement of all members, and archived in accordance with regulations.

1. The implementation of the AGM's Resolution 2016:

- Sales target reached 93% and profit target reached 90%.
- Carried out the deduction of Funds in accordance with the AGM's resolution 2016
- Made dividend payment in 2016 by cash (35% par value). Last registration date: 05 May 2017; payment date: 17 May 2017.
- Carried out advance dividend payment Phase 1 & Phase 2 in 2017 by cash (10% and 15% par value respectively). Last registration date: 19 Sept 2017 and 29 Dec 2017; payment date: 04 Oct 2017 and 25 Jan 2018.
- Signed an audit agreement on 22 Jun 2017 with PwC Vietnam to independently audit Financial Statements for the fiscal year 2017.
- Issued shares to increase share capital from owners' equity. Release rate 2:1. Increased charter capital from VND 871 billion to VND 1,307 billion. Listing date: 23 Jun 2017. Transaction date: 03 Jul 2017. In order to ensure the interests of all shareholders and in accordance with the official dispatch from State Securities Commission of Vietnam (SSC), the BOD has adjusted the share rounding method, completing the issuance procedures. Details are as follows:

Before adjustment (under the AGM resolution No.001/2017/NQ.ĐHĐCĐ dated 18 Apr 2017)	Adjustment
The number of additional shares shall be rounded down to <u>decimal places</u> , the fractional shares shall be eliminated	The number of additional shares shall be rounded down to <u>units</u> , the fractional shares shall be eliminated

- With regards to lifting the foreign ownership limit (FOL) at DHG Pharma to 49%: the BOD consulted the General Meeting of Shareholders by solicitation of written consent for an approval of FOL lifting to 100%. The BOD has prepared solutions for restricted business lines after FOL lifting. In which, merging 02 subsidiaries into DHG Pharma is one of the schemes DHG Pharma is carrying out. It is expected to be officially merged by 01 Jul 2018 as the latest.

- Redemption of treasury shares for preferential sale to employees: unable to implement because the consolidated PAT in 2017 did not meet the planned targets.

2. Summary of the BOD's meetings and resolutions:

In 2017, the BOD conducted 18 meetings (08 face to face meetings and 10 meetings via emails), issued 18 Resolutions and 72 Decisions to solve issues under the BOD's functions and power.

The BOS and BOM were invited to all the BOD meetings in order to discuss and generate unanimity in the BOD's strategies, business directions over the Executive Board.

2.1. Attendance rate

No.	BOD member	Position	Attendance	Rate	Remarks
1.	Mr. Hoang Nguyen Hoc	Former Chairman of the BOD	15/18	83.3%	Removal from 25 Oct 2017
2.	Mr. Nguyen Chi Thanh	Chairman of the BOD	03/18	16.7%	Additional appointment from 26 Oct 2017
3.	Mr. Le Dinh Buu Tri	Former Vice Chairman of the BOD	15/18	83.3%	Removal from 25 Oct 2017
4.	Mdm. Pham Thi Viet Nga	Member of the BOD	18/18	100%	
5.	Mr. Doan Dinh Duy Khuong	Member of the BOD Acting General Director	18/18	100%	
6.	Mr. Tran Chi Liem	Independent BOD member	18/18	100%	
7.	Mr. Shuheji Tabata	Former independent BOD member	02/18	11.1%	Resignation from 24 Mar 2017
8.	Mr. Jun Kuroda	Member of the BOD	18/18	100%	
9.	Mrs. Dang Thi Thu Ha	Member of the BOD	06/18	33.3%	Additional appointment from 28 Jul 2017

2.2. Resolutions issued by the BOD in 2017

No.	Resolution No.	Date	Content
1.	001/2017/NQ.HĐQT	19 Jan 2017	Approval of the BOD Secretary's report; BOM report; Subcommittees' reports in 2016 and plan of 2017. Approval of the appointment of DHG Pharma's Chief Accountant position to Mr. Ho Buu Huan, additional members and restructuring of subcommittees under the BOD, documentation submitted to the AGM 2016 and bonus given to outstanding individuals and groups

