

**DHG PHARMA**  
*For a more beautiful and healthier life*



*Sentimental Attachment*  
**MUTUAL PROSPERITY**  
**2/9/1974 - 2/9/2014**

DHG PHARMACEUTICAL JOINT-STOCK COMPANY - ANNUAL REPORT 2014 - STOCK CODE: DHG



**DHG PHARMA**

**DHG PHARMACEUTICAL  
JOINT-STOCK COMPANY**

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**ANNUAL REPORT**  
**2014**

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## LIST OF ABBREVIATIONS

ABBREVIATED	INTERPRETATION	ABBREVIATED	INTERPRETATION
AR	: Annual Report	GPP	: Good Pharmacy Practice
EB	: Executive Board	GSP	: Good Storage Practice
BFO	: Business Force One	BOD	: Board of Directors
BOS	: Board of Supervision	BOS	: Board of Supervision
BMI	: Business Monitor International	IR	: Investor Relation
MB	: Management Board	KPI	: Key Performance Indicators
DI	: Disclosure of Information	PAT	: Profit after tax
ASM	: Annual Shareholders' Meeting	P/B	: Price-to-Book ratio
DHG	: DHG Corporation	P/E	: Price to Earning ratio
DPS	: Dividend Per Share	PR	: Public Relations
NS	: Net Sales	BA	: Business Administration
DHG PHARMA	: DHG Pharmaceutical Joint-Stock Company/Parent company	RNCOS	: An US world market research firm
EPS	: Earning per share	ROA	: Return On Assets
ESOP	: Employee Stock Ownership Plan	ROE	: Return On Equity
GDP	: Good Distribution Practice	ROS	: Return On Sales
GDP GROWTH	: Gross Domestic Product	SSC	: State Securities Commission
GLP	: Good Laboratory Practice	DAV	: Drug Administration of Vietnam
GMP	: Good Manufacturing Practice	CFO	: Chief Financial Officer
		WHO	: World Health Organization

## COMPANY OVERVIEW

# DHG PHARMA

Company's name	: DHG Pharmaceutical Joint Stock Company
Abbreviated name	: DHG Pharma
Stock code	: <b>DHG</b>
Head office	: 288 Bis Nguyen Van Cu Str., An Hoa Ward, Ninh Kieu Dist., Can Tho City, Vietnam
Charter capital	: 871,643,300,000 VND
Owner's equity	: 2,276,795,062,055 VND (at 31/12/2014)
Tel	: (84.710) 3891 433
Fax	: (84.710) 3 895 209
Email	: dhgpharma@dhgpharma.com.vn
Website	: www.dhgpharma.com.vn
Certificate of business registration and tax code	: 1800156801



# 10 YEARS OF EQUITIZATION

**+15.9** TIMES  
TOTAL ASSETS

**+8.7** TIMES  
NET SALES

**+22** TIMES  
PROFIT BEFORE TAX

**TOP 5**  
THE LARGEST SHARE MARKET OF PHARMACEUTICAL INDUSTRY OF VIETNAM (ACCORDING TO IMS HEALTH VIETNAM)

Total assets 2014: VND3,483 billion, increasing 15.9 times

Net sales 2014: VND3,913 billion, increasing 8.7 times

Profit before tax 2014: VND722 billion, increasing 22 times

Market capitalization: VND8,368 times

## Sentimental Attachment OF DHG PHARMA TO ITS STAFFS

On 27 August 2014, an emotional reunion of nearly 400 ex-staffs of Southwestern Civil Medical Board was DHG Pharmaceutical Factory (The Southwestern Civil medical Board is the cradle of Southwestern health industry of a war of resistance against America, the forerunner of Hau Giang Pharmaceutical United Factory in the resistance).

On 28 August 2014, DHG held a grateful activity to its staffs' families and retired staffs at DHG Pharmaceutical factory.

DHG held a training program "Returning to the roots" for all its staffs. This activity trained the younger generation in treasuring the past and towards the future.



## Sentimental Attachment OF DHG PHARMA TO CUSTOMERS, PARTNERS, AND INVESTORS



DHG Pharma held the program “40 years of sentimental attachment - showing gratitude” with the theme of “Love roses” to 13,584 customers to express its gratitude to customer’s parents who have always a strong attachment to DHG Pharma during the past.



DHG Pharma carried out the program “Summer experience 2014” to 638 customers’ children. It was a considerably invested, thoughtfully organized program and it was highly appreciated by customers.



DHG Pharma held a conference for 493 strategic customers in Phu Quoc. The program was attended by pharmacy owners. They discussed to set up DHG Pharma development strategy in 2015 and next years.

DHG Pharma also held a program “Returning to the roots” to shareholders and investors so that they know thoroughly DHG Pharma history and share the past development stages with DHG.



## Sentimental Attachment OF DHG PHARMA TO THE COMMUNITY

- » Walking ceremony and piggy bank ceremony for poor patients.
- » An itinerary "when drinking water, remember its source" in commemoration of 67 years of Remembrance Day.
- » Bring joys to orphan.
- » "Keeping forever children's smiles in the highland" festival.
- » Voluntary blood donation festival.
- » Medicine aid for the Philippines after Haiyan typhoon.
- » Organize 138 free examination and medicine programs for poor people in remote provinces across the country and some provinces in Cambodia, Laos.





**1996**

**HERO OF LABOR**  
OF PERIOD 1991 - 1995



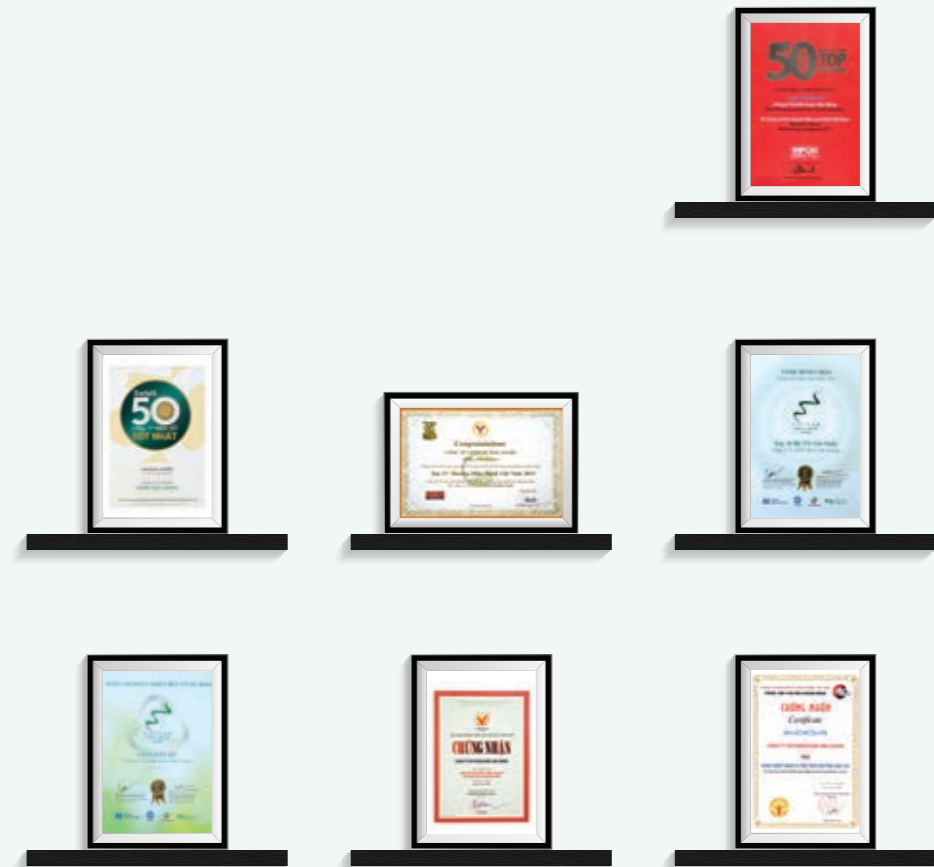
**1998**

**FIRST-CLASS**  
LABOR MEDAL



**2010**

**SECOND-CLASS**  
LABOR MEDAL



**TOP 50**  
VIETNAM'S THE BEST LISTED COMPANIES IN 2014

» Being 5<sup>th</sup> position of the Top 50 Vietnam's the most effective business companies in 2014 (3 consecutive years) (Investment Bridge magazine).

» Top 50 Vietnam's the best listed companies in 2014 (2 consecutive years) (Forbes).

**TOP 10**  
THE BEST ANNUAL REPORTS AND TOP 5 SUSTAINABLE DEVELOPMENT REPORTS 2013

» Top 15 Vietnam excellent brands (awarded by Vietnam Economic Times).

» Top 10 the Best annual reports 2013.

» Top 5 Sustainable development reports 2013.

**19** YEARS  
CONSECUTIVELY VOTED VIETNAMESE HIGH-QUALITY GOODS

» 19 consecutive years voted Vietnamese High-Quality Goods by end-users.

» Enterprise of Strong & Sustainable Development in 2014 - awarded by Vietnam Chamber of Commerce and Industry (VCCI).



**3,913** BILLION VND  
NET SALES

AFTER 40 YEARS OF CONTINUOUS DEVELOPMENT, THE YEAR 2015 IS AN APPROPRIATE TIME SO THAT DHG BUILDS A LONG-TERM DEVELOPMENT STRATEGY UNTIL 2020 AND VISION TO 2025, RESTRUCTURES MANAGEMENT APPARATUS, IMPROVES GOVERNANCE SYSTEM, ... TO MATCH WITH MARKET TRENDS, THE COMPANY'S SCALE, CREATES A MORE STRONGLY DEVELOPMENT, AIMS TO BECOME ONE OF THE LARGEST PHARMACEUTICAL COMPANY IN VIETNAM AND KEEPING PACE WITH REGION. THUS, THE THEME OF "REGENERATION AND PROSPERITY" IS CHOSEN FOR THE YEAR 2015.

During the past 40 years, DHG Pharma operated and developed for benefits of the community, employees and shareholders; the vision "For a more beautiful and healthier life" taken as an orientation for long-term development strategy, a guideline for all activities. The system of core values, cultural identity has always been given prominence and is a standard of business ethics. Therefore, DHG brand always is steady and develops on the market during the last time.

In 2014, the world and Vietnam economy continued to be complicated and degraded; the Board of Directors, Executive Board and employees of DHG Pharma stood together, promoted corporate cultural identity, exerted themselves to overcome crisis, maintained the steady growth, completed excess of business plan targets of 2014 with net sales of VND3,913 billion (+15.4% yoy, reaching 100.85% of the plan) and profit before tax of VND722 billion. If we excluded the extraordinary income from Eugica brand transfer and financial income, the Company's profit reached VND687 billion (+6% yoy and reaching 100.2% of the plan). Dividend rate of 2014 is 30% of par value, an increase of 20% compared with the plan which was submitted at Annual Shareholders' Meeting 2013 (25% of par value).

In order to achieve the above results, in addition to efforts of the Board of Directors, Executive Board and the employees; DHG also received timely affection, attention of leaders of Can Tho city departments, State authorities, Drug Administration, Department of Health. DHG is very grateful for the interest, frequent relationship of shareholders, especially major shareholder - SCIC in share of experience, information and in assistance for DHG's

successful implementation of strategic development in accordance with the expectation of investors, customers, and end-users. Thanking for assistance of mass media agencies to DHG that contributed to brand value increase.

DHG submitted the General Shareholder Meeting for approval of revenue of VND4,000 billion, increased by 2.2% compared to 2014 (according to the way of revenue recognition of 2014, the expected revenue in 2015 is VND4,220 billion - growing 7.85%) and profit of VND729 billion, increased by 6% compared to 2014 (excluding financial income). With the above figures, we can see that, in 2015, DHG Pharma, besides maintenance of stable market share will focus on improving internal force itself; perfecting mechanisms and policies, management system, marketing system, quality of medicines in the product list, etc.

40 years of foundation and development have been based on a united orientation, steadfastness in vision, mission, core values and unique cultural identity; The Board of Directors, Executive Board and inheritors hope to receive concern and assistance of State management agencies and trust of shareholders, customers, partners, etc. The Board of Directors, Executive Board are determined to bring DHG Pharma boat to be stable and sustainable, worthy of trust of employees, shareholders, partners and social community.

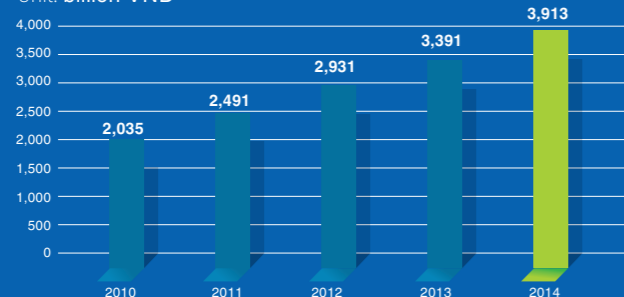


Chairman  
**HOANG NGUYEN HOC**

**3,483** BILLION VND  
TOTAL ASSETS

**3,913** BILLION VND  
NET SALES  
GROWN BY 15.4% Y/Y

Unit: billion VND

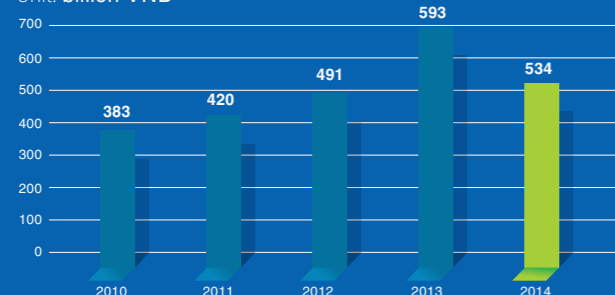


AVERAGE GROWTH  
**+17.76%**

**534** BILLION VND  
PROFIT AFTER TAX  
GROWN BY -10% Y/Y

(SINCE THE YEAR 2013 GETTING UNUSUAL PROFIT  
FROM EUGICA TRANSFER - VND122 BILLION)

Unit: billion VND



AVERAGE GROWTH  
**+8.63%**

**BALANCE SHEET**

Unit: in billion VND	2010	2011	2012	2013	2014
Current assets	1,442	1,491	1,818	2,233	2,386
Long-term assets	378	505	561	848	1,097
<b>Total assets</b>	<b>1,820</b>	<b>1,996</b>	<b>2,378</b>	<b>3,081</b>	<b>3,483</b>
Current liabilities	472	544	654	1,030	1,120
Long-term liabilities	59	58	21	51	69
Total liabilities	531	602	675	1,081	1,189
Owner's equity	1,280	1,382	1,688	1,981	2,277
Minority interest	9	12	16	18	17

**INCOME STATEMENT**

Unit: in billion VND	2010	2011	2012	2013	2014
Net sales	2,035	2,491	2,931	3,391	3,913
Gross profit	1,019	1,209	1,444	1,628	2,131
Net operating profit	400	465	516	600	719
Financial income	41	49	42	48	37
Financial expenses	(3)	(7)	(4)	(16)	(67)
Profit before tax	434	491	585	782	722
Profit after tax	383	420	491	593	534
Profit of shareholders of the parent company	381	416	486	589	533

**CASH FLOW**

Unit: in billion VND	2010	2011	2012	2013	2014
Profit before tax	434	491	585	781	722
Depreciation and amortization	41	54	67	71	80
Operating profit before changes in working capital	447	510	617	805	771
Net cash generated from operating activities	258	263	470	484	272
Net cash used in investing activities	(74)	(188)	(88)	(468)	(307)
Net cash (used in)/ generated from financial activities	(126)	(251)	(131)	(122)	(82)
Cash and cash equivalent at the end of the period	643	467	719	613	496

# BRAND SKILL AND SPIRIT

From a small pharmaceutical enterprise, to serve the people living in U Minh, Ca Mau and southern battle - after 40 years, DHG has confirmed the leading brand skill and spirit of Vietnam pharmaceutical market and has prided of to be No. 1 of pharmaceutical company of Vietnam. This achievement are worthy of respect and promotion by the younger generation of DHG today and tomorrow.



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## VISION

FOR A MORE BEAUTIFUL  
AND HEALTHIER LIFE



## MISSION

DHG PHARMA ALWAYS PROVIDES  
HIGH QUALITY PRODUCTS  
AND SERVICES TO SATISFY  
THE ASPIRATION FOR A MORE  
BEAUTIFUL AND HEALTHIER LIFE.

## CORE VALUES



1. QUALITY, SAFETY, EFFECTIVENESS TARGETED AS OUR HIGHEST COMMITMENTS.
2. KNOWLEDGE AND CREATIVITY SERVED AS OUR FOUNDATION FOR DEVELOPMENT.
3. RESPONSIBILITY, COOPERATION, AND PROMOTION PRIORITIZED IN OUR MOTTO OF ACTION.
4. DHG PHARMA IDENTITY FEATURES TAKEN AS OUR PRIDE.
5. MUTUAL PROSPERITY WITH PARTNERS ESTABLISHED AS OUR LONG-TERM GOAL.
6. OUTSTANDING DIFFERENTIATION EMPLOYED AS OUR STRENGTH IN COMPETITIONS.
7. BENEFITS FOR THE COMMUNITY CENTERED UPON AT THE START OF ALL ACTIVITIES.



## HISTORY OF FOUNDATION AND DEVELOPMENT



DHG Pharma was a precursor of 2/9 Pharmaceutical Factory and was founded on 2 September 1974 at Kenh 5 Dat Set, Khanh Lam commune (Khanh Hoa commune now), U Minh district, Ca Mau province.



After 30 April 1975: The Civil Medical Service Board was dissolved; the 2/9 Pharmaceutical Factory was assigned to be under management of Hau Giang Health Service.



In 1982: Hau Giang Pharmaceutical United Factory was founded based on consolidation of three units: 2/9 State-owned Pharmaceutical Factory, Second Level Pharmaceutical Company, and Medicinal Materials Station.



In 1988: People's Committee of Hau Giang province decided to merge Medical Equipment and Material Supply Company into Hau Giang Pharmaceutical United Factory.



On 2 September 2004: Hau Giang Pharmaceutical United Factory was equitized to become DHG Pharmaceutical Joint-Stock Company.



In 2014: 40<sup>th</sup> anniversary of establishment of DHG Pharma and 10<sup>th</sup> anniversary of equitization.

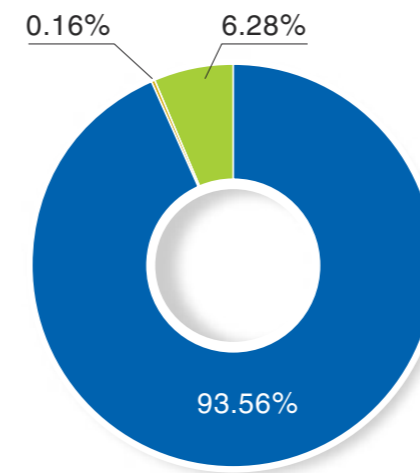


**PROCESS OF  
INCREASING CHARTER CAPITAL**

**BUSINESS LINES**

Unit: 1,000 VND

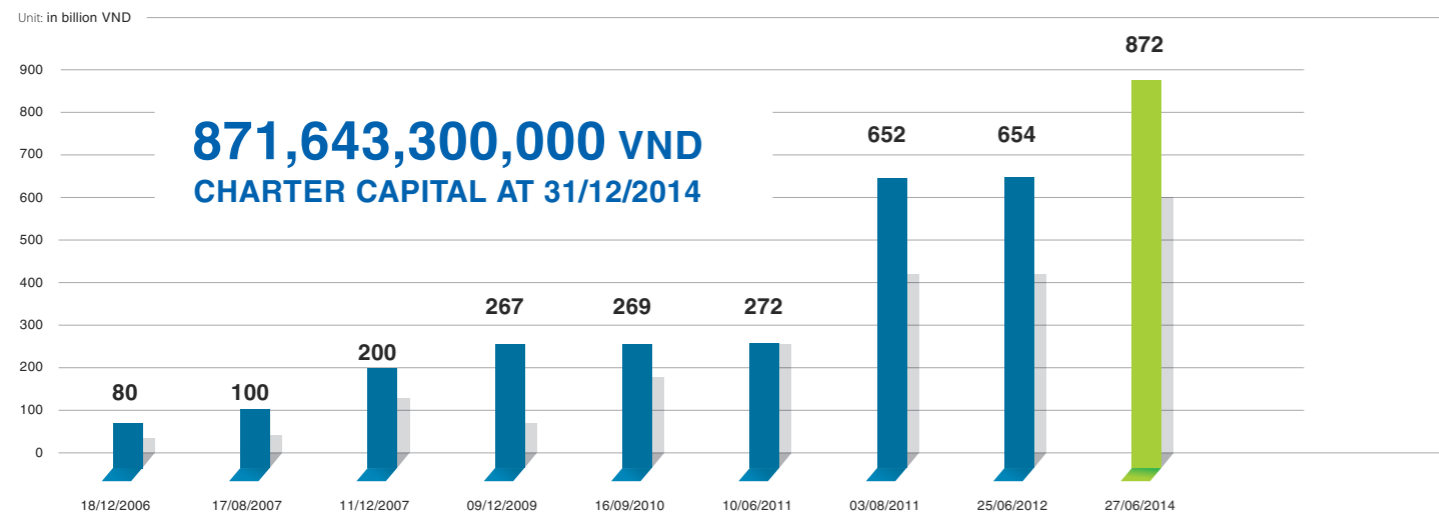
No.	Subjects to enjoy	Amount added to capital	Charter Capital after issuing	Certificate of Business Registration	Date of issue
1	Equitized: initial charter capital	80,000,000	80,000,000	69/2006/GCNCP-CNTTLK	18/12/2006
2	» Current shareholders; » Strategic investors; » Employees; » Public.	20,000,000	100,000,000	68/2007/GCNCP-CNTTLK	17/08/2007
3	Current shareholders (Bonus shares at ratio 1:1)	100,000,000	200,000,000	129/2007/GCNCP-CNTTLK	11/12/2007
4	Current shareholders (Bonus shares at ratio 3:1)	66,629,620	266,629,620	115/2009/GCNCP-CNVSD	09/12/2009
5	Employees (ESOP 2010)	2,500,000	269,129,620	69/2006/GCNCP-VSD-4	16/09/2010
6	Employees (ESOP 2011)	2,500,000	271,629,620	69/2006/GCNCP-VSD-5	10/06/2011
7	Current shareholders (Bonus shares at ratio 1:1.4)	380,134,670	651,764,290	69/2006/GCNCP-VSD-6	03/08/2011
8	Employees (ESOP 2012)	2,000,000	653,764,290	69/2006/GCNCP-VSD-7	25/06/2012
9	Current shareholders (Bonus shares at ratio 3:1)	217,879,010	871,643,300	69/2006/GCNCP-VSD-8	27/06/2014



**REVENUE STRUCTURE ACCORDING TO PHARMACEUTICALS, FOOD SUPPLEMENT, AND COSMECEUTICALS**

Pharmaceuticals	93.56%
Cosmeceuticals	0.16%
Food supplement	6.28%

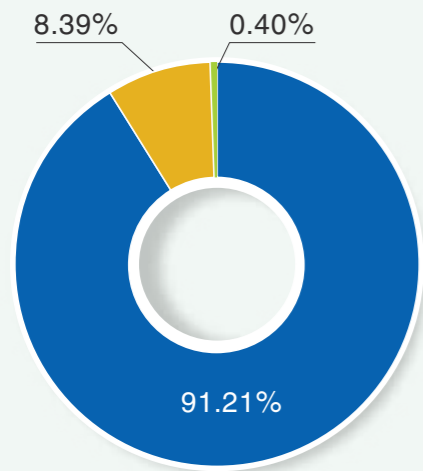
Pharmaceutical revenue always accounted for the highest and stable proportion for many years (2014: 93.56%), followed by revenue of food supplement group 6.28%. Revenue of cosmeceuticals is negligible.



Product group	2010	2011	2012	2013	2014
<b>Output</b>					
Pharmaceuticals	87.71%	87.70%	87.55%	86.32%	89.68%
Food supplement	12.28%	12.30%	12.45%	13.68%	10.31%
Cosmeceuticals	0.01%	0.003%	0.002%	0.002%	0.01%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Sales</b>					
Pharmaceuticals	92.06%	92.90%	93.09%	91.60%	93.56%
Food supplement	7.81%	7.05%	6.88%	8.38%	6.28%
Cosmeceuticals	0.13%	0.05%	0.03%	0.02%	0.16%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: DHG Pharma

**BUSINESS LINES (continued)**



**REVENUE STRUCTURE BY FUNCTION**

In the structure of net sales, revenue of goods manufactured and traded by DHG Pharma always holds a stable ratio at over 92%; as for 2013, it only accounted for 88.6% because of a shift of Eugica product from self-produced to distributed (the brand has been already sold). In addition, the high growth of merchandise trading group from the year 2013 e.g. raw materials trade, imported goods trade has changed the revenue structure.

According to regulations, since 2014, goods for donations have not been recognized in revenue; therefore, in order to assure data comparability of the same period, revenue from this group was excluded from net sales in 2013 and 2014. This made the total revenue in 2013 on the consolidated audited report 2014 decrease by VND136.5 billion compared with the consolidated audited report 2013 (decreasing from VND3,527.3 billion to VND3,390.8 billion).

Goods produced by DHG	VND 3,569 billion (91.21%)
Commodity	VND 328 billion (8.39%)
Tourism service	VND 15.7 billion (0.40%)

Unit: million VND

Product group	2010	2011	2012	2013	2014
Goods produced by DHG	1,897,138	2,304,711	2,704,232	3,004,646	3,568,648
Commodity trading	62,370	99,353	112,709	366,083	328,115
Tourism service	5,557	8,509	17,324	20,068	15,755
Promotional items	69,460	78,306	96,812		
<b>Net sales</b>	<b>2,034,525</b>	<b>2,490,880</b>	<b>2,931,076</b>	<b>3,390,797</b>	<b>3,912,518</b>
Goods produced by DHG	93.25%	92.53%	92.26%	88.61%	91.21%
Commodity trading	3.06%	3.99%	3.85%	10.80%	8.39%
Tourism service	0.28%	0.34%	0.59%	0.59%	0.40%
Promotional items	3.41%	3.14%	3.30%		
<b>Net sales</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

Source: DHG Pharma.

**BRANDS**

**WITH SALES**  
OVER VND100 BILLION

*HAPACOL* *Haginat* **LAMENTIN** *Naturēnz*

**12**

**BRANDS**  
**WITH SALES**

**MORE THAN 50% OF TOTAL SALES OF DHG'S SELF-PRODUCED PRODUCTS**

*HAPACOL* *Haginat* **LAMENTIN** *Naturēnz*  
*Apitim* **Gavix** *Glumeform* **davita BONE**  
**SPIVITAL** *Eyelight* **uniKids** **NattoEnzym**

**CATEGORIES**

**WITH SALES**  
**ACCOUNT FOR OVER 10% TOTAL SALES OF GOODS PRODUCED BY DHG**

**ANTIBIOTIC CATEGORY**

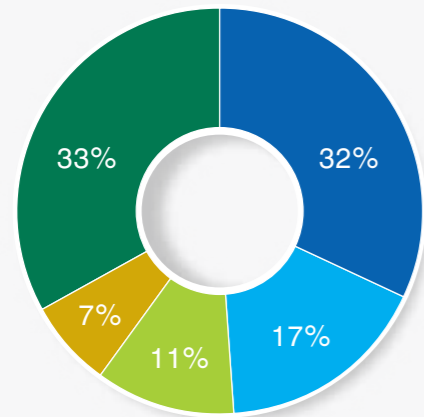
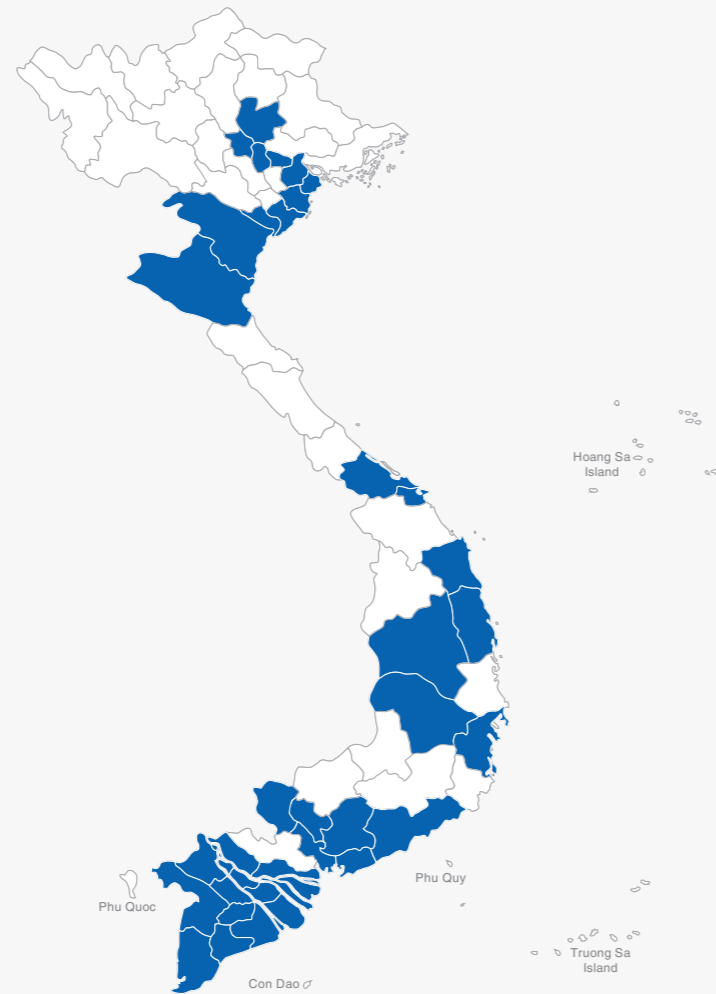
**ANALGESIC - ANTIPYRETIC CATEGORY**

TYPICAL  
MARKETING ACTIVITIES





**BUSINESS SITES**



<span style="color: blue;">■</span> The North	32%
<span style="color: cyan;">■</span> The Central	17%
<span style="color: green;">■</span> The East	11%
<span style="color: orange;">■</span> Ho Chi Minh	7%
<span style="color: darkgreen;">■</span> The Mekong Delta	33%

**DOMESTIC MARKET**

The domestic market accounted for over 99% of the Company's net sales.

DHG Pharma owns an extensive distribution network throughout the country, including 12 distribution subsidiaries and 24 branches which were invested in lands for building houses and warehouses with GDP standard; distributed to each line of district, commune and village in provinces and cities all the country.

A staff of 1,447 sales personnel directly contacts and deals with over 25,000 customers being pharmacies, private enterprises, hospitals, medical centers. Of these, 10,154 customers are members of the customer club "Together prosperity" of DHG Pharma.

**EXPORT MARKET**

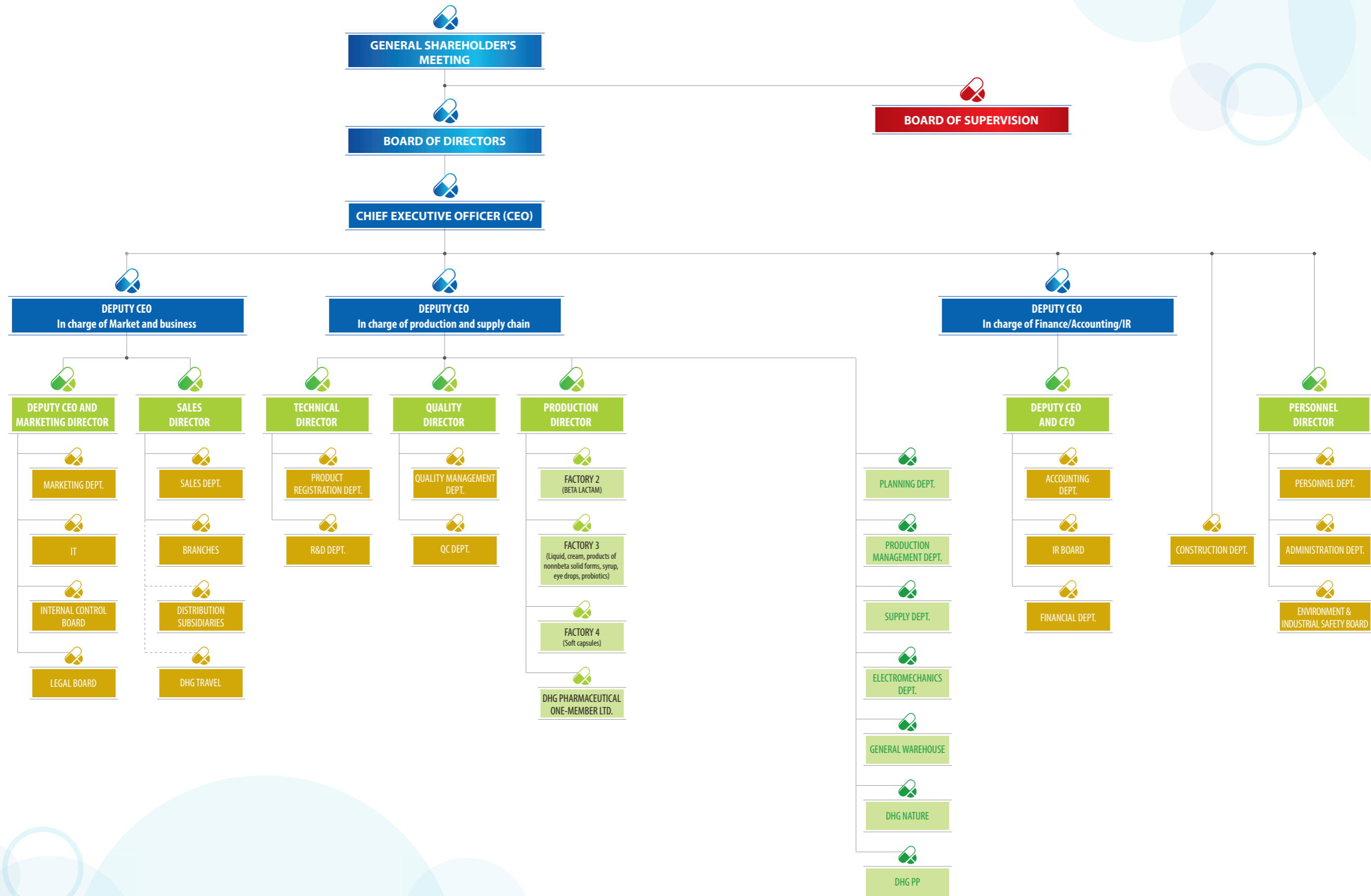
**13**  
COUNTRIES & TERRITORIES

DHG Pharma's export revenues of 2014 was VND22 billion, decreased by 15% compared with 2013, reaching 63% of the plan. This is caused by political instability in the markets of Eastern Europe, Russia that has seriously affected business of the Company's partners. Besides, the year-end orders were moved to Jan/2015 under bill of lading date.

Current export markets of DHG Pharma include 13 countries: Moldova, Ukraine, Myanmar, Russia, Mongolia, Cambodia, Nigeria, Laos, Singapore, Jordan, Sri Lanka, Romania and North Korea.

The exported products are mainly the key product group and herbal-originated product group with strength of natural herbal sources of Vietnam.

ORGANIZATION CHART



## SUBSIDIARIES AND ASSOCIATES

**COMPANIES WHICH HOLD MORE THAN 50% OF DHG PHARMA'S EQUITY:** None

**COMPANIES WHICH DHG PHARMA HOLDS MORE THAN 50% OF THEIR EQUITY, INCLUDING:**

DHG Pharma has a total of 16 subsidiaries and 01 associate. In which, DHG Pharma owns 100% equity of 15 subsidiaries in the form of one-member limited liability company. As for SH Pharma, it is a joint-stock company with 51% of capital ratio of DHG Pharma.

DHG Pharma's subsidiaries are divided into 02 groups: distribution subsidiaries (based in Mekong Delta provinces) and concentric diversification subsidiaries (based in Can Tho city), namely:

### DISTRIBUTION SUBSIDIARIES


Business lines of the distribution subsidiaries are import export and wholesale of drugs, medical equipment and instruments, food supplement, and cosmeceuticals.

No.	Name of distribution subsidiaries	Information	Chapter capital (billion VND)	Percentage of ownership of DHG Pharma (%)
1.	Song Hau Pharmaceutical Joint-Stock Company (SH Pharma)	» Official operation date: 1 Jan 2008 » Head office: Vi Thanh city, Hau Giang province	5	51%
2	CM Pharmaceutical One Member Limited Company (CM Pharma)	» Official operation date: 1 Sep 2008 » Head office: Ca Mau city, Ca Mau province	5	100%
3	HT Pharmaceutical One Member Limited Company (HT Pharma)	» Official operation date: 1 Nov 2008 » Head office: Rach Gia city, Rach Gia province	5	100%
4	DT Pharmaceutical One Member Limited Company (DT Pharma)	» Official operation date: 22 Dec 2008 » Head office: Cao Lanh city, Dong Thap province	5	100%
5	ST Pharmaceutical One Member Limited Company (ST Pharma)	» Official operation date: 18 Feb 2009 » Head office: Soc Trang city, Soc Trang province	5	100%
6	A&G Pharmaceutical One Member Limited Company (A&G Pharma)	» Official operation date: 23 Aug 2009 » Head office: Long Xuyen city, An Giang province	5	100%
7	TOT Pharmaceutical One Member Limited Company (TOT Pharma)	» Official operation date: 1 Apr 2010 » Head office: Can Tho city	5	100%
8	TG Pharmaceutical One Member Limited Company (TG Pharma)	» Official operation date: 1 Jun 2010 » Head office: My Tho city, Tien Giang province	5	100%
9	Bali Pharmaceutical One Member Limited Company (Bali Pharma)	» Official operation date: 1 Aug 2011 » Head office: Bac Lieu city, Bac Lieu province	5	100%
10	B&T Pharmaceutical One Member Limited Company (B&T Pharma)	» Official operation date: 1 May 2013 » Head office: Ben Tre city, Ben Tre province	5	100%


No.	Name of distribution subsidiaries	Information	Chapter capital (billion VND)	Percentage of ownership of DHG Pharma (%)
11	VL Pharmaceutical One Member Limited Company (VL Pharma)	» Official operation date: 1 Apr 2013 » Head office: Long Ho district, Vinh Long province	5	100%
12	TVP Pharmaceutical One Member Limited Company (TVP Pharma)	» Official operation date: 1 May 2013 » Head office: Tra Vinh city, Tra Vinh province	5	100%

### CONCENTRIC DIVERSIFICATION SUBSIDIARIES


#### DHG TRAVEL ONE MEMBER LIMITED COMPANY (DHG TRAVEL)

	Official operation date	: 1 Apr 2008.
	Head office	: Can Tho City.
	Chapter capital	: VND5 billion.
	Business lines	: Domestic travel services, advertising services.


#### DHG NATURE ONE MEMBER LIMITED COMPANY (DHG NATURE)

	Official operation date	: 1 Feb 2009.
	Head office	: Can Tho City.
	Chapter capital	: VND5 billion.
	Business lines	: Grow, process, manufacture, and trade in herbal materials; manufacture and trade in pharmaceutical chemistry and food supplement.

#### DHG PACKAGING AND PRINTING 1 ONE MEMBER LIMITED COMPANY (DHG PP 1)


	Official operation date	: 1 Jan 2014.
	Head office	: Tan Phu Thanh industrial zone, Chau Thanh A district, Hau Giang province.
	Chapter capital	: VND5 billion.
	Business lines	: Manufacture and trade in plastic, aluminium, paper packing. Print publications for production and marketing activities of DHG Pharma.

#### DHG PHARMACEUTICAL ONE MEMBER LIMITED COMPANY

	Date of issuance of certificate of business registration and certificate of investment:	16 Aug 2010
	Head office	: Tan Phu Thanh industrial zone, Chau Thanh A district, Hau Giang province.
	Chapter capital	: VND50 billion.
	Business lines	: Manufacture and trade in pharmaceuticals, food supplement and cosmetics.

### ASSOCIATES

#### VINH HAO ALGAE PROCESSING JOINT STOCK COMPANY (SPIVIHA)

	Official operation date	: 1 Apr 2008.
	Head office	: Vinh Hao, Tuy Phong, Binh Thuan province.
	Chapter capital	: VND12 billion.
	Business lines	: Manufacturer and trade in Spirulina.
	Percentage of equity of DHG Pharma	: 31.36%.
	Investment goal	: Creating stable raw materials source to produce Spivital product line and other biotechnological product lines.

## BOARD OF DIRECTORS

TERM III (2014 - 2018)



**Mr. HOANG NGUYEN HOC**  
Chairman

**Date of birth:** 1957

**Professional skills:** Master of Business Administration

**Positions holding in other organizations:** Deputy General Director of State Capital Investment Corporation (SCIC), BOD's member of Vietnam Construction and Import-Export Joint-Stock Company (Vinaconex).

**Employment history:**

1999 - 2003: Deputy Director of Department of Entrepreneurial Finance - Ministry of Finance.

2003 - 2006: Director of Department of Entrepreneurial Finance - Ministry of Finance.

2007 - now: Deputy General Director of State Capital Investment Corporation (SCIC).

28/04/2014 - now: Chairman of DHG Pharma's BOD Term III.



**Mr. LE DINH BUU TRI**  
Deputy Chairman

**Date of birth:** 1970

**Professional skills:** Master of Commerce and International Finance (University of Leeds Metropolitan, UK), Faculty of law - HCMC University).

**Positions holding in other organizations:** Director of the Southern Region Branch of SCIC, Chairman of Infrastructure Development Joint-Stock Company - Tay Ninh industrial zone, Chairman of Thang Long Investment and Service Joint-Stock Company.

**Employment history:**

1996 - 2000: Lawyer, Johnson, Stokes & Master Law Firm.

2000 - 2001: Lawyer, Deacons Law Firm.

2001 - 2005: Legal Director of Manulife Insurance Company, Vietnam.

2005 - 2006: Deputy General Director of Manulife Asset Management Vietnam Co. Ltd. and Legal Director of Manulife Insurance Company, Vietnam.

2006 - 2007: General Director of Manulife Asset Management Vietnam Co. Ltd.

2007 - now: Director of the Southern Region Branch of State Capital Investment Corporation (SCIC).

25/04/2009 - 28/04/2014: Member of DHG Pharma's BOD Term II.

28/04/2014 - now: Deputy Chairman of DHG Pharma's BOD Term III.



**Mrs. PHAM THI VIET NGA**  
Member  
CEO

**Date of birth:** 1951

**Professional skills:** Ph.D in Economics (HCMC University of Economics), BSc Pharm (University of Medicine and Pharmacy).

**Employment history:**

07/1980 - 07/1986: Head of Thot Not Drugstore.

07/1986 - 04/1988: Director of Hau Giang Medical - Material Supply Company.

04/1988 - 09/2004: Director of Hau Giang Pharmaceutical United Factory.

09/2004 - 07/2012: Chairwoman Term I and Term II cum CEO of DHG Pharma.

07/2012 - 28/04/2014: Chairwoman Term II of DHG Pharma.

28/04/2014 - now: Member of DHG Pharma's BOD Term III.

01/05/2014 - now: CEO of DHG Pharma.



**Mr. DOAN DINH DUY KHUONG**  
Member  
Deputy CEO

**Date of birth:** 1974

**Professional skills:** Master of Business Administration (UBI, Belgium).

**Positions holding in other organizations:** Chairman of Song Hau Pharmaceutical JSC. (SH Pharma).

**Employment history:**

1993 - 1999: In charge of advertising programs, Sales & Marketing supervisors for Unilever Vietnam, Vietnam Food Industries JSC, Foremost Vietnam.

2000 - 01/2003: A staff of Planning Dept. - Hau Giang Pharmaceutical United Factory.

02/2003 - 09/2004: In charge of product development and brand activities of Hau Giang Pharmaceutical United Factory.

09/2004 - 10/2005: Brand Manager, Vice Manager of Marketing Department of DHG Pharma.

10/2005 - 04/2012: Marketing Director, Marketing Manager of DHG Pharma.

05/2012 - now: Deputy CEO of DHG Pharma.

04/2006 - 04/2009: Member of DHG Pharma's BOD Term I.

04/2010 - now: Member of DHG Pharma's BOD Term II and Term III.

**BOARD OF DIRECTORS**  
TERM III (2014 - 2018) (continued)



**Mrs. PHAM DANG MINH LOAN**  
Member

**Date of birth:** 1977

**Professional skills:** Master of Business Administration (Hawaii, US).

**Positions holding in other organizations:** Deputy Executive Director of VinaCapital Corporate Finance Vietnam Co. Ltd.; Supervisory Board member of Hoa Phat Group, BOD's member of Cau Tre Export Goods Processing Joint Stock Company.

**Employment history:**  
1999 - 2000: Management accounting of Unilever - Vietnam.  
2000 - 2005: Auditor, Vice chief of auditing department of KPMG International auditing firm.  
2005 - now: Deputy Executive Director of VinaCapital Investment Management Ltd. in Vietnam.  
28/04/2014 - now: Member of DHG Pharma's BOD Term III.



**Mr. TRAN CHI LIEM**  
Independent member

**Date of birth:** 1950

**Professional skills:** Assoc. Prof. - Dr. - Doctor of Medicine.

**Positions holding in other organizations:** Medical specialist.

**Employment history:**  
1967 - 1975: Civil Medical Service of Kien Giang province.  
1976 - 1983: Assistant principal of Kien Giang Medical College.  
1983 - 1987: Principal of Kien Giang Medical College.  
1988 - 1998: Director of Kien Giang Medical Service.  
1999 - 2010: Deputy minister of Ministry of Health.  
02/2010: Retirement.  
28/04/2014 - now: Member of DHG Pharma's BOD Term III.



**Mr. SHUHEI TABATA**  
Independent member

**Date of birth:** 1954

**Professional skills:** Bachelor of marine biology (Hokkaido University).

**Positions holding in other organizations:** Director for ASEAN Asia, Marketing Director of Normura Exporindo. Director of Nanachart Traders Consolidation, Thailand. Inspector of Normura Fotranco Co., Ltd., Vietnam. Inspector of Normura Thanh Hoa Garment Co., Ltd., Vietnam. 35 years working for Nomura Trading Co., Ltd.

**Employment history:**  
28/04/2014 - now: Member of DHG Pharma's BOD Term III.



**Mrs. NGUYEN PHUONG THAO**  
Member

**Date of birth:** 1976

**Professional skills:** Master of Business - Finance and Banking (Monash University - Australia).

**Employment history:**  
05/1997 - 03/2002: A staff of VID Public Bank.  
05/2002 - 07/2005: Taking a course of Master of Business - Finance and Banking - Australia.  
08/2005 - 08/2006: A staff of MB Bank.  
08/2006 - 07/2007: A staff of VID Public Bank.  
08/2007 - now: Specialist of Investment Committee 3 of State Capital Investment Corporation (SCIC).  
26/04/2012 - now: Member of DHG Pharma's BOS Term II and Term III.



**Mr. TRAN QUOC HUNG**  
The Head

**Date of birth:** 1958

**Professional skills:** Bachelor of Economics - Accounting (University of Economics HCMC).

**Employment history:**  
1979 - 1983: Teacher of Ben Tre Commercial School.  
1983 - 1988: Chief Accountant of Hau Giang Medical Material Supply Company.  
1988 - 06/2007: Accountant of Financial Administration Department of DHG Pharma.  
06/2007 - now: Supervisor - Personnel Department of DHG Pharma.  
09/2004 - 05/2012: Member of DHG Pharma's BOS Term I and Term II.  
05/2012 - now: Member of DHG Pharma's BOS Term II and Term III.



**Mr. DINH DUC MINH**  
Member

**Date of birth:** 1977

**Professional skills:** Master of Investment Management (Coventry University, UK).

**Employment history:**  
03/ 2003 - 11/2007: Assistant of General Director - TNT Ltd. Co.  
08/2008 - 08/2010: Investment executive of State Capital Investment Corporation (SCIC).  
05/2012 - now: Chief of Department of Analysis and Consultant for Investment of Saigon Securities Inc. (SSI)  
05/2009 - 04/2011: Member of DHG Pharma's BOS Term II.  
28/04/2014 - now: Member of DHG Pharma's BOS Term III.

**BOARD OF SUPERVISION**  
TERM III (2014 - 2018)

EXECUTIVE MEMBERS



**Mrs. PHAM THI VIET NGA**  
BOD member  
CEO

(Please see information in **BOD introduction** - Page 39)



**Mr. DOAN DINH DUY KHUONG**  
BOD member  
Deputy CEO

(Please see information in **BOD introduction** - Page 39)



**Mr. LE CHANH DAO**  
Deputy CEO  
cum Chief Financial officer

**Date of birth:** 1959

**Professional skill:** Master of Business Administration (HCMC University of Economics).

**Employment history:**

1984 - 1985: Manager of Planning Department of Hau Giang State-owned Livestock 1 Factory.  
1985 - 09/1989: Vice Manager of Planning Department of Hau Giang Livestock United Factory.  
09/1989 - 11/1989: Vice Manager of Accounting Department of Hau Giang Pharmaceutical United Factory.  
11/1989 - 03/1997: Chief Accountant of Hau Giang Pharmaceutical United Factory.  
03/1997 - 09/2004: Vice Director of Hau Giang Pharmaceutical United Factory.  
09/2004 - 01/2015: Deputy CEO of DHG Pharmaceutical Joint-Stock Company.  
02/09/2004 - 28/04/2014: Member of DHG Pharma's BOD Term I and Term II.  
01/2015 - now: Deputy CEO cum CFO.



**Mrs. NGUYEN NGOC DIEP**  
Deputy CEO

**Date of birth:** 1968

**Professional skill:** Postgraduate education junior – PGJ.

**Employment history:**

12/1991 – 06/1995: A staff of QC of Hau Giang Pharmaceutical United Factory.  
07/1995 – 12/1996: Deputy Chief of QC of Hau Giang Pharmaceutical United Factory.  
01/1997 – 06/1997: Deputy Chief of R&D of Hau Giang Pharmaceutical United Factory.  
06/1997 – 09/2004: QC Manager of Hau Giang Pharmaceutical United Factory.  
09/2004 - 04/2012: QC Manager of DHG Pharma.  
05/2012 – now: Deputy CEO of DHG Pharma.



**Mrs. DANG PHAM HUYEN NHUNG**  
Chief Accountant

**Date of birth:** 1966

**Professional skill:** Master of Business Administration (MBA – UBI, Belgium).

**Employment history:**

1986 – 1987: A teacher of Can Tho Business Operations.  
1987 – 09/2004: Accountant of Hau Giang Pharmaceutical United Factory.  
09/2004 – 2007: Accountant of DHG Pharma.  
2007 – 2008: Accountant General of DHG Pharma.  
2008 – 10/2010: Deputy Chief of Financial Administration Department of DHG Pharma.  
10/2010 – 03/2012: Chief Accountant cum Chief of Financial Administration Department of DHG Pharma.  
03/2012 – 01/2015: CFO, Chief Accountant cum Chief of Financial Administration Department of DHG Pharma.  
01/2015 – now: Chief Accountant, Chief of Accounting Department of DHG Pharma.

# PROSPERITY GOAL

Before the transformation of the social economy throughout the development journey, formerly - now - and future, DHG only has a single direction “**For a more beautiful and healthier life**”. This is the lodestar for many generations of the Company to strive for prosperity goal.



## DEVELOPMENT ORIENTATIONS

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- 48 Strategic targets of 2014 - 2018
- 49 Business plan for 2015
- 51 Investment plan for 2015
- 53 Profit distribution of 2014
- 54 Plan of profit distribution for 2015
- 55 Risk management

## S STRENGTHS

1. Vision, mission, core values, strategy are clearly oriented. Tools for strategy performance are modern.
2. Prestige trademark, unique culture identity, popular in society, being highly valued by investors, being trusted by customers.
3. Being the only company in the Pharmaceutical Industry with a deep and wide distribution network and a great number of customers that create a competitive advantage in trading in self-produced goods, enhance the efficiency in distribution of exclusive goods, other goods.
4. Having the largest production capacity in Vietnam Pharmaceutical Industry to meet the long-term development strategy and to get advantages of scale. The new plant is expected to bring a huge benefit from preferential policy of corporate income tax for 15 years.
5. A strong, transparent, timely, and legal financial resource helps to be initiative in the implementation of modern strategies, creates confidence in partners, makes advantages increase operational efficiency, attracts more capitals, and improves income for the Company by financial activities.

## W WEAKNESSES

1. Investment in research and application of new technologies in research are large strategies; however, they are ineffective and slow in progress.
2. Progress of building the new Betalactam factory is delayed, affecting the credibility of the Company's management team and the prestige of shareholders, partners.
3. The relationship among the Parent company, its subsidiaries, and the new plant should have more time and costs to construct mechanisms and processes so as to exploit optimally, efficiently and lawfully.
4. In the general system administration, regulations, rules, etc. should be improved to achieve a high efficiency in operating and to accord with the Company's development needs.
5. Issuance of new policies, changes in sales system under conditions of difficult market, fierce competition and impact of circular 01 to the hospital channel create a great pressure in the completion of business targets although they contributed to increasing output, building a professional, effective sales system.

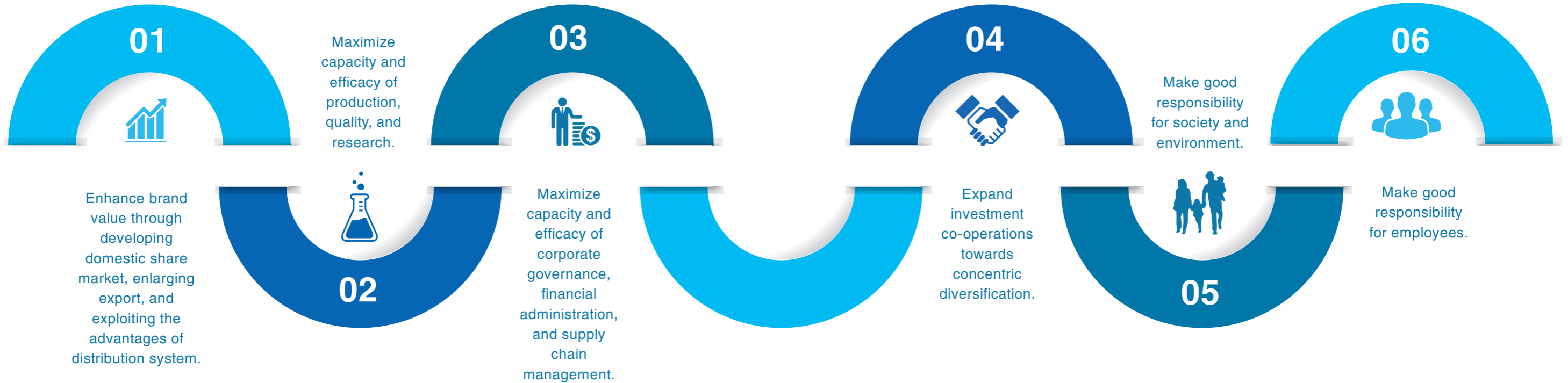
## O OPPORTUNITIES

1. Vietnam has a huge, increasing population. People are increasingly interested in health care, particularly the segment of average income and above. Thus, the growth potential of Vietnam Pharmaceutical industry is still high.
2. DHG has a number of strengths to create unique advantages, so it has more opportunities to attract investment in joint venture, association, merger and acquisition, co-production, transfer of technology, exclusive distribution, and commissional import with large pharmaceutical corporations at home and abroad. It is a basis for a faster increase in scale, position and market share of the Company and for access to modern management level, technology.
3. DHG Pharma has the Investment Fund for Scientific and Technological Development and the State has policies to facilitate product development, equipment innovation.
4. Higher stock value, investor's trust create opportunities to attract capital easily, bringing high surplus of share capital through issue of shares.
5. High production capacity and output facilitate DHG Pharma in negotiation with suppliers on prices, after-sales, scientific and technical support and experience learning.

## T THREATS

1. DHG although is the leading in market share, the rate of market share is still low. Vietnam pharmaceutical industry develops fragmentarily, unfocusedly resulting in a high competition. The competition happens more and more highly because of attaching importance to imported drugs by consumers and cheap, substandard imported drugs overflowing into Vietnam market.
2. Raw materials used in production are mainly imported that are under the influence of input factors such as exchange rates, fluctuations in prices of raw materials, import tax policy, etc. The Company has not established a specific risk management process for these.
3. Drug price is controlled by the State; besides, the increase in drug price is influenced by competitive factors and means of mass media.
4. Circular 01 issued by the Ministry of Health with regard to drug procurement in hospitals makes a strong impact. It reduces revenues of the hospital channel and makes impacts on the OTC channel. The new regulations on application for visas of pharmaceuticals, foods supplement and on approval to promotional tools are increasingly tight, take a lot of effort, costs, time, and greatly influence development strategy of brands, new products and operation of the new plant of the Company.
5. Pressure on being a leading company, investor's expectations for growth, dividends create a great pressure on the Board of Directors and Board of Management. Concurrently, they affect the strategy and long-term plan of the Company.



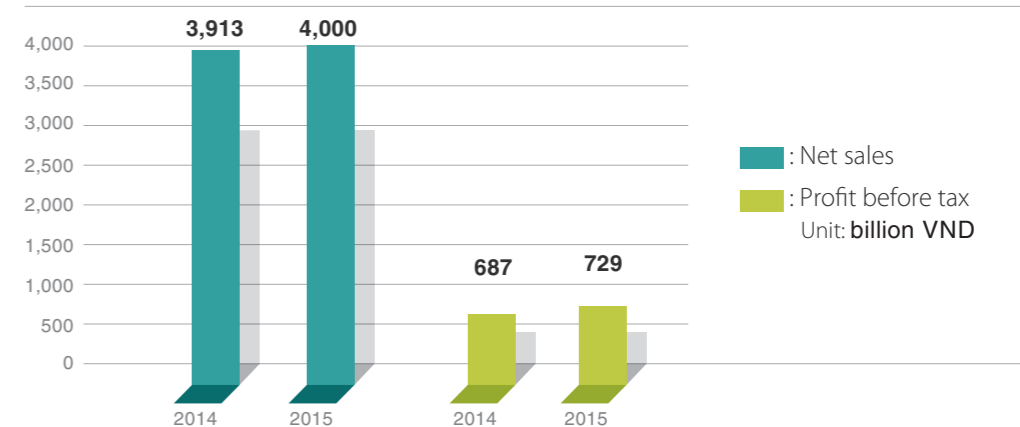


**4,000** BILLION VND NET SALES  
 INCREASING 2.2% COMPARED WITH 2014

**729** BILLION VND PROFIT BEFORE TAX  
 INCREASING 6% COMPARED WITH 2014

**BUSINESS PLAN FOR 2015**

Targets	Unit	2014	2015	Growth
Net sales	billion VND	3,913	4,000	2.2%
Profit before tax (not including financial income)	billion VND	687	729	6%



## NOTES TO BUSINESS TARGETS FOR 2015

### AS REGARDS NET SALES



**THE LARGEST  
PHARMACEUTICAL  
COMPANY IN VIETNAM  
AND KEEPING PACE WITH  
SOUTHEAST ASIA BY 2020**

**4,220** BILLION  
VND  
NET SALES OF 2015  
INCREASED BY 7.85%  
COMPARED WITH 2014  
(EXCLUDING THE IMPACT  
OF CIRCULAR 200)

According to the business plan of the period of 2014 - 2018 proposed by the Board of Directors at the beginning of the third term and approved by the 2013 ASM, the net sales for the year 2015 is VND4,420 billion. It initially included other business items. However, due to difficult market conditions, these items have not been implemented and reached as expectations.

In the last years, the growth of pharmaceutical industry has been slowdown. However, in the years of 2012 - 2013 - 2014, DHG's net sales grew 17.7%, 20.3%, and 15.4% respectively. This created an enormous pressure for the growth of the Company in 2015.

In addition, towards a stable development of DHG Pharma after 40 continuously growing years, the year 2015 is a good time for DHG Pharma to look back, to restructure framework organization - management apparatus, to enhance employee capacity, to improve management system in accordance with the Company's scale; creating a stronger impetus, exploiting potential of distribution system and capacity of both plants; expanding business cooperation; becoming the largest pharmaceutical company in Vietnam and keeping pace with Southeast Asia by 2020.

On the other hand, some expenses are deducted from net sales due to the impact of Circular 200. This decreases the net sales of plan 2015 by VND220 billion. Thus, if excluding the impact of Circular 200, DHG's planned sales in 2015 is VND4,220 billion, increased by 7.85% compared with 2014.

### AS REGARDS PROFIT BEFORE TAX

**729** BILLION VND  
PROFIT BEFORE TAX IN  
2015 INCREASED BY  
6% COMPARED WITH 2014

Although the planned net sales target of 2015 is lower than the 5-year-plan sales level which was submitted to ASM from the beginning of the term of 2014-2018, the Board of Directors and Board of Management have been determined to reach the specified profit in the 5 - year plan (2014 - 2018) on the basis of:

- » Increase labor productivity in case the modern new plant has come into operation;
- » Increase roles of financial functions to analyze and use effectively resources, including financial resource, human and material resources;
- » Invest in Marketing and implement sales projects professionally, effectively;
- » Enhance governance capacity through organizational restructure; improvement of procedures, regulations; recruitment, training of personnel and inheritors, application of information technology, ERP software in management.

## 367,685,000,000 VND TOTAL OF INVESTMENT PLANS IN 2015

### INVESTMENT ITEMS IN 2015 UNDER THE AUTHORITY OF THE BOARD OF DIRECTORS

Unit: million VND

No.	Investment items	Investment reasons	Estimates (before VAT)	Disburse- ment in 2015	Disburse- ment in 2016-2017
1	Purchasing land and constructing a representative office, house for Hanoi branch	Since the current house flooded with water which causes an inconvenient situation in rainy season. In 2008, investment in land was performed, but not building. In 2014, a plan of 12-billion construction was given; however, the land position is unsuitable and will be selected the new.	27,071	8,121	18,950
2	Building a new office at the headquarters (288 Bis Nguyen Van Cu Str., Can Tho city)	The HQ's office was built since 1985 (so far 30 years). It was previously research area of new products and two liquid- and softgel-producing factories. Since 1995, it was renovated into an office area. Its material facilities, equipment have been downgraded; it was regularly flooded out during the rainy season; lack of working area in some departments. This structure has been already overloaded and do not ensure safe conditions due to using areas to arrange workplace and storage.	49,790	14,937	34,853
3	Investing in a line of effervescent drug production with PIC/S standard.	Upgrading standards of some production lines to prepare premise for export orientation, production cooperation.	200,000	60,000	140,000
<b>Total</b>			<b>276,861</b>	<b>83,058</b>	<b>193,803</b>

INVESTMENT ITEMS IN 2015 UNDER THE AUTHORITY OF THE BOARD OF MANAGEMENT

Unit: million VND

No.	Investment items	Investment reasons	Estimates (before VAT)
1.	Purchasing land and building a house for Nghe An branch (*)	The current warehouse overloaded (not belonging to the project of regional warehouse in the North).	8,834
2.	Purchasing land and building a house for Da Nang branch (*)	The current house is under the overpass (banning stop of trucks). The project of regional warehouse expected not to be implemented in the Central.	12,222
3.	Purchasing land and building a house for Nha Trang branch (*)	Due to merger of 3 branches, including Khanh Hoa, Phu Yen, and Ninh Thuan, the number of employees and sales increased, resulting in an overloaded warehouse.	8,300
4.	Purchasing land and building a house for Tay Ninh branch (*)	The 4-level house has been downgraded and overloaded. It is required to build a new one.	7,300
5.	Purchasing land and building a house for Bali Pharma (*)	The 4-level house has been downgraded and overloaded. It is required to build a new one.	7,063
6.	Building a new house and maintaining the old one for Thai Nguyen branch (02 adjacent lands)	The current house has not met requirements of storage, office, accommodation of employees.	2,799
7.	Building a finished-product warehouse in CMT8 Street	In 2014, the Company planned to build an excipient, material warehouse in the General Warehouse at CMT8. For more effective, the Company replanned CMT8 General warehouse used to store finished products; Nguyen Van Cu warehouse will be used for excipients, material.	13,044
8.	Building an excipient, material warehouse in Nguyen Van Cu Street	Transfer from CMT8 warehouse of excipients, material.	8,320
9.	Making a project with rate 1/500 at Nguyen Van Cu area	Overall planning of land at the headquarters and issuing certificate of assets on the land.	400
10.	Production machines, equipment at the Parent warehouse	Investing in more machines, equipment for production.	8,590
11.	Machines, equipment for DHG PP1	Investing more machines, equipment for production.	3,700
12.	Microsoft software	Buying a software copyright in phase of 1/2015.	2,836
13.	The Parent Company's transport means(a 8-ton truck + a 7-seat car)	Selling the old ones and buying another.	3,800
14.	DHG Nature's transport means (a 1.5-ton truck)	For transporting goods.	500
15.	Repairing and maintaining houses of branches and subsidiaries	According to arising demand.	2,340
16.	Hiring consultants	Deploying BFO and IT procedures.	776
	<b>Total</b>		<b>90,824</b>

**Note:** The scheduled investment plans are based on demand and necessity. Decisions of investment will be approved by any authorities on the basis of conformity with legal provisions, the Company's rules and regulations, feasibility and financial performance. (\*) For investments in land purchase for the branches and subsidiaries must be gotten approval policies from the Board of Directors regarding the transfer of land use rights.

In 2015, the incurred activities such as investment in fixed assets and hire; M&A; pledge, mortgage, sales of assets must be made in accordance with the Company Charter.

PROFIT DISTRIBUTION IN 2014

No.	Targets	Appropriation ratio in 2014	Amount (VND)
	<b>Profit after tax at the parent company used to distribute</b>	<b>PAT</b>	<b>521,167,607,431</b>
1.	Dividends for 2014	30% nominal value (by cash)	261,462,600,000
2.	Appropriation for bonus, welfare fund	12% of PAT	62,540,112,892
3.	Remuneration for BOD, BOS, collaborators		5,000,000,000
4.	Bonus for BOD, BOS, collaborators, Executive Board, key staffs in excellent completion of their mission of 2014	5% growth in consolidated profit after tax of owners' equity (excluding extraordinary income from Eugica transfer)	1,834,191,880
5.	The remaining profit will be added the Development Investment Fund	The remaining	190,330,702,659

BALANCE OF THE FUNDS AFTER PROFIT DISTRIBUTION 2014

No.	Content	Balance at 31/12/2014	Profit distribution 2014	Balance after profit distribution 2014
1.	Bonus, welfare Fund	16,889,568,487	72,111,015,166	89,000,583,653
	» At the Parent Company	13,766,583,414	62,540,112,892	76,306,696,306
	» At the subsidiaries (*)	3,122,985,073	9,570,902,274	12,693,887,347
2.	Remuneration, bonus Fund of the BOD, BOS, Executive Board	6,944,993,395	6,834,191,880	13,779,185,275
3.	Development investment Fund	782,076,482,219	190,330,702,659	972,407,184,878
4.	Fund financial reserve (**)	67,063,774,920	0	0

(\*) Bonus, welfare Fund at the subsidiaries was temporarily appropriated in the financial statement; so the balance as of 31/12/2014 on the financial statement of the subsidiaries recorded a balance of Fund of Bonus and welfare was 12,693,887,347 VND.

(\*\*) Under the provision of Circular 200/2014/TT-BTC dated 22/12/2014 of the Ministry of Finance regarding the guidance of enterprise accounting system, the Company transferred all balance from the Fund financial reserve to Development Investment Fund. Thus, the Development Investment Fund after distribution profit 2014 and reversal of Fund financial reserve according to Circular 200 was 1,039,470,959,798 VND.



**DIVIDEND 2015** **25%** Nominal value

PLAN OF PROFIT DISTRIBUTION FOR 2015	Targets	Appropriation ratio
	Dividends for 2015	25% nominal value
	Appropriating for the Bonus, welfare fund	10% PAT of the Parent Company
	Remuneration for BOD, BOS, and collaborators	5,000,000,000 VND
	Bonus for BOD, BOS, collaborators, Executive Board, key staffs in excellent completion of their mission in 2015	5% growth of consolidated profit after tax
	The remaining profit added the Development Investment fund	The remaining

## RISK MANAGEMENT





TOWARDS A SUSTAINABLE DEVELOPMENT, A PROFESSIONAL - EFFECTIVE MANAGEMENT SYSTEM IS REALLY NECESSARY. IT IS IMPORTANT TO ESTABLISH A SYSTEM OF EFFECTIVE RISK MANAGEMENT. HOWEVER, THIS WORK CANNOT BE IMMEDIATELY PERFORMED, REQUIRES A SCIENTIFIC AND SYNCHRONISTIC CONSTRUCTION PROCESS.

From the year 2013, DHG hired EY & Young Co., Ltd. Vietnam (EY) for consulting about restructuring of management apparatus with the following contents: "change in organizational structure", "issuing a new mechanism for responsibility assignment and decentralization", "setting up a governance reporting system", "building a process for budgeting and forecasting cash flow". They have been implementing since 2014. Two content, including "improvement of financial accounting system" and "improvement of operational efficiency of business units" are being surveyed by consultants in 2014:

DHG continues to improve the establishment of internal control system in order to (i) ensure the observance of laws and regulations; (ii) examine, control, prevent and detect fraud or error; (iii) make financial statement honestly and reasonably; protect, manage and effectively use assets of the units. The internal control system including control environment, accounting system, and control procedures approves construction and addition of regulations and policies, such as on decentralization, management for advance and payment, etc. Besides, the Company is applying 65 business processes in finance – accounting for the whole group under the EY consultants, expected to be officially adopted in 2015.

#### BFO SOFTWARE

For a more scientific and logical risk management, DHG will computerize the processes of internal control system which has been set up on BFO software. The Internal Control Board will focus on monitoring and evaluating the completeness, existence and effectiveness of the internal control system.

The Internal Control Board has developed processes of internal control, in which planning of internal control based on risky orientation connecting with

risk management of the Group, provision of effective risk management process and main risks controlled at an acceptable level.

#### Scopes of internal control works:

- » Perform examination and counselling for all activities of the Company.
- » Perform special examinations as directed by BOD, BOM, or BOS of the Company.

In 2014, the Internal Control Board examined and evaluated processes of production and business operations of the Company as follows:

- » Process of purchasing of raw materials and evaluation of suppliers.
- » Process of sales, receivables management, inventory management at branches and subsidiaries.
- » Process of receipts and expenses in the branches and subsidiaries.
- » Process of promotional expense in the branches and subsidiaries.
- » Process of project implementation, construction investments in the subsidiaries.
- » Process of production at the factories.
- » Update job descriptions and work instructions of the units for building a system of risk management.
- » Prepare risk documentation – risk identification in DHG (for production workers).
- » Complete capacity dictionary of risk management group.
- » Complete and issue 30 control descriptions.



## LEGAL RISK AND COMPLIANCE RISK

LAW AND BYLAWS, INDUSTRY REGULATIONS, TAX GUIDE ARE FREQUENTLY MODIFIED AND ARE ASYNCHRONOUS. THEREFORE, THEY INFLUENCE BUSINESS RESULTS AND ORIENTATION OF THE COMPANY. RISKS OF LITIGATION AND DISPUTES, COMPENSATION CAN OCCUR IF THE COMPANY IS NOT WELL-INFORMED AND DOES NOT REGULARLY UPDATE NEW REGULATIONS.



To promote compliance, DHG has formed a legal division which operates separately and is independent of the Internal Control Board, and recruits more staffs.

Legal compliance is one of the moral values of the Company, is concretized in the Company's regulations and culture identity.

The Company carries out yearly BIT finalization previous to independent audited financial statements.

The legal division regularly updates, compares with the Company's provisions in conformity with law, and diffuses to each division and specialized function. Concurrently, the specialized functional divisions frequently contact, exchange and receive direct authority from the authorities.

The legal division acts as a counsellor for the Board of Management and the sub-units on procedures for implementation of investment projects, cooperation, joint-venture contracts, sales policy and other tasks related to law.

Legal experts review 100% of the signed contracts and agreements.

In 2014, the Legal division has taken: Construction and issuance of regulations on approval decentralization in DHG PHARMA; Proposal of amendment of corporate governance regulation; Construction of archives regulation; Issuance of Financial regulation on production subsidiaries; Construction of capacity dictionary of legal division; Draft of Regulation on financial management of commercial subsidiaries; Draft of Regulation on financial management of DHG Pharma.

In 2015, DHG is expected to continue building and perfecting Regulation on property procurement and repair, Regulation on use of the remuneration fund of BOD – BOS, Regulation on material purchase, Regulation on procurement of goods and services for Marketing activities, Regulation on information disclosure, and other control processes, procedures.



## MARKET RISKS

**MOST OF THREATS WHICH DHG ARE FACING ARE RISKS ON COMPETITION AND MARKET NEEDED TO BE MONITORED AND CONTROLLED BY THE COMPANY, NAMELY:**

- » Vietnam pharmaceutical industry develops fragmentarily, unfocusedly resulting in a high competition. Therefore, DHG although is the leading in market share, the rate of market share is still low (11% market share of domestically produced drugs, 5% the nationwide market share).
- » The competition happens more and more highly because of attaching importance to imported drugs by consumers and cheap, substandard imported drugs overflowing into Vietnam market. Moreover, a number of domestically pharmaceutical companies with strong growth will catch up DHG in 10 years and entry of new firms invested heavily in marketing, advertising expenses is increasing.
- » Raw materials for production are imported approximately 80%; so DHG is affected by input factors such as exchange rates, fluctuations in prices of raw materials, import tax policy, etc.
- » Drug price is controlled by the State; besides, the increase in drug price is influenced by competitive factors and means of mass media.
- » Circular 01 issued by the Ministry of Health with regard to drug procurement in hospitals makes a strong impact, reduces revenues of the ETC channel, and influences the OTC channel of DHG Pharma.
- » The new regulations on application for visas of pharmaceuticals, foods supplement and on approval to promotional tools are increasingly tight, take a lot of effort, costs, time, and greatly influence development strategy of brands, new products and operation of the new plant of the Company.
- » In 2014, the major changes in the sales system, although contributing to increase in output, building a professional – effective sales system, bring a great pressure to complete the business targets.

To cope with the above risks, DHG chooses the year 2015 to consolidate all activities, cost management for reducing product price. Product portfolio structure is to be done every year; however, the difference in 2015 shows that the Company will select criteria for a more reasonable cost allocation. Difficulty in product registration is an opportunity so that the Company focuses further on the existing product portfolio. Further investment in brands and key areas, customer classification, deployment of sales “detailed – regular – no missing out customers” are strategies that help the Company exploit and expand a deeper market share for products in circulation.

The Company continues to reserve raw materials for the relocation of the new plant and some main raw materials for inputs. Apart from the financial impact, raw materials must also be ensured in order to stabilize product quality. Each new source of raw material putting on production should be tracked stability for at least 6 months. DHG has planned to increase the selection of reputable providers and is testing the stability of the raw materials.




## RISK ON HUMAN RESOURCES

**MAN IS ALWAYS AN IMPORTANT FACTOR IN THE SUCCESS OF MOST ENTERPRISES, BUT THE MOST DIFFICULT SOURCE IN MANAGEMENT. AS FOR DHG, THE HIGH QUANTITY OF EMPLOYEES AS WELL AS THE GROWING SCALE IS THE ISSUE THAT TAKES MUCH TIME AND MIND OF THE LEADERS.**

**DHG IMPORTS APPROXIMATELY 80% OF RAW MATERIALS MAINLY IN DOLLARS. SO RISKS ASSOCIATED TO EXCHANGE RATE ALSO RISE. THE SOLUTION IS THAT THE COMPANY REGULARLY UPDATES AND FORECASTS EXCHANGE RATE FLUCTUATIONS IN FOREIGN CURRENCY THROUGH A RELATIONSHIP WITH BANKS. CONTRACT IN L/C IS USED TO ENSURE PAYMENT AND PREVENT RISKS OF CURRENCY SCARCENESS.**



The senior leaders having renowned and experienced, accompanying with the history and brilliant development of DHG are close to retirement age, creating a great pressure for young leaders and senior executives to demonstrate their capacity, to build confidence in investors and customers.

As for personnel issues, DHG has proposed strategies to mitigate risks, such as hiring consultants for management of human resources, restructuring management model, risk management, building a yearly inheritance plan for levels. In addition, the Company continues to focus on education, training of employees, particularly in inheritance resources, to care well employees through wage policy, welfare, compensation, talent arousing, a favorable working environment and equal opportunities for advancement, and to rearrange human resources to meet job requirements and raise high sense of commitment and loyalty.



## RISK OF CHANGES IN INTEREST RATE, EXCHANGE RATE, CREDIT, LIQUIDITY

Risks of credit and interest of the Company are mainly affected by bank deposits and receivables from customers. However, the bank deposits will be sharply disbursed in 2015 for dividend payment of 2014 and dividend advance of 2015, the performing investments, and partial investments of 2015. Therefore, the deposits forecast to be decreased gradually in the next years and the liquidity risk will happen at a certain moment when the company has demand for loans to finance working capital.

Risk of receivables from customers has been carefully analyzed in the **financial analysis**. At the end of 2014, DHG’s receivables from customers increased by 48% y/y. This is caused by increase in purchase of OTC channel at the end of the year. Until Feb. 2015, the domestic accounts receivable has collected VND442 billion in total of VND760 billion of receivables of domestic customers at the end of 2014. The bad debts at the end of Feb. 2015 is determined to be VND7.8 billion (from 06 months for OTC channel and from 12 months for ETC channel).

*(See more analysis and risk measurement in item 36. Financial risk management in the Note to the consolidated financial statement, including market risk, credit risk and liquidity risk).*

# A TURNING-POINT OF TRANSITION

To reciprocate customer's confidence during the past 40 years, DHG incessantly researches, searches, invests in equipment, converts flexibly modern production lines along with technology of green - clean medicinal extraction in nature to enhance productivity and product quality and bring the best value to end-users.



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## EVALUATION OF BUSINESS PERFORMANCE OF 2014

### CHARACTERISTICS OF BUSINESS

#### ENVIRONMENT OF THE YEAR 2014

In 2014, under the direct impact of Circular 01, most of domestic pharmaceutical companies shifted to investment in the commercial channel (OTC) to offset the lost market share from the hospital channel (ETC).

The above displacement created a picture of pharmaceutical market of 2014 with many activities, programs from media to selling of pharmaceutical companies in order to attract and drag customers.

A new regulation on application for pharmaceutical visas was closer and took a long time. This affected the application of visa no. for new products and products of the new plant at Tan Phu Thanh Industrial Park.

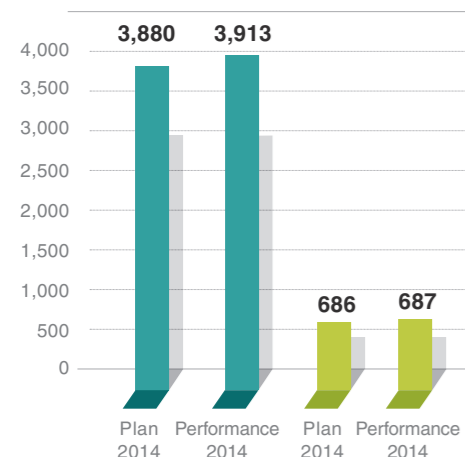
Selling price was always managed by the State and was a sensitive issue, interested by mass media.

### BUSINESS PERFORMANCE RESULTS OF 2014

In the difficult condition of business environment, the Board of Directors, the Board of Management of DHG Pharma had strategic directions from the beginning of the year; timely adjusted strategies in the year, proposed solutions in accordance with the actual situation.

The success of DHG Pharma with growth and completion of business targets of 2014 resulted from the harmonious coordination, flexibility in governance, market experience of leadership along with determination and striving to overcome difficulties, efforts of all employees, support of customers, partners.

■ : Consolidated net sales  
■ : Consolidated profit before tax



Targets	Plan 2014	Performance 2014	Rate of plan achievement of 2014	Growth 2014/2013
Consolidated net sales (VND billion)	3,880	3,913	100.8%	15.4%
Consolidated profit before tax (VND billion) (Before appropriating for Development Fund of Science and Technology, excluding income from franchise of Eugica and financial income)	686	687	100.2%	6.0%

**1**  
HOLDING THE LEADING POSITION IN VIETNAM PHARMACEUTICAL IN 18 CONSECUTIVE YEARS

**TOP 5**  
THE LARGEST MARKET SHARE ENTERPRISE IN VIETNAM PHARMACEUTICAL INDUSTRY

### HOLDING

#### THE LEADING POSITION

The business result in 2014 helped DHG Pharma hold the leading position in Vietnam Pharmaceutical Industry in 18 consecutive years about revenue, profit and production capacity with the following specific data:

Sales of self-manufactured goods	:	VND <b>3.569</b> billion.
Profit before tax	:	VND <b>722</b> billion.
Profit after tax of the Parent Company	:	VND <b>533</b> billion.
Total production	:	<b>4.8</b> billion of product units.
Total production sold	:	<b>4.7</b> billion of product units.

### HOLDING

#### MARKET SHARE

Continue holding the Top 5 position of pharmaceutical companies with the largest market share in pharmaceutical industry of Vietnam (according to IMS statistics in 2014).

Maintain a market share rate of over 5% of Vietnam pharmaceutical industry, 11% of domestically produced medicines (compare with estimated data in 2014 of DAV).

### HOLDING A GROWTH RATE HIGHER THAN THE PHARMACEUTICAL INDUSTRY

The growth rate of DHG Pharma was always higher than the average growth rate of domestically produced medicines.

Compare the growth rate of DHG Pharma and Vietnam pharmaceutical industry in the 3 last years:

Targets	Year 2012	Year 2013	Year 2014
Revenue growth of self-manufactured goods of DHG Pharma	17.3%	11.1%	18.8%
Growth of money of drug consumption of Vietnam pharmaceutical industry	9.1%	6.7%	17.5%
<i>In which: Growth of money for consumption of domestically produced drugs</i>	5.3%	8.3%	7.7%





## ASSESSMENT OF INVESTMENTS OF 2014

### THE NEW PLANT

Non Betalactam factory has come into operation; and Betalactam factory is being built.

#### The total disbursement value as of 31/12/2014

The value of approved investments	VND676 billion (which is afterwards divided into project of DHG PP1 (VND37.4 billion) and the project of Non Betalactam – Betalactam factories (VND638.6 billion) (before VAT)).
The total contracted value	VND549.5 billion (before VAT: VND499.6 billion).
Has been disbursed	VND414.3 billion (before VAT: VND376.6 billion).

### DHG PP1 FACTORY

It was put into operation in Jan/2014.

The total approved investment value	VND94.7 billion
Has been disbursed	VND84.8 billion (inclusive of VAT)

### TRANSFERRING LAND-RENTING FORMS TO LAND ALLOCATION WITH LAND USE FEE AT 5 POSITIONS AT CAN THO CITY

with values of VND34.7 billion. Amount of VND30.8 billion has been disbursed.