No.	Resolution No.	Date	Content
			in 2016.
2.	002/2017/ NQ.HĐQT	24 Mar /2017	Approval of the business targets in 2017 Approval of Mr. Shuhei Tabata's resignation from the position as an independent BOD member from 24 Mar 2017 Approval of the Internal Audit Subcommittee's personnel under the BOD, Fuji Medic Subsidiary's personnel. Approval of the budget limit and credit limit in 2017 as well as the convening notice to the AGM 2016 and the meeting contents sent to shareholders.
3.	003/2017/ NQ.HĐQT	03 Apr 2017	Approval of the document and assignment to report at the AGM 2016.
4.	004/2017/ NQ.HĐQT	17 Apr 2017	Approval of the BOD Secretary's report; BOM report; Subcommittees' reports in Q1/2017 and plan of Q2/2017. Approval of profit distribution in 2016 and profit distribution plan in 2017 of DHG Pharma's wholly owned subsidiaries. Approval - the replacement of statements and amendment to the AGM 2016 draft resolution. Approval - the extension for the General Director position to 31 Aug 2017 and other contents under the BOD's authorities.
5.	005/2017/ NQ.HĐQT	18 Apr 2017	Implementation of the AGM 2016 Resolution dated 18 Apr 2017.
6.	006/2017/ NQ.HĐQT	03 May 2017	Appointment of Ms. Le Thi Hong Nhung as Finance Director from 03 May 2017. Agreement on selecting PwC as an independent auditor for financial statements in 2017 and other contents under the BOD's authorities.
7.	007/2017/ NQ.HĐQT	13 May 2017	Approval of the extension for Deputy General Director positions to 31 Aug 2017.
8.	008/2017/ NQ.HĐQT	17 Jun 2017	Approval of organizing General Meeting of Shareholders by solicitation of written consent in 2017. Changing from dissolution of TOT Pharmaceutical One Member Limited Company (TOT Pharma) to transferring of the whole charter capital of TOT Pharma. Approval of increasing DHG Pharma's ownership ratio in SH Pharmaceutical Joint Stock Company (SH Pharma) from 51% to 100%. Approval of contents related to the AGMs 2016 of SH Pharma and Vinh Hao Algae Processing Joint Stock Company (SPIVIHA).
9.	009/2017/N Q.HĐQT	14 Jul 2017	Approval of the documents submitted to the General Meeting of Shareholders by solicitation of written consent for the 1st time in 2017. Approval of the dissolution of DHG Travel One Member Limited Company (dissolution on 31 Dec 2017). Approval the issuance of shares to increase charter capital from owner's equity, and the supplement of business lines of DHG Pharmaceutical One Member Limited Company and other contents