### PERFORMING TRANSFERRER AND TRANSFEREE FOR LAND USE RIGHTS

Transferee of land use rights in HCMC (Tan Quy Dong commune, Tan Phong ward, District 7, HCMC) 120 m<sup>2</sup> with the price of VND46 million/m<sup>2</sup>, the total value of land of VND5.52 billion; in Thai Nguyen (parcel No. 147, map no. 33.130m<sup>2</sup>, urban land) with price of VND1.1 billion, in which was transferred 30%, corresponding to VND330 million.

The Company has already transferred land use rights at Binh Hung commune, Binh Chanh dist., HCMC with the price of VND 5.32 billion (its procedure will be implemented in Q1/2015) and at parcel no. 34, 30/6 street (previously Tran Hung Dao street.), Nam Khanh ward, Ninh Binh town, Ninh Binh province with the price of VND1 billion.

### INVESTING IN OFFICES FOR THE BRANCHES, SUBSIDIARIES

#### Works were put into use, has been already balanced

Address	Estimates (VND)	Increasing assets (VND)
TVP Pharma	3,482,473,496	3,010,801,503
ST Pharma	6,136,383,132	4,931,927,258
CM Pharma	6,413,097,063	6,111,574,545

#### Works are in the process of construction

Address	Estimates (VND)	Contracted/Bid price (VND)	Disbursed (VND)
Hai Phong branch	8,162,364,181	8,122,597,091	1,624,519,418
Ba Ria Vung Tau branch	3,932,046,401	3,628,538,564	725,707,713

### PROJECT TO RENOVATE FACTORY 1&5, FACTORY 4 (SEPARATING MEDICINAL MATERIALS LINE FROM PHARMACEUTICAL CHEMISTRY LINE)

The estimated value was VND34.87 billion (including VAT) and amount of VND34.1 billion (including VAT) has been disbursed. This project was approved GMP WHO standard by Vietnam Drug Administration on 21/Dec/2014.

### PROJECT OF DATA CENTER

Initial estimate was VND19.7 billion, adjusted to VND13 billion (not implementing a backup center at Tan Phu Thanh plant); the value of signed contract was VND12.9 billion (before VAT: VND11.7 billion) with disbursement of VND5.3 billion.

### PROJECT OF HAND-HELD APPARATUS FOR SALES FORCE

The estimate value was VND6.1 billion; the value of signed contract was VND6.1 billion (including VAT). A amount of VND4.82 billion has been disbursed.



## REVIEW OF BUSINESS RESULTS OF SUBSIDIARIES

### SUMMARY OF PERFORMANCE OF THE SUBSIDIARIES

Unit: million VND

No.	Name of subsidiaries	Total assets 2014	Net sales 2014	Net sales 2013	Profit before tax 2014	Profit before tax 2013
1	A&G Pharma	53,585	145,766	111,113	7,126	5,555
2	Bali Pharma	27,286	71,007	58,245	5,028	4,142
3	CM Pharma	26,786	79,813	69,418	3,882	4,830
4	DT Pharma	15,564	52,614	49,330	2,128	2,983
5	SH Pharma	57,541	127,582	137,371	2,591	10,164
6	ST Pharma	42,184	89,698	73,318	6,197	3,858
7	TG Pharma	23,837	58,160	43,604	1,560	1,853
8	TOT Pharma	94,232	270,126	257,081	13,101	12,288
9	HT Pharma	39,029	89,761	70,169	5,833	4,781
10	VL Pharma	26,025	78,683	49,787	2,294	1,103
11	TVP Pharma	34,073	58,843	36,006	2,851	1,986
12	B&T Pharma	21,743	57,139	31,254	2,611	1,028
13	DHG Travel	8,951	64,913	73,204	2,632	3,898
14	DHG PP1 + DHG PP	121,773	224,182	217,073	44,931	33,917
15	DHG Nature	14,549	47,415	46,819	5,019	4,707
16	DHG Pharmaceutical Factory	504,433	295,426	-	24,864	-0,232

### ASSESSING GROUP BUSINESS PERFORMANCE OF THE DISTRIBUTION SUBSIDIARIES

#### Revenue

#### B&T Pharma

↑ **82.8%**

EQUIVALENT  
TO VND 25.9  
BILLION

#### TVP Pharma

↑ **63.4%**

EQUIVALENT  
TO VND 22.8  
BILLION

#### VL Pharma

↑ **58.0%**

EQUIVALENT  
TO VND 28.9  
BILLION

Net sales of most distribution subsidiaries have a good growth. Those having a typical high growth rate include B&T Pharma (82.8%), TVP Pharma (63.4%), VL Pharma (58%), and TG Pharma (33.4%), and A&G Pharma (21.9%).

As regards absolute figures, the highest growth of net sales was A&G Pharma (VND34.6 billion), followed by VL Pharma (VND28.9 billion), B&T Pharma (VND25.9 billion), TVP Pharma (VND22.8 billion). DT Pharma grew 6.7% since it got overheating over 50% in the previous years.

TOT Pharma being a distribution subsidiary with the highest revenue growth of VND13 billion in the year only brings 5.1% of growth rate for the Company. TOT Pharma's revenue growth was not higher than that of previous years due to the decreased revenue of ETC channel.

As for SH Pharma, it is most affected by circular 01; therefore, its revenue of OTC channel grew to 26%, but still not offsetting the decline in revenue from the ETC channel. The revenue result of 2014 decreased by 7.1% compared with 2013.

#### Profitability

B&T Pharma ↑ **153.9%**

VL Pharma ↑ **107.9%**

ST Pharma ↑ **60.6%**

TVP Pharma ↑ **43.5%**

Income growth of the distribution subsidiaries was unequal. Some subsidiaries having a very high profit growth include B&T Pharma (153.9%), VL Pharma (107.9%), ST Pharma (60.6%), TVP Pharma (43.5%). As regards absolute figures, A&G Pharma and B&T Pharma have the highest growth rate of over VND1.5 billion, followed by VL Pharma (VND1.2 billion) and HT Pharma (VND1.05 billion).

Conversely, a number of other subsidiaries give negative profit growth compared with 2013. The most falling are SH Pharma (74.5%), followed by DT Pharma (28.7%), CM Pharma (19.6%), and TG Pharma (15.8%). The decreased profitability of these subsidiaries is due to the impact of the sales structural shift to OTC channel and discount for tender in the ETC channel.

### ASSESSING GROUP BUSINESS PERFORMANCE OF THE CONCENTRIC DIVERSIFICATION SUBSIDIARIES

As for DHG Pharma Co. Ltd. (the new plant in Tan Phu Thanh Industrial Zone): It began operations on 20/Apr/2014 with revenues earned VND295 billion, PBT of VND24.8 billion. DHG Pharma Co. Ltd. operates only about 25% capacity due to pending product registration numbers. In 2015, growth of revenues and profits of DHG Pharma Co. Ltd. are expected to be higher due to getting much more registration numbers (for Non Betalactam factory) and the Parent company's capacity continued to be relocated to the new plant.

As for DHG Travel, DHG PP1, and DHG Nature primarily serve the input needs and services of the Parent company; so their growth of revenue and profitability depend on production plans, business, and orders of the Parent company. In 2014, the Parent company reduced some costs for customer care in the form of tourism; consequently DHG Travel's revenues decreased by 11.7% and its profits also fell to 32.5%. DHG PP1's revenue growth was only 3.3%, but its profit rose by 32.5% compared with 2013 due to new investments in machinery and factory and effective cost reduction.



## FACTORS FOR GETTING RESULTS OF 2014

Keeping of product quality and brand reputation of DHG Pharma created a peace of mind, confidence for consumers, physicians.

A deep and wide distribution. Products were present at provinces, cities and most of hospitals in the country.

Accessibility to standards, management processes; business management knowledge and tools for building and implementing strategies of business and production, satisfaction of customer's needs were more

and more perfectful and professional.

Support and assistance of agencies of health, social insurance, health insurance; Drug Administration, agencies of customs, tax, and local governments in the country.

Follow hard on performance of proposed strategies; be flexible in management process; timely adjust appropriate internal policies; and determine and make efforts of DHG's staffs.



A machine producing soft capsules at DHG Pharma.

## THINGS HAVE NOT BEEN DONE

**1** Delay of construction progress of Betalactam factory due to progress of contractor selection of Panel package (which was cancelled 3 times). This factory is expected to complete by the end of May/2015.

**2** The new plant has come into operation and generated new problems in production, executive management between the Parent company – the subsidiary and employee's psychology.

**3** The new rules on application for product visas are quite tight; so, visas for products of the new plant has not got as expected. This affects production plans and efficacy of capacity utilization of the new plant.

**4** Some projects have not been implemented:

- » Project of investment in acquisition of ASV Pharma's shares was ceased because DHG focuses on product distribution in Myanmar in advance.
- » Project of investment in candy production line has not been implemented due to slow consumption on the market.
- » Project of investment in a system of regional warehouses has not been implemented due to inappropriate location selection.
- » Project of construction of an excipient and material warehouse at CMT8 general warehouse has not been implemented by considering a feasible plan of central warehouses.

**5** Due to providing a list of multiple products, the forecast of market demand of the Company met difficulties. By time period, the unreasonable inventory and production capacity have not been met sales demand timely.

**6** The promulgation of new policies, changes in sales system in the difficult, competitive market conditions, and the impact of Circular 01 to the ETC channel created a great pressure to achieve the business targets in the last months of the year although they contributed to output increase, construction of a foundation for sales system towards professional and effective.

**7** In 2014, the processing of goods (Eugica products) also met obstacles due to difficult condition of sales; so processing revenue did not reach the year plan, creating a pressure to achieve the Company's business targets.

**8** Export revenue did not achieve the plan in 2014 and not grow compared to 2013 due to political instability in Eastern Europe, Russia that has seriously affected business of the Company's partners. In addition, the year-end orders were moved to Jan/2015 under lading date.

**9** The general system administration, regulations, rules, etc. needed to be improved to achieve a high efficiency in management and be appropriate for development demand of the Company.

**10** ERP application (BFO solution) in management has nearly completed; however, it has not been operated across the system for setting up consolidated financial statements. Because some subsidiaries currently have only implemented some parts, not applying the preparation of financial statements.

## REPORT ON BUSINESS AND PRODUCTION ACTIVITIES OF 2014

### DEVELOPMENT & REORGANIZATION OF DISTRIBUTION SYSTEM



**Complete Phase 1 of:** the project “Restructuring of a professional – effective sales system”; the project “Developing potential areas”, and the project “Selling by use of hand-held tablets”. These projects help the sales system be more professional and efficient; help increase production, and contribute to capacity utilization of the plant. However, the initial implementation also encountered difficulties due to change in the habits of staffs and customers. Thus, the Company has gradually adjusted to fit more suitably and simply.

Effectively exploit advantages of distribution system, increase in income through development of imported goods trading. Revenue of exclusive imported goods distribution in 2014 was VND96 billion, reaching 110% of the year plan, accounted for 2.5% of total net sales.

Improve the quality of customers:

- » As at 31 December 2014, total customers of DHG Pharma including hospitals, health centers, pharmacies, private companies and drugstores were 25,171, increasing 14.4% y/y. In which, Customers of Prosperity Club (revenue of VND4 million or more per month) were 10,154, increased by 3.76% y/y.

Implement significant activities of customer care.

**25,171**  
TOTAL CUSTOMERS  
INCREASING 14.4% Y/Y

### MAXIMIZE THE CAPACITY AND EFFICIENCY OF PRODUCTION, QUALITY, RESEARCH

#### PRODUCTION

##### New NonBetalactam factory was put into operation

- » The new NonBetalactam factory was officially put into operation on 20 April 2014.
- » Designed capacity was 04 billion product units/ year.
- » Due to the remaining operating time less than 12 months, the Company registered to put off the beginning time to receive the preferential tax policy to 2015.
- » After having enough visa nos. of products, the estimated capacity of the plant will reach maximum 75% in 2015.
- » The registration progression of products of Non-Betalactam factory till 31 December 2014: 82/158 of total submitted dossiers.



#### Investment in equipment for production

In 2014, the production units additionally invested in 15 new equipment for production line. The investment in equipment for production helped enhance production capacity; timely meet goods demand for the market, particularly in rush months; reduce labor; increase 3% of labor productivity yoy. As for DHG PP1, the investment helped increase value of post-printed packing for difficult designs which requires high professionalism and aesthetics.

#### Gradually increase automation rate

One of development strategy goals of the Company is gradually to replace manual labor with automation in order

to reduce labor cost, increase capacity, and improve the development of the plant to be more modern. Thus, the automation in production at the beginning of the year was implemented in the production units. There were 18 topics of automation in production registered to implement. Among of them, 6 topics were being researched, 7 topics were being tested, 5 topics were completed and being under production.

Although there were many obstacles in the initial implementation, topic owners tried to well-coordinate with factories for completion of artworks and stable activities. In 2014, there were 8/58 fully automated production lines (for both plants), accounting for 13.8%.

#### QUALITY

With more and more increase in scale and quantity of finished products, the system maintenance and improvement were very important to keep and enhance the product quality. In 2014, the Company implemented:

- » **System maintenance:** Re-evaluate pharmaceutical production lines complied with WHO GMP standard; QC complied with ISO/IEC 17025, WHO GLP; central warehouse complied with GSP and intermediate

warehouses at branches, subsidiaries complied with GDP. The project “separating the medicinal materials line from pharmaceutical chemistry line” has been completed and certified GMP WHO standard by Drug Administration of Vietnam on 21 December 2014.

- » **System improvement:** Inviting CMPlus Corporation to evaluate the real situation of the new plant in Tan Phu Thanh Industrial Park in comparison with PIC/S standard for getting further performance method.



An area growing *Coleus amboinicus Lour.* at Tri Ton, An Giang province.

### SCIENCE RESEARCH AND BIOEQUIVALENCE

In 2014, the Company deployed to produce 9 new products with industrial scale and improve 20 production processes.

The Company implemented and proclaimed the clinical result of Naturez. This product has created a 4-link chain: State – Scientist researcher – Manufacturer and Farmer, creating economic and social benefits.

The Company successfully continued testing of bioequivalence for products: to get competitive advantages for tender in hospitals and to help physicians, end-users feel secure in use. The Company successfully tested bioequivalence for 22 products at Institute of Drug Quality Control of HCMC and National Institute of Drug Quality Control. Among of them, there were 11 products proclaimed by the Ministry of Health

on the website of Drug Administration.

#### Set up a value chain for natural products

Project of *Coleus amboinicus Lour.* at Tri Ton – An Giang was nonrefundably supported from Vietnam Enterprise Challenge Fund with amount of VND2.6 billion. DHG Nature was paid VND1.096 billion; the remaining will be received in 2015. This project has also enlisted the support of BioTrade Vietnam project about cost of farmer training, farming process, etc. worth nearly VND200 million.

On 8 November 2014, DHG Nature was recognized as a member of the Ethical BioTrade Union for the value chain of natural products of DHG Pharma.

## MAXIMIZE CAPACITY, EFFECTIVENESS OF CORPORATE GOVERNANCE, FINANCE, SUPPLY CHAIN

### GRADUALLY PROFESSIONALIZE CORPORATE GOVERNANCE

Standardize regulations and processes of Corporate governance, including: amending the Corporate governance regulation, setting up and issuing stipulations of approval decentralization at the Parent Company; archives stipulations of the Parent Company; financial regulation of production subsidiaries; draft amendments of financial management regulations of the Parent company and the distribution subsidiaries.

**For compliance, internal control, risk management:** The Internal Control Board carried out regular inspections in sales units and subsidiaries; examined items of management cost, sales cost on financial statement of the Parent Company; checked compliance with supply process, business process arising costs related to Marketing's selling; checked compliance with production in the new plant.

Apply information technology in management with ERP project, hand-held tablets for sales personnel.



### PROFESSIONALIZE FINANCIAL MANAGEMENT

Shorten progress of setting up financial statements. Provide information to shareholders, investors clearly, exactly, timely.

Hire EY consulting firm to set up a model of organizational structure of finance and accounting, to deploy processes, job prescriptions to accounting.

Manage budget and carry out financial analysis, appraise investment projects to give the investment decisions with a high practicability.

IR activities maintained a good relationship with investors; approached more new potential investors with financial capacity and experience, also created a good impression on DHG trade name at the stock market in ASEAN area and US stock market through major events.

### PROFESSIONALIZE SUPPLY CHAIN MANAGEMENT

Reduce loss in production of VND389 million (2.3%) compared with 2013. Reduce aluminium loss by 2.26%, PVC by 4.54%. Total value of loss reduction efficacy was VND5.2 billion. Complementation rate of the forecasted plan was 104.4% and the order rate timely meeting customer needs was 98.2%.

Deliver right quality, quantity, no mistakes. Minimize mistakes in delivery and receipt not more than 4 times/ year. Rebuild a reasonable inventory norm to branches and distribution subsidiaries that will be deployed in 2015.

Provide timely raw materials, packing; find more sources of raw materials, packing to meet the requirements for reserve; and minimize mistakes in making plan of supply, production.

**PRODUCT LOSS**  
↓2.3%  
compared with 2013

**ALUMINIUM LOSS**  
↓2.26%  
compared with 2013

**PVC LOSS**  
↓4.54%  
compared with 2013



Meeting with a supply partner in Japan.

### EXPAND INVESTMENT COOPERATION TOWARDS CONCENTRIC DIVERSIFICATION

The Company worked with some partners such as Japan, USA, Europe, and Indonesia on product distribution and production cooperation. The projects are in analyzing practicability and applying dossiers for visas.

### CHANGES IN DEPARTMENT STRUCTURE IN 2014

**Finance/Accounting/IR sector** before 19 Jan 2015 included 2 units: Financial Management Department and Investor Relation Board (IR). After 19/Jan/2015, Financial Management Department was divided into 2 units, including Accounting Department and Finance Department.

Purpose: to strengthen role of financial analysis and management accounting, to advise the Board of Management in investment decisions and business administration, cost control.

**The Internal control board** including legal division was divided into 2 units: Internal control board and Legal board.

Purpose: increasingly complete corporate governance system, promote compliance with the Company's provisions and legal provisions.

### ACTIVITIES TO PROMOTE PERFORMANCE AND CORPORATE GOVERNANCE

Form and build strategic objectives consistent with the vision of "For a more beautiful and healthier life", the mission and core values. The administration tools are regularly trained and practised in the management levels.

Apply standards, management processes, corporate governance knowledge and strategy development tools. Manage production and business to adapt to changes in market. The yearly objective is explicitly built for the whole company, functional sectors and each unit.

Apply management tools "Key Performance Indicator" (KPI) to assess the process of deployment, implementation of yearly operating goals – targets. Quarterly, review results, analyze and forecast performance ability of targets in the year, appropriateness of solutions; thereby adjusting the operating aspects.

Promote advantages of the organizational structure according to structure of functional sectors, decentralization, responsibility assignment in the implementation of tasks.

Employ consultants for organizational restructuring, corporate governance system, accounting – financial function, and human resource management.

Review and complete the system of statutes, regulations, standard operating procedures, work instructions according to requirements, job management, and law.

Enhance the role of internal control system, financial function and promote compliance through separating each department in charge of these functions.

Invest in application of management software BFO for the whole distribution system and office-service sectors.

Organize, discuss, and unify strategic directions, objectives, performance measures of yearly targets. Hold the Employee Conference under the regulation of a joint-stock company.

Timely inform monthly reports on production and business results; the implementation of policies related to obligations and rights of employees.

Launch innovative movements which attracted 550 ideas, improvement initiatives that helped save costs, rationalize works. The total effective value was VND24.8 billion; rewards for collectives or individuals giving ideas – innovations were in the amount of VND3.3 billion.



**550** IDEAS,  
IMPROVEMENT  
INITIATIVES

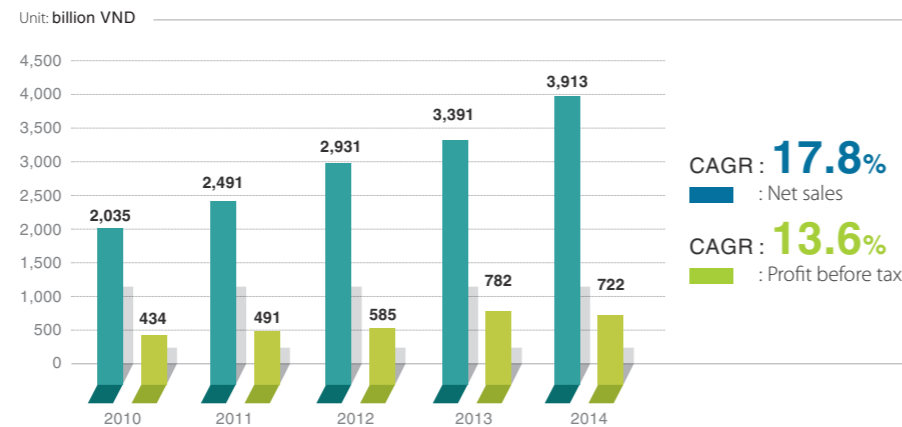
# 1. ANALYSIS OF BUSINESS PERFORMANCE

NET SALES OF 2014 WAS VND3,913 BILLION THAT WAS 2.3 TIMES COMPARED WITH THE SECOND COMPANY.

2014 was a year full of difficulties and challenges for the pharmaceutical industry in general and DHG Pharma in particular. The influence of Circular 01 has affected most of the pharmaceutical companies that are domestically manufacturing. The companies have shifted its focus to trade investment with the aim of offsetting OTC market share lost from ETC channel. This causes considerable pressure to the OTC market, which has been the strength of DHG Pharmaceutical JSC (DHG), and causes DHG to lose much time, resources and more cost to achieve the target revenue and profit for the year.

Overcoming many difficulties, at the end of fiscal 2014, DHG continues its successful business with the planned sales targets and profitability. Especially, net revenue from production and business activities reached VND3,913 billion, up 15.4% over last year and reached 100.8% of the plan. Earnings before tax (EBT) excluding financial income reached VND687 billion, 100.2% of the plan. If additional financial income (excluding extraordinary income from the deal of Eugica) is included, EBT was VND722 billion, up 9.5% compared with 2013.

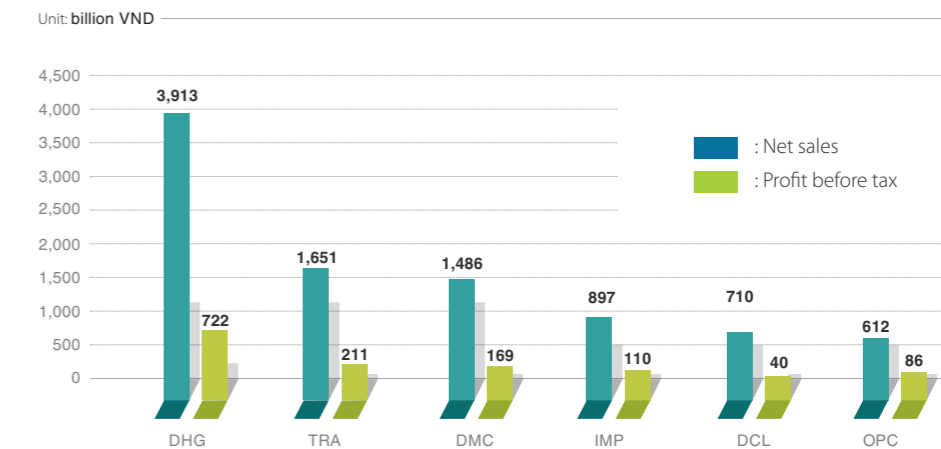
## Net sales - profit before tax from 2010 - 2015 of DHG



Source: DHG's Audited Consolidated Financial Statements 2014.

Over the last 5 years, the Compound Annual Growth Rate (CAGR) of revenues was , 17.8%, pretax profit CARG was 13.6%. To compare with DHG's peers (Traphaco - TRA, DMC - DMC, Imexpharm - IMP, DCL - DCL and OPC), in 2014, net sales of DHG was 2.3 times greater than the second one (TRA), profit before tax (PBT) of DHG was 1.2 times greater than the 2014 PBT of all together.

## Comparison of net sales - PBT in 2014 of some listed Pharmaceutical companies



Source: Audited Consolidated Financial Statements 2014 of the pharmaceutical companies.

Due to the decrease of proportion of commodity trading segment (with low gross profit margin), in-house products segment's contribution (with a higher gross profit margin) increased significantly, and subsequently contributing to the rise of gross profit margin of the Group in the year. Besides, that the list of products produced annually restructured in order to stay more focus on the products which are both high value and high gross margin, better matching market demand and also helped gross profit margin of the whole Group increased quite significantly.

	2010	2011	2012	2013	2014
Gross profit margin	50.1%	48.5%	49.3%	48.0%	54.5%
Earnings Before Tax Margin	21.3%	19.7%	20.0%	23.0%	18.5%
Return on Sales (ROS)	18.7%	16.7%	16.6%	17.4%	13.6%
Return on Equity (ROE)	29.8%	30.1%	28.8%	29.7%	23.4%
Return on Assets (ROA)	20.9%	20.8%	20.4%	19.1%	15.3%

Source: DHG's Audited Consolidated Financial Statements of the past years.

PROFIT BEFORE TAX IN 2014  
**722** VND BILLION  
↑ 9.5% COMPARED WITH 2013

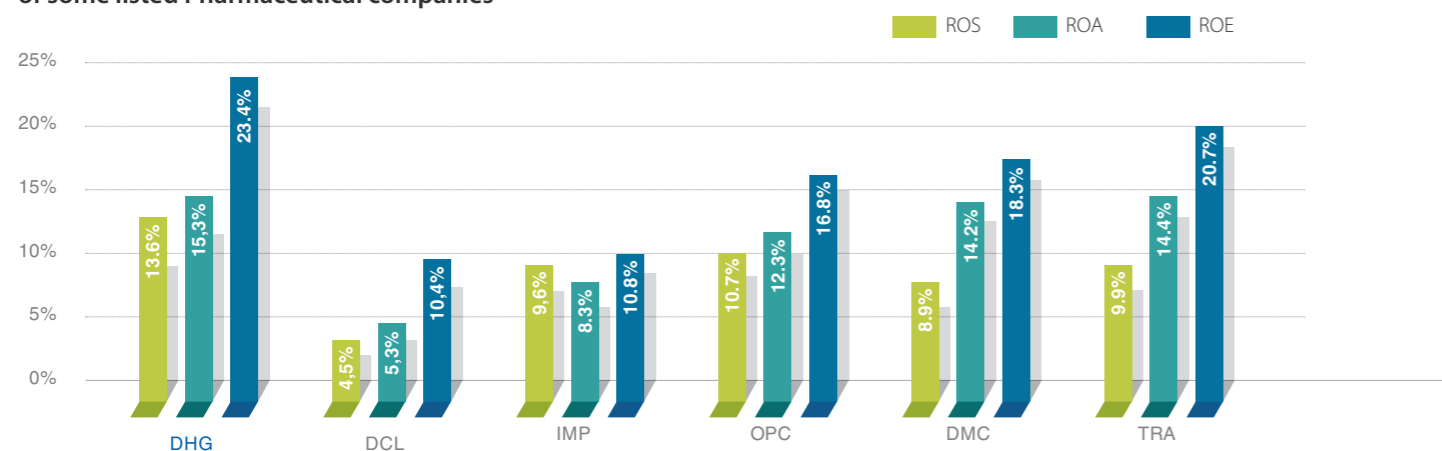
> **1.2** TIMES  
GREATER THAN THE 2014 PBT OF ALL TOGETHER



Compared to the same industry listed companies, the profitability of DHG in 2014 shows the superiority in all 3 main profitability indicators. Particularly for Traphaco (TRA), the company which is considered to be the second profitable after DHG, the profitability of TRA this year has somewhat declined as compared to 2013 due to the decrease of profit before and after tax.

Pretax profit ratio of DHG continues to maintain at a high level. However, due to higher tax burden, the ROS of DHG was negatively affected. Nevertheless, this still maintains a sizable distance as compared to other listed pharmaceutical companies. This coupled with the DHG's superior sales did help the bottom line of DHG always be much higher than its rivals.

Comparing the ROI in 2014  
of some listed Pharmaceutical companies



Source: Audited Consolidated Financial Statements 2014 of the list pharmaceutical companies.

## EXTENDED DUPONT ANALYSIS

### The impact of corporate income tax (CIT)

**THE NEW PLANT AT TAN PHU THANH INDUSTRIAL ZONE RECIEVES PREFERENTIAL TAX EXEMPTION FOR 15 YEARS SINCE 2015 (0% FOR THE FIRST YEARS, 5% FOR THE NEXT YEARS, 10% FOR THE REMAINING YEARS).**

According to DuPont analysis, after the stable period of the years 2010-2012, the net profit margin/EBT trends towards reduction from 2013 - 2014. It means tax burden continues to affect ROE in 2014.

This is primarily due to the Parent company is out of the time of preferential tax exemption (the Parent company still enjoys 20% of tax rate for pharmaceutical business production activities in 2013 and 2014). Besides, the tax burden increased in part due to the cost of advertising, promotions, receptions in 2014 exceeding 15% of total reasonable costs.

Starting in 2015, the ceiling of 15% cost control will be lifted. With this new policy, DHG will be more active in the allocation of expenses to increase the competitiveness of goods.

The subsidiary DHG PP1 went into operation in Tan Phu Thanh Industrial Zone and started enjoying preferential tax exemption of 15 years since 2014. As for the new pharmaceutical factory in Tan Phu Thanh Industrial Zone, due to the 1st phase of plant relocation in April 2014, the remaining operating time is less than 12 months; so the Company has registered the start time to enjoy tax incentives since 2015.

FORMULA	DESCRIPTION	2010	2011	2012	2013	2014
	Net profit / earnings before tax (EBT)	87.8%	84.6%	83.1%	75.4%	73.9%
<b>X</b>	EBT/ earnings before tax and interests (EBIT)	108.6%	108.8%	106.7%	105.8%	104.3%
<b>X</b>	EBIT/Net sales	19.7%	18.1%	18.7%	21.8%	17.7%
<b>=</b>	Net profit / net sales	<b>18.7%</b>	<b>16.7%</b>	<b>16.6%</b>	<b>17.4%</b>	<b>13.6%</b>
<b>X</b>	Net sales / Total Assets	1.12	1.25	1.23	1.10	1.12
<b>=</b>	ROA	<b>20.9%</b>	<b>20.8%</b>	<b>20.4%</b>	<b>19.1%</b>	<b>15.3%</b>
<b>X</b>	Total assets / Total equity	1.42	1.44	1.41	1.55	1.53
<b>=</b>	ROE	<b>29.8%</b>	<b>30.1%</b>	<b>28.8%</b>	<b>29.7%</b>	<b>23.4%</b>

Source: DHG's Audited Consolidated Financial Statements 2014.





**Impact of interest income**

At 31 December 2014, the cash and cash equivalents of the Group reached VND496.5 billion. If including the value of 3-month-and-more term deposit, which was considered as short-term investments, the cash and cash equivalents were VND757.1 billion, down 3.3% from the previous year. Indeed, disbursement for the new plant plus increase in receivables from customers made a reduction of currency at the end of 2014 compared with the previous year. However, in 2013, the currency collection from Eugica business transaction helped to strengthen cash position of the Company. Accordingly, if excluding the extraordinary factor, DHG's position of cash and cash equivalents did not decrease in 2014.

In 2014, the Group has spent a large amount of money for investment and development, including: (i) VND143.8 billion for the pharmaceutical factory and DHG PP factory in Tan Phu Thanh Industrial Zone, (ii) VND31 billion for separating the medicinal material line from the pharmaceutical chemistry one at the current plant (iii) VND10.2 billion for the project of data center and tablet system for sales personnel, and (iv) VND49.9 billion for purchase of land, building houses for distribution system...

Interest on deposits collected in the year was VND34.7 billion, representing 4.8% of total PBT. Expected in 2015, the total amount for dividend payment

is about VND400 billion (30% of par value in 2014 and advance of 15% par value in 2015). Expected disbursement of investments is VND547.4 billion, of which the remaining investments are VND373.5 billion and investment plan 2015 is VND173.9 billion. With the above disbursement plan and the declining trend of rate of bank deposits, it is expected that the interest on deposits will drop significantly this year. Therefore, the indicators ROS, ROA and ROE will be almost without significant support from this source.

**Impact of net margin**

In 2013, net profit margin was significantly increased due to the impact of extraordinary income from Eugica transfer. In 2014, the net profit margin was lower than year 2011 and 2012 since DHG has increased costs for marketing activities, promotions, customer care, product introduction seminars to maintain its market share before the competitive pressure of enterprises shifting to OTC segment.

In summary, the first part of DuPont analysis shows that the ROS fell below 15% since the tax burden increased significantly, the impact of interest income gradually decreased, and the net profit margin was not as high as in previous years.

**Impact of financial leverage and sales-to-total assets ratio**

According to DuPont analysis, financial leverage and sales-to-total assets ratio were equivalent to that of the year 2013. Therefore, the decline of ROA and ROE in 2014 was mainly due to ROS not as high as the previous years. Starting in 2015, there will be no longer control cost regulations and DHG officially receives tax incentives for profit from DHG Pharmaceutical factory. Therefore, it is expected that the tax burden will decrease considerably. This contributes to support the indicators ROS, ROA and ROE recovering from the high levels of the previous years.

IN GENERAL, THE SALES-TO-TOTAL ASSETS RATIO OF THE GROUP REMAINED AS IN 2013 EXCEPT SHARP INCREASE IN THE AVERAGE COLLECTION PERIOD. THE PERFORMANCE INDICATORS OF THE COMPANY HAVE NO SUDDEN CHANGE COMPARED TO THE PREVIOUS YEAR.

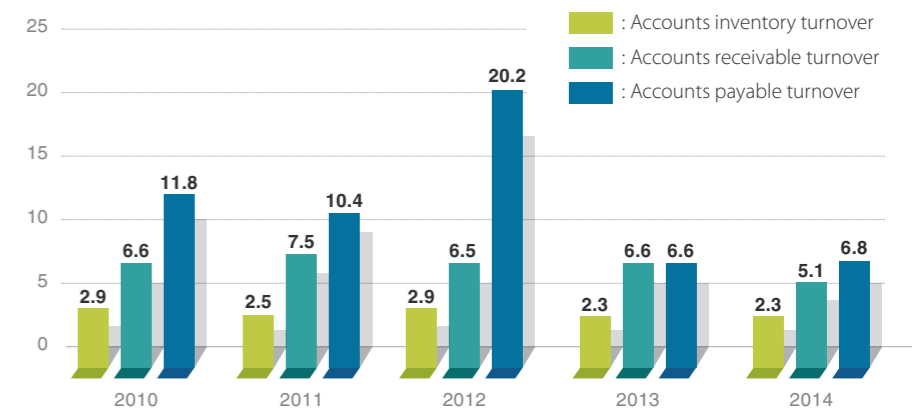
**SALES-TO-TOTAL ASSETS RATIO**

	2010	2011	2012	2013	2014
Average number of inventory days	125	147	126	157	160
Average collection period	55	50	56	55	71
Average number of days payable	31	35	18	55	54
Cash conversion cycle	149	161	163	157	177

Source: DHG's Audited Consolidated Financial Statements of the past years.

Accounts receivable turnover reached 5.1 times, increase of 0.3 times compared to year 2013. Receivable from customers was strongly increased at 31/12/2014 by end-year high sales. At the end of December 2014, liabilities were recorded an increase of 48% over the same period.

However, the liabilities situation of DHG is still under control, mainly short-term debts of OTC channel. In the first months of 2015, the liabilities have significantly decreased. Especially, at the end of Feb. 2015, domestic receivable has collected VND442 billion in total VND760 billion of existing domestic customer receivables at the end of 2014.



Source: DHG's Audited Consolidated Financial Statements of the past years.

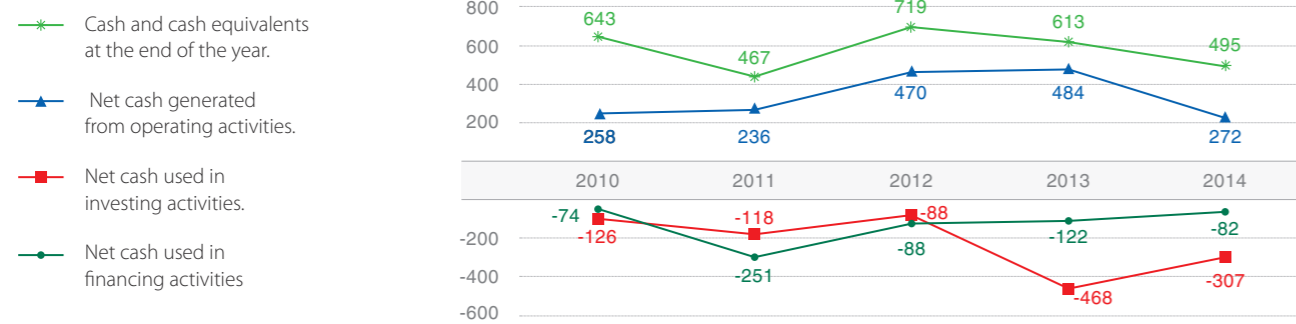
Accounts inventory turnover remained at 2.5 times. This shows that the impact of inventory to serve factory relocation and wait for the new registration numbers happened throughout 2014 and will continue in the year 2015. Hence, inventory has been forecasted to remain high at least until the end of 2015.

Generally, the management of payables seems to be improved. This slower payment helped keep cash and significantly support the liquidation of the Group, especially when cash resources are not abundant as before. Meanwhile, the average collection period has shown signs of increasing, putting a pressure on liquidity. However, as mentioned above, the strong increase in liabilities at the end of 2014 was extraordinary because revenue increased suddenly at the end of the year. With the good debt collection in Q1/2015, it is expected that accounts receivable turnover will return to the average level of 6 times as the previous years.

**ANALYSIS OF “CASH-GENERATING”  
ABILITY OF THE GROUP**

AT THE END OF 2014, THE NET CASH FLOW FROM BUSINESS ACTIVITIES FELL TO POSITIVE VND272 BILLION, LOWER THAN THE PREVIOUS 2 YEARS, BUT EQUIVALENT TO THE CASH FLOW IN 2010 AND 2011.

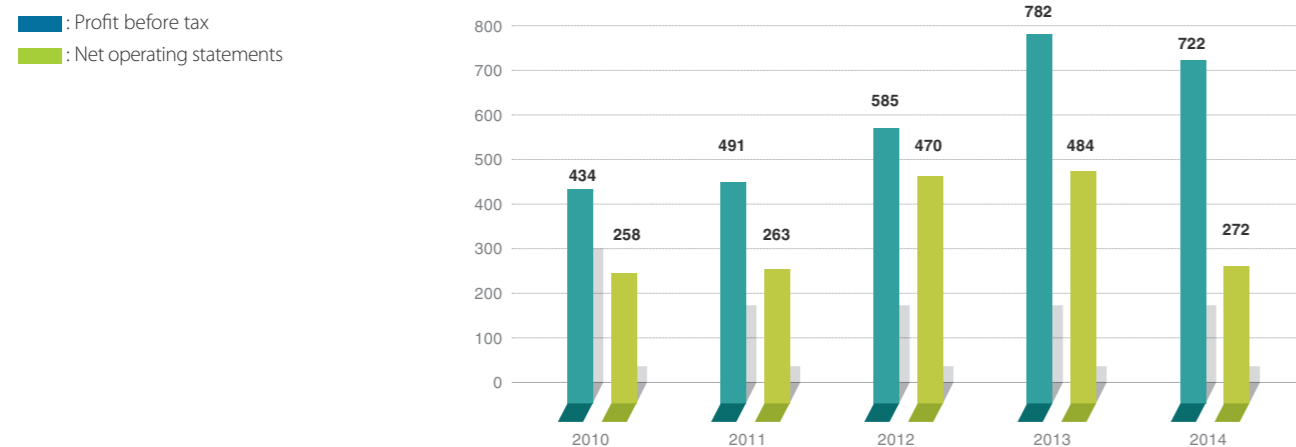
Meanwhile, the cash flow paid for investments and financing activities fell sharply compared with the year 2013. Therefore, cash and cash equivalents insignificantly reduced to VND495 billion as of 31/12/2014. In fact, the cash flow paid for financing activities has a 3-month-and-more term deposit worth VND261 billion and amount which DHG has not paid dividend yet (as the previous years) in 2014 approximately VND87.1 billion (10% of face value). Compared to the time of 2012 onwards and in essence, the deposit of VND261 billion must close to nature of the item cash and cash equivalents. This means that the Company’s available cash decreased 7.8% yoy.



Source: DHG’s Audited Consolidated Financial Statements 2014.

Positive cash flow generated from business activities decreased in the year, primarily due to reduced profit before tax and increased negative cash flow induced by an increase in receivables. The increase in total value of inventory was offsetted by deferred payment of providers to strengthen cash flow from business activities.

Unit: billion VND



Source: DHG’s Audited Consolidated Financial Statements of the past years.

For current payment index, in 2013 and 2014, DHG has heavily invested in fixed assets. The proportion of current assets decreased respectively, causing reduction of current liquidity ratios. Also, at the end of 2014, in addition to ordering the materials reserve for factory relocation, the Group should also strengthen reserves some key raw materials for production.

The increase in raw materials inventory was to meet input requirements and stabilize product quality because the different supplies of new raw materials need to be monitored stability at least 06 months. Since the inventory

continues to remain at a high level, the quick ratio is more volatile than the previous years. The ratio is forecasted to be significantly improved since DHG increases choices of reputable suppliers and tests stability of raw material.

As for cash ratio, it continued to decline because of disbursement under progress for investment projects and the increased receivables at the end of the year and especially transfer of large amount to “short-term investments” (long-term bank deposits to take advantage of the high interest rates). Namely, as at 31 December 2013, DHG Pharma, with its cash and

cash equivalent, can immediately pay approximately 44% of existing short-term liabilities. It will be 68% if including long-term bank deposits. This rate is relatively high compared to other pharmaceutical companies.

Therefore, by the cash-generating ability represented by cash flow from business and production activities which is always positive, DHG will not see serious risks in short-term liquidity. However, with requiring disbursement for investments and dividend payment in the future, the cash ratio will be under pressure if DHG does not manage well the customer account.

	2010	2011	2012	2013	2014
Current ratio	3.06	2.74	2.78	2.17	2.13
Quick ratio	2.32	1.79	2.00	1.43	1.43
Cash ratio	1.36	0.86	1.10	0.60	0.44

Source: DHG’s Audited Consolidated Financial Statements of the past years.

In comparison with liquidity ratios of other listed pharmaceutical companies, DHG’s ratios although were not too high but got at a safe level. IMP and TRA kept the best ratios among the listed pharmaceutical

companies. DMC, by reduction of short-term liability of VND108 billion, has significantly improved its ratios.

For DHG, because of increased receivables at the end of the

year and impact of materials and commodities reserve for relocation to the new plant, for provision against shortages of main raw materials, its ratios were not as good as the year 2013.

**Liquidity ratios of the listed pharmaceutical companies in 2014**

	DCL	OPC	DHG	DMC	TRA	IMP
Current ratio	1.39	2.28	2.13	2.13	3.08	3.59
Quick ratio	0.77	0.78	1.43	1.43	2.06	2.12
Cash ratio	0.06	0.29	0.44	0.44	1.12	0.89

Source: Audited Consolidated Financial Statements 2014 of the listed pharmaceutical companies and DHG’s calculation.

**ANALYSIS ON LARGE FLUCTUATIONS ON RESULT TABLE OF BUSINESS AND PRODUCTION ACTIVITIES**

In the year 2014, the revenue structure of distribution and processing of Eugica plummeted. This affected the overall sales structure and contributed for reduction of COGS of the Group. Eugica distribution fell because in 2014, DHG transferred Eugica to partners for self-distribution according to the signed contract. However, to focus on development of overseas markets, the partner gave back Eugica to DHG to continue distributing from Oct. 2014 to 31 July 2017. The proactive distribution of Eugica in next three years will help stabilize the processing sales of Eugica and contribute to DHG's sales and profit, concurrently reducing growth pressure on other business categories.

Since 2015, the ratio of COGS/net sales of self-produced goods is expected to increase due to accounting and revenue recognition; there will be a change of cost by the impact of Circular 200.

	2010	2011	2012	2013	2014
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of goods sold	49.9%	51.5%	50.7%	52.0%	45.5%
Gross profit	50.1%	48.5%	49.3%	48.0%	54.5%
Financial activities income (not including interest from deposits)	0.2%	0.3%	0.1%	0.1%	0.1%
Financial charges (not including interest)	0.1%	0.2%	0.1%	0.4%	1.6%
Selling expenses	23.8%	22.4%	24.2%	22.3%	28.1%
General & administration expenses	6.6%	7.4%	7.4%	8.0%	8.0%
Other incomes	0.5%	0.4%	1.4%	5.4%	0.9%
Other expenses	0.4%	0.6%	0.3%	0.9%	0.1%
Loss from associations	0.2%	0.4%	0.0%	0.0%	0.0%
Earnings Before Interest and Taxes - EBIT	19.7%	18.1%	18.7%	21.8%	17.7%
Interest income	1.8%	1.7%	1.3%	1.3%	0.9%
Interest expenses	0.1%	0.1%	0.1%	0.1%	0.1%
Profit before tax	21.3%	19.7%	20.0%	23.0%	18.5%
Corporate income tax	2.5%	2.9%	3.2%	5.6%	4.8%
Profit after tax	18.8%	16.9%	16.8%	17.5%	13.6%

Source: DHG's Audited Consolidated Financial Statements of the past years.

In 2014's expenses items with large fluctuations, we found that the financial charges ratio significantly increased. This caused by the cash discount taken from the item revenue deductions (Q4/2013) to the item financial charges for the correct nature of this charges.

The selling expenses ratio significantly increased, especially in the period of Q4/2014 since DHG strengthened expenses for promotions, seminars, customer care... to cope with competitive pressures, which are increasing in OTC channel. "Pull Strategy" through intensification of advertising, direct marketing to end-users has also been strengthened at the same time. Besides, in the year, the Group also completed the Phase 1 of the project: "Restructuring the sales systems to be professional - efficient"; the project "Development and exploitation of potential areas" and the project "Selling on portable tablets". The projects helped the sales system to be more professional and efficient; helped to increase output, capacity utilization of the plant. However, the implementation of these projects also increased expenses due to increase in personnel for direct selling, increase in transportation costs related to separation of delivery from collection. Thus, the selling expenses ratio on sales has increased during the year. Moreover, the decline of revenue structure from commodity trading also increased the selling expenses ratio which in 2014 primarily serves self-produced operations.

It is forecasted that the selling expenses ratio will decrease since 2015 because DHG started distributing

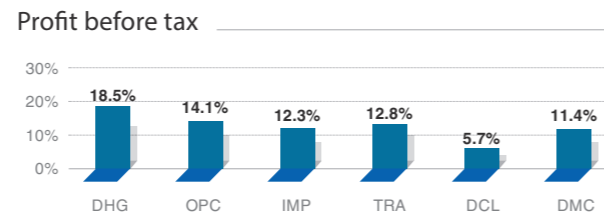
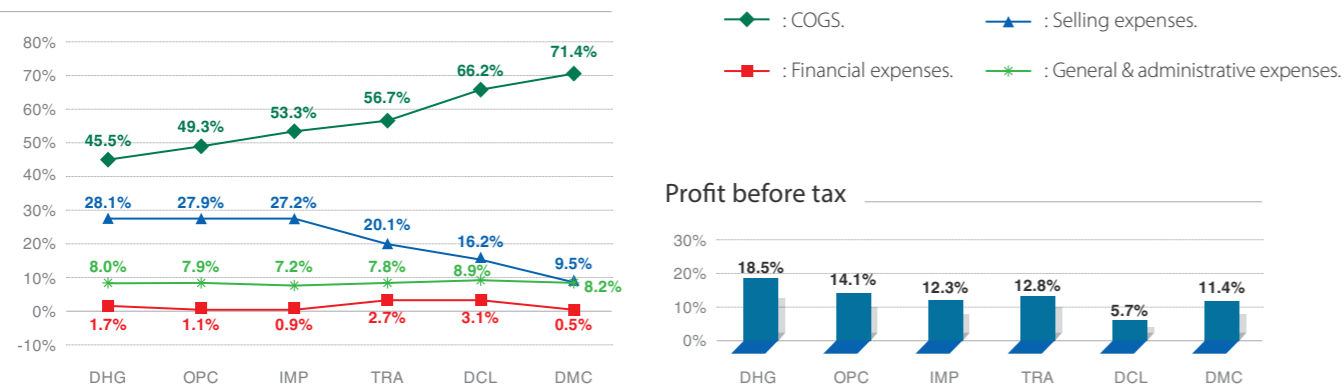
Eugica, which will increase revenue structure of external trading and the project of restructuring of sales system is being completed to promote the work.

However, with current pressure of the market, it is not expected that the selling expenses ratio will reduce significantly. Besides, in 2015, the new Corporate Income Tax law has repealed ceiling which controls expenses related to advertising and marketing activities. The selling expenses ratio, therefore, is expected to continue to be under pressure to remain high as current to counterbalance other competitors in the context of increased competition because these companies no longer suffer from control of ceiling for advertising and marketing as well.

General & administration expenses/net sales, in 2014 maintained at 8.0%/year, equal to year 2013. In terms of revenue growth, it was a positive signal that this ratio was not increasing but stabilizing. However, the ratio was rated as relatively high compared to other peers and should continue to be controlled more in the future.

Among the companies for comparison, DHG is the one with lowest ratio of cost of goods sold in 2014. This is important, as the following chart shows that the higher ratio of COGs, the lower the ratio of selling expense. In a fiercely competitive market by pharmaceutical companies with similar generics products, investment in distribution system and brand building played a very important role.

Expenses ratio of the listed pharmaceutical companies in 2014



Source: Audited Consolidated Financial Statements 2014 of the listed pharmaceutical companies.

However, if the COGS is not really low but the selling expenses ratio is high, it would affect pre-tax profit margin. We see that the IMP's COGS is higher than that of OPC, but the selling expenses ratio on revenue was equivalent, this has affected the pre-tax profit margin of IMP.

For DHG, the high selling expense ratio contributed

considerably in maintaining its leading position and has a long distance of revenue away with domestic competitors. A high gross profit helped pretax profit margin remained at high level compared to peers. A higher revenue plus best margin in the industry helped DHG's profit before tax outperform other companies.



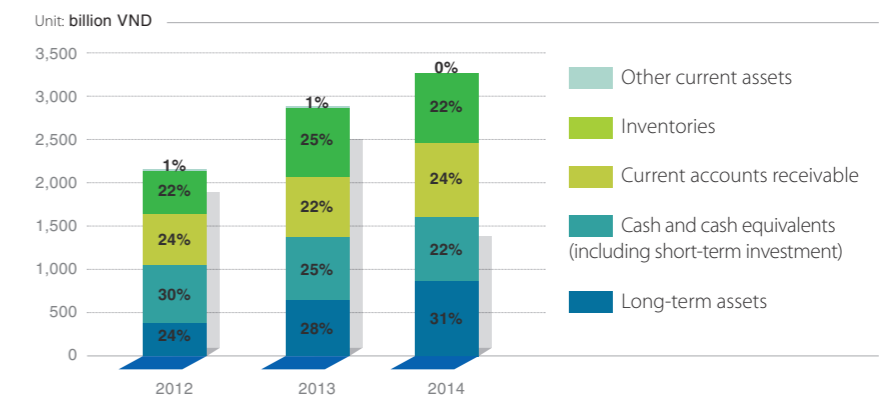
A fluidized bed dryer at the plant of DHG Pharma

## 2. ANALYSIS ON ASSETS AND CAPITAL STRUCTURES

### ANALYSIS ON ASSETS STRUCTURE

FIXED ASSETS CONTINUE TO BE INVESTED POWERFULLY IN THE YEAR THAT MAKES A STRONG INCREASE IN THE PROPORTION OF THIS ITEM ON TOTAL ASSETS OF THE COMPANY'S TOTAL ASSETS.

In the balance sheet as at 31/12/2014, the Group's total assets increased by 13.1% compared with the same period last year, reaching VND3,483 billion. In terms of structure, the proportion of current assets has continued a downward trend as of the previous year. The proportion of current assets has decreased 4.0 percentage points to contribute 68.5% of total assets of the Group. Conversely, the proportion of long-term assets raised to 31.5% by increasing VND248 billion in values. This is mainly due to fixed assets which were abundantly invested in the year has accelerated the proportion of these items on the total assets of the Company.



Source: DHG's Audited Consolidated Financial Statements and DHG's circulation.

**3,483**  
BILLION VND  
TOTAL ASSETS  
↑ 13.1%  
COMPARED WITH 2013

As at 31 December 2014, the proportion of current assets decreased in comparison with the previous year. Although the value of inventories has increased, the increase was not large. In fact, the proportion of inventories was lower than in 2013.

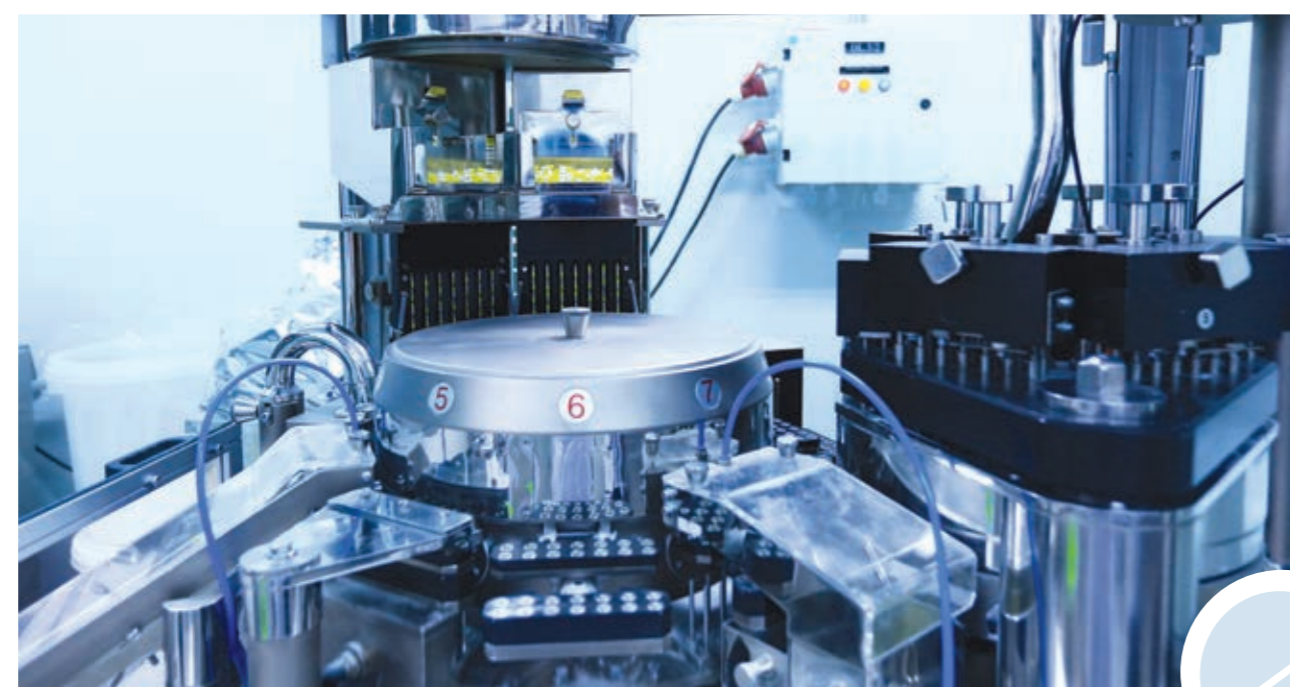
Cash - cash equivalents and 3-month-and-more term deposit have sharply dropped in proportion. We can see that this reduction had pretty significant impact because the receivables from customers at the end of the year was quite high. This is shown by the proportion of short-term receivables increased by 2.5 percentage points compared to the year 2013.

Therefore, the reduction of proportion of current assets is mainly contributed by payouts for investment activities and is shown by increase in proportion of fixed assets. Meanwhile, inventories remained at a high level but due to a little increase, the proportion of this item decreased compared with last year. It is also an important factor to cause the decline of proportion of current assets.

ANALYSIS OF  
FINANCIAL STATEMENTS (continued)

	2010	2011	2012	2013	2014
<b>SHORT-TERM ASSETS</b>					
Cash and cash equivalents	35.3%	23.4%	30.2%	19.9%	14.3%
Short-term investments	0.0%	0.0%	0.0%	5.5%	7.5%
Short-term receivables	24.5%	24.5%	24.1%	21.7%	24.2%
Inventories	19.1%	25.8%	21.5%	24.6%	22.4%
Other current assets	0.3%	0.9%	0.5%	0.8%	0.2%
<b>TOTAL SHORT-TERM ASSETS</b>	<b>79.2%</b>	<b>74.7%</b>	<b>76.4%</b>	<b>72.5%</b>	<b>68.5%</b>
<b>LONG-TERM ASSETS</b>					
Long-term receivables	0.0%	0.0%	0.0%	0.0%	0.0%
Fixed assets	16.7%	23.0%	21.7%	25.9%	27.7%
Real estate investment	0.4%	0.0%	0.0%	0.0%	0.0%
Long-term financial investments	2.2%	0.9%	0.7%	0.7%	0.5%
Other long-term assets	1.5%	1.4%	1.1%	0.9%	3.3%
Remaining value of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%
<b>TOTAL LONG-TERM ASSETS</b>	<b>20.8%</b>	<b>25.3%</b>	<b>23.6%</b>	<b>27.5%</b>	<b>31.5%</b>
<b>TOTAL ASSETS</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

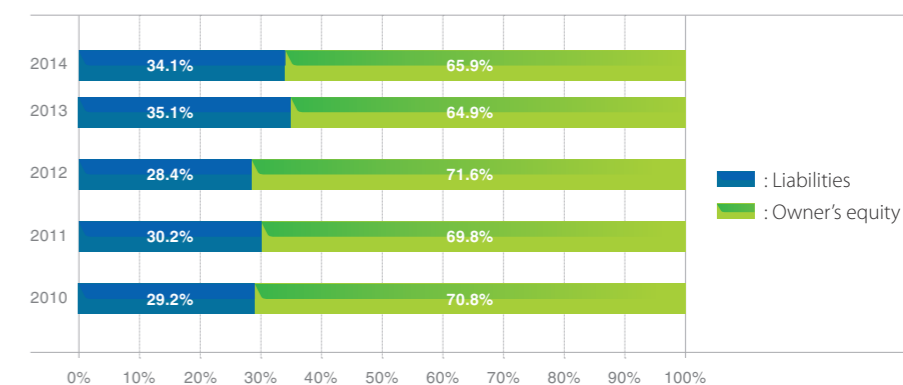
Source: DHG's Audited Consolidated Financial Statements.



A automatic capsule-filling machine at the new Non Betalactam - DHG PHARMA.

ANALYSIS OF  
CAPITAL STRUCTURE

As regards capital resources, by 2014, the Group continued to perform short-term loans to take advantage of preferential interest rates, the proportion of liabilities on total capitals is almost equivalent to that of 2013. In terms of capital structure, the proportion of owner's equity has dramatically increased in the year because the Group has issued shares to raise capital at ratio of 3:1 through taking from investment and development fund. However, the proportion of investment development fund in capital remained equal to the year 2013 due to continuing to be added from earnings distributed in 2013.



Source: DHG's Audited Consolidated Financial Statements in 2014.

On the whole, the financial structure of DHG Pharma remained strong. At the end of 2014, 66% of DHG's assets were funded by equity. DHG's liabilities accounted for a low proportion with healthy structure.

In recent years, DHG virtually has not borrowed on interest. The current liabilities presented in the financial statements are borrowed by DHG from its staffs without mortgage assets and borrowed on interest from bank with low interest rates (This thanks to the fact that DHG took advantage of its prestige with banks to exploit surplus funds in banks in the moment).

ANALYSIS OF  
FINANCIAL STATEMENTS (continued)

	2010	2011	2012	2013	2014
<b>LIABILITIES</b>					
<b>Current liabilities</b>	<b>25.9%</b>	<b>27.3%</b>	<b>27.5%</b>	<b>33.4%</b>	<b>32.1%</b>
<i>In which</i>					
Short-term borrowings	0.7%	1.1%	0.8%	4.1%	5.1%
Trade accounts payable	4.7%	6.2%	3.1%	8.7%	7.5%
Deferred revenue	0.1%	0.0%	0.1%	0.1%	0.0%
Taxes and other payables to the State budget	2.2%	1.4%	1.4%	1.8%	3.0%
Payable to employees	5.5%	6.3%	6.6%	6.7%	6.0%
Accrued expenses	9.3%	8.3%	10.2%	7.7%	7.6%
Other payables	1.8%	1.7%	2.7%	2.2%	1.0%
Bonus and welfare funds	1.6%	2.2%	2.6%	2.1%	1.9%
<b>Long-term liabilities</b>	<b>3.2%</b>	<b>2.9%</b>	<b>0.9%</b>	<b>1.7%</b>	<b>2.0%</b>
<i>In which</i>					
Provision for severance allowance	1.2%	1.7%	0.0%	0.0%	0.0%
Development fund for Science and technology	2.1%	1.2%	0.9%	1.7%	1.2%
<b>TOTAL PAYABLES</b>	<b>29.2%</b>	<b>30.2%</b>	<b>28.4%</b>	<b>35.1%</b>	<b>34.1%</b>
<b>TOTAL EQUITY</b>					
<b>Equity</b>	<b>70.4%</b>	<b>69.2%</b>	<b>71.0%</b>	<b>64.3%</b>	<b>65.4%</b>
<i>In which</i>					
Owner's capital	14.8%	32.7%	27.5%	21.2%	25.0%
Share capital surplus	20.8%	0.0%	0.0%	0.0%	0.0%
Treasury shares	0.0%	0.0%	0.0%	0.0%	0.0%
Investment and development fund	11.2%	14.4%	20.7%	22.8%	22.5%
Fund financial reserve	3.5%	3.3%	2.8%	2.2%	1.9%
Retained profits	20.0%	18.9%	20.0%	18.2%	16.0%
<b>Minority interests</b>	<b>0.5%</b>	<b>0.6%</b>	<b>0.7%</b>	<b>0.6%</b>	<b>0.5%</b>
<b>TOTAL OWNER'S EQUITY</b>	<b>70.8%</b>	<b>69.8%</b>	<b>71.6%</b>	<b>64.9%</b>	<b>65.9%</b>
<b>TOTAL RESOURCES</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: DHG's Audited Consolidated Financial Statements in 2014.



### 3. CONCLUSION

The financial indicators of DHG still remain healthy in 2014. Revenue and profit before tax remained relatively high (excluding the impact of extraordinary income) on the difficult market leading to a significant increase in cost of sales in order to deal with market pressure is one of DHG's important achievements of the year.

The payment ratios were not good as of 2013 but remained at relatively high levels compared with the industry average. High receivables from customer was a problem at the end of 2014 but the debts collection in early months of 2015 showed that DHG's payment ratios will likely remain at a safe level in this year.

It is expected that inventories will continue to remain high due to continuity of factory relocation. A good management of payables helped reduce pressure on cash flow and support the performance indicators of the Company. Thus, DHG should maintain the good management of payables and, at the same time, focus on debts collection to best support the liquidity of the Company.

In 2015, as planned, DHG will continue to spend money to factories in Tan Phu Thanh Industrial Zone under disbursement schedule. Besides, with current dividend rate (25% -30%), cash flow paid for dividends has increased over the previous years due to the impact of bonus shares 3:1 that increases the number of shares up to 33.33%. Therefore, the cash reserve is predicted to be affected when DHG pays dividends in 2014 and pays in advance for dividend 2015 in this year. However, with a good relationship with credit institutions and a transparent – healthy finance, and simultaneously,

in the context of surplus capital of banking system, DHG can take advantage of its prestige to borrow on low interest to make the most of interest rate differences and financing working capital at some periods of lacks of funds.

In 2015, it can be predicted the total assets of the Group will continue to increase due to rising commodity reserves and increasing investments. In which, the assets structure which will change toward the proportion of long-term assets continues to increase since the value of recorded fixed assets increase. Proportion of short-term liabilities will not decrease or likely to increase because DHG will continue to perform short-term loans to take advantages of low interest rates, liquidity support and utilize the tax shield which is brought by interest expenses.

In terms of business performance, the Group's revenue growth is forecasted to be low since DHG decided to restructure its entire operations in 2015. This is necessary to help DHG stabilize in operation after a long period of hot development so as to continue to grow faster and more sustainably in the coming years.

Profit before tax may be affected by reduction of income from interest on deposits because of a high level of development investments and decrease in interest rates. However, in 2015, DHG officially started receiving tax incentives of the new plant and the ceiling of advising and promotion were repealed. Therefore, the profit after tax will be strongly supported, contributes to recovery of ROE, ROA and ROS, transferring tax burden to practical benefits to shareholders of the Company.

# FUTURE MOVES

Investment in human resources is a step forward for a strong growth in the future. DHG has been implementing a mission handing over successor generation, promoting cultural identity so that DHG expands and outreaches with every passing day.



## REPORT ON CORPORATE GOVERNANCE

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#### LIST AND OWNERSHIP RATIO OF DHG SHARE OF BOD, BOS, AND MANAGEMENT BOARD

No.	Full name	Title	Representative for SCIC's capital	Individual ownership	Total	Ownership ratio
<b>I. BOARD OF DIRECTORS' MEMBERS OF TERM III (2014 – 2018)</b>						
1.	Hoang Nguyen Hoc	Chairman	15,100,330	0	15,100,330	17.32%
2.	Le Dinh Buu Tri	Deputy chairman	11,325,248	29,600	11,354,848	13.03%
3.	Doan Dinh Duy Khuong	Member	11,325,247	18,078	11,343,325	13.01%
4.	Pham Thi Viet Nga	Member	-	201,825	201,825	0.23%
5.	Dang Pham Minh Loan	Member	-	-	-	0.00%
6.	Tran Chi Liem	Member	-	-	-	0.00%
7.	Shuhei Tabata	Member	-	-	-	0.00%
<b>II. BOARD OF SUPERVISOR'S MEMBERS OF TERM III (2014 – 2018)</b>						
1.	Tran Quoc Hung	Head	-	18,453	18,453	0.02%
2.	Nguyen Phuong Thao	Member	-	-	-	0.00%
3.	Dinh Duc Minh	Member	-	13	13	0.00%
<b>III. MANAGEMENT BOARD</b>						
1.	Pham Thi Viet Nga	CEO	-	201,825	201,825	0.23%
2.	Doan Dinh Duy Khuong	Deputy CEO	11.325.247	18,078	11,343,325	13.01%
3.	Le Chanh Dao	Deputy CEO and CFO	-	81,558	81,558	0.09%
4.	Nguyen Ngoc Diep	Deputy CEO	-	4,912	4,912	0.01%
<b>IV. CHIEF ACCOUNTANT, HEAD OF ACCOUNTING DEPARTMENT</b>						
1.	Dang Pham Huyen Nhung	Chief Accountant	-	4,221	4,221	0.005%
<b>V. PERSON AUTHORIZED TO DISCLOSE INFORMATION</b>						
1.	Le Thi Hong Nhung	Head of IR – BOD's Secretary	-	4,864	4,864	0.006%

#### CHANGE IN BOARD OF DIRECTORS, BOARD OF SUPERVISOR AND MANAGEMENT BOARD

At the Annual Shareholders' Meeting 2013 held on 28 April 2014; the BOD, BOS of the second term (2009 - 2013) has expired. The ASM 2014 re-elected the BOD, BOS for the third term (2014-2018) with the change of personnel in the BOD, BOS and Management Board as follows:

##### Board of Directors

Mrs. Le Minh Hong, Mrs. Nguyen Thi Hong Loan, Mr. Le Chanh Dao, and Mr. Nguyen Nhu Song - a BOS member of Term II (2009 - 2013) did not run for election into BOD of Term III (2014 - 2018).

##### List of elected members for Board of Directors of Term III (2014 – 2018):

- » Mr. **Hoang Nguyen Hoc**: Chairman
- » Mr. **Le Dinh Buu Tri**: Deputy Chairman, re-elected
- » Mrs. **Pham Thi Viet Nga** - Member, re-elected
- » Mr. **Doan Dinh Duy Khuong** - Member, re-elected
- » Mrs. **Dang Pham Minh Loan** - Member
- » Mr. **Tran Chi Liem** - Independent Member
- » Mr. **Shuhei Tabata** - Independent Member

##### Board of Supervisor

Mrs. **Tran Thi Anh Nhu** – a BOS member of Term II (2009 – 2013) did not continue to run for election into BOS Term III (2014 – 2018).

##### List of elected members of Board of Supervision of Term III (2014 – 2018):

- » Mr. **Tran Quoc Hung** - Head of BOS, re-elected
- » Mrs. **Nguyen Phuong Thao** - Member, re-elected
- » Mr. **Dinh Duc Minh** - Member

##### Board of Management

The ASM and BOD have approved the decisions on changing in personnel in the Board of Management as follow:

- » Mrs. **Le Minh Hong** stopped to hold the position of CEO from 01 May 2014
- » Mrs. **Pham Thi Viet Nga** has been appointed to be CEO from 01 May 2014

##### List of members in the Board of Management before 01 May 2014

- » Mrs. **Le Minh Hong** – CEO
- » Mr. **Le Chanh Dao** – Deputy CEO
- » Mr. **Doan Dinh Duy Khuong** – Deputy CEO
- » Mrs. **Nguyen Ngoc Diep** – Deputy CEO

##### List of members in the Board of Management after 01 May 2014

- » Mrs. **Pham Thi Viet Nga** – CEO
- » Mr. **Le Chanh Dao** – Deputy CEO
- » Mr. **Doan Dinh Duy Khuong** – Deputy CEO
- » Mrs. **Nguyen Ngoc Diep** – Deputy CEO

##### Chief Financial Officer, Chief Accountant

As from 19 Jan 2015, Mrs. **Dang Pham Huyen Nhung** stopped to hold the position of CFO and continues to be Chief accountant, Head of Accounting Department (according to personal aspirations). Mr. **Le Chanh Dao** has been appointed to be CFO.



INFORMATION ABOUT  
EMPLOYEES

Personnel structure of the Company as at 31 December 2014 consists of 2,964 employees, including 59 of university postgraduation, 703 of university graduation, 1,400 of professional school, the remaining being intermediate and high-school degree.

**2,964** EMPLOYEES  
AS AT 31/12/2014

**TOTAL EMPLOYEES THROUGH THE YEARS (2010-2014)**

Gender	31/12/2010		31/12/2011		31/12/2012		31/12/2013		31/12/2014	
	Quantity	%	Quantity	%	Quantity	%	Quantity	%	Quantity	%
Male	1,235	50.29%	1,346	51.08%	1,450	52.46%	1,537	54.31%	1,673	56.45%
Female	1,221	49.71%	1,289	48.92%	1,314	47.54%	1,293	45.69%	1,288	43.45%
<b>Total</b>	<b>2,456</b>	<b>100%</b>	<b>2,635</b>	<b>100%</b>	<b>2,764</b>	<b>100%</b>	<b>2,830</b>	<b>100%</b>	<b>2,964</b>	<b>100%</b>

**PERSONNEL STRUCTURE FOLLOWING FUNCTION (2010-2014)**

Functional sector	31/12/2010		31/12/2011		31/12/2012		31/12/2013		31/12/2014	
	Quantity	%	Quantity	%	Quantity	%	Quantity	%	Quantity	%
Office – Service	546	22.23%	697	26.45%	815	29.48%	861	30.42%	763	25.74%
Production	925	37.66%	992	37.65%	815	29.48%	727	25.69%	754	25.43%
Sales	985	40.11%	946	35.90%	1,134	41.04%	1,242	43.89%	1,447	48.83%
<b>Total</b>	<b>2,456</b>	<b>100%</b>	<b>2,635</b>	<b>100%</b>	<b>2,764</b>	<b>100%</b>	<b>2,830</b>	<b>100%</b>	<b>2,964</b>	<b>100%</b>

**PERSONNEL STRUCTURE FOLLOWING EDUCATIONAL LEVEL (2010-2014)**

Educational level	31/12/2010		31/12/2011		31/12/2012		31/12/2013		31/12/2014	
	Quantity	%	Quantity	%	Quantity	%	Quantity	%	Quantity	%
<b>Post-graduation</b>	<b>31</b>	<b>1.26%</b>	<b>32</b>	<b>1.22%</b>	<b>43</b>	<b>1.56%</b>	<b>53</b>	<b>1.87%</b>	<b>59</b>	<b>1.99%</b>
Ph.D in Economics	02		2		2		2		1	
Master in Pharmacy, Chemistry	05		6		6		6		6	
Master in Economics	03		3		14		24		31	
Postgraduate education junior – PGJ	21		21		21		21		21	
<b>Graduation</b>	<b>591</b>	<b>24.06%</b>	<b>578</b>	<b>21.94%</b>	<b>544</b>	<b>19.68%</b>	<b>588</b>	<b>20.78%</b>	<b>703</b>	<b>23.72%</b>
Pharmacy, Doctor	68		91		93		91		109	
Economics	204		221		218		242		302	
Mechanics	13		46		43		46		46	
Others	305		220		190		209		246	
<b>Middle-intermediate levels</b>	<b>1,059</b>	<b>43.12%</b>	<b>1,140</b>	<b>43.26%</b>	<b>1,230</b>	<b>44.50%</b>	<b>1,321</b>	<b>46.67%</b>	<b>1,400</b>	<b>47.24%</b>
Technical workers	25	1.02%	28	1.06%	26	0.94%	27	0.95%	30	1.01%
Intermediate pharmacy	185	7.53%	195	7.40%	182	6.58%	170	6.01%	169	5.70%
High-school	565	23.00%	662	25.12%	739	26.74%	671	23.72%	603	20.34%
<b>Total</b>	<b>2,456</b>	<b>100%</b>	<b>2,635</b>	<b>100%</b>	<b>2,764</b>	<b>100%</b>	<b>2,830</b>	<b>100%</b>	<b>2,964</b>	<b>100%</b>

Employment policies: please refer to the section of Sustainability Report.

## SHAREHOLDER STRUCTURE

### 1. SHARE

**8,368** BILLION VND  
MARKET CAPITALIZATION  
(AS AT 31/12/2014)

**87,164,330**  
QUANTITY OF LISTED SHARES

**86,956,675**  
UNRESTRICTED SHARES

**207,655**  
RESTRICTED SHARES

### SHAREHOLDER STRUCTURE

**3,022**  
QUANTITY OF SHAREHOLDERS  
(AS AT 12/03/2015)

Par value of 01 share	10,000 VND
Quantity of listed shares	87,164,330 shares
Quantity of outstanding shares	87,154,200 shares
Treasury shares	10,130 shares
Market capitalization (as at 31 December 2014)	8,368 billion VND

#### Quantity of restricted shares

Restriction of SME due to inactivity and clearing: 9 shares.

ESOP 2010 has expired restriction on 16 Sep 2013; however there is 01 case that his/her ID card has not been adjusted and the release procedure has been not finished: 240 shares.

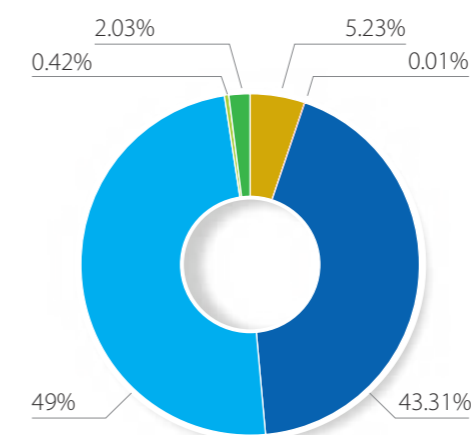
ESOP 2011 has expired restriction on 14 June 2014; however there are 03 cases that their ID card have been adjusted and the release procedure has been not finished: 550 shares.

ESOP 2012 has expired restriction on 28 June 2015: 200,000 shares.

Bonus shares of resigned employees are acquired by the Company's Trade union. These shares have not been cleared (6,856 shares).

#### SHAREHOLDER STRUCTURE FOLLOWING THE SHAREHOLDER LIST ON 12 MARCH 2015

	Quantity of shareholders	Quantity of shares	% of charter capital
<b>Foreign</b>	<b>484</b>	<b>42,708,331</b>	<b>49.00%</b>
Individual	379	879,643	1.01%
Institution	105	41,828,688	47.99%
<b>Domestic</b>	<b>2,537</b>	<b>44,455,999</b>	<b>51.00%</b>
Individual	2,474	4,569,557	5.24%
Institution	64	39,886,442	45.76%
<i>In which: SCIC</i>	<i>1</i>	<i>37,750,825</i>	<i>43.31%</i>
<b>Total</b>	<b>3,022</b>	<b>87,164,330</b>	<b>100%</b>



Category	Percentage
SCIC	43.31%
Foreign	49.00%
Internal shareholders	0.42%
Staffs	2.03%
External shareholders	5.23%
Treasury share	0.01%

Source: According to the shareholder list of DHG on 12 March 2015 provided by Vietnam Securities Depository.

#### Type of ownership

Subjects	Restricted shares	Unrestricted shares	Total	Ratio (%)
<b>I. Internal shareholders</b>	<b>29,440</b>	<b>334,084</b>	<b>363,524</b>	<b>0.42%</b>
1. Board of Directors and Board of Management	24,650	311,323	335,973	0.39%
2. Board of Supervision	2,000	16,466	18,466	0.02%
3. Chief accountant	1,950	2,271	4,221	0.00%
4. Person authorized for information disclosure	840	4,024	4,864	0.01%
<b>II. Treasury shares</b>		<b>10,130</b>	<b>10,130</b>	<b>0.01%</b>
<b>III. Company's Trade union</b>	<b>20,316</b>	<b>334,912</b>	<b>355,228</b>	<b>0.41%</b>
<b>IV. Other shareholders</b>	<b>157,899</b>	<b>86,277,549</b>	<b>86,435,448</b>	<b>99.16%</b>
<b>1. Domestic</b>	<b>157,890</b>	<b>43,569,218</b>	<b>43,727,117</b>	<b>50.17%</b>
1.1 Individual	157,890	4,048,143	4,206,033	4.83%
1.2 Institution	9	39,521,075	39,521,084	45.34%
<i>In which, the State:</i>		<i>37,750,825</i>	<i>37,750,825</i>	<i>43.31%</i>
<b>2. Foreign</b>		<b>42,708,331</b>	<b>42,708,331</b>	<b>49.00%</b>
2.1 Individual		879,643	879,643	1.01%
2.2 Institution		41,828,688	41,828,688	47.99%
<b>TOTAL</b>	<b>207,655</b>	<b>86,956,675</b>	<b>87,164,330</b>	<b>100%</b>

List of major shareholders listed on 12 March 2015

Name of shareholders	Holder registration Number	Date of issue	Nationality	Holding shares	Ratio
SCIC	0101992921	03/11/2011	Vietnam	37,750,825	43.31%
FRANKLIN TEMPLETON INVESTMENT FUNDS- TEMPLETON FRONTIER MARKETS FUND	CA2795	12/01/2009	Luxembourg	8,225,353	9.44%
PORTAL GLOBAL LIMITED	CA5734	04/04/2012	British Virgin Isl	6,278,330	7.20%

CHANGE OF CAPITAL OF OWNER'S EQUITY

In 2014, the Company issued shares to increase capital from the owner's equity (bonus shares with the ratio 3:1).

Result of share issuance

1.	Charter capital before issuance	653,764,290,000 VND
2.	Charter capital after issuance	871,643,300,000 VND
3.	Quantity of distributed shares	21,787,901 shares
4.	Quantity of distributed shareholders	2,773 shareholders
5.	Method to deal with fractional shares: keep at the Investment & Development fund (i.e. the fractional shares shall be deleted if any).	
6.	Total of current shares, in which:	
	Quantity of outstanding shares	87,154,200 shares
	Quantity of treasury shares	10,130 shares
7.	Effective date of listing	02 July 2014
8.	Official transaction on HOSE	09 July 2014

**21,787,901**  
SHARES  
WERE ISSUED

**2,773**  
SHAREHOLDERS  
WERE DISTRIBUTED

TRANSACTION OF TREASURY SHARES

In 2014, DHG did not trade treasury shares. Number of treasury shares is currently 10,130 shares.

IN 2014, THE BOARD OF DIRECTORS HAS FOCUSED ON WORKS IN ACCORDANCE WITH ITS FUNCTIONS, DUTIES AND POWERS AND ABIDED BY THE LAW ON ENTERPRISE, THE COMPANY'S CHARTER, THE CURRENT LAW TO HOLD FAST TO DEVELOPMENT IN ECONOMIC FLUCTUATIONS.

Perform working regulations under the charter, tasks in examination and evaluation of performance, strategy and business orientation each year.

Structure of BOD ensures to have 02/07 independent members complying with the provisions of Circular 121 and Company's charter.

The BOD's meetings are organized and conducted in accordance with the Company's charter. The Minutes, Resolutions and Decisions of BOD are based on the consensus of its members, are kept in accordance with regulations.

The specialized subcommittees promote their roles; keep working schedules, quarterly report to the Board of Directors, and give many effective opinions.

The specific content on activities of BOD and subcommittees includes:

ASSESSMENT OF BOD'S ACTIVITIES

BOD MEETINGS

In 2014, BOD has conducted 05 face-to-face meetings and 11 meetings via mailing form to solve matters belonging to the BOD's functions and authority. BOD has issued 16 Resolutions and 45 Decisions. The minutes, decisions and resolutions of the BOD were sufficiently sent to BOD members and BOS members. In the BOD's meetings, the Board of Supervision and Board of Management were invited to participate and discuss. This created a high agreement among the Board of Directors and Management Board about strategy, business orientation, and direction.