No.	Resolution No.	Date	Content
			under the BOD's authorities.
10.	010/2017/ NQ.HĐQT	28 Jul 2017	Approval of the BOD Secretary's report; BOM report; Subcommittees' reports in Q2/2017 and plan of Q3/2017. Additional election as a BOD member of DHG Pharma Term III (2014 – 2018) to Ms. Dang Thi Thu Ha. Approval - termination of being DHG Pharma capital representatives at TOT Pharma. Implementation of the resolution approved by the General Meeting of Shareholders by solicitation of written consent for the 1st time in 2017, and other contents under the BOD's authorities.
11.	011/2017/ NQ.HĐQT	23 Aug 2017	Approval Mdm. Pham Thi Viet Nga's resignation as General Director and Legal Representative from 01 Sept 2017. Approval of extending the position of Deputy General Director in charge of Finance and Back office and Deputy General Director in charge of Production and Supply chain. Approval of the advance dividend phase 1/2017, advance rate: 10% of par value. Approval of the contents submitted to the General Meeting of Shareholders by solicitation of written consent for the 2nd time in 2017, and other contents under the BOD's authorities.
12.	012/2017/ NQ.HĐQT	25 Aug 2017	Approval of Mr. Doan Dinh Duy Khuong's appointment as the Acting General Director and Legal Representative within 6 months starting from 01 Sept 2017.
13.	013/2017/ NQ.HĐQT	01 Sept 2017	Approval of removing Functional Directors who reach mandatory retirement age, and approval of Acting General Director's regime.
14.	014/2017/ NQ.HĐQT	28 Sept 2017	Approval of the documents submitted to the General Meeting of Shareholders by solicitation of written consent for the 2 nd time in 2017.
15.	015/2017/ NQ.HĐQT	25 Oct 2017	Appointment of Mr. Tomoyuki Kawata as the Deputy General Director in charge of production, supply chain, training and technical transfer of DHG Pharma within one year from 25 Oct 2017. Approval of the BOD Secretary's report; BOM report; Subcommittees' reports in 9 months/2017 and plan of Q4/2017. Approval of transferring profit after tax in 6Ms/2017 of wholly-owned subsidiaries to DHG Pharma, and other contents under the BOD's authorities.
16.	016/2017/ NQ.HĐQT	25 Oct 2017	Implementation – the resolution of the General Meeting of Shareholders by solicitation of written consent for the 2nd time in 2017. Appointment of Mr. Nguyen Chi Thanh as the BOD Chairman Term III (2014 – 2018) from 26 Oct 2017.
17.	017/2017/ NQ.HĐQT	14 Dec 2017	Approval of advance dividend phase 2/2017, advance rate: 15% of par value.
18.	018/2017/ NQ.HĐQT	29 Dec 2017	Appointment of Ms. Dang Thi Thu Ha as the Head of Audit and Risk Management Subcommittee from 01 Jan 2018. Appointment of Mr.

No.	Resolution No.	Date	Content
			Atsushi Toyoshima as Supply Chain Director within 01 year from 01 Jan 2018. Appointment of Ms. Le Thi Hong Nhung as the person in charge of Corporate Governance since 01 Jan 2018. Approval of the profit distribution of wholly-owned subsidiaries of DHG Pharma in 2017. Report on the remuneration fund of the BOD and BOS in 2017 and plan for 2018. Approval of budget limit and credit limit in 2018.

2.3. Performances of subcommittees under the BOD

The BOD Term III (2014-2018) has established 03 subcommittees, comprising of:

- Strategic subcommittee
- Audit and Risk Management Subcommittee
- Nomination and Remuneration Subcommittee

Subcommittees ensure their personnel quantity and requirements in accordance with the Company's regulations and the law. Quarterly, subcommittees met and submitted reports to the BOD under their scope of assignment.

No.	Subcommittee	Performance
1.	Strategic subcommittee	Developed the business plan for 2017 and periodically review the implementation of the five-year strategy (2016-2020).
2.	Audit and Risk Management Subcommittee	Advised the BOD on the Internal Audit committee's personnel; Quarterly prepared audit and risk management reports.
3.	Nomination and Remuneration Subcommittee	Developed training programs in 2017. Advised the BOD on the development of human resources and senior management. Quarterly prepared HR reports.

2.4. Remuneration and bonus of the BOD and Board of Supervisory ("BOS") in 2017

Receipts/expenditures of the Remuneration – Bonus Fund

No.	Targets	Amount
1.	Balance at the beginning of the year (01 Jan 2017)	6,822,310,000
2.	Appropriation in 2017	11,070,021,247
2.1	Remuneration of the BOD, BOS, BOD secretarial team and members of the BOD subcommittees	5,000,000,000
2.2	Bonus for achieving the targets 2016 given to the BOD, BOS, BOD secretarial team, members of the BOD subcommittees,	6,070,021,247