Attendance ratio

Board of Directors of Term II (2009 – 2013): until 28 April 2014

No.	Members	Title	Attendance	Ratio	Notes
1.	Mrs. Pham Thi Viet Nga	Chairman	7/7	100%	
2.	Mrs. Le Minh Hong	Member CEO	7/7	100%	
3.	Mr. Le Chanh Dao	Member Deputy-CEO	7/7	100%	
4.	Mr. Doan Dinh Duy Khuong	Member Deputy-CEO	7/7	100%	
5.	Mrs. Nguyen Thi Hong Loan	Member	6/7	86%	Reason: personal affairs
6.	Mr. Le Dinh Buu Tri	Member	7/7	100%	
7.	Mr. Nguyen Nhu Song	Member	7/7	100%	

ACTIVITIES OF  
BOARD OF DIRECTORS (continued)

**Board of Directors of Term III (2014 – 2018): from 28 April 2014**

No.	Members	Title	Attendance	Ratio
1.	Mr. Hoang Nguyen Hoc	Chairman	9/9	100%
2.	Mr. Le Dinh Buu Tri	Deputy Chairman	9/9	100%
3.	Mrs. Pham Thi Viet Nga	Member CEO	9/9	100%
4.	Mr. Doan Dinh Duy Khuong	Member Deputy CEO	9/9	100%
5.	Mrs. Dang Pham Minh Loan	Member	9/9	100%
6.	Mr. Tran Chi Liem	Independent member	9/9	100%
7.	Mr. Shuhei Tabata	Independent member	9/9	100%

**CONTENTS AND RESULTS OF BOD'S MEETINGS**

Session	Content of resolution
<b>Q1/2014</b>	» Agreed that DHG Pharma invested to acquire 72.86% shares of ASV Pharma Vietnam.
22/02/2014	» Agreed to the record list of shareholders for ASM 2013.
10/03/2014	» Approved the consolidated audited financial statements 2013 of the Parent company, Report of the BOD's secretary, Report on performance evaluation 2013 and business targets 2014 of the Management Board, Report of the subcommittees on performance in 2013 and plans for 2014, Report on the progress of new factory.
21/03/2014	» Approved the change of Board of member and the capital representatives in subsidiaries. » Approved the construction of herbal processing line complying with WHO - GMP of DHG Nature. » Approved the bidding plan for workshops, warehouses of Betalactam and non-Betalactam at DHG Pharmaceutical Factory. » Agreed to the contents for ASM 2013 of DHG Pharma.
<b>Q2/2014</b>	» Agreed to the documents for ASM 2013 of DHG Pharma.
07/04/2014	» Agreed to dissolution of DHG Nature 1 One-Member Limited Company.
16/04/2014	» Agreed to contents related to ASM 2013 of SH Pharma.
21/04/2014	» Approved the statement on approval competence of CEO and decentralized matrix at DHG Pharma.
22/04/2014	» Agreed to pay remuneration for members of BOD, BOS, subcommittees and BOD's secretary.
28/04/2014	» Agreed to decisions on personnel of BOD in Term III (2014 - 2018), BOD's secretary and Board of Management.
27/05/2014	

Session	Content of resolution
	» Approved the Operation Regulation of BOD of DHG Pharmaceutical JSC. Operation Regulation of Board of member of subsidiaries owned 100% capital by DHG Pharma.
	» Approved the termination of operation of the subcommittees directly under BOD in term of 2009 - 2013 and establishment of three new subcommittees under BOD in term of 2014 - 2018.
	» Agreed with BOS of DHG Pharma on selection of PricewaterhouseCoopers Vietnam (PwC) as an independent auditor of financial statements for the fiscal year 2014.
	» Adopted the Report of the Board of Management on business results of the first 05 months of the year and plan for the remaining months in 2014.
	» Approved the credit limit and loan limits in 2014.
	» Approved the profit distribution in 2013 and the profit distribution plan 2014 of the DHG's wholly-owned subsidiaries.
	» Approved the approval competence of Director, Board of Members of DHG's wholly-owned subsidiaries, BOD of the Parent company, CEO of Parent company to subsidiaries wholly-owned by DHG Pharma.
	» Approved the transferee and transfer of land-use rights in HCM City Branch
	» Approved the content that BOD authorized to CEO.
<b>Q3/2014</b>	» Adopted of Report of the BOD's secretary, Report of Board of Management, Report of strategy subcommittee, HR-remuneration subcommittee, audit and risk management subcommittee on 1H 2014 and Q3/2014 plan.
15/07/2014	
13/08/2014	» Approved the change of chairman, members of Member Board and capital representatives in subsidiaries.
21/08/2014	» Approved the amendment on approval competence of CEO.
15/09/2014	» Approved the use of science and technology development fund.
24/09/2014	» Approved the adjustment of capital for the project "separating the medicinal materials line from the pharmaceutical chemistry line" at the Nguyen Van Cu Factory. » Approved the adjustment of BOM's salary. » Approved the investment in Flexo printer system for DHG PP 1.
	» Approved the overall bidding plan for the subject "separating the medicinal materials line from the pharmaceutical chemistry line" at the Nguyen Van Cu Factory.
	» Approved the bidding plan of the project "Investing in candy production line".
	» Agreed the investment plan on purchasing hardware system and putting at the main existing data center of DHG.
	» Approved the amended Regulation on Corporate governance of DHG on 21 August 2014.
	» Agreed to receive Mr. Le Dinh Buu Tri – Deputy Chairman worked as a specialized official at DHG Pharmaceutical JSC with limited time.
	» Approved the policy of selling 191,360 shares of Nghe An Pharmaceutical and Medical equipment JSC.

ACTIVITIES OF  
BOARD OF DIRECTORS (continued)

Session	Content of resolution
Q4/2014	» Adopted the Report of BOD's Secretary, Report of Board of Management, Report of strategy subcommittee, HR-remuneration subcommittee, audit and risk management subcommittee in 9M 2014 and Q4/2014 plan.
14/10/2014	» Approved the proposal of mission, principles of job performance and regimes for the in-charge Deputy Chairman at DHG.
02/12/2014	» Approved the transferee of land-using right of Thai Nguyen branch. » Approved the contractor designation for the project of DHG Pharmaceutical One-Member Limited Company. » Approved the change of capital representative, Board of Member and Director of DT Pharma. » Approved the stop of investment in flexo printer system for DHG PP1. » Approved the minimum offer of land plot in Trung Son, Binh Hung Commune, Binh Chanh district, HCMC.

THE IMPLEMENTATION OF ASM 2013'S RESOLUTIONS

Basically, BOD has fully implemented the ASM 2013's approved contents. As for the profit distribution 2014 will be asked opinion at the ASM 2014; the 20th change in the certificate of business registration related to equity

(issuance of bonus shares with the ratio of 3:1) has not been done due to meeting certain difficulties in registration procedure at the Department of Planning and Investment of Can Tho City.

THE IMPLEMENTATION OF ASM 2014'S RESOLUTIONS

The contents have not been done: Project of investment in acquiring ASV Pharma's shares; Project of investment in candy production line; Project of investment in regional warehouse system; Project of constructing excipient-materials warehouse at CMT8 General Warehouse.

The contents are being done: Construction of medicinal materials processing line complying with WHO-GMP standard of DHG Nature; Investment in electric gravure printer of DHG PP1; Investment in hardware system and putting in the main existing data center of the Parent Company.

ACTIVITIES OF BOD'S NON-EXECUTIVE MEMBERS

In the structure of BOD, there are 5/7 members not involved in DHG's management and assigned tasks in subcommittees, including:

Mr. Hoang Nguyen Hoc – Chairman

Mr. Le Dinh Buu Tri, Deputy chairman, is the chief of audit and risk management subcommittee, a member of the strategy subcommittee.

Mr. Le Dinh Buu Tri has held the position of Deputy Chairman under specialized form of the Company (from 1 Oct 2014 to 1 March 2015). During this time, he has performed the works:

- » Review, evaluate and participate in supplement, update, amendment of the process system and operating regulations of DHG Pharma and its subsidiaries to handle the limitations and existing obstacles.



- » Research, monitor and involve in rearrangement of DHG's the organizational structure, staffs based on consultation, practical operation and strategic direction of the long-term development of DHG to suit with the scale and stature of a leading pharmaceutical company in the country.
- » Study, propose and participate in implementation of the joint-venture projects with local and international partners aiming to expand the scale and scope for DHG.

Mrs. **Dang Pham Minh Loan**, a BOD member, is a member of the audit and risk management subcommittee.

Mr. **Tran Chi Liem**, a BOD independent member, is the head of HR and remuneration subcommittee.

Mr. **Shuhei Tabata**, a BOD independent member, is a member of strategy subcommittee.

CERTIFICATION OF TRAINING ON CORPORATE GOVERNANCE

There are 2/7 BOD members, 2/3 BOS members, 3/4 BOM members and BOD's secretary granted a certificate of corporate governance at the training course of Securities Commission State. The Company always creates good conditions for all members of the BOD, BOS, and BOM in participation in training courses on corporate governance. However, the training time often coincides with the business travel of the Managing board members, so they could not participate in courses fully. Besides, DHG has one BOD member who is a foreigner; the language barrier also affects the completion of certificate on corporate governance as prescribed.

List of members who have the certificate of corporate governance:

- » Mr. **Le Dinh Buu Tri** – Deputy chairman

- » Mrs. **Pham Thi Viet Nga** – BOD member, CEO.
- » Mr. **Tran Quoc Hung** – Head of BOS.
- » Mr. **Dinh Duc Minh** – BOS member
- » Mr. **Le Chanh Dao** – Deputy CEO.
- » Mrs. **Le Thi Hong Nhung** – BOD's secretary.

List of member attending the corporate governance program in 2014

- » Mr. **Doan Dinh Duy Khuong** – BOD member, Deputy CEO.

### THE IMPLEMENTATION OF REGULATIONS ON CORPORATE GOVERNANCE

Most of the rules, regulations and operations of the Company are in compliance with regulations on corporate governance law. DHG has consulted the ASM 2013 on amending the Company charter in accordance with the new provisions of Circular 121 of Ministry of Finance and issued the amended version on 21 August 2014. The Company Charter and Regulations on corporate governance are available on the Company website in item "shareholder relations".

According to Clause 1 of Article 24 of the Model charter issued enclosed with Circular 121/2012/TT-BTC dated 26/07/2012 of the Ministry of Finance which stipulates that "... total independent members (for public large companies and listed companies) must account for at least 1/3 of the total number of BOD members". From 28 Apr 2014, the number of BOD independent members at DHG is 2/7 members, ensuring the ratio of 1/3 as prescribed.

### THE SUBCOMMITTEES DIRECTLY UNDER BOD

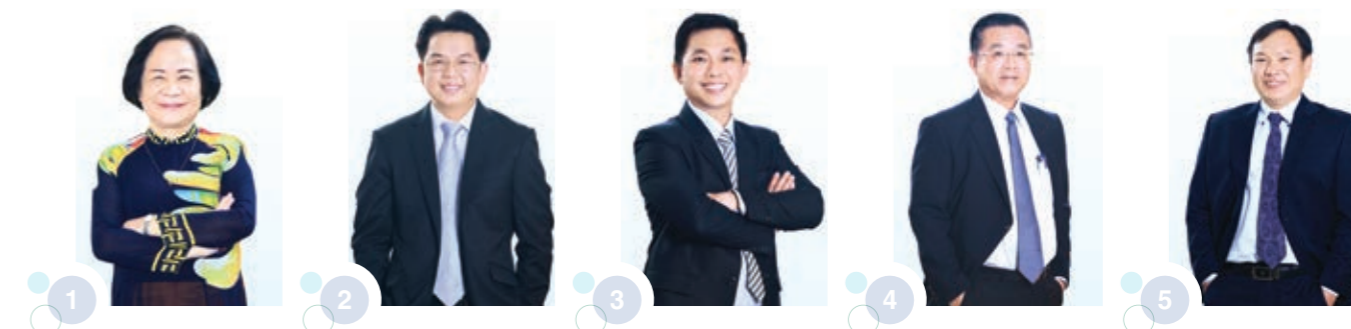
#### LIST OF THE SUBCOMMITTEES DIRECTLY UNDER BOD

Board of Directors of Term of 2014 - 2018 has established 03 subcommittees, including:



#### HR and remuneration subcommittee:

1. Mr. Tran Chi Liem	BOD independent member	Head of the Subcommittee
2. Mrs. Pham Thi Viet Nga	BOD member, CEO	Member
3. Mrs. Tran Thi Anh Nhu	Personnel Director	Member



#### Strategy subcommittee

1. Mrs. Pham Thi Viet Nga	BOD member, CEO	Head of the Subcommittee
2. Mr. Le Dinh Buu Tri	Deputy Chairman	Member
3. Mr. Doan Dinh Duy Khuong	BOD member, Deputy CEO	Member
4. Mr. Shuhei Tabata	BOD member	Member
5. Mr. Lam Dieu Phi	Marketing Manager	Member



#### Audit and risk management subcommittee

1. Mr. Le Dinh Buu Tri	Deputy Chairman	Head of the Subcommittee
2. Mrs. Dang Pham Minh Loan	BOD member	Member
3. Mr. Le Chanh Dao	Deputy CEO	Member

The subcommittees ensure their quantity of personnel as prescribed by the Company and legal provisions. Every quarter, the subcommittees hold meetings and send reports to the Board of Directors in accordance with the scope of assigned work.

## FUNCTIONS AND DUTIES OF THE SUBCOMMITTEES

### Strategy subcommittee

Build strategies on production, business and long-term investments of DHG Pharma;

Define plan of medium-term, yearly development, production, and business and operating targets on the basis of the targets and strategies approved by ASM. Build basic indicators of performance of DHG Pharma;

### HR and remuneration subcommittee

Determine criteria for quality and capacity, preside over drafting appointment procedures and proposals for appointment and dismissal of BOD members and managers under the BOD's authority;

Build procedures and formalities for nomination, election for BOD members;

Build regulations on determining the independence of non-executive members of BOD;

Recommend the BOD about the selection and appointment of CEO for DHG PHARMA;

Build assessment process for BOD's activities: the efficacy of

### Audit and risk management subcommittee

Offer suggestions on candidates for the position of independent auditor and related issues about changing independent auditing firm proposed by the BOS. Make suggestions on draft contract to be signed with an independent auditing firm.

Build criteria and assess independence of independent auditing firm. Monitor independent audit function at DHG PHARMA.

Assess level of accuracy and completeness of financial information prior to publication.

Supervise risk management tasks performed in the Company.

Review the adequacy, relevance and effectiveness

Build annual dividend level and propose interim dividend rate to BOD;

Evaluate long-term effectiveness of DHG Pharma's operations;

The specific functions of the strategy subcommittee may be adjusted and will be identified following the BOD's decision from time to time.

the BOD and the contribution of each member;

Build and propose to the BOD on HR development plans: detecting, selecting, training and fostering senior managers and inheritors.

Propose remuneration policy, salary bonus and other benefits for the BOD members and members of the subcommittees directly under the BOD and Management Board.

Monitor and evaluate the performance of management apparatus of DHG PHARMA

Execute other duties assigned by BOD relating to personnel policies of DHG PHARMA

of the internal control and internal audit (if any) activities, including finance, operation, compliance, risk management and management system.

Discuss about the quarterly audited financial statements and annual audited financial statements with the Management Board and the independent auditing firm.

Quarterly, hold a meeting with the Executive Board, Internal Control, Internal Audit (if any) and the Independent Auditor to update information.

Review of the audit recommendations and the response of the Executive Board with the independent auditing firm.

Analyze and make recommendations to the BOD about risks related to transactions and activities of DHG PHARMA.

## ACTIVITIES OF THE SUBCOMMITTEES

**Number of meetings of the subcommittees directly under the BOD:** In 2014, the subcommittees held four meetings to report, propose, and advise the BOD on professional works covered by the subcommittees. The main contents were as follows:

### Strategy subcommittee

Enhancement of brand value, expansion of market share, exports, exploitation of advantages of distribution system: The awards and honors received; revenue growth; market share and growth compared to the industry; brand investment; improving customer quality; improving customer satisfaction; holding the proportion of ETC channel; restructuring of sales system; export sales; exploiting the advantages of distribution system.

Maximization of capacity and efficiency of production, quality and research: increasing labor productivity; increasing automation; improving product quality; raising factory standard; product innovation; researching new products, differentiated product, high techno-scientific content products.

Maximization of capacity and corporate governance, financial management and supply chain.

Professionalization of corporate governance through standardized regulation - process of corporate governance, internal audit, risk management, application of information technology in management.

Professionalization of management of supply chain through control of loss rate of products, the completion rate of forecast plan, timely response to customer demand, building norms for reasonable inventory, timely delivery, providing timely for production, sourcing raw materials for reserve.

Expansion of cooperation and investment towards concentric diversification: The partners have worked in 2014 and given plans for 2015.

Responsibility for society and environment: The activities were towards the 40th anniversary of the Company, community activities, and environmental compliance activities.

### Audit and risk management subcommittees

- » Business targets compared with the same period and the plan;
- » Report on revenue following OTC and ETC;
- » Report on profit in detail and analyze expenses affecting profit;
- » The implementation of the budget in 2014;
- » Report on the implementation of suggestions of PwC's management (2013);
- » Report on matters not complying with operational guidelines.

### HR and remuneration subcommittee

- » Report on quantity of employees each quarter;
- » Report on average income of the functional sectors, labor productivity, severance rate, percentage of employees who understand the company culture values;
- » Report on recruitment, budget for personnel, policies performed in 2014 that affecting personnel organization;
- » Evaluate the implementation of strategy of the subcommittee in 2014.

#### REVIEW OF THE BOARD OF DIRECTORS ON THE ACTIVITIES OF THE BOARD OF MANAGEMENT AND OTHER MANAGEMENT OFFICERS

The Board of Management has implemented its tasks in accordance with the Resolution of the ASM and the resolutions of the Board of Directors. Since CEO and Deputy CEO in charge of business sector are members of Board of Directors; so, the implementation of BOD's resolutions, ASM's resolutions is quick, smooth.

In the situation of low growth of pharmaceutical industry, under the direction of the Board of Management, the Company has successfully accomplished and exceeded business plan proposed in 2014, namely: revenue reached VND3,913 billion, profit before tax of VND722 billion. This is an achievement to be appreciated by BOD. In 2014, in addition to the difficult market situation, the Board of Management has also tried to overcome many challenges and difficulties in management and production, particularly Tan Phu Thanh plant was put into operation. However, due to the increasing development scale of the Company, the BOD proposed the Board of Management, in the future, in addition to market affairs, should be focused on improvement of internal governance.

#### WORKING SCHEDULE OF THE BOD IN 2015

Board of Directors agreed to the expected working schedule in 2015 as follows:

- » Periodic meeting of Q4/2014: middle of Jan 2015
- » Meeting to discuss organization and content of the ASM 2014: at the end of March 2015 (after getting the audited financial statements)
- » Periodic meeting of Q1/2015: 19 April 2015
- » Periodic meeting of Q2/2015: middle of July 2015

The Board of Management with four (04) members, including CEO, Deputy CEO in charge of Business and Customer Service, Deputy CEO in charge of manufacturing and supply chain; Deputy CEO in charge of Finance/Accounting/IR have deep speciality and seniority in their respective fields. To promote capabilities and share general job responsibilities, in coming time, the BOD proposes that the BOM should give prominence to initiative in deployment and handling of works which undertaken by each Deputy CEO and in coordination among Deputy CEOs. In 2015, the Deputy CEOs should focus on supporting the CEO to complete the organizational structure, operating procedures in the units under their charge.

The problem of successors for senior executives and other management levels is a concern of shareholders, investors and partners. So, depending on the competence, the Board of Management should actively perform or submit to the BOD for approval of planning programs for successors and attracting brain-drain beyond Can Tho city in order to ensure sustainable development and meet the new development scale of the Company.

- » Periodic meeting of Q3/2015: middle of October 2015
- » Periodic meeting of Q4 /2015: middle of Jan 2016

The meeting schedule as planned above can be changed upon convocation by the Chairman, but still creating good conditions for all participants. In addition, in order that the Company's activities are persistent; the Board of Directors may hold indirect meetings (unscheduled) in form of consulting via email within their competence.





## ACTIVITIES OF BOARD OF SUPERVISION

### BOS MEETINGS

In 2014, BOS held 4 meetings with full participation of members to summarize result of works done during the period and make plans for the next period and write reports to the Board of Directors (BOD).

In addition, BOS has fully participated in the BOD meetings to acknowledge situation of business and investment and made suggestions, gave recommendations to the BOD, the Board of Management (BOM) in the scope of its responsibilities and powers.

### BOS'S ACTIVITIES

BOS has developed activities in 2014 including: supervising operations and financial condition of the Company, supervising activities of the BOD and Executive Board, with particular emphasis on financial management objectives and risk control, namely:

Check and monitor the implementation of Resolution of ASM 2013 for BOD and BOM.

Coordinate with the independent auditor to examine 1H financial statement and 2014 financial statement to assess the transparency and reasonableness of financial data in accordance with standards, accounting regulations and current financial policies. At the same time, duly noting and implementing advices of the independent auditor in order to improve the efficiency of the financial management of the Company. Before and after each audit, BOS held meetings with the auditor about focused contents need to be audited and evaluate the auditing results.

Review and make suggestions for regulations on financial management and procurement processes of the Company, along with checking the compliance of procedures and regulations.

Coordinate with the independent auditor to audit the new plant project, monitoring the compliance of procurement processes and financial management.

Coordinate with the functional units of the Company to inspect activities of subordinate units such as branches, subsidiaries, to strengthen the management of the Company to these units. Through inspection, BOS did not detect essential misstatements affecting the interests of the Company.

### ASSESS ON BUSINESS PERFORMANCE AND FINANCIAL STATUS OF THE COMPANY

In the context of the overall difficult business, the results of operations and business of DHG Pharma remains positive, achieving targets set by the 2013 ASM, namely:

- » Consolidated net sales of 2014 reached VND3,912.5 billion, increased by 15.4% compared with 2013, reaching 101% of the plan.
- » Consolidated profit before tax of 2014 reached VND722 billion, decreased by 7.6% y/y. If excluding financial income and extraordinary income from Eugica transfer in 2013, profit before tax of 2014 reaching VND687.2 billion, exceeding 0.17% of the plan (VND686 billion).
- » Proportion of current assets/current payables was 2.13 times. Liabilities/equity was 0.52 times. The financial situation of the Company was completely healthy.
- » Customer receivable as of 31/12/2014 was VND761 billion, accounting for 19.4% of net sales 2014 of the Company and increased by 47.7% y/y.
- » BOS has reviewed the 1H financial statement, 2014 financial statement, consistent with the results of production and business in 2014 and the targets in the financial statements. The report showed fully, clearly and reflected financial situation of the Company.
- » In 2014, the Company strictly abides by the provisions of the law and the Enterprise charter. BOS did not find unusual anything in production and finance of the Company.

### MONITORING THE ACTIVITIES OF BOD, BOM AND MANAGEMENT APPARATUS OF THE COMPANY

BOD held periodic meetings under the provisions of the Charter and BOD's operating regulations. The BOS evaluated BOD's performance of 2014 in accordance with regulations of the law and of the Company, responded promptly to requests of production and business activities of the Company during the year.

BOD has issued several resolutions and decisions relating to the operations of the Company within the responsibility and jurisdiction of BOD. Resolutions and Decisions of the BOD were issued in the correct order and competence and appropriate with legal basis in accordance with regulations of law and the Company.

BOS recorded nothing unusual in the operation of BOD and BOM members, as well as management divisions of the company.

BOD and BOM have driven business development properly, with a high sense of responsibility to meet expectations of shareholders, employees and bring benefits to customers.

In 2014, enterprises in the business field still met difficulties due to slow economic recovery. CEO and Executive Board have made efforts to manage activities of production and business of the Company and complete important targets: revenue, profits, and dividends... according to the plan approved by the General Meeting of Shareholders.

Make reports, disclose information on the regulations.

BOS agreed with the BOD's report to submit ASM 2014.

### EVALUATING COORDINATION OF ACTIVITIES AMONG BOS AND BOD, BOM

In 2014, BOS was created favorable conditions by BOD and BOM in provision of sufficient information on production and business activities and financial situation of the Company.

BOS are invited to attend all meetings of the BOD, consulted according to its functions and duties.

BOM gave conditions for personnel arrangement and information provision during task performance of BOS at departments, branches or subsidiaries.

BOS, BOD, and BOM coordinated closely to solve obstacles in the process of inspection and control of the BOS.

Periodically, the BOS has written reports and proposals submitted to BOD and BOM. The recommendations of the BOS were recorded and implemented.



### REMUNERATION OF THE BOS

In 2014, BOS received remuneration in accordance with ASM 2013's Resolution and Resolution No. 007/2014/NQ.HDQT dated 27/05/2014 of BOD. Specific amount of remuneration was detailed in the report of BOD and BOS.

### IMPLEMENTATION OF THE ASM 2013'S RESOLUTION

The Company has completed the business target of 2014

The Company has implemented appropriation of funds according to profit distribution plan, remuneration and bonus in 2013 under ASM 2013's Resolution

Selecting Pricewaterhouse Coopers Vietnam Ltd. (PwC) to audit financial statements of the Company in 2014

The Company has implemented the plan of share issuance to increase share capital from equity with a ratio of 3:1.

### SOME RECOMMENDATIONS OF BOS

Based on its monitoring activities and to maintain a growth rate in accordance with the business plan 2014-2018 for submitting the ASM 2014, BOS has some suggestions as follows:

- » Suggest BOD and BOM to continue strengthening supervision of selling task, promoting and collecting debts to improve business performance of the Company.
- » Closely monitor activities of production, business, and financial management of the subsidiaries of the Company.
- » Current sales force is over 1,200 employees; it is necessary to strengthen supervision of implementation of the selling regulations of the Company.
- » Establish an inventory norm, warehouse management processes according to advanced standards to ensure optimum supply of goods on the market, on the other hand to increase capital cycle for cost reduction.

- » Develop and improve systems of processes and regulations as a basis for management, evaluation of efficacy and risk control.
- » Deploy construction of Betalactam factory on schedule. Maintain supervision of construction, quality assurance of the project.
- » Strengthen the role of internal control division in financial management, monitoring compliance procedures and regulations of the Company.
- » Implement comprehensively and deploy absolutely BFO management software system to improve efficacy of management and prevent and reduce risks.

### PLAN OF ACTIONS OF THE BOS IN 2015

- » BOS will continue to perform inspection and monitoring by its functions and duties stipulated in the Law on Enterprise and the Company Charter.
- » Supervise the BOD and BOM in implementation of Resolution of the ASM 2014.
- » Coordinate with the independent auditor in auditing the financial statements and building works at Tan Phu Thanh plant.
- » Implement appraisal for report on business and report on evaluation of management task of the BOD to submit the ASM 2015.
- » Continue reviewing and proposing shortcomings in procedures and regulations of the company. Monitor compliance with the procedures and regulations.
- » Appraise the investment projects of the Company prior to deployment.
- » Review and reconsider the implementation of the project of Tan Phu Thanh plant.

### REMUNERATION, BONUS FOR BOD, BOS AND BOM

#### Expenditures of the Remuneration, bonus fund of BOD and BOS

No.	Interpretation	Amount (VND)
<b>1</b>	<b>Balance at the end of 2013 (31/12/2013)</b>	<b>4,579,483,312</b>
	» Remuneration	5,526,323,537
	» Bonus	(946,840,225)
	<b>Appropriated from profit distribution in 2013</b>	<b>10,151,898,356</b>
	» Remuneration	5,000,000,000
	» Bonus	5,151,898,356
<b>2</b>	<b>Total amount paid in 2014</b>	<b>7,787,388,273</b>
2.1	Paid for BOD and BOS	4,398,650,000
	» Remuneration	3,216,000,000
	» Bonus	1,182,650,000
2.2	Paid for collaborators	1,424,247,500
	» Remuneration	798,000,000
	» Bonus	626,247,500
2.3	Rewarding for Board of leadership, key staff for excellent performance in 2013	1,963,490,773
	<b>Balance at the end of (31/12/2014)</b>	<b>6,944,993,395</b>
	» Remuneration	6,512,323,537
	» Bonus	432,669,858
<b>3</b>	<b>Balance after profit distribution in 2014</b>	<b>13,779,185,275</b>
3.1	» Remuneration	11,512,323,537
3.2	» Bonus	2,266,861,738



TRANSACTIONS, REMUNERATION AND  
OTHER INTERESTS OF BOD, BOS AND BOM (continued)

Detailed distribution  
for each member of  
BOD and BOS

No.	Name of member	Position	Remuneration and bonus paid (before PIT) (VND)
<b>I. BOARD OF DIRECTORS</b>			<b>3,440,225,000</b>
1.	Hoang Nguyen Hoc	Chairman from 01 May 2014	324,000,000
2.	Le Dinh Buu Tri	Deputy Chairman from 01 May 2014	450,000,000
3.	Pham Thi Viet Nga	Chairwoman until 01 May 2014 Member from 01 May 2014	695,275,000
4.	Doan Dinh Duy Khuong	Member	435,550,000
5.	Dang Pham Minh Loan	Member from 01 May 2014	162,000,000
6.	Tran Chi Liem	Member from 01 May 2014	162,000,000
7.	Shuhei Tabata	Member from 01 May 2014	162,000,000
8.	Le Minh Hong	Member until 01 May 2014	283,000,000
9.	Le Chanh Dao	Member until 01 May 2014	273,550,000
10.	Nguyen Thi Hong Loan	Member until 01 May 2014	258,850,000
11.	Nguyen Nhu Song	Member until 01 May 2014	234,000,000
<b>II. BOARD OF SUPERVISION</b>			<b>958,425,000</b>
1.	Tran Quoc Hung	Head	396,175,000
2.	Nguyen Phuong Thao	Member	264,000,000
3.	Dinh Duc Minh	Member from 01 May 2014	108,000,000
4.	Tran Thi Anh Nhu	Member until 01 May 2014	190,250,000
<b>Total</b>			<b>4,398,650,000</b>

SHARE TRANSACTION OF INTERNAL SHAREHOLDERS

Share transaction of internal shareholders

No.	Trading people	Title	Number of shares at the beginning	Number of shares at the end period	Reasons for increase/de- crease
1.	Mrs. Pham Thi Viet Nga	BOD member, CEO	151,369	201,825	Bonus shares (3:1): 50,456 shares
2.	Mr. Le Dinh Buu Tri	Deputy chairman	22,200	29,600	Bonus shares (3:1): 7,400 shares
3.	Mr. Doan Dinh Duy Khuong	BOD member, Deputy CEO	20,059	18,078	Sold: 6,500 shares Bonus share (3:1): 4,519 shares
4.	Mr. Le Chanh Dao	Deputy CEO, CFO	61,169	81,558	Bonus shares (3:1): 20,389 shares
5.	Mrs. Nguyen Ngoc Diep	Deputy CEO	3,684	4,912	Bonus shares (3:1): 1,228 shares
6.	Mr. Tran Quoc Hung	Head of BOS	13,840	18,453	Bonus shares (3:1): 4,613 shares
7.	Mr. Dinh Duc Minh	BOS member	10	13	Bonus shares (3:1): 3 shares
8.	Mrs. Dang Pham Huyen Nhung	Chief accountant	8,166	4,221	Sold: 5,000 shares Bonus shares (3:1): 1,055 shares
9.	Mrs. Le Thi Hong Nhung	Person disclosing infor- mation	3,648	4,864	Bonus shares (3:1): 1,216 shares

Share transaction of related persons

No.	Trading people	Title	Number of shares at the begin- ning	Number of shares at the end period	Reasons for increase/de- crease
1.	Mr. Pham Viet Thang	Full-brother of Mrs. Pham Thi Viet Nga	3,550	4,733	Bonus shares (3:1): 1,183 shares
2.	Mrs. Huynh Thi Quynh Anh	Daughter of Mrs. Pham Thi Viet Nga	7,276	9,701	Bonus shares (3:1): 2,425 shares
3.	Mr. Doan Dinh Duy Nguyen	Full-brother of Mr. Doan Dinh Duy Khuong	390	520	Bonus shares (3:1): 130 shares
4.	Mr. Doan Dinh Tuan Huy	Full-brother of Mr. Doan Dinh Duy Khuong	2,690	3,586	Bonus shares (3:1): 896 shares
5.	Mrs. Phung Kim Phuong	Wife of Mr. Le Chanh Dao	384	512	Bonus shares (3:1): 128 shares
6.	Mrs. Nguyen Hong Nhung	Wife of Mr. Tran Quoc Hung	4	5	Bonus shares (3:1): 1 share
7.	Mr. Dang Pham Phuc Hau	Full-brother of Mrs. Dang Pham Huyen Nhung	1,882	696	Sold: 1,360 shares Bonus shares (3:1): 174 shares
8.	Mrs. Le Thi Hong Gam (*)	Full-sister of Mrs. Le Thi Hong Nhung	0	600	Bought: 1,800 shares Sold: 1,800 shares Bonus shares (3:1): 600 shares
9.	Mr. Le Hoang Nam	Husband of Mrs. Le Thi Hong Nhung	62	82	Bonus shares (3:1): 20 shares

(\*): On 21 March 2014, Mrs. Le Thi Hong Gam, full-sister of Mrs. Le Thi Hong Nhung bought 1,800 shares but delayed information disclosure. Reason: not knowing clearly about the regulations of information disclosure.



TRANSACTIONS, REMUNERATION AND  
OTHER INTERESTS OF BOD, BOS AND BOM (continued)

SHARE TRANSACTION OF MAJOR SHAREHOLDERS

No.	Trading people	Number of shares at the beginning	Number of shares at the end period	Ratio	Reasons for increase/decrease
1.	State Capital Investment Corporation (SCIC)	28,313,119	37,750,825	43.31%	Bonus shares (3:1) 9,437,706 shares
2.	Portal Global Limited	4,708,748	6,278,330	7.20%	Bonus share (3:1) 1,569,582 shares
3.	FTIF - Templeton Frontier Markets Fund	5,930,371	8,225,353	9.44%	Investment; Bonus shares (3:1): 1,976,790 shares

(Quantity of shares: following the shareholder list on 12 March 2015)

TRANSACTION WITH RELATED PARTIES

This content is presented in Section 32 of the Note to audited financial statements of the Parent company in 2014 and Section 33 of the Note to consolidated audited financial statements in 2014. Namely as follows:

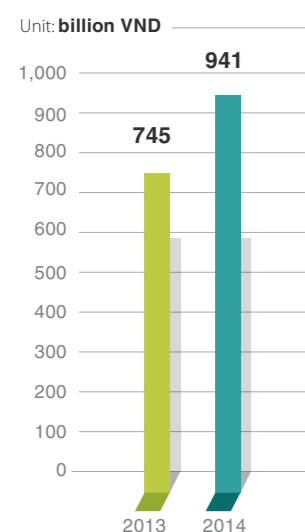
- » The largest shareholder of the Company is the State Capital Investment Corporation ("SCIC"), owning 43.31% of equity of the Company. The SCIC is controlled by the Government of the Socialist Republic of Vietnam.

BUSINESS WITH RELATED PARTIES

During the year, the following businesses were conducted with related parties

Sales of goods and services

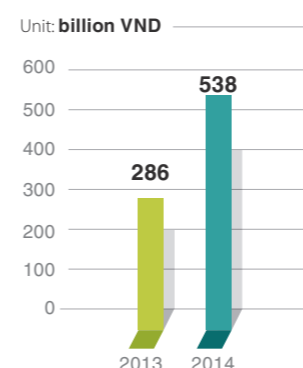
Subsidiaries	2014 VND	2013 VND
DT Pharmaceutical One-Member Limited Company	36,498,264,260	40,208,197,722
DHG Travel One-Member Limited Company	1,737,045,453	1,925,454,547
HT Pharmaceutical One-Member Limited Company	61,184,001,464	54,946,264,447
DHG Nature One-Member Limited Company	5,731,996,803	7,891,650,996
CM Pharmaceutical One-Member Limited Company	54,076,622,307	48,072,320,197
DHG Printing & Packing 1 One-Member Limited Company	-	1,645,560,003
SH Pharmaceutical One-Member Limited Company	88,612,017,606	98,198,855,902
A&G Pharmaceutical One-Member Limited Company	99,647,618,739	87,804,529,980
ST Pharmaceutical One-Member Limited Company	64,879,730,096	54,203,161,276
TOT Pharmaceutical One-Member Limited Company	177,095,145,623	166,504,864,291
TG Pharmaceutical One-Member Limited Company	43,623,193,688	35,558,431,757
Bali Pharmaceutical One-Member Limited Company	50,378,585,662	45,894,117,771
<b>DHG Pharmaceutical One-Member Limited Company</b>	<b>122,484,853,280</b>	<b>133,314,545</b>
B&T Pharmaceutical One-Member Limited Company	40,400,587,890	28,409,626,252
TVP Pharmaceutical One-Member Limited Company	39,534,945,438	30,329,804,319
VL Pharmaceutical One-Member Limited Company	54,321,557,108	43,222,007,816
DHG 1 Printing & Packing One-Member Limited Company	437,334,384	-
<b>Total</b>	<b>940,643,499,801</b>	<b>744,948,161,821</b>



Infrastructure system of the new non-beta lactam factory - DHG Pharma

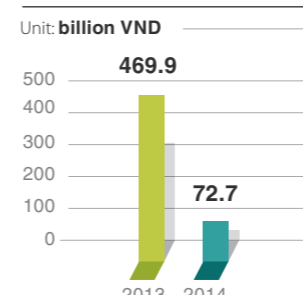
Purchase of goods and services

	2014 VND	2013 VND
<b>Subsidiaries</b>		
DHG Travel One-Member Limited Company	47,402,601,301	49,315,908,275
DHG Nature One-Member Limited Company	40,205,598,806	41,709,996,557
DHG Printing & Packing One-Member Co. Ltd	-	188,963,697,135
TOT Pharmaceutical One-Member Co. Ltd	1,499,791,103	2,030,512,626
DHG Pharmaceutical One-Member Co. Ltd	297,124,637,961	-
DHG Printing & Packing 1 One-Member Limited Company	151,346,353,995	-
<b>Associates</b>		
Vinh Hao Algae Processing JSC	40,400,000	4,004,000,000
<b>Total</b>	<b>537,619,383,166</b>	<b>286,024,114,593</b>



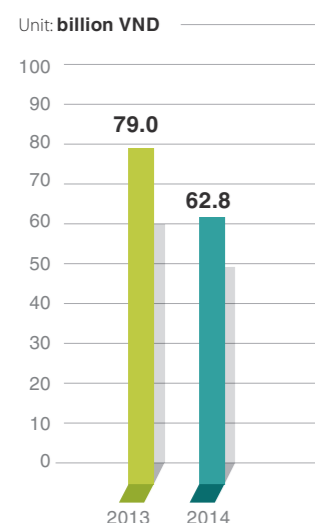
Sale of fixed assets

Subsidiaries	2014 VND	2013 VND
SH Pharmaceutical One-Member Co. Ltd	9,090,909	-
TOT Pharmaceutical One-Member Co. Ltd	63,636,364	-
B&T Pharmaceutical One-Member Co. Ltd	-	53,663,739
TVP Pharmaceutical One-Member Co. Ltd	-	140,339,905
VL Pharmaceutical One-Member Co. Ltd	-	275,932,101
<b>Total</b>	<b>72,727,273</b>	<b>469,935,745</b>



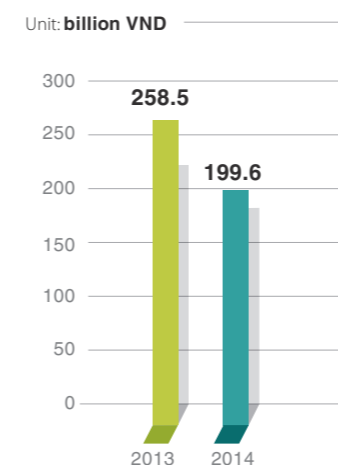
TRANSACTIONS, REMUNERATION AND  
OTHER INTERESTS OF BOD, BOS AND BOM (continued)

Dividend income	Subsidiaries	2014 VND	2013 VND
	DT Pharmaceutical One-Member Limited Company	1,851,558,529	2,663,980,424
	DHG Travel One-Member Limited Company	2,435,281,892	2,392,682,870
	HT Pharmaceutical One-Member Limited Company	3,184,648,582	3,150,284,729
	DHG Nature One-Member Limited Company	3,096,870,145	1,529,555,091
	CM Pharmaceutical One-Member Limited Company	2,852,308,274	3,750,764,536
	DHG Printing & Packing One-Member Limited Company	31,022,791,966	32,549,325,810
	SH Pharmaceutical One-Member Limited Company	892,500,000	892,500,000
	A&G Pharmaceutical One-Member Limited Company	3,291,247,725	6,884,662,519
	ST Pharmaceutical One-Member Limited Company	2,657,471,081	3,998,245,020
	TOT Pharmaceutical One-Member Limited Company	6,385,502,557	16,413,013,601
	TG Pharmaceutical One-Member Limited Company	900,846,651	2,238,011,499
	Bali Pharmaceutical One-Member Limited Company	2,490,840,626	2,555,320,879
	B&T Pharmaceutical One-Member Limited Company	391,238,914	-
	TVP Pharmaceutical One-Member Limited Company	1,000,463,287	-
	VL Pharmaceutical One-Member Limited Company	330,443,711	-
	<b>Total</b>	<b>62,784,013,940</b>	<b>79,018,346,978</b>



Capital contribution	Subsidiaries	2014 VND	2013 VND
	DHG Pharmaceutical One-Member Limited Company	-	1,153,226,020
	B&T Pharmaceutical One-Member Limited Company	-	5,000,000,000
	TVP Pharmaceutical One-Member Limited Company	-	5,000,000,000
	VL Pharmaceutical One-Member Limited Company	-	5,000,000,000
	DHG Printing & Packing 1 One-Member Limited Company	-	5,000,000,000
	<b>Total</b>	<b>-</b>	<b>21,153,226,020</b>

Investment in subsidiary projects	Subsidiaries	2014 VND	2013 VND
	DHG Pharmaceutical One-Member Co. Ltd	176,315,349,669	225,981,974,277
	DHG Printing & Packing 1 One-Member Co. Ltd	23,291,909,060	32,549,325,810
	<b>Total</b>	<b>199,607,258,729</b>	<b>258,531,300,087</b>



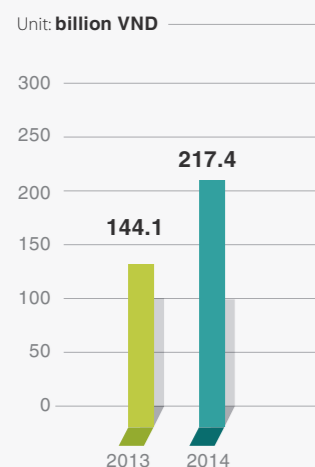
Total investment capital in two above subsidiaries:		2014 VND	2013 VND
<b>DHG Pharmaceutical One-Member Co. Ltd</b>			
Contributed charter capital		50,000,000,000	50,000,000,000
Advance of investment capital for building the plant		402,297,323,946	225,981,974,277
		452,297,323,946	275,981,974,277
<b>DHG Printing &amp; Packing 1 One-Member Co. Ltd</b>			
Contributed charter capital		5,000,000,000	5,000,000,000
Advance of investment capital for building the plant		55,841,234,870	32,549,325,810
		60,841,234,870	37,549,325,810

Payment of dividend		2014 VND	2013 VND
	State Capital Investment Corporation	56,626,237,500	99,095,916,500

Expenses for key management personnel		2014 VND	2013 VND
	Salaries and other gross interests	14,238,341,053	14,668,492,342

YEAR-END BALANCES WITH RELATED PARTIES

Customer receivables	Subsidiaries	2014 VND	2013 VND
	DT Pharmaceutical One-Member Limited Company	4,007,677,469	2,942,270,004
	HT Pharmaceutical One-Member Limited Company	19,063,395,707	6,871,262,751
	CM Pharmaceutical One-Member Limited Company	11,736,345,970	8,178,947,404
	DHG Printing & Packing One-Member Limited Company	-	54,067,268
	SH Pharmaceutical One-Member Limited Company	7,874,078,979	17,492,047,818
	A&G Pharmaceutical One-Member Limited Company	29,240,844,919	19,195,323,532
	ST Pharmaceutical One-Member Limited Company	24,028,313,624	21,339,874,591
	TOT Pharmaceutical One-Member Limited Company	56,991,628,788	37,845,280,543
	TG Pharmaceutical One-Member Limited Company	12,536,931,898	5,929,051,566
	Bali Pharmaceutical One-Member Limited Company	12,695,540,965	6,949,128,724
	DHG Pharmaceutical One-Member Limited Company	99,999,997	-
	B&T Pharmaceutical One-Member Limited Company	9,516,310,809	3,254,691,021
	TVP Pharmaceutical One-Member Limited Company	20,278,623,823	7,577,674,050
	VL Pharmaceutical One-Member Limited Company	9,334,445,968	6,507,689,568
	<b>Total</b>	<b>217,404,138,916</b>	<b>144,137,308,840</b>
Other receivables	Subsidiaries	2014 VND	2013 VND
	DHG Pharmaceutical One-Member Limited Company	402,297,323,946	225,981,974,277
	DHG Printing & Packing 1 One-Member Limited Company	55,841,234,870	32,549,325,810
	Other subsidiaries	218,317,061	693,283,942
	<b>Total</b>	<b>458,356,875,877</b>	<b>259,224,584,029</b>
Payable	Subsidiaries	2014 VND	2013 VND
	DHG Nature One-Member Limited Company	1,299,216,594	575,038,633
	DHG Printing & Packing One-Member Limited Company	-	17,674,767,928
	DHG Pharmaceutical One-Member Limited Company	40,493,064,314	-
	DHG Printing & Packing 1 One-Member Limited Company	11,907,958,572	-
	<b>Total</b>	<b>53,700,239,480</b>	<b>18,249,806,561</b>



**281**  
DOMESTIC AND  
FOREIGN INVESTMENT  
FUNDS LEARNING ABOUT  
DHG PHARMA IN 2014



ACTIVITIES OF INVESTOR RELATIONS WELL MAINTAINED WITH SHAREHOLDERS; APPROACHED MORE NEW INVESTORS WHO HAVE POTENTIAL, FINANCIAL CAPACITY, AND EXPERIENCE; ALSO CREATED GOOD IMPRESSIONS ABOUT DHG TRADEMARK IN THE STOCK MARKET IN ASEAN AND THE US THROUGH OUTSTANDING ACTIVITIES DURING THE YEAR.