No.	Targets	Amount
	Executive Board and key staffs	
3.	Balance after profit distribution in 2017 (3 = 1+2)	17,892,331,247
4.	Total expenditures in 2017	10,187,585,879
4.1	Remuneration of the BOD, BOS, BOD secretarial team and members of the BOD subcommittees.	3,550,000,000
4.2	Bonus for achieving the targets 2016 given to the BOD, BOS, BOD secretarial team, members of the BOD subcommittees, Executive Board and key staffs	6,184,521,398
4.3	Other operating expenses	453,064,481
5.	Balance as at 31 Dec 2017 (5=3-1)	7,704,745,368
6.	Appropriation in 2018 (expected)	6,000,000,000
6.1	Remuneration of the BOD, BOS, BOD secretarial team and members of the BOD subcommittees.	6,000,000,000
7.	Expected balance after profit distribution in 2017 (7=5+6)	13,704,745,368

Detailed payment to each member of the BOD and BOS

No.	Name	Position	Remuneration and bonus in 2017 (before PIT deduction) (VND)
I.	BOARD OF DIRECTORS		2,659,010,900
1	Hoang Nguyen Hoc	Former Chairman of the BOD	288,000,000
2	Nguyen Chi Thanh	Chairman of the BOD	48,000,000
3	Le Dinh Buu Tri	Former Vice Chairman of the BOD	368,000,000
4	Pham Thi Viet Nga	Member of the BOD	780,593,000
5	Doan Dinh Duy Khuong	Member of the BOD Acting General Director	692,417,900
7	Jun Kuroda	Member of the BOD	-
8	Dang Thi Thu Ha	Member of the BOD	72,000,000
9	Tran Chi Liem	Independent BOD member	410,000,000
II	BOARD OF SUPERVISORY		755,293,400
1	Tran Quoc Hung	Head of the BOS	327,293,400
2	Nguyen Phuong Thao	Member of the BOS	214,000,000
3	Dinh Duc Minh	Member of the BOS	214,000,000
Total			3,414,304,300

3. Monitoring result with regards to the General Director and the Company's Enterprise Executive

- The BOD always keeps track of and directs the BOM's performance, promptly addresses arising issues under the BOD's authority in order to create favorable conditions for the BOM's performance;
- The BOM has carried out the majority of their duties in accordance with the resolution of the BOD and AGM. The BOM is expected to review and closely follow the Company's yearly/quarterly development strategy 2016 – 2020 in order to strengthen the foundation for sustainable development.
- In 2017, the BOM will continue to improve and standardize internal flowcharts/regulations/procedures, improving managerial ability and cost-effectiveness, as well as ensuring the consistency and strengthening the compliance in the Company.
- Continue to appoint Mr. Doan Dinh Duy Khuong (date of birth: 17 Sep 1974) as the Legal Representative, Acting General Director of DHG Pharma until 31 Dec 2018.

Conclusion: During the year, the General Director and his managerial staff have basically completed their assigned tasks. Simultaneously, they strictly abide by rules, regulations in management activities. The General Director and his managerial staff also decentralize their management in accordance with the Charter, Management Regulation, and internal regulation of DHG Pharma as well as the BOD's decisions.

PART 3: DIRECTION AND BUSINESS PLAN IN 2018

1. Business targets in 2018

Target	Performance 2017	Plan 2018	+/- 2018/ 2017
Net revenue	VND 4,063 B	VND 4,017 B	-1.1%
PBT	VND 719 B	VND 768 B	6.7%

2. Key solutions for 2018

Topic of 2018: **COMPLIANCE AND RESPONSIBILITY**

Compliance and responsibility are the solid connection that shows a fact that one's output is the input of others; that are the strict compliance with the procedures and regulations; that means each position and individual develops his/her functions and tasks to a high degree; that is the connection of precious experience of older

generation with enthusiasm and efforts in technical application of the youth, all together becoming a unified and strong team.