TOP 10

OF "ANNUAL REPORT 2014" AND THE THIRD POSITION, CONSOLATION PRIZE OF "SUSTAINABILITY REPORT"

TOP 5

OF LISTED COMPANIES HAVING THE BEST ACTIVITY OF INVESTOR RELATIONS (IR) IN 2014

Attend and introduce DHG in 6 large-scale regional seminars in Vietnam, Singapore, Hong Kong, and the US. They are **Vietnam Access Day 2014** festival organized by Ban Viet, **Invest Asean 2014** held by Mabank KimEng in Singapore, **CIMB SMID Cap Corporate Day** held by CIMB in Hong Kong, **Business Day of Vietnam in Singapore** held by Daiwa Securities Capital Markets, **Gateway to Viet Nam** held by SSI, and **Invest Asia** held by Maybank Kim Eng in the US.

Performed 122 face-to-face meetings with 281 domestic and foreign investment funds that would like to learn about DHG Pharma as well as seek investment opportunities in DHG Pharma.

Disclosure of information (financial and non-financial) was fully and timely performed on the website: <http://www.dhgpharma.com.vn/dhg/en/investor-relations.html>

Performed 5 IR news (No. 10, 11, 12, 13, and 14) to provide investors with business results, analysis and notes of factors affecting revenue growth, profitability and timely update investors on the implementation of investment projects.

Attended and won Top 10 of "Annual Report" and consolation prize of "Sustainability Report" in 2014.

According to a survey of Vietstock Securities Company, DHG Pharma was in the top 5 of listed companies having the best activity of investor relations (IR) in 2014.

On the occasion of the 40<sup>th</sup> anniversary of establishment, DHG Pharma organized the program "Returning to the roots" for shareholders and investors to help them understand clearly DHG's history and share with DHG Pharma on the past development stages.

Completed the procedures for issuance, depository, listing, and trading bonus shares with a ratio of 3:1 and clearance of ESOP 2011.



# SUSTAINABLE BOND

Be an enterprise operating in the field of human healthcare, DHG not only is aware of social responsibility in each product, but also shares jointly responsibility for the community with practical activities. The voluntary activities always receive enthusiastic participation of all employees involved and are considered a part of humanistic culture of DHG.



## SUSTAINABILITY REPORT

- 128 Report dossier
- 130 Ethical values of the company
- 131 Code of conduct with related parties
- 136 Preventing conflicts of interest and transactions with related parties
- 138 Supply chain management
- 140 Responsibility for environmental
- 154 Responsibility for employees
- 169 Responsibility for products and customers
- 173 Responsibility for the local
- 176 Responsibility for the community



TO AVOID THE SAME INFORMATION, DHG PHARMA'S SUSTAINABILITY REPORT IS WRITTEN ALONG WITH THE ANNUAL REPORT. THE CONTENT IS FOCUSES ON INFORMATION QUALITY, BRIEF TRANSMISSION TO SHAREHOLDERS AND INVESTORS.

**Reporting period:** be prepared for the fiscal year 2014 from the date 01/01/2014 and ending 31/12/2014.

**Reporting cycle:** annually performed

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(item: Contact)

[T] : 07103 891 433 (242)  
Investor Relation Board (IR)

Mrs. **Le Thi Hong Nhung**  
[E] : hongnhung@dhgpharma.com.vn  
in charge of information disclosure,  
IR manager

Ms. **Duong Kim Loan**  
[E] : duongloan@dhgpharma.com.vn  
IR executive

**Report's scope and boundary:** The report is made in Vietnam in field of pharmaceutical industry, for activities of DHG Pharmaceutical Joint-Stock Company (DHG Pharma) and its subsidiaries and associates.



Energy consumption 2014  
 **21.97**  
million kwh/year

Used water source  
 **25,316**  
m<sup>3</sup>/month

Gas fuel  
 **3.5**  
ton/month

Recycled waste  
 **19,000**  
kg/month



Human resource of 2014  
 **2,964** employees  
↑56.5%  
↓43.5%

Average income  
 **18.9** million VND

Number of hours for training  
 **243,718** hours

Turnover rate  
 **138/2,964** personnel



Products in circulation nationwide  
 **400** products were granted visas for circulation

Trademark protection  
 **233** products

Customer service  
 **281** cases of consulting customer satisfaction

Budget for R&D  
 **10%** Taxable income of 2014 and 5% taxable income of 2013



Pay to the local budget  
 **326** billion VND

Job creation  
 **2,964** employees

Communication of health universalization  
 Through the programs "Doctor to every home", "The Bridge of Health", "Health Journal", and "Medical Seminar" were widely broadcasted in various media



Gratitude  
 To serve, build houses of gratitude for the Vietnamese Heroic Mother; to visit and send gifts to staff's families belonging to family policy, persons who have the merit of assisting the Revolution

Operating expenses of 2014  
 **9** billion VND for community activities

Free medicine and examination for the poor  
**59,190** poor people in the remote provinces across the country, Cambodia and Laos

DHG IS DETERMINED TO BECOME A PRESTIGIOUS AND PROFESSIONAL COMPANY, IS GUIDED BY RIGHT AND APPROPRIATE POLICIES, ORIENTED BY FUNDAMENTAL AND APPROPRIATE ETHICAL PRINCIPLES.

- 01**  
CONFORM TO THE LAW, CONSTITUTION

➤ Conform to the law, constitution of Vietnam as well as the Company's operating places and be responsible for non-compliance acts
- 02**  
CONFORM TO THE RULES AND REGULATIONS

➤ Conform to the rules and regulations issued by the Company that must be consistent with legal provisions.
- 03**  
THE COMPANY'S ASSETS

➤ Information security, effective management, utilization, and protection of the Company's assets.
- 04**  
OPTIMIZE AND INCREASE ADDED VALUE

➤ Optimize and increase added value for all involved parties but not swiping profits for value of ethnic principles.
- 05**  
SOCIAL RESPONSIBILITY

➤ Performance of social responsibility is a compulsory requirement for all members of the Company.
- 06**  
COMPETE HEALTHILY

➤ Compete healthily in principle of honesty, equality, non-infringement upon interests of the State, communities and end-users.
- 07**  
RESPECT INTELLECTUAL PROPERTY ASSETS

➤ Respect intellectual property assets of competitors, customers, partners, suppliers, etc.
- 08**  
CUSTOMERS AND END-USERS

➤ Customers and end-users are the most preferred subjects in all relationships of the Company since they are key factors in determining on the Company's survival.
- 09**  
EMPLOYEES

➤ The employee, a valuable asset, an important resource should be trained, taken care, respected and treated fairly.



## FOR CUSTOMERS, END-USERS

ALL ACTIVITIES OF ALL MEMBERS OF THE COMPANY MUST AIMS TO BUILD A CONFIDENCE, A STEADFAST ATTACHMENT BETWEEN THE COMPANY AND CUSTOMERS FOR A SUSTAINABLE EXISTENCE AND DEVELOPMENT OF THE COMPANY.

### QUALITY, SAFETY AND EFFECTIVENESS

"Quality, safety and effectiveness targeted as our highest commitments" is the first core value to be committed of the Company for customers, end-users about the Company's products and services and also a mission which all the Company's employees make efforts to implement.

The Company also committes to provide customers with products and services quickly and timely through the extensive distribution system.

Do not trick customers, end-users into obedience about the product's quality

### RESPONSIBILITY FOR PRODUCTS WHICH ARE PROVIDED CUSTOMERS AND END-USERS:

Promptly detect and notify authorities, customers of identification marks of counterfeit and fake. Product's informations, usages, benefits and side effects must be clearly marked on prescription label.

Test bioequivalence to prove DHG's products equivalent to original brand-names.

Dedicate products of highly scientific technical content; link application of values of scientific research to reality, application of biotechnology to preparation and development of nature-derived products.

In addition to compliance with standards during production, storage, distribution of products, the Company always strictly abides by regulations of the Ministry of

and safety as well as truthfulness of advertisings, promotions.

A price policy is reasonably, competitively conducted in accordance to legal regulations in domestic and export market in principle of mutual benefit. The price is proportional to the value of products and services.

Ensure an equally competitive opportunity on the market for customers. No providing, sharing customer's business information to that customer's competitors.

Health, Vietnam Drug Administration, Department of Food Safety and Hygiene, and the local health departments.

Handle inquiries and complaints about products through the hotline of customer service (mostly feedback from end-users) and through the Company's sales personnel (mostly feedback from customers of pharmacies, hospitals, physicians).

Handle substandard products: According to analytic results, if a substandard drug batch has been already out of store but not distributing, the procedure of nonconforming product control will be applied. As for the substandard distributed drug batch will be recalled.





## FOR SHAREHOLDERS, INVESTORS

DHG PHARMA COMMITTES TO BUILD RELATIONSHIPS WITH SHAREHOLDERS, INVESTORS BASED ON HONESTY, JUSTICE AND ENSURING THE MOST HARMONIOUS INTERESTS.

### TRANSPARENT, ACCURATE, TRUTHFUL

**Transparent, accurate, truthful, complete, clear and timely** disclosure of information is responsibility of the Company not only to shareholders - investors but also to its sustainable development.

Be a listed company, DHG's members shall not provide, disclose and employ internal information to advice or purchase securities for themselves or for other people and shall not perform false supply and demand acts.

Transparent, open exchange and disclosure

of information shall be fair and ensure equal investment opportunities for investors.

Maintain effective communication channel for shareholders and investors, such as the Company's website, Annual Report, IR newsletters, direct meetings, reply via email, response via telephone, get-together, publications and other activities of Investor Relation Board.

Never disclose confidential information of investors, shareholders with anyone for any reason, unless required by the legislature or allowed by information owners.



## FOR EMPLOYEES

### THE EMPLOYEES ARE VALUABLE ASSETS

For DHG Pharma, the employees are valuable assets. For implementing the criteria **"Responsibility, cooperation, and promotion prioritized in our motto of action"**, human factor is intensively focused on investment by DHG Pharma.

In addition to remuneration with attractive salary, the Company always makes a united, competitive, emulative working environment so that the employees promote their creativity, dynamism and contribute effectively to business results of the Company.

DHG Pharma is a place where the employees are able to develop their career and are remunerated worthily for their contribution and DHG Pharma is a place to balance between work and life.

The Company committes to ensure fully legitimate benefits of employees under Labor Law and other regulations of the State.

The Company shall not use child labor, illegal labor. Working and rest time are proper.

The Company shall respect for individual rights of the employees, religious freedom but not be superstitious.



## FOR COMPETITORS

BESIDES THE MARKET BEING HUMAN SENTIMENT AND THE HUMAN SENTIMENT TO COMPETITORS IS A VIEW OF ALL DHG'S MEMBERS.

### LEARNING, JUSTICE, AND HEALTHY COMPETITION

Contact, work with competitors on view of learning, justice, and healthy competition.

Do not engage in activities to sabotage competitors.

Disagree or connive with one or more competitors at bringing down other competitors.

Do not produce and distribute counterfeit, fake of competitors.

Do not speak ill of anyone and do not make false statements about products of competitors.

Do not take advantage of relationships with customers in order to incite them against competitors by unfair attitude and actions.

It is advised to collect, share and use information about competitors in mass media, annual report, competitor's websites, public speeches, and other publications and indicate clearly source of information when using. Collection of information of competitors by illegal or immoral ways shall be strictly prohibited.



## FOR SUPPLIERS

DHG CONFORMS TO LEGAL PROVISIONS RELATING TO TRANSACTIONS WITH SUPPLIERS AND IMPLEMENTS THE FOLLOWING PRINCIPLES:

The Company ensures a fair, transparent competition among suppliers, bases on the highest objective benefits that such suppliers bring the Company in principle of cooperation for prosperity.

Do not rely on economies of scale to squash suppliers; do not show attitude to disregard suppliers and require them waiting for a long time.

Do not take advantage of individual position to require "commission", gifts from suppliers to serve personal interests.

Do not share confidential information of suppliers with that supplier's competitors.



## FOR GOVERNMENTS, STATE AGENCIES

Do not perform illegal acts to conceal information which is beneficial to the Company or the individual.

Do not carry out bribery to gain privileges and special benefits from the government, state agencies.

Perform tax obligations and contribute to local budgets as prescribed. Be allowed to exploit, take full advantages of tax incentives of the State but not intentional tax evasion.



## FOR MEDIA

Today, media has a huge influence on many aspects for many subjects. Establishment of a media relationship is essential, contributes to bring DHG's image, brand reaching a higher and further range and increasingly closer to consumers. This relationship must be built in principle of equality, accurate, complete, clear and legitimate information.

The Company assigns a person in charge of exchange and disclosure of information; other individuals do not arbitrarily contact with media representatives for answering questions related to the Company.



PREVENTING CONFLICTS OF INTEREST  
AND TRANSACTIONS WITH RELATED PARTIES



QC at the new plant of DHG Pharma

**IN THE CORPORATE GOVERNANCE REGULATIONS OF DHG PHARMA, CHAPTER VII, ARTICLE 42 STIPULATES THAT “HONEST RESPONSIBILITY AND AVOIDING CONFLICTS OF INTEREST AMONG MEMBERS OF THE BOARD OF DIRECTORS, BOARD OF SUPERVISION, BOARD OF MANAGEMENT, MANAGERS”, NAMELY AS FOLLOWS:**

Members of the Board of Directors (BOD), members of the Board of Supervision (BOS), Chief Executive Officer (CEO), and the Company's managers shall disclose related benefits under the provisions of Law on Enterprise and the relevant legislation.

BOD's members, BOS's members, CEO, Company's managers, and persons related to members quoted above shall not be permitted to use business opportunities which can bring benefits to the Company for personal purposes; to use information obtained from their position to have self-interest or to serve benefit of other organizations or persons.

BOD's members, BOS's members, CEO, Company's managers have duty to inform the Board of Directors about transactions among the Company, subsidiaries, companies

controlled by DHG Pharma (holding 20% and above voting right) with that member or with persons related to that member according to the legal regulations.

The Company shall not grant any loan or act as a guarantee for BOD's members, BOS's members, CEO, managers, and persons related to the members quoted above unless the Board of directors have another decision.

BOD's members shall not be voted transactions which those members or persons related to them participate in, including the transactions which material or immaterial interests of BOD's members have not been determined. The above transactions have to be announced through the Company's annual report.

BOD's members, BOS's members,

CEO, managers, and persons related to the members quoted above are not permitted to use information which is not allowed to promulgate or disclose to others for implementing the related transactions.

**AS REGARD “TRANSACTIONS WITH THE RELATED PERSONS”, THE REGULATIONS OF CORPORATE GOVERNANCE STIPULATES IN ARTICLE 36 AS FOLLOWS:**

When trading with the related persons, the Company must sign a contract in writing on equal and voluntary principles. The content of contract should be clear, concrete, and is announced to shareholders if required.

The Company applies necessary measures to prevent the related persons from intervening in the Company's

activities and damaging to the Company's benefits through keeping control of trading channels or corner in price caused by the relating people.

The Company applies necessary measures to prevent shareholders and the related persons from carrying out transactions which lose the Company's capitals, assets, or other resources. The Company shall not provide any loan or act as a guarantee for shareholders and the related persons.

**TO ENSURE THE LEGAL RIGHTS OF PARTIES HAVING BENEFITS RELATED TO THE COMPANY, ARTICLE 37 INDICATES THAT:**

The Company must respect the lawful interests of parties who have the interests related to the Company including banks, creditors, employees,

end-users, suppliers, community, and other persons having interests related to the Company.

The Company needs to cooperate actively with people having interests related to the Company through:

- » Providing sufficiently necessary information to banks and creditors so that they can evaluate the operation and finance situations of the Company and make decisions;
- » Encouraging them to express their opinions about business operation situation, financial situation, and important decisions related to their interests through direct contact with the BOD, BOS, CEO.

The Company conforms to the regulations about labor, environment, operates responsibly to community and society.

TO CREATE A STABLE SOURCE OF RAW MATERIALS, REDUCE THE RISK OF EXCHANGE RATE FLUCTUATIONS AND MATERIAL DEPENDENCE, THE COMPANY HAS INVESTED 100% EQUITY IN DEVELOPING DHG 1 PACKAGING & PRINTING (WHICH PROVIDES PAPER PACKAGING, PRESCRIPTION LABELS, PRINTING OF PROMOTIONAL MATERIALS), INVESTED IN VINH HAO ALGAE CORPORATION (WHICH PROVIDES SPIRULINA ALGAE POWDER TO PRODUCE SPIVITAL) AND INVESTED VND20 BILLION IN VINH TUONG PACKAGING HIGH-TECH COMPANY (WHICH PROVIDES RAW MATERIALS, PRIMARY PACKAGING WITH CLEAN TECHNOLOGY).



Activities of printing - packing at DHG PP1.

#### ACTIVITIES OF PURCHASE DEPARTMENT

DHG Pharma changed the organizational structure at the beginning of 2014, established a supply chain management sector. The Supply Chain includes Planning department, Purchase department (formerly Supply department), warehouse, DHG Nature, and DHG PP.

#### ACTIVITIES OF PLANNING DEPARTMENT

Coordinate with Marketing Department, production units, and Supply Department to make production plans, track and adjust appropriately for monthly, quarterly production plans.

Monitor and give inventory norms of finished and semi-finished products and raw materials of all subordinate units. Report and recommend to the Board of Management on effective inventory plans.

Select a proper period to purchase raw materials. Analyse carefully factors affecting prices volatility of raw materials such as increased crude oil price which will impact inputs to produce raw materials, epidemics or natural disasters which make raw materials become scarce, export policies of the home country, including export tightening or export expanding. In addition, further analysis of opportunity cost between loan/deposit, exchange rate fluctuations, price trends in procurement, warehousing costs are included to avoid high inventory and efficient use of capital.

Take advantage of purchase contracts of reasonable raw materials or sign quarterly, yearly contracts to get a good price, to purchase before raw materials become scarce

(avoiding crop failure or natural disasters) or are only produced upon request and during a long time.

Selection and evaluation of suppliers are considered one of the measures for preventing risks in supply chain management. Select reputable suppliers that have a stable supply, can provide a large quantity, many items and competitive prices.

Monitor regularly, evaluate or re-evaluate the suppliers to have an overview and comparison of service for a selection of appropriate sources.

Find more new suppliers in many countries, different locations to minimize the impact of the local crisis in some countries, traditional suppliers. Negotiate initiatives before price increasing; find more

suppliers that provide the same type of materials and packaging in order to exclude price monopoly.

For each type of raw materials, packaging, the Company selects suppliers by geographic area to increase profits. Namely, as for exclusive raw materials imported from abroad, the Company can negotiate to direct import from abroad or through the manufacturer's partner in Vietnam. As for bottle packaging which can be locally produced, the Company will select local sources to minimize transportation costs and get more favorable prices. As for paper packaging, the Company takes from the DHG Printing & Packaging.

#### WAREHOUSE

Freight activities are from General

warehouse (complying with GSP standard), the warehouse of the new plant in Tan Phu Thanh Industrial Zone to the warehouse in Tan Tao Industrial Zone and 36 intermediate warehouses (which comply with GDP standard) of the branches, subsidiaries nationwide. The intermediate warehouses will continue to deliver to customers. All orders from cities, villages, hamlets and communes nationwide are promptly responded within 12 hours to 24 hours by DHG. The freighters primarily by truck comply with pharmaceutical transportation standard.

**ACTIVITIES OF DHG NATURE AND DHG PP1:** (see more information in "Subsidiaries and Associates").



DHG PHARMA  
CÔNG TY CỔ PHẦN  
ĐƯỢC HẬU GIANG

GMP-WHO GLP GSP

# RESPONSIBILITY FOR ENVIRONMENT

LANDSCAPE AND NATURAL ENVIRONMENT WHICH ARE THE FIRST IMAGE, THE SURFACE OF AN ENTERPRISE REFLECT THE SENSE OF ENVIRONMENTAL PROTECTION AND CULTURE OF DHG PHARMA.



**THE AWARENESS OF ENVIRONMENTAL PROTECTION**



LANDSCAPE AND NATURAL ENVIRONMENT ARE THE FIRST IMAGE, THE SURFACE OF AN ENTERPRISE; PARTICULARLY THOSE ARE OPERATING IN THE FIELD OF HUMAN HEALTHCARE AS DHG. THEREFORE, DHG'S LEADERS AND EMPLOYEES ARE TOGETHER TO BUILD, PROTECT AND PRESERVE THE NATURAL, GREEN, CLEAN AND BEAUTIFUL LANDSCAPE AND ENVIRONMENT.

The landscape and natural environment of an enterprise are expressed by: headquarters location, scale and architecture of office, factories, road layout, working room, living area, amusement park, WCs, trees, pictures, etc. The image of an enterprise is reflected its name, logo, slogan, environmental landscape and images, leader's style, working style and cultural behavior of all employees.

DHG Pharma always enhances the sense of responsibility for environment through use of machinery and equipment with appropriate and clean technologies in pharmaceutical manufacturing, use of recyclable products such as environmental cloth bags instead for plastic bags; saving of energy resources, water resources; effective use and reduction of materials loss in production; planting trees around campus for landscape and fresh air.

In addition to strict standards on environment in production of pharmaceuticals, foods, DHG always attaches special importance to hygiene and fire prevention, to treatment of industrial waste, water resources in accordance with the industry standards and the State's regulations.

**ENVIRONMENTAL COMPLIANCE**



The Company complies with and does not violate environmental law regulations and carries out the guidelines of the organs of local environmental administration. Currently, the control system of environmental compliance is being performed by the Company's Environment and Labour Safety Board.

**ENVIRONMENTAL ACTIVITIES IN 2014**



Check and take over the wastewater treatment system in Nguyen Van Cu plant; Check the waste collection and treatment in two plants; Guide the classification and storage of solid waste to the new plant.

Implement the procedures for certifying the completion of works on Environmental Protection at Nguyen Van Cu plant; Report environmental monitoring of Nguyen Van Cu plant, general warehouse, Tan Phu Thanh plant, DHG 1 Printing & Packing factory (DHG PP1); Report hazardous waste management to Environmental Protection Agency of Can Tho city and Hau Giang Province.

Build and issue "Guideline of environmental management" for the Company's activities. Construct and deploy "Measures of preventing and dealing with chemical incidents" at Nguyen Van Cu plant which has been approved by Can Tho City Department of Industry and Trade.

Complete the dossier related to the environmental protection work in Nguyen Van CU plant, Tan Phu Thanh plant, and DHG PP1 and submit it to Department of Natural Resources & Environment.



**EFFECTIVE USE OF MATERIALS**

**23.5** tons per day  
**RAW MATERIALS**

Raw materials used for medicine production of DHG Pharma accounted for 50% of product price, mainly (80%) imported from abroad, from the major, prestigious manufacturers complying with GMP, ISO in Europe, America, Japan, South Korea, etc.

The selection of suppliers is one of the criteria contributing to the stability of product quality. DHG Pharma's Purchase Dept. will buy and provide completely, timely raw materials, packings which are consistent with qualitative standards, reasonable prices for production and research.

Need of raw materials to be employed by DHG Pharma is about 23.5 tons per day, including pharmaceutical chemistry, medicinal materials, packing, aluminium foils, PVC, etc.

They are planned use norms and registered targets of reduction of loss, nonconforming products every year, namely: in 2014, the reduction of product loss was VND389 million (2.3%) compared with 2013; that of aluminium was 2.26%; that of PVC was 4.54%. Total value of loss reduction of VND5.2 billion.

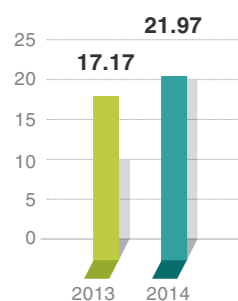
Total quantity of papers for office sector maintains at level of 400 gram per month (equivalent to 200,000 A4 sheets per month) for the whole activities of the Company.

**Effective paper-saving initiatives have been using by DHG Pharma**

- » Using double-sided papers: Internal documents will be given priority to print on the damaged or unimportant one-sided papers which leave a white side.
- » Procedures, dossiers related to system administration are digitalized; information/ announcements are distributed and diffused to units by internal mail system, internal broadcast twice daily, internal information port, and some other support programs of IT activities.
- » Detailed accounting records are also saved on software, copied in hard drives monthly, preserved secretly, and performed measures of ensuring fire safety.

**EFFECTIVE USE OF ENERGY SOURCE, WATER SOURCE**

Unit: million kWh/year



**Energy sources**

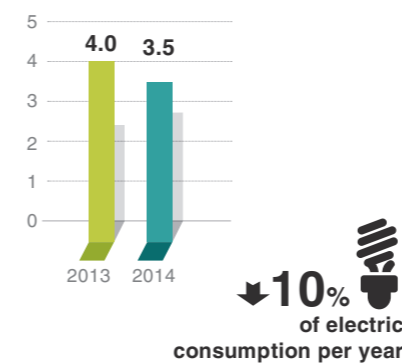
**Use of electricity for production and daily life**

Year 2013: 17.17 million kWh/year; total of paid electricity bills was VND26.15 billion/ year.

Year 2014: 21.97 million kWh/year (an increase of 27.96% compared to 2013); total paid electricity bills was VND32.37 billion/ year (an increase of 23.79% compared to 2013). Increase in demand and cost for power compared to 2013 resulted in the beginning to come into operation of the new plant at Tan Phu Thanh industrial zone, Hau Giang province as from 20 April 2014.

**Use of gas fuel to burn the steam boiler**

Unit: tons/ month



Year 2013	4 tons/ month
Year 2014	3.5 tons/month (VND916 million)

To reduce climate change, the Company carried out a project of LED system instead of fluorescent lamps.

Using clean, modern lines and technology which cause less energy consumption and no effect on environment

Building power saving awareness for workers such as switching off lights, pans, air-conditioner when not employing and leaving the room.

Every year, the Company has signed commitments on saving 10% of power consumption productivity.

**Water source**

SOURCE OF WATER USED AT DHG PHARMA IS CLEAN AND PROVIDED BY WATER SUPPLY SEWERAGE COMPANY OF CAN THO CITY AND HAU GIANG PROVINCE FOR PRODUCTION PURPOSES (USE OF RO, DISTILLED WATER FOR EYE DROPS, CLEANING OF MACHINES, FACTORIES) AND ACTIVITIES PURPOSES (COOKING, BATHING AND WASHING, HYGIENE, WATERING PLANTS).

**Volume and intensity of water consumption**

In 2014, average source of water decreased 670 m<sup>3</sup>/ month compared with year 2013. The Company consumed about 25.316 m<sup>3</sup> of water every month, correlatively 844 m<sup>3</sup>/ day. Total water bill was VND2.24 billion/ year.

At present, to use and save source of water effectively, the Company was performed standardization of pipes and installation of new water meters verified by the city water supply company for all units. Monthly statistics, switches reminding, use on purpose, and education of saving awareness are carefully followed.

The Company is in the monitoring progress to give a standard norm of using water for each equipment line and each production factory.

In the next years, the Company continues arranging production plans scientifically, increasing production batch size, and manufacturing continuously to reduce machine cleaning times, to decrease consumption of water energy, to reduce wastewater, to increase labor productivity, from there reducing electric energy consumption on each production unit. Concurrently, use of water is effectively performed through a complete design of water supply system, ensuring not be leaked out water, easily controlled and repaired in case of incidents.

**USED WATER SOURCE**

↓ 670 m<sup>3</sup>/month compared with 2013

25,316 m<sup>3</sup>/year

2.24 billion VND/year

**POLICIES AGAINST POLLUTION**



THE COMPANY CONFORMS TO THE REGULATIONS OF POLLUTION PREVENTION IN ACCORDANCE WITH ISO 9001:2008 STANDARD AND GMP, GLP, GSP WHO STANDARDS. ADDITIONALLY, THE COMPANY CARRIED OUT MEASURES AGAINST ENVIRONMENTAL POLLUTION PREVENTION THROUGH GUIDANCES OF LOCAL ENVIRONMENTAL ORGANS SUCH AS: PERFORMING ENVIRONMENTAL IMPACT ASSESSMENT AND UNDERTAKING TO COMPLY WITH REGULATIONS. ENVIRONMENTAL MONITORING IS CONDUCTED FOUR TIMES YEARLY. RESULTS OF ENVIRONMENTAL QUALITY MONITORING ARE ASSESSED IN ACCORDING TO CURRENT VIETNAM STANDARDS AND VIETNAM REGULATIONS.



**PARAMETERS AND RESULTS OF AIR QUALITY MONITORING**

Signs of sample	Norms	Unit	Decision No. 3733/2002/QĐ-BYT (each maximum time) KK1, KK2, KK3	QCVN 26: 2010/BTNMT (from 6 am - 9 pm) QCVN 05: 2009/BTNMT (average of 1 hour) KK4	Results			
					KK1	KK2	KK3	KK4
<b>112/KK560-563/4/2014</b> Sample collecting time: 08/4/2014 Resulting time: 16/04/2014.	Noise	dB(A)	85	70	67,5	71,6	66,5	64,9
	Suspended dust (TSP)	µg/m <sup>3</sup>	8.000	300	197,3	210,9	204,1	224,5
	Humidity	%	≤ 80	Not specified	73,5	73,2	73,6	73,8
	SO <sub>2</sub>	µg/m <sup>3</sup>	10.000	350	31,3	49,2	33,1	54,5
	NO <sub>2</sub>	µg/m <sup>3</sup>	10.000	200	13,5	19,9	11,4	22
<b>151/KK/752-755/5/2014</b> Sample collecting time: 13/5/2014 Resulting time: 26/5/2014	CO	µg/m <sup>3</sup>	40.000	30.000	N.D	N.D	N.D	N.D
	Noise	dB(A)	85	70	66,1	70	66,9	65
	Suspended dust (TSP)	µg/m <sup>3</sup>	8.000	300	183,7	204,1	224,5	210,9
	Humidity	%	≤ 80	Not specified	72,1	73,7	73,9	71,1
	SO <sub>2</sub>	µg/m <sup>3</sup>	10.000	350	2,8	6,3	11,6	27,7
<b>435/KK/1726-1729/8/2014</b> Sample collecting time: 20/8/2014 Resulting time: 06/9/2014	NO <sub>2</sub>	µg/m <sup>3</sup>	10.000	200	3,9	5	10,2	22
	CO	µg/m <sup>3</sup>	40.000	30.000	N.D	N.D	N.D	N.D
	Noise	dB(A)	85	70	65,3	72,1	67,8	68,7
	Suspended dust (TSP)	µg/m <sup>3</sup>	8.000	300	N.D	1,145	1,145	KPH
	Humidity	%	≤ 80	Not specified	68,4	73,8	72,1	69,1
<b>9537/HS-MT/4016/12-14</b> Sample collecting time: 15/12/2014 Resulting time: 26/12/2014	SO <sub>2</sub>	µg/m <sup>3</sup>	10.000	350	17,1	8,1	18,7	31,4
	NO <sub>2</sub>	µg/m <sup>3</sup>	10.000	200	10,3	7,1	13,4	30,6
	CO	µg/m <sup>3</sup>	40.000	30.000	204,1	156,5	224,5	231,3
	Noise	dB(A)	85	70	68,5	72,7	65,1	65,1
	Suspended dust (TSP)	µg/m <sup>3</sup>	8.000	300	204,1	40	50	238,1
	Humidity	%	≤ 80	Not specified	62,3	72,3	70,5	68,4
	SO <sub>2</sub>	µg/m <sup>3</sup>	10.000	350	16,9	137,25	156,86	30,6
	NO <sub>2</sub>	µg/m <sup>3</sup>	10.000	200	9,2	86,37	82,49	22,4
	CO	µg/m <sup>3</sup>	40.000	30.000	N.D	N.D	N.D	N.D

**Note:**

"N.D" is "Not detected"

**Sampling positions:**

**KK1:** Office sector, UTM coordinates (X=0583983, Y=1110598)

**KK2:** Production sector, UTM coordinates (X=0583940, Y=1110654)

**KK3:** Packing and processing factory sectors, UTM coordinates (X=0583872, Y=1110610)

**KK4:** Private house sector surrounding the wastewater treatment system, UTM coordinates (X=0583921, Y=1110499)

Values of monitoring parameters at sampling positions of KK1, KK2, KK3, KK4 are in the permitted levels as Decision No. **3733/2002/QĐ-BYT** (each maximum time) and QCVN 05:2009/BTNMT (average of 1 hour) and QCVN26:2010/BTNMT (from 6 am to 9 pm).

**RESPONSIBILITY FOR ENVIRONMENT (continued)**

**MEANS AND METHODS OF ENVIRONMENTAL SAMPLE COLLECTION**

The samples are collected and stored in accordance with Vietnam standards and transported to the Monitoring Center - Natural Resources and Environment Department of Can Tho City for analysis.

Kinds of sample	Apparatuses	According to Vietnam standards	Assessment methods
Surrounding air	<ul style="list-style-type: none"> <li>» SIBATA vacuum cleaner</li> <li>» DESAGA GS 312 gas sampler</li> <li>» OLDHAM MPLUS 2 gas detector</li> </ul>	TCVN: 5067:1995; 5971:1995; 6137:1996	<ul style="list-style-type: none"> <li>» National technical regulation on surrounding air quality: QCVN 05:2009/BTNMT (average of 1 hour)</li> <li>» National technical regulation on noise: QCVN 26:2010/BTNMT (from 6 am - 9 pm)</li> <li>» Decision No. 3733/2002/QĐ-BYT (each maximum time)</li> </ul>
Noise	» RION NL21 noise meter	TCVN: 7878-1:2008 (ISO 1996:2003): Acoustics- Description, measure, and evaluation of environment noise.	
Humidity	» Extech 407412 machine	Quickly measuring on the scene	
Wastewater	» Plastic cans, glass bottles	TCVN: 5999:1995 Sampling - Guidance on sampling of wastewater	» National technical regulation on industrial wastewater QCVN 40:2011/BTNMT (column B)

**MEASURES FOR MITIGATION OF EMISSIONS, WASTEWATER, WASTE, NOISE AND VIBRATION**

**Emission**

**Sources:** Exhaust emission is from production process, mainly dust.

**Mitigation measures:** Exhaust emission is treated through treatment system of dust air of each factory.

The Company's exhaust emission is mainly from QC, backup generators and air-conditioners.

- » The exhaust emission produced by QC is treated through a fume hood system whose exhaust does not impact environment.
- » The exhaust emission produced by generators: Due to a production company, DHG has priority in power supply. Normally, the Company only uses generators

in extraordinary cases such as power problems, power outage. For power outage days are previously notified, the Company will re-arrange the production schedule to stop manufacturing and to avoid using generators abundantly. Therefore, quantity of exhaust emission arisen by generators is really insignificant.

- » For exhaust emission produced by air-conditioning system, the Company stipulates for practice thrift such as time of turning on/off air-conditioners for the office sector. The central refrigerating system serving production and goods preservation are divided into many areas to regulate easily and use for power saving and mitigation of arising exhaust emission.



**Wastewater**

**Sources:**

- » Domestic wastewater is from activities processes of workers, security guards. Its volume is 4,124 m<sup>3</sup> per month.
- » Production wastewater is from manufacturing processes of pills and liquid. Its volume is 17,379 m<sup>3</sup> per month.
- » Total cost of wastewater treatment is VND 516 million per year.

**Mitigation measures:**

- » Domestic wastewater is conducted in a septic tank; then transferring to the wastewater treatment system along with production wastewater.
- » Production wastewater which arises from production processes is collected in the wastewater treatment

system. After finishing treatment, it is eliminated in the city sullage pit.

The Company carried out the withdrawing methods and transferred water to dust treatment tower, cooling tower. In order to save and use effectively water source, the Company is expected to use source of standard treated water for watering the plants and sanitizing.

DHG Pharma's new factory has a wastewater treatment system with capacity of 300 m<sup>3</sup>/ day which meets sufficiently production demand over 5 billion of product units yearly. This capacity can be enlarged to 400 m<sup>3</sup>/ day when having increased demand of production output.

PARAMETERS AND RESULTS OF MONITORING OF WATER QUALITY

Parameters	Unit	Measuring methods	QCVN 40:2011/BT-NMT (column B)	Sample signs			
				112/N/564-565/4/2014	151/N/756-757/5/2015	435/N/1730-1731/8/2014	9540/HS-MT/4016/12-14
Sample collecting time				08/04/2014	13/05/2014	20/08/2014	15/12/2014
Result-returning time				16/04/2014	26/05/2014	06/09/2014	26/12/2014
pH		540-GLP pH meter	5,5÷9	6,89	6,71	6,55	6,93
BOD <sub>5</sub> 20°C	mg/l	Oxitop measuring set	50	32	21	26	7
COD	mg/l	Methods 8000/DR 4000	150	41	30	43	18
SS	mg/l	TCVN 6625:2000	100	27	18	8	22,5
Total nitrogen	mg/l	Methods 10071/DR 4000	40	2,4	11,5	6,9	1,12
Total phosphorus	mg/l	Methods 10127/DR 4000	6	4,3	4,3	7,5	0,42
Total Coliform	MPN/100ml	TCVN: 6187-2:1996	5,000	4,8 x 10 <sup>3</sup>	2,3 x 10 <sup>3</sup>	9 x 10 <sup>1</sup>	2,3 x 10 <sup>1</sup>
Mineral oil and fat	mg/l	TCVN 5070:1995	10	N.D.	N.D.	2,1	2,3
Sunfua (S <sup>2-</sup> )	mg/l	Methods 8131/DR 4000	0,5	0,01	0,05	0,012	0,0020
Amoni (N-NH <sub>4</sub> <sup>+</sup> )	mg/l	Methods 10023/DR 4000	10	1,66	0,02	0,2	0,328
Lead (Pb)	mg/l	Stripping Voltammetry method on Rotating Disk Electrode. Limit of detection 10 <sup>-9</sup> ppb	0,5	N.D. (LOD = 0,07)	N.D. (LOD = 0,07)	N.D. (LOD = 0,07)	N.D. (LOD = 0,07)
Mercury (Hg)	µg/l	SMEWW 3114 B:2012	0,01	N.D. (LOD = 0,5)	N.D. (LOD = 0,5)	N.D. (LOD = 0,5)	N.D. (LOD = 0,5)
Asen (As)	µg/l	SMEWW 3114:2012	0,1	N.D. (LOD = 0,5)	N.D. (LOD = 0,5)	N.D. (LOD = 0,5)	N.D. (LOD = 0,5)
Cadimi (Cd)	mg/l	Stripping Voltammetry method on Rotating Disk Electrode. Limit of detection 10 <sup>-9</sup> ppb	0,1	N.D. (LOD = 0,01)	N.D. (LOD = 0,01)	N.D. (LOD = 0,01)	N.D. (LOD = 0,01)

"N.D." is "Not detected"; "N.S." is "Not specified"

Waste

Sources

- » Nonhazardous solid waste consists of living waste (about 69 m<sup>3</sup>/ month) and recycled garbage including iron and steel craps, carton packing. Quantity of waste is about 19,000 kg/ month.
- » Hazardous waste consists of greasy clouts, fluorescent bulbs, waste lubricant, waste electric components, etc. Quantity of waste is about 13,870 kg/ month.

Mitigation measures

Nonhazardous solid waste:

- » Living waste: The Company contracts with an urban company to treat and collect daily about 2-3 m<sup>3</sup> per day. Waste is gathered at a garbage-house away from production sector, office, and houses.

- » For waste from herbal residues: The Company builds an herbal area and recycles them on the premises. The herbal residues are composted and manured crops in place.
- » Recycled waste (scrap) is collected and sold to external companies.

Hazardous waste:

- » Hazardous waste is stored and registered owner of hazardous waste source, and signed a contract for collection, transport, and treatment with Viet Khai Environment Service Trading Limited Company. Total costs for hazardous waste treatment are VND1.53 billion in 2014.

Description of hazardous waste treatment process

- » Hazardous waste contained in packing and containers is gathered to Viet Khai environment treatment factory, and then classified, treated by burning.

Waste

No.	Name of waste	Code of hazardous waste
1.	Waste printing ink containing hazardous components	08 02 01
2.	Waste ink cartridge containing hazardous components	08 02 04
3.	Waste containing lubricating oil	17 02 04
4.	Clouts are infected by hazardous components	18 02 01
5.	Waste chemicals from laboratory	19 05 02
6.	Waste soft packing	18 01 01
7.	Activated carbon used	02 11 02
8.	Waste mud from wastewater treatment system	03 05 08
9.	Waste fluorescent bulbs	16 01 06
10.	Waste batteries	16 01 02
11.	Waste electric components	16 01 13
12.	Saturated or used ion exchange resin	12 06 01
13.	Solid waste containing hazardous components	03 05 09

RECYCLED WASTE  
19,000 kg/month

LIVING WASTE  
69 m<sup>3</sup>/month

HAZARDOUS WASTE  
13,870 kg/month

### Noise and vibration

**Sources:** They mainly arise from activities of various machines and equipment in production area and wastewater treatment system area.

**Mitigation measures:** Workers are equipped noise earplugs which are guaranteed safe standards and are periodically changed to minimize the impacts. Machines and equipment are periodically examined and maintained; measuring labor environment.

#### METHODS FOR BETTER ENVIRONMENTAL ACTIVITIES

##### 01 WASTEWATER TREATMENT

- Operate and frequently inspect wastewater treatment system ensuring that the output wastewater complies with the standard of QCVN 40: 2011/BTNMT.

##### 02 HYGIENE ASSIGNMENT

- Intensify performance of industrial hygiene assignment in production sector and transport means. Clean finished-product input and output areas, internal roads and frequently spray water at dust areas.

##### 03 ENVIRONMENTAL PROTECTION

- Equip labour protection and supervise the implementation of environmental protection of workers.

##### 04 GOOD TREATMENT OF SOLID WASTE

- Treat well solid waste by collecting and treating as stipulated.

##### 05 ENVIRONMENTAL MONITORING

- Frequently and periodically perform environmental monitoring programs.

##### 06 LANDSCAPE AND AIR

- Grow trees surrounding campuses for landscape and clean air.

##### 07 USE OF BIODEGRADABLE BAGS

- Use of biodegradable, green bags replaces nylon ones.

## RESPONSIBILITY FOR EMPLOYEES

# 2,964

EMPLOYEES AS OF 31/12/2014





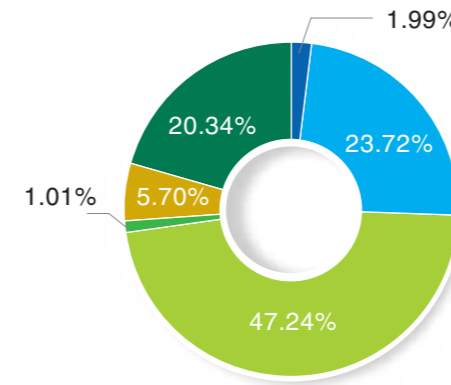
## QUANTITY OF EMPLOYEES



THE QUANTITY OF DHG PERSONNEL GROWS ALONG WITH THE SCALE AND DEVELOPMENT OF THE COMPANY OVER THE YEARS. HOWEVER, THE GROWTH IN PERSONNEL SLOWED DOWN IN THE RECENT YEARS SINCE DHG HAS FOCUSED ON INCREASE IN HR QUALITY.

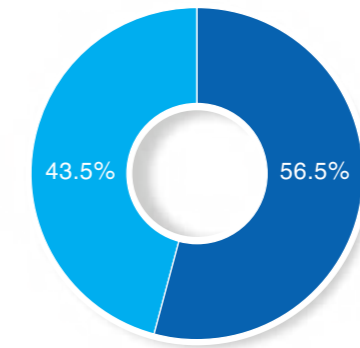
Personnel structure by gender remained relatively stable over the years

Personnel structure by function was sharply shifted to sales sector because the Company implemented restructuring of professional and efficient sales system.



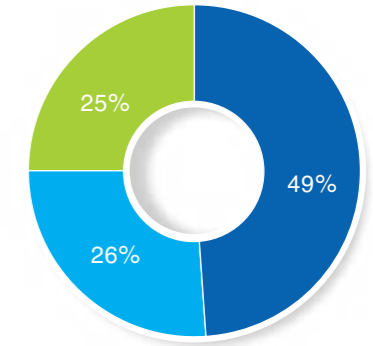
Personnel structure by educational degree

Postgraduates	1.99%
Graduates	23.72%
College	47.24%
Technical workers	1.01%
Intermediate pharmacist	5.70%
Others	20.34%



Personnel structure by gender

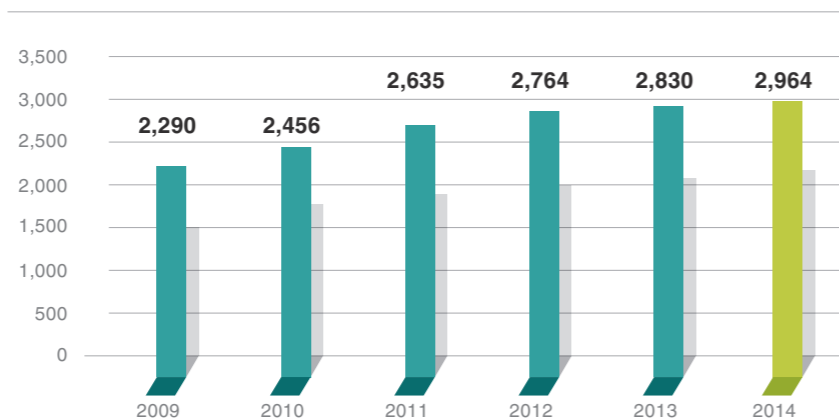
Male	56.5%
Female	43.5%



Personnel structure by function

Sales sector	49%
Office sector	26%
Production sector	25%

Total number of employees through years



"A find heart" is shaped by 1,500 DHG Pharma's employees on occasion of the 37th birthday.

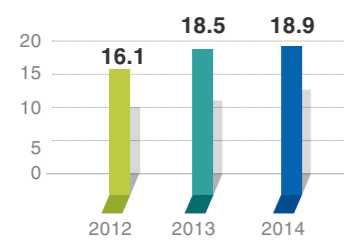
RESPONSIBILITY FOR  
EMPLOYEES (continued)



The training and inspiring activities of the younger generation of DHG Pharma

INCOME OF EMPLOYEES

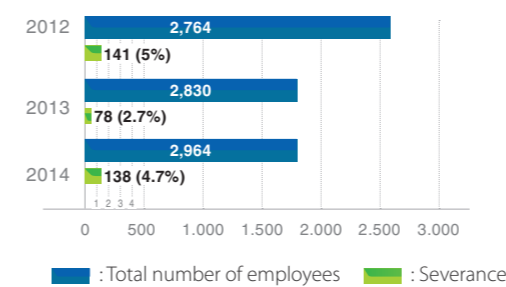
Unit: million VND/month



2012	VND 16.1 million
2013	VND 18.5 million
2014	VND 18.9 million



SEVERANCE RATIO



2012	5% (141/2,764)
2013	2.7% (78/2,830)
2014	4.7% (138/2,964)

In 2014, DHG and its subsidiaries had issued 110 decisions to transfer personnel, 32 decisions to terminate the labor contracts for employees retiring under the policy, 23 decisions to terminate labor contract by agreement, 81 decisions to terminate the labor contract under resignation, 2 decisions to terminate the labor contract ahead of time. Most of personnel transfer decisions were transfer of staffs from the old factory (DHG Pharmaceutical JSC) to the new plant (DHG Pharmaceutical One-Member Limited Company).

Reverance in production sector being 15 staffs (10.9%), in office and service sector being 78 staffs (56.5%) and in sales sector being 45 staffs (32.6%); in which, 72.5% being male, 27.5% being female; 10% of university graduation and postgraduation degrees, 90% of under university graduation.

The highest severance rate happens in the office & service sector. This is caused by restructuring of personnel in division of kitchen, sanitation, and bonsai for more streamlined and efficient.



## POLICY ON SALARY, BONUS

### 4D SALARY

The Company builds a 4D salary scale (right salary for each working position) and other allowances (if any) as the basis for construction of unit price, ranking, and wage increase.

Salary of employees who complete enough work quantity and quality at the Company is calculated as follows:

For production sector: The salary is calculated on warehousing product based on salary unit which was submitted from the beginning of year by CEO.

For office and service sector: The salary is calculated according to time based on job placement, considering the obtained profit.

For sales sector: Salary for sales personnel in 2015 shall be based on product unit combined with receivables from customers. The basis of salary calculation for sales sector has changed compared with 2013 and 2014 that was based on sales.

### ADDITIONAL SALARY

is by 3% of supplemental salary for units (except sales units). The units are kept this additional salary to commend the staffs, divisions having special achievement, to visit staffs and their families...

### BONUS

The bonus is based on the regulation of salary, bonus of the Company, according to actual workdays, including cases of yearly leave, periodic training once per year. The bonus level will depend on the efficiency and profitability of production and business performance of the Company. The Company rewards the excellent staffs once yearly. The reward standards conform to the rules of the Council for Emulation and Reward of Can Tho City, which make practical use into the regulation and operating situation of the Company.

### REWARD FOR PERFORMANCE

In addition to the general bonus, at the end of the year, the units will receive a bonus of 10% on profit if they receive the target and bring efficacy to the Company through sales, brand management, category management, trading in material, finding more customers, development of new sales channel, savings and reduction of costs, brand transfer, external trading from subsidiaries, etc.



## EDUCATION - TRAINING - RECRUITMENT

NUMBER OF TRAINING  
HOURS OF THE COMPANY

243,718 hours

TRAINING

1,000 times for sales  
personnel in selling skills

RECRUITING MORE  
PERSONNEL TO  
SALES SYSTEM 144 sales  
personnel

TOTAL BUDGET  
IN 2014

11.9 billion VND

The basic content used for annual trainings: basic knowledge and cultural identity of the Company, WHO - GMP/GLP/GSP, ISO/IEC 17025:2005; occupational safety, health, labor safety, fire safety, first aid. Besides, the Company is very interested in training each unit in professional knowledge, leaders and inherited team as soft skills in leadership, meeting organization...

Training form: associating institutes and universities, experienced professionals at home and abroad in lecture, participating in short-term, long-term training, and internal training...

The training tasks were renewed in content, focused on applying knowledge, experience and practice of advanced management methods.

Create conditions for inheritance team and leaders to attend training courses on management skills.

Number of training hours of the Company was 243,718 hours. Average of 104.96 hours/ person/ year.

Recruit 144 sales personnel, training more than 1,000 times for sales personnel in selling skills, 1,267 times for sales personnel in labor regulations, labor safety and company culture.

Invite the EY consulting Company to offer service packages aiming to improve business performance of the Company, to overcome the limitations in the governance and administration of the Company, to stabilize the Company in accordance to professional functions and to solve shortcomings in the organizational structure when the Company's scale develops fastly and widely:

- » Strategic management, change in model organizational structure, establishment of decentralized matrix;
- » Management consultancy for efficacy of operating cost of the trading units;
- » Enhancement consultancy for efficacy of financial and accounting functions.

The total budget used for coaching, training, and recruitment in 2014 was VND11.9 billion.

Organize market surveys in the US, Europe, Eastern Europe, South Korea, Singapore, Hong Kong, and Thailand for leaders and key staffs of the Company with cost taken from the bonus and welfare fund of the Company.







## DHG PHARMA CULTURAL TRADITIONS



IN ADDITION TO TRAINING ACTIVITIES, TRAINING OF SKILLS, PROFESSIONAL KNOWLEDGE, IN ORDER TO BE A COHESIVE AND CREATIVE TEAM AND TO CREATE MOTIVATION FOR PEOPLE WILLING TO ENGAGEMENT AND LOYALTY TO THE COMPANY, THE MAINTENANCE OF TRADITIONAL CULTURE AND EDUCATION OF EMPLOYEES ABOUT DHG CULTURAL IDENTITY IS THE MOST IMPORTANT ISSUES AND IS THE COMPETITIVE ADVANTAGE IN THE MARKET PLACE.

**“Saluting the flag early in the month”**: usually happens on the first Monday morning in each month. The staffs in uniforms perform flag-raising rite, sing the national anthem and DHG’s traditional song. One of the BOM members will announce the operations, results of production - business - investment and other activities of the previous month and operating plans of the next month.

**“Visiting martyrs’ cemetery”**: Once a year, the Trade union and Youth union organize a visit of martyrs’ cemetery for employees to commemorate the soldiers heroically sacrificed for us to have a peaceful life today. It is usually held on the occasion of the liberation day 30/04.

**“Walking for poor patients”, “Biggy banks for poor patients”**: are held on the occasion of the Company’s birthday on 2th September annually. These activities aim to educate employees about awareness and share with the community. The program also attracted participation of the customers, partners, suppliers, shareholders.

**“Tet holiday”**: means the reunion day of all staffs at the Company for fun, celebration of a new year; it is also the occasion to commend the typical faces, talented individuals, to share the difficulties of the past year and welcome the new year.

**“Returning to the root”**: The precursor of DHG is 2/9 pharmaceutical enterprise, established on 02/9/1974 at Kenh 5 Dat Set, Khanh Lam (now Khanh Hoa), U Minh district, Ca Mau province. “Returning to the root” is a program that was organized for DHG’ employees to revisit the old land and to train the younger generation in respect for the past towards the future.



## ACTIVITIES TO PROTECT EMPLOYEE’S BENEFITS



All employees working in the Company are according to labor contract regulations. Depending on the work and labor subjects, the period of labor contract will be definite or indefinite.

Policies for employees (particularly women workers) are implemented and complied with the provisions of the labor law and other regulations of the State.

Working time at the Company is 8 hours per day. Production sector works 06 days per week. Depending on each work, workers will be arranged reasonable day-offs to ensure responsibility for work and rest. Office and service sector works 5.5 days per week; the employees will be recorded overtime to ensure work progress.

The employees are taken leave to visit their families and paid for car or train (soft chairs) tickets once a year. In case the employees who are assigned a duty from Nha Trang to the North are paid plane tickets twice a year (not including the time of Lunar New Year).

Every year, the collective labor agreement (has changed) which is signed in the Employees Conference is a commitment between employer and employees. The employer commits to implement regimes, remuneration policies and to create a safe, comfortable, and beneficial working environment for the employees. Conversely, the employees must ensure compliance with working regulations and office regulations.

A regulation on democracy is performed to establish a harmonious, stable relationship between labor manager and employees, in order to:

- » Create conditions for the employees to be known, to be contributed opinions, to be determined and monitored issues related to rights, benefits, obligations and responsibilities of the employees;
- » Improve responsibilities and obligations of manager to the employees; create conditions for the political, social organizations (Party, Trade union, Youth union, Veterans) of the Company operating under the legal provisions, implementing democratic rights for the employees.

Promulgate and implement dialogic regulations with the employees.

In order to ensure the interests of the employees and the right of trade union, the monthly leadership meetings request the unions’ attendance so that they clearly understand, and afterward promulgating to members.



## ACTIVITIES TO AROUSE THE POTENTIAL OF EMPLOYEES

BESIDES THE ATTRACTIVE SALARY AND REMUNERATION, THE COMPANY HAS CREATED A UNITED AND COMPETITIVE WORKING ENVIRONMENT SO THAT THE EMPLOYEES PROMOTE CREATIVITY, DYNAMISM AND CONTRIBUTE EFFECTIVELY TO THE BUSINESS OPERATION RESULTS OF THE COMPANY, NAMELY:

To create conditions for the employees to participate in building business strategy via the competition "If I was CEO of DHG Pharma" (each year a various theme is given).

To affirm the mission and core values into the historic moment of the country, on the birthday of the Company, Lunar new year to create consensus on the implementation of the targets and vision, mission of the Company

To build internal brand: building a story about DHG and disseminate it to employees, customers; launching yearbook writing contests; implementing internal newsletters, internal broadcasts, internal portal, internal mail, and issuing the employee handbook, etc.

To launch the emulation 2-3 times per year. To promote the role of the unions, organize thematic meetings, workshops, exchanges, cultural shows, sports, game shows to educate tradition, update social knowledge, learn about products, and enhance spiritual values and physical training.

The initiative movement is given always prominence to promoting the creativity of employees, also giving the Company more valuable and practical benefits. There were many high rewards in the creative labor contests at national level, city level.

Through the activities of camping, picnic training, the training programs are implemented uniformly for each subject: leadership, Marketing, production sector, sales sector, office sector, Party members, Youth League. In particular, the picnic training activities provide more intellectual and exercise games to enhance creativity, team spirit, inspire enthusiasm for the employees and also train them resistance to pressure, overcoming difficulties and challenges in life

The Trade Union, Youth Union, Veterans' organization often co-organized emulation movement, contests, thematic talks, cultural activities, entertainment, sports combining with propaganda and popularization of the image of the Company and product brands, ... to raise awareness of employees about traditional culture, revolution; about the Party and Uncle Ho; about the tradition of the industry and cultural identity of the company for a atmosphere of solidarity, promotion of understanding, enhancement of patriotism, pride of profession; improvement of sense of responsibility of the employees to themselves and society.



## WORKS AND WELFARE ACTIVITIES FOR THE EMPLOYEES

IN ORDER TO SHARE WITH THE EMPLOYEES ABOUT THE ACHIEVEMENTS CONTRIBUTED BY THEMSELVES TO THE COMPANY AND ALSO TO EXPLOIT POTENTIAL OF EMPLOYEES EFFECTIVELY IN STRATEGY OF "3-FEET LINKAGE", FROM THE WELFARE FUND THAT HAS BEEN ACCUMULATED FOR MANY YEARS, THE COMPANY HAS BUILT WORKS AND WELFARE ACTIVITIES FOR THE EMPLOYEES, NAMELY:

Organize domestic and foreign tours based on annual regulations and visits of historic sites.

Construct a swimming pool, football grounds aiming to provide sports facilities, and improve health for the employees. They were completed and put into use since January 2011.

Develop a tenement house for the employees who are still living in the rental houses without stable residence. The house was completed and put into use since August 2011.

Construct a nursery school to look after employee's children so that they can keep their mind on their work, particularly workers working in shifts.

Construct a stadium, ecological zone with a green spacious space and a hall which were put into use since May 2012. It is a place for relaxation, training of staffs, for meeting the employees over many generations, and for holding events.

Consider and support for construction of new houses with preferential interest rate to the employees having much contributed to the development of the Company or those are connubial working in the Company without home.

Organize annually the gratitude programs to the employees' parents on occasion of Vu Lan festival which created emotions of the parents to their children.

Support in payment of medical examination for employee's relatives annually (for those who have worked at the Company over one year).





## ACTIVITIES FOR EMPLOYEE'S CHILDREN

Take care and teach the employee's children, bring them a pride on the Company.

Organize the movements, activities to train on traditions of the Company for them and create a close relationship among them.

Create proper policies to encourage and reward those who have good performance in learning, organize sightseeing, amusement activities on the occasion of the International Day of Children, Mid-Autumn Festival, and the summer time.

Develop future generations of DHG Pharma through training programs for them (army term, summer experiences).

Recruit children of retired staffs or existing staffs working at the Company as a priority if needed (complying with the recruitment process and only prioritizing when they have equal scores with other candidates)



## ACTIVITIES FOR RETIRED EMPLOYEES

On the occasion of Tet holiday, the Trade Union will extract partly from the welfare fund to take a visit and give gifts for the retired employees who are previously the head/ vice head and above and the executive committee of the unions.

Given the change or periodically each five years, the Company will hold a meeting for retired employees so that they review together memories. This is also an opportunity for the next generation to meet and express their gratitude to the previous generation.



## HEALTH AND OCCASIONAL SAFETY

IN RECENT YEARS, BOARD OF LEADERSHIP AND TRADE UNION OF DHG HAVE BEEN ALWAYS INTERESTED IN HEALTH CARE FOR THE EMPLOYEES. DHG HAS REGULARLY INSPECTED AND SUPERVISED ON THE IMPLEMENTATION OF POLICIES SUCH AS SOCIAL INSURANCE, HEALTH INSURANCE, UNEMPLOYMENT INSURANCE..., REGULATIONS ON TOXIC ALLOWANCES, ASSESSMENT OF HARMFUL FACTORS IN THE WORKING ENVIRONMENT. ANNUALLY, WHEN SETTING UP THE PRODUCTION PLAN, THE COMPANY ALSO MAKES PLANS FOR LABOR SAFETY AT THE SAME TIME IN ORDER TO IMPLEMENT MEASURES ENSURING SAFETY AT WORK AND HEALTH FOR EMPLOYEES

### Insurance policies

The payment of social insurance, health insurance, and unemployment insurance are conducted under the provisions of the State.

The Company will buy 3 types of life insurance A, B, C for all employees. The employees are paid all cost of insurance (apart from cost of Social Insurance) in the following cases: Labor accidents; Traffic accidents; Being ill and hospitalized.

The Company will buy premium health insurance for the following subjects: Branch leaders, subsidiaries' directorate, Head/Deputy Head of the units, Functional directors, the Board of General Management, BOD members, BOS members, key staffs, and 10% of outstanding employees of the units.

### Measures to prevent labor accidents and occupational diseases

During the manufacturing process, in order to prevent labor accidents and occupational diseases in an effective way, the Company has strictly performed the following measures:

- » Technical measures;
- » Medical measures;
- » Equip with personal safety;
- » Organize a safe working environment.

Technical measures: In the design and construction, it is necessary to exclude the agents which may lead to labor accidents and occupational diseases during the later production process with measures as follows: ventilation, air-conditioning for working areas at the high-temperature environment;

Dust, toxic chemicals and poison gas will be treated by hood system and vacuum system ...

Construct the soundproofing for noise-generating areas,

Light all working areas by use natural light as a priority.

Create a comfortable working posture, enough area to perform the affairs.

### Medical measures

Employees must have complete records pertaining to their personal health when recruiting;

Organize for periodic health examination for early detection and treatment in case of occupational diseases;

Make good the noxious regulations, take antidotes when working in special environment;

Set working time and implement provisions relating to personnel exchange.



## HEALTH AND OCCASIONAL SAFETY (continued)

### Equip means of personal protection

The means of personal protection is a necessary to minimize the harmful effects caused by working conditions and environment to the workers such as: heating, noise, dust, poison gas, and other dangerous conditions...

The means of personal protection meets fully the requirements as follows: quality standards, purpose of use, aesthetics, and usability;

Employees equipped with the means for personal protection are compelled to use properly while working.

### Organize safe working

Organize labor and arrange machinery, equipment appropriately to the employees.

Perform working time and resting time properly;

### For fire prevention

Set up and issue fire regulations; install billboards, directions sufficiently at proper locations. The Company's fire safety team and the bodyguard weekly hold to check and operate the fire pumps a trial run and monthly check fire extinguisher, giving inspection records and recommendations if required.

Equip with standby fire pumps; renovate fire plumbing, fire extinguishers for warehouses; and regularly check fire safety.

Check and direct office workers, production workers about fire safety, escape in case of incidents and safety

in the use of the elevator at the branches.

Hold training courses; propagandize and disseminate knowledge about fire safety and fire practice; put boards of instruction for using fire means with images at the Company's units.

### For working safety

Make instructive chart for escape at areas of the new plant; inspect occupational safety, fire safety daily and periodically at two factories; train the production units in labor safety.

Invite for verification and make a dossier for registering use of lifting equipment; train the assigned staffs in safe usage of the lifting, boilers, and pressure equipment.

Report on implementation of labor ordinance of 2014, labor protection plan of 2015 to Department of Labour, War Invalids and Social Affairs of Can Tho city and Hau Giang province.

**Equipment of workwear:** VND3.96 billion/ year (increase of 13% compared to 2013). Means of personal protection are fully equipped as planned early in the year. Maintain regularly and periodically activities of network of occupational safety and health officers. Check labor safety and provide adequately labor safety equipment. Track records and forms as requested. Perform cross-checks monthly among the units and lessons learned meetings to improve capacity of occupational safety and health officers and report to the Board of Management.

### Measure, test working environment

Measuring method: The indexes, including climate, dust, light, toxic, radioactive in technical positions are measured by the technical routine method developed by Institute for Occupational and Environmental Health 2002 - Ministry of Health.

### Measuring equipment

- » Microclimate is measured by machines: Air Velocity, TSI 9545, USA.
- » Light is measured by machines: Lux meter, Minolta - 106 589, Japan.
- » Noise is measured by machines: Sound Level Meter, Rion NL-21, Japan.
- » Respirable particulate matter is measured by machines: HD-1100, Environment Devices Corporation, and USA.
- » Radiation is measured by machine: INSPECTOR, USA.
- » Poison gas is measured by machine: Precision Gas Detector Tubes, Kitagawa, Japan.

### Mitigation measures

In order to improve working conditions, ensuring labor safety, health and preventing occupational

diseases for employees, the Company has been implementing the following measures:

Regularly maintain the lighting system, set up more lights at the necessary positions to ensure enough light for the employees working.

Areas with high temperatures are treated with cooling measures, heat shielding, use of thermal hood, installation of system of artificial raining.

Regularly maintain machinery, utilize new-generation machines with low level of noise, noise-shielding, soundproofing materials, etc. to reduce noise. Workers should be encouraged to use earplugs when working in areas with exceeded allowable noise to limit occupational diseases.

The Company is particularly concerned about places for storing and using chemicals, including compliance with provisions of law on chemicals, construction of a preventing plan in case of incidents.

Organize examination of hearing and respiratory functions for workers who contact with high level of noise and chemical substances.

The CO<sub>2</sub> area which exceed allowable hygienic standards will be strengthened use of exhaust fan system, periodically inspected and maintained to avoid the concentration of CO<sub>2</sub> exceeding the allowable standards.



## MOVEMENTS OF IMPROVEMENT AND INITIATIVE

**550** IDEAS,  
IMPROVEMENT  
INITIATIVES

To launch a movement of improvement and initiative that attracted 550 ideas in cost saving and work rationalization. The total value of efficacy is

VND24.8 billion; the amount of VND 3.3 billion has been used to reward for collectives and individuals with good ideas.



## ACTIVITIES OF CARING FOR EMPLOYEES IN 2014



Perform health-care activities for employees as follows:

- » Perform periodic health examination for 1,620 employees with the amount of VND2.9 billion;
- » Buy premium insurance for senior leaders and key officials with the amount of VND3.3 billion;
- » Examine and locally treat for more than 2,774 employees respectively with drug expenses of VND108.6 million;
- » Perform the malicious allowances for employees with the amount of VND424.5 million;
- » Organize for female staffs to check up for their health at Phuong Chau International Hospital with highly technical criteria for early detection of chronic diseases.

Maintain the mutual fund of the Company, support for 148 staffs in borrow/loan with the total amount of over VND6.18 billion for repairing and building houses or buying household items.

Support cost of health examination and insurance for employee's relatives (father/mother/wife/husband/children) with amount of 1,000,000 VND/person. The total is VND1.2 billion.

Help the employees and their family in treatment (341 cases) with the amount of VND379.6 million, sending wedding gifts for 62 cases with the amount of VND32.2 million, and visiting 71 funerals with the amount of VND142.5 million. Support VND50 million to build a charity house for a staff's family in difficult circumstance.

Award 102 scholarships to employee's children with the amount of VND138.6 million.

In order to encourage the teamwork of employees with outstanding achievements in the work; the Company supported 100% of expenses to 10% of the total number of employees for sightseeing in and outside the country.

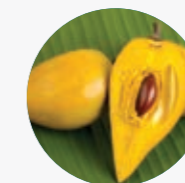
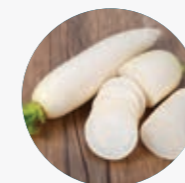
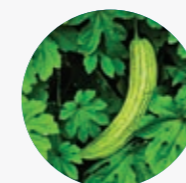
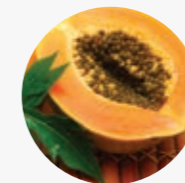
Hold the program "Rose of love" so that the employees invite their parents to Vu Lan festival, creating a feelings of love of employee's families with DHG.

On the occasion of the 40<sup>th</sup> anniversary of establishment, with the theme "DHG 40 years of sentimental attachment and mutual prosperity", the Company has held a visit program and banquet for 1,030 people who are Company's staffs and retired staffs, and staff's families. The Company has also held an exhibition of DHG's formation and development process, organized visits and offer gifts to 1,604 families of employees with the amount of VND778.2 million, performed the activity "Pink Sunday" with 1,800 participants and 162,000 product brochures sent to end-users.

## RESPONSIBILITY FOR PRODUCTS & CUSTOMERS

**400**

PRODUCTS WERE  
REGISTERED VISAS FOR  
CIRCULATION ACROSS  
THE COUNTRY





## INTELLECTUAL PROPERTY AND BRAND INVESTMENT

Product's information, usages, benefits, and adverse sides are clearly stated on the label. Product brands are invested and broadly promoted by professional media tools in order to increase end-user's awareness and avoid using counterfeit. Apart from introducing qualitative products to end-users, the communication also helps the end-users understand clearly how to use the drug, to prevent and treat diseases, to self-protect their health.

**TOTAL**  
**400**  
products were  
registered visas for  
circulation across  
the country

In total 400 products that were registered visas for circulation across the country (342 of pharmaceuticals, 55 of food supplement, and 3 of cosmeceuticals) have 233 products granted degrees of protection of trademarks by the Intellectual Property Office of Vietnam and 83 products manufactured in the new factory at Tan Phu Thanh Industrial Zone.



## PROVE BIOEQUIVALENCE

**22**  
BIOEQUIVALENT  
PRODUCTS

In order that physicians, end-users keep their mind on use, the Company successfully conducted bioequivalent tests of products at the Institute of Drug Quality Control - Ho Chi Minh City and National Institute of Drug Quality Control. The selling price of the Company's bioequivalent products is only by 30% - 50% of original proprietary medicines, but their treatment efficacy is the same.



## INVEST IN SCIENCE AND TECHNOLOGY

Responsibility for products is also expressed in conscientious dedication of products with high techno-scientific content, in self-studying and cooperating research with the Institutes and Universities, in linking applications of scientific research values to reality, in applying biological technology in preparation, in substituting materials from pharmaceutical chemistry for natural materials, in completing the purpose of pharmaceutical industry development – increase in Vietnamese's income through planning and development of materials growing areas; giving end-users the safe, efficient, economical, convenient products and developing satellite industries.

In addition to research and development budget, the Company has been approved by the AGM appropriation of 10% of taxable income of 2010, 5% of taxable income of 2013 to add the technology development fund for changing technology, investing in research machinery, equipment, testing bioequivalence, transferring technology, and employing consultants.



## DESCRIBE THE PROCESS OF PRODUCT QUALITY CONTROL



In addition to complying with the provisions of ISO 9001:2008, ISO/IEC 17025:2005, WHO GMP - GLP - GSP, GDP, GPP during production, storage, distribution of products, the Company always strictly abides to the regulations of the Ministry of Health, Drug Administration of Vietnam, Department of Hygiene and Food Safety, and local agencies.

The process of product quality control is done with control and testing. The control covers the entire production process; the testing is for inputs (raw materials, packaging) and outputs (finished products) of the product. First of all, the bought raw materials and packaging must be tested before storing and putting into production. In the production process, QC's controllers perform control of in-process, each stage of material weight, preparation, tablet compression, tablet coating, capsule filling, sachet-filling. At the end of each stage, the samples will be taken and brought back to QC for analysis. As for presentation, quantity, disintegration, tightness, QC's controllers will perform them at an analysis control room in production factory. Upon completion of the preparation process, batch records are confirmed the agreement to move to the stages of bottle-filling/ blister-filling/ sachet-filling/ packaging. The samples of finished products continue to be tested and deliver to stock.



## HANDLE WITH INQUIRIES AND COMPLAINTS ABOUT THE PRODUCTS

Normally, the Company receives inquiries and complaints from two sources: hotline of customer service (majority of end-users) and sales personnel getting feedback from drugstores' and hospitals' customers.

### Content of inquiries, complaints includes two major issues

**Product quality:** According to the process, after receiving information, the Company takes the complained samples and collates with batch number, manufacturing date to ascertain information. If the information is correct, the Company will implement procedures of product recall and reply to customers. Generally, the product quality is influenced by improper preservation of temperature and humidity of customers and end-users.

For inquiries, complaints about effects and use instructions of drugs (from hotline of customer service), the staffs in charge of the hotline will instruct and answer clearly complaints, record them, and make a report quarterly. Special cases will be immediately reported the units and leaders for solution.

In 2014, there were 281 arising cases of customer satisfaction consultant (end-users and sellers), in which 220 cases related to product consultant and 61 cases related to consultant of product purchase.



## DESCRIBE THE PROCESS OF PRODUCT RECALL

According to analytic results, if a substandard drug batch has been already out of store but not distributing, the procedure of nonconforming product control will be applied. As for the substandard distributed drug batch will be recalled.

**Product recall process** will be approved by the CEO if (1) getting recall decisions of the Drug Administration/Department of Health/ provincial center of drug quality control or (2) falling the drug quality during monitoring sample storing, tracking drug stability or (3) receiving right complaints from customers or (4) detecting harmful side effects of the drug.

After signing the decision of product recall, a recall board will be established. They perform recall, set up a recall file, implement recall product treatment, make a recall report, and keep files. In case of danger affecting the life and serious wounds of users, the products will be revoked in 24 hours at the latest. In case of affecting treatment efficacy and use safety, the products from customers will be revoked within 10 days. In case of not or less affecting treatment efficacy and use safety, the products will be revoked from units within 15 days.



## RESPONSIBILITY FOR THE LOCAL

RESPONSIBILITY FOR THE LOCAL

CREATE JOBS NEARLY **3,000** employees

LOCAL UNION ACTIVITIES  
1. Friendly tournaments  
2. Arts and culture exchange inside and outside the industry



**326** billion VND TO THE LOCAL BUDGET

HEALTH PROGRAMS

1. Doctor to every home
  2. Health Bridge
  3. Health Journal
  4. Medical Seminar
- were widely broadcasted in various media.

- » The Company contributes significantly for the local budget. In 2014, DHG and its subsidiaries have paid to state budget with VND326 billion.
- » Create jobs; take good care of the lives of nearly 3,000 local workers.
- » Through the programs, "Physicians for every family", "Health Bridge", "Medical journal", "Medical seminar" are widely broadcasted in various media, workshops, meetings and other communication tools. DHG has disseminated and propagated knowledge of prevention and treatment of diseases, helps people in Mekong Delta raise awareness of health care for themselves and their families.
- » The unions were active to participate in the movements launched by local authorities, organized a friendly tournament, arts and culture exchange inside and outside the industry. These created a useful, healthy playground for employees and a closed relationship to other units, local agencies.





# RESPONSIBILITY FOR THE COMMUNITY



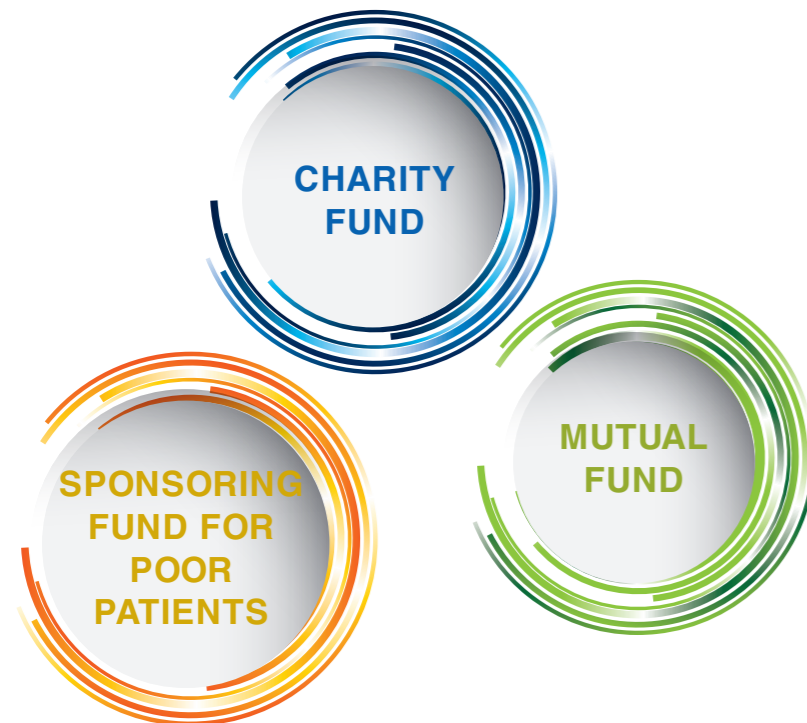
In the spirit of solidarity, DHG actively performed social activities for the poor, the elderly, patients with serious illnesses through the annual program such as: “Free medicine and examination”, “Journey for poor patients”; “Family fair” and establishing the fresh blood bank with members who are the Company’s employees to donate blood, visiting the orphanage, giving scholarships for students, supporting the flood victims, offering gifts for victims of Agent Orange, children in mountains - remote areas.

Take care and build houses of gratitude for Vietnamese Heroic Mothers, offering gifts; visiting them on holidays, on sickness. Annually, the Unions visit and offer gifts to staff’s families belonging to family policy, persons who have the merit of assisting the Revolution.

Implementation of social activities is to build culture inclined to the good in the Company’s leaders and employees and educating everybody to live consciously, beautifully, sharing with others in the social community. These activities are also enlarged to customers, partners, and shareholders of the Company.



AS A PHARMACEUTICAL MANUFACTURER, DHG ALWAYS TAKES “BENEFITS FOR THE COMMUNITY CENTERED UPON AT THE START OF ALL ACTIVITIES”. THE PHILANTHROPY OF DHG EXPRESSES RESPONSIBILITY OF A LEADING PHARMACEUTICAL TRADEMARK IN VIETNAM PHARMACEUTICAL INDUSTRY. COMMUNITY ACTIVITIES ARE MORE EFFECTIVE WHEN LINKED TO THE DEDICATION OF HIGH-QUALITY PRODUCTS, TO BUILD THE FOUNDATION FOR A MORE BEAUTIFUL AND HEALTHIER LIFE.



## RESPONSIBILITIES OF THE STAFFS FOR SOCIAL ACTIVITIES



All the staffs are responsible for contributing 03 funds: Charity fund, Mutual fund, Sponsoring fund for poor patients according to the monthly salary which was deducted Social insurance, Medical insurance, Unemployment insurance. The contribution level is as follows:

- » Income VND3 million or less: VND 5,000
- » Income over VND3 million: 1%
- » The money in these funds is only used when having the approval of the Board of Management, Trade Union and Youth Union.
- » As for the Sponsoring fund for poor patients:
  - » The staffs who get bonus from VND5 million or more shall contribute 0.5% of bonus (to the "parent biggy-bank" of the company)
  - » The "children biggy-bank" in the units contributes at least 20,000/ person/ month
- » Be positive in movements and other social mobilizations.

FREE EXAMINATION  
AND MEDICINE



**59,190** poor people  
in remote provinces across the  
country and some provinces in  
Cambodia, Laos



**In 2014, DHG has spent VND9 billion for the following community activities:**

Organize 138 programs for free medicine and examination to nearly 59,190 poor people in remote provinces across the country and some provinces in Cambodia, Laos with a total cost of nearly VND6 billion.

Support patients suffering from incurable diseases, poor patients having long-term treatment with amount of VND 1.7 billion; support programs of together protecting the Eastern sea sovereignty; construct rural bridges in Ca Mau with over VND1 billion

To mark the period of 40 years of establishment, DHG carried out the construction of classrooms, donated warm clothing, taken mental health care and given knowledge to students, teachers at Lung Cu, Ha Giang with total cost of nearly VND300 million through the program "Keep forever smile for highland children"

Educate end-users through programs: Physician for every family, Health Bridge, Medical Journal, Medical seminar

Blood Donation Club in 2014 had 332 participants in blood donation, with 392 units of blood

Fund for Poor Patient of the Company has received VND1.85 billion. In which, employees contributed VND1.54 billion, customer and benefactors outside the Company contributed VND302 million.