In order to achieve the above topic and business targets, the key solutions for Market Sector, Production Sector and Back-Office Sector are as follows:

❖ **Market Sector:**

- Promoting IT application in management.
- Strengthening supervisory and risk management in the sales system.
- Management and operation of daily/weekly/quarterly/yearly targets
- Streamlining processes to increase productivity in warehouse management and transportation. Carrying out projects to improve Supply Chain productivity.
- Carrying out mobile application to increase communication efficiency, cost-effectiveness and user data management. Carrying out operational criteria from 2018 to 2020 to develop humanity for the whole company.
- Promoting activities to brand DHG Pharma a symbol of humanity through game shows such as White Blouse Mission Season 3, customer care activities, community activities, ...

❖ **Production Sector:**

- Developing and coordinating reasonable production plans, effectively utilizing equipment capacity, increasing labor productivity, providing sufficient and timely goods to the market.
- Preparation of dossiers to meet PIC/s - Malaysia with regards to the effervescent line in 2018. The remaining lines in DHG Pharmaceutical One Member Limited Company ("**DHG Pharma Ltd.**") are also expected to meet PIC/s standard.
- Preparation of evaluation dossiers to meet PMDA standard (Japan) with regards to several products. Planning/preparing conditions to develop some strategic product lines to meet EU standards.
- Reviewing and re-evaluating equipment productivity. Ensuring productivity, quality and safety for workers' health.
- Implementation of measures to avoid failure omission. Improvement of supervising process and limitation of defective products to the market.
- Carrying out automation topics to increase labor productivity and product quality as well as to reduce production costs.
- Investment in modernization of equipment. Increasing capacity to meet production demand. Increasing production efficiency and improving product quality.
- Carrying out the boiler system project in lieu of a resistor heating device, which reduces electricity cost and production cost as well as improves safety in production.

❖ **Back-office Sector:**

- Strengthening supervisory, implementation of process, SOP and risk management. Transparent, clear, in accordance with regulated standards.
- Promoting and enhancing the role of managerial accounting and investment management. Strictly and logically controlling the budget. Ensuring effective operation on each category of the whole Company
- Establishment of regulations on management and use of assets, regulations on liquidation of assets, standardization of investment procedures and GOA (grant of authority).
- Combining financial resources (banks, partners, etc.) to coordinately increase efficiency in managing cash, goods, debt security, etc.
- Standardizing appropriate recruitment and training process in accordance with the Company's strategy. Continuing to train successors in line with procedures and making re-evaluation each year.
- Selecting, recruiting, developing high quality human resources based on the Company's competency framework and development orientation. Improving the training and productivity of skilled staffs.
- The Company's union, HR Dept, etc look after employees in sincere ways. Building loyalty and being responsible for protecting DHG Pharma's trademark.
- Controlling the operating system of 100% firms. Continuing to standardize 124 corporate governance processes and developing a risk management handbook.
- Carrying out the Company's strategic orientation in 2018 related to logistics and supply chain.

3. Taisho's proposed contribution packages:

In addition to the above solutions for the implementation of the strategy in 2018 and the coming years, DHG Pharma also received contribution packages in terms of production, supply chain, R&D and business cooperation from the strategic shareholder - Taisho as follows:

- With regards to production and supply chain:
 - + Supporting the effervescent line at DHG Pharma Ltd. to meet PIC/s standard, which reduces VND 165 billion as construction cost and VND 24.5 billion as consultancy cost.
 - + Sending experts (over 12 people) to consult and support the development of evaluation dossiers for PIC/s and PMDA standards. Coming ahead is the production lines of strategic products in DHG Pharma Ltd. meeting EU standard.

- + Sending Taisho's personnel to join DHG Pharma's senior executive board, enhancing the capacity and professionalism in production management & supply chain.
- With regard to R&D: Sending Taisho's personnel to Vietnam to train DHG Pharma's R&D specialists and training DHG Pharma's personnel in terms of R&D in Japan.
- Production – business cooperation through:
 - + Technical transfer of Taisho's products or partners' products for production at DHG Pharma's plants.
 - + Export of cooperative products or DHG Pharma's products to ASEAN market, DHG Pharma's market and Taisho's market.
 - + Import of Taisho's products and/or partners' products to develop business in the Vietnamese market.

4. Orientation of the BOD's performance in 2018

- Pursuant to the actual conditions of the Company, the Company's strategic orientation 2016 - 2020, and the business targets of 2018 approved by the AGM, the BOD will improve its efficiency and operating method in accordance with the new practice. It shall ensure that the BOD's functions are carried out promptly and the operating regulation is clearly and transparently built. Simultaneously, it is a must to strengthen management and supervision towards the activities of the BOM and managerial staffs in the implementation of the BOD/AGM's resolution. It is carried out to ensure all activities of the Company are effective and in accordance with regulations as well as fulfill the business targets of 2018.
- Adjusting the strategy and business targets 2018 – 2019 – 2020 in line with the development orientation of DHG Pharma in the coming years.
- Additionally electing 01 independent BOD member of DHG Pharma Term III (2014 - 2018) to satisfy the proportion of at least one-third (1/3) independent BOD members/the total BOD members (in accordance with the Company's Charter and the law).
- Changing the organizational structure, the Charter and the governance regulation to be better, closer and in accordance with the law.
- Directing procedures related to FOL lifting (100%).

PART 4: ADJUSTMENTS FOR STRATEGIC GOALS AND BUSINESS TARGETS 2018 – 2019 – 2020

I. STRATEGIC GOALS 2018 – 2019 – 2020

The strategic goals in the BOD's report at the AGM 2015

1. Net revenue growth $\geq 15\%$ per year, the year 2020 \geq USD 300M.
2. Being a pharmaceutical enterprise with the deepest, broadest and most diversified distribution channel.
3. Being the largest Generic drug manufacturer in Vietnam, reaching 10% of domestic market share.
4. Development of biotechnological products derived from natural resources (especially Vietnamese herbal sources), with scientific evidence or recognized by the Ministry of Health, containing high technical - scientific content.
5. Improving and ensuring effective financial indicators: ROS $\geq 15\%$; ROE $\geq 23\%$; ROA $\geq 19\%$.
6. M&A or joint venture to increase the value of the Company.
7. Well carrying out Corporate Social Responsibility (CSR) and maximizing the interest of all stakeholders.

Recommended strategic goals 2018 – 2020 for adjustments:

1. Maximizing the value of the enterprise and increasing the interests of all stakeholders.
2. Being the largest Generic pharmaceutical enterprise in Vietnam.
3. Being a pharmaceutical enterprise with the deepest, broadest, most professional and diversified distribution channel.
4. Becoming a symbol of humanity in contributing to the society and enhancing the quality of life.
5. Being the leading enterprise in applying science and technology in operation (R&D, production, information, and management).
6. Well - improving and developing platform resources.

II. BUSINESS PLAN 2018 – 2019 – 2020

The BOD submits to the AGM for the approval of adjusting financial targets 2018 - 2020 on the principle that is sales target growth reaches at least 13%/year and profit target growth reaches at least 7%/year. It is based on the following basis:

- It is based on the analysis of DHG Pharma's business operation as well as opportunities and challenges of the macro-economy and pharmaceutical industry in Vietnam.
- Implementing the FOL lifting proposal under Resolution No. 002/2017/NQ.ĐHĐCĐ dated 28 Jul 2017 of the AGM, several restricted business lines after lifting the FOL shall lead to losses in revenue and profit.
- Holding the leading role in Vietnam pharmaceutical industry and integrating into the world.

Above is the BOD's report in terms of evaluation on DHG Pharma's business result in 2017; performance and remuneration of the BOD in 2017; direction, production and business plan for 2018; the adjustments of strategic goals and business targets 2018 – 2019 – 2020.

Respectfully submit to the AGM for consideration and approval.

Regards./.

Recipients:

- As above;
- Archived: BOD Secretary, BOS.

**ON BEHALF OF THE BOD
CHAIRMAN**

Nguyen Chi Thanh

[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.]