The staffs contributed to the gold-heart fund with amount of VND94.3 million. Movement of piggy bank for poor patients fund received amount of VND1.54 from employees and VND302 million contributed from customers, partners of the Company. Support the Sponsoring Association for Poor Patients of Can Tho city with amount of VND300 million; support the Sponsoring Association for Poor Patients of Hau Giang province with amount of VND300 million.

The Trade union organized for caring the elderly at the Elderly Keeping Center, the elderly center of Binh Thuy district and the children at the Orphanage Center of Can Tho City.

# THE ADVANCING IMPETUS OF GROWTH

The year 2014, closed a cycle of growth after a 40-year development journey of DHG. With the advantage of the leading enterprise in pharmaceutical industry, 2015 is the opening year for a new growth cycle of DHG in the context of the challenging economy. However, with the determination and consensus of all employees, DHG always strives for a common goal: **sustainable growth**.



## FINANCIAL STATEMENT 2014

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Consolidated audited financial statements 2014
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- 220 Plan for selecting an independent auditing firm

<b>Establishment Decision No.</b>	2405/QD-CT.UB dated 5 August 2004 issued by the People's Committee of Can Tho City.	
<b>Business Registration Certificate No.</b>	5703000111 dated 15 September 2004 issued by the Planning and Investment Department of Can Tho City. The Business Registration Certificate has been amended several times and its latest amendment No. 1800156801 dated 12 May 2014 was issued by the Planning and Investment Department of Can Tho City.	
<b>Board of Management</b>	Mr Hoang Nguyen Hoc	Chairman (from 1 May 2014)
	Mdm Pham Thi Viet Nga	Chairwoman (to 1 May 2014) Member (from 1 May 2014)
	Mr Le Dinh Buu Tri	Vice Chairman (from 1 May 2014) Member (to 1 May 2014)
	Mr Doan Dinh Duy Khuong	Member
	Ms Dang Pham Minh Loan	Member (from 1 May 2014)
	Mr Tran Chi Liem	Member (from 1 May 2014)
	Mr Shuhei Tabata	Member (from 1 May 2014)
	Ms Le Minh Hong	Member (to 1 May 2014)
	Mr Le Chanh Dao	Member (to 1 May 2014)
	Ms Nguyen Thi Hong Loan	Member (to 1 May 2014)
	Mr Nguyen Nhu Song	Member (to 1 May 2014)
<b>Board of Directors</b>	Mdm Pham Thi Viet Nga	General Director (from 1 May 2014)
	Ms Le Minh Hong	General Director (to 1 May 2014)
	Mr Le Chanh Dao	Deputy General Director
	Mr Doan Dinh Duy Khuong	Deputy General Director
	Ms Nguyen Ngoc Diep	Deputy General Director
<b>Supervisory Board</b>	Mr Tran Quoc Hung	Head of the Board
	Ms Nguyen Phuong Thao	Member
	Mr Dinh Duc Minh	Member (from 1 May 2014)
	Ms Tran Thi Anh Nhu	Member (to 1 May 2014)
<b>Legal representative</b>	Mdm Pham Thi Viet Nga	General Director
<b>Registered office</b>	288 Nguyen Van Cu Street, An Hoa Ward, Ninh Kieu District, Can Tho City, Vietnam	
<b>Auditor</b>	PricewaterhouseCoopers (Vietnam) Limited	

## STATEMENT OF THE RESPONSIBILITY OF THE BOARD OF DIRECTORS IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board of Directors is responsible for the consolidated financial statements of DHG Pharmaceutical Joint Stock Company ("the Company") and its subsidiaries (together "the Group") which give a true and fair view of the consolidated financial position of the Group as at 31 December 2014 and the consolidated results of its operation and cash flows for the year then ended. In preparing these consolidated financial statements, the Board of Directors is required to:

- » select suitable accounting policies and then apply them consistently;
- » make judgments and estimates that are reasonable and prudent; and
- » prepare the consolidated financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Board of Directors is responsible for ensuring that proper accounting records are maintained, which disclose, with reasonable accuracy at any time, the consolidated financial position of the Group and which enable the consolidated financial statements to be prepared which complies with the basis of accounting set out in Note 2 to the consolidated financial statements. We are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

We hereby approve the accompanying consolidated financial statements set out on pages 5 to 36 which give a true and fair view of the consolidated financial position of the Group as at 31 December 2014 and of the consolidated results of operation and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements.

On behalf of the Board of Directors

LE CHANH DAO  
Deputy General Director  
Authorised Signatory

Can Tho City, SR Vietnam  
14 March 2015

## TO THE SHAREHOLDERS OF DHG PHARMACEUTICAL JOINT STOCK COMPANY

We have audited the accompanying consolidated financial statements of DHG Pharmaceutical Joint Stock Company ("the Company") and its subsidiaries (together "the Group") which were prepared on 31 December 2014 and approved by the Board of Directors on 14 March 2015. The consolidated financial statements comprise the consolidated balance sheet as at 31 December 2014, the consolidated income statement, the consolidated cash flow statement for the year then ended, and explanatory notes to the consolidated financial statements including significant accounting policies, as set out on pages 186 to 216.

### The Board of Directors' Responsibility to the Consolidated Financial Statements

The Board of Directors of the Company is responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements and for such internal controls which the Board of Directors determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical standards and requirements, plan and perform the audit in order to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including an assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the Group's preparation and true and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Auditor's Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2014, its consolidated financial performance and cash flows for the year then ended in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of financial statements.

### PricewaterhouseCoopers (Vietnam) Ltd.



QUACH THANH CHAU  
Audit Practising Licence  
No. 0875-2013-006-1  
Authorised signatory

Report Reference Number: HCM4419  
Ho Chi Minh City, 14 March 2015

PHAM THI XUAN MAI  
Audit Practising Licence  
No. 1771-2013-006-1



PricewaterhouseCoopers (Vietnam) Ltd.,  
4th Floor, Saigon Tower, 29 Le Duan Street, District 1, Ho Chi Minh City, Vietnam  
T: +84 (8)38230796, [www.pwc.com/vn](http://www.pwc.com/vn)

*As indicated in Note 2.1 to the consolidated financial statements, the accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam, and furthermore their utilisation is not designed for those who are not informed about SR Vietnam's accounting principles, procedures and practices.*

Code	ASSETS	Note	As at 31 December	
			2014 VND	2013 VND
<b>100</b>	<b>CURRENT ASSETS</b>		<b>2,386,250,376,004</b>	<b>2,232,558,323,593</b>
<b>110</b>	<b>Cash and cash equivalents</b>	<b>3</b>	<b>496,491,764,030</b>	<b>613,286,840,667</b>
111	Cash		108,745,132,437	197,502,688,578
112	Cash equivalents		387,746,631,593	415,784,152,089
<b>120</b>	<b>Short-term investments</b>	<b>4</b>	<b>260,616,666,667</b>	<b>170,000,000,000</b>
<b>130</b>	<b>Accounts receivable</b>		<b>841,466,365,557</b>	<b>667,385,791,765</b>
131	Trade accounts receivable	5	760,722,312,361	515,047,367,344
132	Prepayments to suppliers		45,230,064,069	106,904,033,805
135	Other receivables	6	43,219,434,779	54,871,697,688
139	Provision for doubtful debts		(7,705,445,652)	(9,437,307,072)
<b>140</b>	<b>Inventories</b>	<b>7</b>	<b>780,703,611,464</b>	<b>757,948,802,811</b>
141	Inventories		786,123,041,332	762,406,784,423
149	Provision for decline in value of inventories		(5,419,429,868)	(4,457,981,612)
<b>150</b>	<b>Other current assets</b>		<b>6,971,968,286</b>	<b>23,936,888,350</b>
151	Short-term prepayments		1,029,267,451	1,009,350,275
152	Value Added Tax to be reclaimed		1,767,528,950	11,926,381,877
154	Other taxes receivable		874,613,071	1,530,498,553
158	Other current assets		3,300,558,814	9,470,657,645
<b>200</b>	<b>LONG-TERM ASSETS</b>		<b>1,096,467,924,049</b>	<b>848,061,960,110</b>
<b>220</b>	<b>Fixed assets</b>		<b>963,813,452,083</b>	<b>799,082,640,475</b>
221	Tangible fixed assets	8(a)	733,663,998,483	341,559,529,935
222	Cost		1,090,746,573,280	624,285,468,842
223	Accumulated depreciation		(357,082,574,797)	(282,725,938,907)
227	Intangible fixed assets	8(b)	180,016,913,505	175,986,046,667
228	Cost		193,368,549,477	187,270,244,354
229	Accumulated amortisation		(13,351,635,972)	(11,284,197,687)
230	Construction in progress	8(c)	50,132,540,095	281,537,063,873
<b>250</b>	<b>Long-term investments</b>	<b>9</b>	<b>16,842,443,714</b>	<b>20,765,323,714</b>
252	Investments in associates		5,434,273,514	5,434,273,514
258	Other long-term investments		27,908,170,200	31,831,050,200
259	Provision for diminution in value of long-term investments		(16,500,000,000)	(16,500,000,000)
<b>260</b>	<b>Other long-term assets</b>		<b>115,812,028,252</b>	<b>28,213,995,921</b>
261	Long-term prepayments	10	100,946,118,907	18,683,501,941
262	Deferred income tax assets	11	14,017,983,554	8,256,999,578
268	Other long-term assets		847,925,791	1,273,494,402
<b>270</b>	<b>TOTAL ASSETS</b>		<b>3,482,718,300,053</b>	<b>3,080,620,283,703</b>

Code	RESOURCES	Note	As at 31 December	
			2014 VND	2013 VND
<b>300</b>	<b>LIABILITIES</b>		<b>1,189,092,829,107</b>	<b>1,081,177,362,120</b>
<b>310</b>	<b>Current liabilities</b>		<b>1,119,689,495,134</b>	<b>1,030,241,740,808</b>
311	Short-term borrowings	12	176,707,408,762	127,031,078,559
312	Trade accounts payable	13	261,374,420,147	267,947,613,018
313	Advances from customers		912,804,381	2,694,932,738
314	Taxes and other payables to the State Budget	14	103,311,154,783	56,584,127,414
315	Payable to employees		208,304,993,114	206,949,554,901
316	Accrued expenses	15	266,009,951,113	235,861,930,515
319	Other payables	16	36,083,180,507	67,438,861,042
323	Bonus and welfare funds	17	66,985,582,327	65,733,642,621
<b>330</b>	<b>Long-term liabilities</b>		<b>69,403,333,973</b>	<b>50,935,621,312</b>
337	Provisions for long-term liabilities	18	28,843,956,033	-
339	Science and technology development funds	19	40,559,377,940	50,935,621,312
<b>400</b>	<b>OWNERS' EQUITY</b>		<b>2,276,795,062,055</b>	<b>1,981,365,474,100</b>
<b>410</b>	<b>Capital and reserves</b>		<b>2,276,795,062,055</b>	<b>1,981,365,474,100</b>
411	Owners' capital	20, 21	871,643,300,000	653,764,290,000
414	Treasury shares	20, 21	(455,850,000)	(455,850,000)
417	Investment and development fund	21	782,076,482,219	701,396,760,268
418	Financial reserve fund	21	67,063,774,920	66,929,751,817
420	Undistributed earnings	21	556,467,354,916	559,730,522,015
<b>439</b>	<b>MINORITY INTEREST</b>	<b>22</b>	<b>16,830,408,891</b>	<b>18,077,447,483</b>
<b>440</b>	<b>TOTAL RESOURCES</b>		<b>3,482,718,300,053</b>	<b>3,080,620,283,703</b>

#### OFF BALANCE SHEET ITEMS

Included in cash and cash equivalents are balances held in gold and following foreign currencies:

	2014	2013
USD	336,670	558,065
EUR	16,444	61,029
MOP	20	20
NDT	3,515	3,515
CAD	100	100
A tenth of tael of gold	1,507	1,482
Tael of gold	200	300

  
NGO THI HONG DAO  
Preparer

  
DANG PHAM HUYEN NHUNG  
Chief Accountant

  
  
LE CHANH DAO  
Deputy General Director  
Authorised signatory  
14 March 2015

CONSOLIDATED  
INCOME STATEMENT

Form B 02 - DN/HN

Year ended 31 December

Code	Note	2014 VND	2013 VND
<b>01</b>	<b>Sales</b>	<b>3,958,709,910,419</b>	<b>4,093,660,616,098</b>
02	Less deductions	(46,191,765,944)	(702,863,964,048)
<b>10</b>	<b>Net sales</b>	<b>3,912,518,144,475</b>	<b>3,390,796,652,050</b>
<b>11</b>	<b>Cost of sales</b>	<b>(1,781,997,126,034)</b>	<b>(1,762,678,700,813)</b>
<b>20</b>	<b>Gross profit</b>	<b>2,130,521,018,441</b>	<b>1,628,117,951,237</b>
21	Financial income	37,139,877,819	47,969,788,627
22	Financial expenses	(67,340,673,729)	(16,455,522,775)
23	Including: interest expense	(4,838,876,750)	(2,269,547,030)
24	Selling expenses	(1,098,587,377,918)	(757,747,616,905)
25	General and administration expenses	(312,775,808,459)	(270,757,905,732)
<b>30</b>	<b>Operating profit</b>	<b>688,957,036,154</b>	<b>631,126,694,452</b>
31	Other income	36,844,503,038	182,011,757,468
32	Other expenses	(3,864,380,978)	(31,238,035,583)
<b>40</b>	<b>Net other income</b>	<b>32,980,122,060</b>	<b>150,773,721,885</b>
<b>41</b>	<b>Share of associates' result</b>	-	<b>(400,000,000)</b>
<b>50</b>	<b>Net accounting profit before tax</b>	<b>721,937,158,214</b>	<b>781,500,416,337</b>
51	Business income tax – current	(193,926,063,163)	(190,664,526,281)
52	Business income tax – deferred	5,760,983,976	2,416,106,913
<b>60</b>	<b>Net profit after tax</b>	<b>533,772,079,027</b>	<b>593,251,996,969</b>
<b>Attributable to:</b>			
<b>61</b>	<b>Minority interest</b>	<b>499,297,883</b>	<b>4,292,243,167</b>
<b>62</b>	<b>Owners of the parent company</b>	<b>533,272,781,144</b>	<b>588,959,753,802</b>
<b>70</b>	<b>Basic earnings per share (VND)</b>	<b>6,119</b>	<b>6,758</b>

NGO THI HONG DAO  
Preparer

DANG PHAM HUYEN NHUNG  
Chief Accountant



LE CHANH DAO  
Deputy General Director  
Authorised signatory  
14 March 2015

CONSOLIDATED  
CASH FLOW STATEMENT  
(Indirect method)

Form B 03 - DN/HN

Year ended 31 December

Code	Note	2014 VND	2013 VND
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>01</b>	<b>Net profit before tax</b>	<b>721,937,158,214</b>	<b>781,500,416,337</b>
Adjustments for:			
02	Depreciation and amortisation	79,709,426,586	71,042,979,207
03	Provisions	(770,413,164)	(2,376,383,313)
05	Losses/(gains) from disposal of fixed assets	134,124,144	(1,877,328,288)
05	Interest and dividend income	(35,180,994,085)	(45,816,183,782)
05	Losses from investments in associates	-	400,000,000
05	Profits from disposal of investments	(95,680,000)	-
06	Interest expense	4,838,876,750	2,269,547,030
<b>08</b>	<b>Operating profit before changes in working capital</b>	<b>770,572,498,445</b>	<b>805,143,047,191</b>
09	Increase in receivables	(198,654,237,720)	(106,110,276,547)
10	Increase in inventories	(23,716,256,909)	(244,438,059,335)
11	Increase in payables	22,752,783,625	276,100,224,398
12	Increase in prepaid expenses	(27,875,657,824)	(8,436,251,542)
13	Interest paid	(3,957,414,700)	(2,749,714,033)
14	Business income tax paid	(149,100,796,888)	(163,845,112,946)
16	Other payments on operating activities	(118,221,104,830)	(71,206,195,264)
<b>20</b>	<b>Net cash inflows from operating activities</b>	<b>271,799,813,199</b>	<b>484,457,661,922</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
21	Purchases of fixed assets and other long-term assets	(255,151,975,150)	(348,811,262,617)
22	Proceeds from disposals of fixed assets and other long-term assets	2,092,971,399	6,473,133,397
23	Increase in term deposits at bank	(90,616,666,667)	(170,000,000,000)
26	Proceeds from divestment in other entities	4,018,560,000	-
27	Dividends and interest received	32,974,690,379	44,285,267,106
<b>30</b>	<b>Net cash outflows from investing activities</b>	<b>(306,682,420,039)</b>	<b>(468,052,862,114)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
33	Proceeds from short-term borrowings	1,376,817,787,033	186,490,435,869
34	Repayments of borrowings	(1,327,141,456,830)	(78,944,166,307)
36	Dividends paid	(131,588,800,000)	(229,639,546,500)
<b>40</b>	<b>Net cash outflows from financing activities</b>	<b>(81,912,469,797)</b>	<b>(122,093,276,938)</b>
<b>50</b>	<b>Net decrease in cash and cash equivalents</b>	<b>(116,795,076,637)</b>	<b>(105,688,477,130)</b>
<b>60</b>	<b>Cash and cash equivalents at beginning of year</b>	<b>613,286,840,667</b>	<b>718,975,317,797</b>
<b>70</b>	<b>Cash and cash equivalents at end of year</b>	<b>496,491,764,030</b>	<b>613,286,840,667</b>

NGO THI HONG DAO  
Preparer

DANG PHAM HUYEN NHUNG  
Chief Accountant



LE CHANH DAO  
Deputy General Director  
Authorised signatory  
14 March 2015

1. GENERAL INFORMATION

On 2 September 2004, DHG Pharmaceutical Joint Stock Company ("the Company") was equitised from Hau Giang Pharmaceutical United Factory in accordance with Decision No.2405/QD-CT.UB dated 5 August 2004 issued by the People's Committee of Can Tho City. The Company was officially incorporated as a joint stock company according to the Business Registration Certificate No.5703000111 dated 15 September 2004 issued by the Planning and Investment Department of Can Tho City with the initial legal capital of VND80,000,000,000.

The Company's shares are listed on the Ho Chi Minh Stock Exchange.

In 2014, the Company increased the share capital to VND871,643,300,000 by issuing bonus shares to existing shareholders at ratio 3:1 as approved by the relevant authorities. At the date of approval of the consolidated financial statements, the Company is in the process of registration for amended Business Registration Certificate for the increase in share capital.

The principal activities of the Company and its subsidiaries are to produce and trade in pharmaceutical products; and providing domestic travelling services.

As at 31 December 2014, the Company had 2,964 employees (at 31 December 2013: 2,830 employees).

The consolidated financial statements for the year ended 31 December 2014 comprise of the financial statements of the Company and its subsidiaries (together the "Group") and the Group's interest in associates as listed below:

Name	Principal activities	Business Registration Certificate	% of ownership and voting rights	
			2014	2013
<b>Subsidiaries:</b>				
DT Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 5104000057 issued by the Planning and Investment Department of Dong Thap province on 28 August 2008	100%	100%
DHG Travel One Member Limited Company	Domestic travel services	No. 5704000134 issued by the Planning and Investment Department of Can Tho City on 26 December 2007	100%	100%
HT Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 5604000048 issued by the Planning and Investment Department of Kien Giang province on 16 May 2008	100%	100%
DHG Nature One Member Limited Company	Grow, process, manufacture, and trade herbal materials; manufacture and trade pharmaceutical chemistry and dietary supplements	No. 1800723433 issued by the Planning and Investment Department of Can Tho City on 25 August 2008	100%	100%
CM Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 6104000035 issued by the Planning and Investment Department of Ca Mau province on 8 April 2008	100%	100%
DHG Packaging and Printing One Member Limited Company (*)	Manufacture and trade packaging, plastic, aluminum, paper for pharmaceutical industry; provide printing services	No. 5704000183 issued by the Planning and Investment Department of Can Tho City on 29 April 2008	-	100%

Name	Principal activities	Business Registration Certificate	% of ownership and voting rights	
			2014	2013
SH Pharmaceutical Joint Stock Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 6403000044 issued by the Planning and Investment Department of Hau Giang province on 20 July 2007	51%	51%
A&G Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 1601171629 issued by the Planning and Investment Department of An Giang province on 17 June 2009	100%	100%
ST Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 5904000064 issued by the Planning and Investment Department of Soc Trang province on 11 April 2008	100%	100%
TOT Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 1801113085 issued by the Planning and Investment Department of Can Tho City on 25 February 2009	100%	100%
TG Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment, dietary supplements and pharmaceutical cosmetics	No. 1200975943 issued by the Planning and Investment Department of Tien Giang province on 25 February 2009	100%	100%
Bali Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment and dietary supplements and pharmaceutical cosmetics	No. 1900455594 issued by the Planning and Investment Department of Bac Lieu Province on 29 March 2011	100%	100%
DHG Pharmaceutical One Member Limited Company	Manufacture and trade pharmaceuticals, dietary supplements and pharmaceutical cosmetics	No. 642041000005 issued by the Management Board of Hau Giang Industrial Zone on 16 August 2010	100%	100%
B&T Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment and dietary supplements and pharmaceutical cosmetics	No. 1300917335 issued by the Planning and Investment Department of Ben Tre Province on 5 October 2012	100%	100%
TVP Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment and dietary supplements and pharmaceutical cosmetics	No. 2100510569 issued by the Planning and Investment Department of Tra Vinh Province on 19 October 2012	100%	100%
VL Pharmaceutical One Member Limited Company	Trade pharmaceuticals, medical equipment and dietary supplements and pharmaceutical cosmetics	No. 1500971019 issued by the Planning and Investment Department of Vinh Long Province on 19 December 2012	100%	100%
DHG Packaging and Printing 1 One Member Limited Company	Manufacture and trade packaging, plastic, aluminum, paper for pharmaceutical industry; provide printing services	No. 642041000007 issued by the Management Board of Hau Giang Industrial Zone on 28 September 2012	100%	100%
<b>Associates:</b>				
Vinh Hao Algae Processing Joint Stock Company	Manufacture and trade spirulina algae	No. 4803000150 issued by the Planning and Investment Department of Binh Thuan Province on 4 February 2008	31.36%	31.36%

(\*) On 31 December 2013, the Board of Management of the Company issued the decision to dissolve DHG Packaging and Printing One Member Limited Company. As at 31 December 2014, the dissolution procedures were completed.



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with Vietnamese Accounting Standards, the Vietnamese Corporate Accounting System and applicable regulations on preparation and presentation of consolidated financial statements in SR Vietnam. The consolidated financial statements have been prepared under the historical cost convention.

The accompanying consolidated financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than SR Vietnam. The accounting principles and practices utilised in SR Vietnam may differ from those generally accepted in countries and jurisdictions other than SR Vietnam.

### 2.2 Fiscal year

The Group's fiscal year is from 1 January to 31 December.

### 2.3 Consolidation

In 2014, the Company prepared its consolidated financial statements in accordance with Vietnamese Accounting Standard 25 – Consolidated Financial Statements and Accounting for Investments in Subsidiaries.

#### *Subsidiaries*

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

#### *Transactions and minority interests*

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

#### *Associates*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

The Group's share of its associates' post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains and losses on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

### 2.4 Use of estimates

The preparation of the financial statements in conformity with Vietnamese Accounting Standards requires the Board of Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of financial statements and the amounts of revenues and expenses during the year. Although these estimates are based on the Board of Directors' best knowledge of current events and actions, actual results may differ from those estimates.

### 2.5 Currency

The consolidated financial statements are prepared and presented in Vietnamese Dong.

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction dates. Foreign exchange differences arising from these transactions are recognised in the income statement.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at the balance sheet date. Foreign exchange differences arising from these translations are recognised in the income statement.

### 2.6 Form of records applied

The Group uses journal vouchers to record its transactions.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in transit, demand deposits, cash at bank and other short-term investments with an original maturity of three months or less.

### 2.8 Trade receivables

Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review by the Board of Directors of all outstanding amounts at the year end. Bad debts are written off when identified.

### 2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the weighted average method and includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured products, cost includes all direct expenditure and production overheads based on normal levels of operating activity. Net realisable value is the estimated selling price in the normal course of business, less the estimated costs of completion and selling expenses. Provision is made, where necessary, for obsolete, slow-moving and defective inventory items.

### 2.10 Investments

#### (a) Short-term investments

Short-term investments are term deposits at bank maturing within 12 months from the balance sheet date and are accounted for at cost.

#### (b) Investments in associates

Investments in associates are accounted for at under equity method of accounting in the consolidated financial statements.

#### (c) Long-term investments

Other long-term investments comprise shareholding of less than 20% in listed and unlisted entities which are held with no intention to dispose within 12 months from the balance sheet date. These investments are initially stated at cost of acquisition. Provision is made where there is a diminution in value of these investments.

### 2.11 Fixed assets

#### *Tangible and intangible fixed assets*

Fixed assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the fixed assets.

#### *Depreciation*

Fixed assets are depreciated on the straight-line method, to write off the cost of the assets to their residual value over their estimated useful lives or over the term of the project if shorter. The estimated useful lives of the assets are as follows:

Building and structures	3 – 19 years
Machinery and equipment	3 – 20 years
Motor vehicles	3 – 10 years
Office equipment	2 – 10 years
Software	3 – 8 years

Land use rights are amortised, using the straight-line method over the terms indicated in the land use right certificate. Land use rights which are granted for an indefinite term are carried at cost and not amortised.

#### *Subsequent expenditure*

Subsequent expenditure relating to fixed assets that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expense is recognised in the income statement when incurred.

#### *Disposals*

Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amounts. The disposal proceeds are recognised as income in the income statement. The carrying amounts are recognised as expenses in the income statement.

### 2.12 Leased assets

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

### 2.13 Share capital and treasury shares

Ordinary shares in issue are classified as equity. Incremental costs directly attributable to the issuance of new shares or options are shown in equity as a deduction from the proceeds.

Where the Group purchase the Group's equity share capital (treasury shares), the consideration paid, including directly attributable incremental costs, is deducted from equity attributable to the Group's equity holders until the shares are cancelled or reissued. Where such shares are subsequently sold or reissued, any consideration received less any directly attributable incremental transaction costs is included in equity attributable to the Group's equity holders.

### 2.14 Borrowing costs

Borrowing costs that are directly attributable to the construction or production of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are recognised in the income statement when incurred.

### 2.15 Revenue recognition

#### (a) Sales of goods

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or the likely return of goods.

#### (b) Interest income

Interest income is recognised on the basis of the actual time and interest rate in each period.

#### (c) Dividend income

Dividend income is recognised in the year in which the dividends are declared by the investee entities.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.16 Prepaid expenses

Prepaid expenses include short-term or long-term prepayments on the balance sheet and are mainly leasehold improvements, prepaid land rental, tools and equipment were put to use.

### 2.17 Current and deferred income tax

Income taxes include all income taxes which are based on taxable profits including profits generated from production and trading activities in other countries that the Socialist Republic of Vietnam has not signed any double tax relief agreement. Income tax expense comprises current tax expense and deferred tax expense.

Current income tax is the amount of income taxes payable or recoverable in respect of the current year taxable profit and the current tax rates. Current and deferred tax should be recognised as income or an expense and included in profit or loss for the year, except to the extent that the tax arises from a transaction or event which is recognised, in the same or a different period, directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of occurrence affects neither the accounting nor the taxable profit or loss. Deferred income tax is determined at the tax rates that are expected to apply to the financial year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

### 2.18 Dividend distribution

The Company's net profit after tax is available for appropriation to shareholders as dividends after approval by shareholders at the Company's Annual General Meeting.

Interim dividends are declared and paid based on the estimated earnings of the year. Final dividends are declared and paid in the following year from undistributed earnings based on the approval of shareholders at the Company's Annual General Meeting.

Appropriation of the Company's net profit after tax of the year 2013 was approved by shareholders at the Company's Annual General Meeting as follows:

- Dividends declared for year 2013: 30% of par value.
- Appropriation to the bonus and welfare fund: 12% of net profit after tax.
- Payment for Board of Management, Supervisory Board, Board of Directors and key management personnel: 5 billion VND.
- Bonus for Board of Management, Supervisory Board, Board of Directors and key management personnel: 5% of increase in net consolidated profit after tax.
- Remaining net profit after tax was appropriated to the investment and development fund.

### 2.19 Method of reserve appropriation

Annual appropriation from undistributed earnings to reserve funds belonged to owners' equity is approved by shareholders at the Company's Annual General Meeting.

### 2.20 Related parties

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or are under common control with, the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

The State Capital Investment Corporation holds the largest shareholding in the Company and accordingly is regarded as a related party. However, enterprises which are controlled or significantly influenced by the State Capital Investment Corporation are not considered as related parties of the Company for the purposes of disclosure since they do not influence, or are not influenced by, the Company.

In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

### 2.21 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the expenditures expected to be required to settle the obligation. If the time value of money is material, provisions will be measured at their present value using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expenses.

## 3. CASH AND CASH EQUIVALENTS

	2014 VND	2013 VND
Cash on hand	16,321,258,859	30,418,601,252
Cash at bank	92,423,873,578	167,084,087,326
Cash equivalents (*)	387,746,631,593	415,784,152,089
	496,491,764,030	613,286,840,667

(\*) Cash equivalents represent term deposits at bank with an original maturity of 3 months or less.

As at 31 December 2014, the cash equivalents of VND75 billion were used as collateral assets for short-term loans from banks (Note 12).

## 4. SHORT-TERM INVESTMENTS

Short-term investments are term deposits at bank maturing within 12 months from the balance sheet date, except for term deposits with an original maturity of 3 months or less being classified to cash equivalents in Note 3.

5. TRADE ACCOUNTS RECEIVABLE

	2014 VND	2013 VND
Trade receivables from third parties	760,722,312,361	515,047,367,344

6. OTHER RECEIVABLES

	2014 VND	2013 VND
Prepaid trade discounts	32,720,645,396	43,340,621,042
Interest income receivable	5,506,248,160	3,299,944,454
Other receivables	4,992,541,223	8,231,132,192
	43,219,434,779	54,871,697,688

7. INVENTORIES

	2014 VND	2013 VND
Goods in transit	56,439,936,854	80,761,118,021
Raw materials	263,217,163,928	238,200,575,337
Work in progress	31,768,962,547	52,070,111,304
Finished goods	346,304,666,143	321,552,534,685
Merchandises	88,392,311,860	69,822,445,076
	786,123,041,332	762,406,784,423
Provision for decline in value of inventories	(5,419,429,868)	(4,457,981,612)
	780,703,611,464	757,948,802,811

Movements in the provision for inventories during the year were as follows:

	2014 VND	2013 VND
Opening balance	4,457,981,612	6,028,589,133
Increase	961,448,256	-
Reversal	-	(1,570,607,521)
Closing balance	5,419,429,868	4,457,981,612

8. FIXED ASSETS

(a) Tangible fixed assets

	Buildings and structures	Machinery and equipment	Motor vehicles	Office equipment	Total
	VND	VND	VND	VND	VND
<b>Historical cost</b>					
At 1 January 2014	217,596,266,580	229,303,470,033	109,040,239,016	68,345,493,213	624,285,468,842
Increase	8,454,990,143	9,482,195,189	5,781,012,098	91,363,789	23,809,561,219
Transfers from construction in progress (Note 8(c))	183,706,035,870	213,311,372,927	47,042,464,958	3,327,122,418	447,386,996,173
Disposals	(650,000,000)	(1,879,889,630)	(696,813,921)	(1,508,749,403)	(4,735,452,954)
At 31 December 2014	409,107,292,593	450,217,148,519	161,166,902,151	70,255,230,017	1,090,746,573,280
<b>Accumulated depreciation</b>					
At 1 January 2014	57,611,519,174	129,620,837,025	55,065,501,712	40,428,080,996	282,725,938,907
Charge for the year	20,134,359,838	32,420,512,247	17,182,584,794	7,862,531,422	77,599,988,301
Disposals	(346,666,624)	(707,486,100)	(680,450,284)	(1,508,749,403)	(3,243,352,411)
At 31 December 2014	77,399,212,388	161,333,863,172	71,567,636,222	46,781,863,015	357,082,574,797
<b>Net book value</b>					
At 1 January 2014	159,984,747,406	99,682,633,008	53,974,737,304	27,917,412,217	341,559,529,935
At 31 December 2014	331,708,080,205	288,883,285,347	89,599,265,929	23,473,367,002	733,663,998,483

Included in tangible fixed assets as at 31 December 2014 were assets costing VND114,317,744,371 (31 December 2013: VND106,244,000,000) which were fully depreciated but still in active use.

8. FIXED ASSETS (continued)

(b) Intangible fixed assets

	Land use rights with indefinite term	Land use rights with definite term	Software	Total
	VND	VND	VND	VND
<b>Historical cost</b>				
At 1 January 2014	109,273,175,913	72,258,870,636	5,738,197,805	187,270,244,354
Increase	-	23,280,123	-	23,280,123
Transfers from construction in progress (Note 8(c))	6,540,800,000	-	311,220,000	6,852,020,000
Reclassifications	(105,916,892)	105,916,892	-	-
Disposals	(734,995,000)	-	(42,000,000)	(776,995,000)
At 31 December 2014	114,973,064,021	72,388,067,651	6,007,417,805	193,368,549,477
<b>Accumulated amortisation</b>				
At 1 January 2014	-	7,451,546,227	3,832,651,460	11,284,197,687
Charge for the year	-	1,289,946,526	819,491,759	2,109,438,285
Disposals	-	-	(42,000,000)	(42,000,000)
At 31 December 2014	-	8,741,492,753	4,610,143,219	13,351,635,972
<b>Net book value</b>				
At 1 January 2014	109,273,175,913	64,807,324,409	1,905,546,345	175,986,046,667
At 31 December 2014	114,973,064,021	63,646,574,898	1,397,274,586	180,016,913,505

Included in tangible fixed assets as at 31 December 2014 were assets costing VND2,917 million (31 December 2013: VND1,306 million) which were fully depreciated but still in active use.

(c) Construction in progress

	2014 VND	2013 VND
Opening balance	281,537,063,873	70,391,435,034
Additions	231,319,133,808	336,873,642,724
Transfers to tangible fixed assets (Note 8(a))	(447,386,996,173)	(115,327,420,681)
Transfers to intangible fixed assets (Note 8(b))	(6,852,020,000)	(8,313,909,371)
Transfers to tools and supplies	(5,944,690,672)	-
Transfers to prepayments	(2,539,950,741)	(2,086,683,833)
Closing balance	50,132,540,095	281,537,063,873

In which, main projects were been constructing at subsidiaries as follows:

	2014 VND	2013 VND
Office building and ancillary works at DHG Pharmaceutical One Member Limited Company	876,649,246	91,810,096,018
Beta lactam factory project	23,629,137,559	5,070,018,363
Non-beta lactam factory project	46,181,818	140,854,854,442

9. LONG-TERM INVESTMENTS

(a) Investments in associates

	2014 VND	2013 VND
Vinh Hao Algae Processing Joint Stock Company	5,434,273,514	5,434,273,514

Movement in investment in associates during the year were as follows:

	2014 VND	2013 VND
Opening balance	5,434,273,514	9,334,273,514
Share of losses from associates	-	(400,000,000)
Transfers to other long-term investments	-	(3,500,000,000)
Closing balance	5,434,273,514	5,434,273,514

(b) Other long-term investments

	2014 VND	2013 VND
Vinh Tuong High-Tech Packaging Corporation	20,000,000,000	20,000,000,000
Binh Duong Pharmaceutical & Medical Equipments Joint Stock Company	4,286,800,000	4,286,800,000
Nghe An Pharmaceutical & Medical Equipments Joint Stock Company	-	3,922,880,000
Tra Vinh Pharmaceutical Joint Stock Company	2,575,315,200	2,575,315,200
Ninh Thuan Pharmaceutical & Medical Equipments Joint Stock Company	796,675,000	796,675,000
Tay Ninh Pharmaceutical Joint Stock Company	221,960,000	221,960,000
Cuu Long Pharmaceutical Joint Stock Company	27,420,000	27,420,000
	27,908,170,200	31,831,050,200

(c) Provision for diminution in value of long-term investments

Movement in provision for diminution in value of long-term investments during the year were as follows:

	2014 VND	2013 VND
Opening balance	16,500,000,000	4,513,881,449
Increase	-	16,500,000,000
Reversal	-	(4,513,881,449)
Closing balance	16,500,000,000	16,500,000,000

Balance as at 31 December 2014 and 31 December 2013 represents the provision for diminution in value of long-term investments in Vinh Tuong High-Tech Packaging Corporation.

#### 10. LONG-TERM PREPAYMENTS

Details of long-term prepayments are presented as follows:

	Leasehold improvements	Prepaid land rental fees	Tools and supplies	Total
	VND	VND	VND	VND
Opening balance	658,302,929	12,098,613,904	5,926,585,108	18,683,501,941
Increase	340,000,000	78,174,086,155	12,851,650,755	91,365,736,910
Allocation	(390,093,486)	(2,137,290,238)	(6,575,736,220)	(9,103,119,944)
Closing balance	608,209,443	88,135,409,821	12,202,499,643	100,946,118,907

#### 11. DEFERRED INCOME TAX ASSETS

The gross movement in the deferred income tax, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	2014 VND	2013 VND
Opening balance	8,256,999,578	5,840,892,665
Income statement credit	5,760,983,976	2,416,106,913
Closing balance	14,017,983,554	8,256,999,578

The deferred income tax asset mainly arises from deductible temporary differences of provisions and unrealised gains on transactions between the Group arising in consolidation.

#### 12. SHORT-TERM BORROWINGS

	2014 VND	2013 VND
Loans from banks (*)	150,000,000,000	100,000,000,000
Loans from the Group's employees (**)	26,707,408,762	27,031,078,559
	176,707,408,762	127,031,078,559

(\*) These loans are secured by term deposits at bank (Note 3) and bear interest at 0.37% to 0.4% per month (31.12.2013: from 0.46% to 0.52% per month).

(\*\*) These loans are unsecured and bear interest at 0.42% to 0.5% per month (31.12.2013: from 0.42% to 0.9% per month).

#### 13. TRADE ACCOUNTS PAYABLE

	2014 VND	2013 VND
Trade payables to third parties	261,374,420,147	267,947,613,018

#### 14. TAXES AND OTHER PAYABLES TO THE STATE BUDGET

	2014 VND	2013 VND
Value added tax	11,422,235,182	6,994,254,300
Corporate income tax - current	87,380,168,507	42,465,676,431
Personal income tax	4,508,702,955	6,986,166,309
Others	48,139	138,030,374
	103,311,154,783	56,584,127,414

#### 15. ACCRUED EXPENSES

	2014 VND	2013 VND
Trade discounts, promotions and support	246,880,627,671	215,040,838,957
Marketing and customer care expenses	7,386,412,520	6,574,318,617
Interest payable	1,381,705,671	500,243,621
Seminar expenses	859,859,395	8,010,929,648
Others	9,501,345,856	5,735,599,672
	266,009,951,113	235,861,930,515

#### 16. OTHER PAYABLES

	2014 VND	2013 VND
Trade discounts	10,104,760,934	56,122,553,316
Union fee and insurance for employees	1,484,416,312	1,932,376,325
Dividends payable	17,894,000	17,894,000
Other payables	24,476,109,261	9,366,037,401
	36,083,180,507	67,438,861,042

## 17. BONUS AND WELFARE FUNDS

The funds are established through appropriation from retained earnings upon approval of shareholders at the Company's and its subsidiaries' Annual General Meetings ("AGM"). The funds are used to pay bonus and welfare to the Group's employees in accordance with the Group's bonus and welfare policies and Board of Management in accordance with the Company's and its subsidiaries' AGM Resolution.

Movements of bonus and welfare funds during the year were as follows:

	Bonus and welfare fund	Bonus fund for Board of management	Welfare fund in form of assets	Total
	VND	VND	VND	VND
Opening balance	26,756,454,324	4,721,551,429	34,255,636,868	65,733,642,621
Appropriation to the funds (Note 21 & 22)	91,010,180,635	16,990,549,029	-	108,000,729,664
Assets formed from the funds	(866,958,059)	-	866,958,059	-
Depreciation of assets formed from the funds	-	-	(4,584,869,461)	(4,584,869,461)
Utilisation	(90,439,206,139)	(11,724,714,358)	-	(102,163,920,497)
Closing balance	26,460,470,761	9,987,386,100	30,537,725,466	66,985,582,327

## 18. PROVISIONS FOR LONG-TERM LIABILITIES

Provisions for long-term liabilities represent provision for severance allowances payable to eligible employees in accordance with Vietnamese labour laws. Employees of the Group are entitled to a severance allowance based on their years of service. This will be paid as a lump sum when the employee leaves the Group. Severance allowances payable to eligible employees as of 31 December 2014 are determined based on the employees' number of years of service up to 31 December 2008 (before the effective date of the Law on Social Insurance) and their average salary for the six-month period prior to the balance sheet date.

## 19. SCIENCE AND TECHNOLOGY DEVELOPMENT FUNDS

In accordance with Circular 15/2011/TT-BTC dated 9 February 2011, entities are allowed to establish the science and technology development funds for research and development activities. Provision made during the year is charged to expenses. Funds are utilised when disbursement are paid for research and development activities.

Movements of the science and technology development funds during the year were as follows:

	Science and technology development fund	Science and technology development fund in form of assets	Total
	VND	VND	VND
Opening balance	38,995,208,593	11,940,412,719	50,935,621,312
Increase	1,096,071,500	-	1,096,071,500
Utilisation	(8,580,286,603)	-	(8,580,286,603)
Assets formed from Science and technology development fund	(12,944,542,917)	12,944,542,917	-
Assets formed from Science and technology development fund	-	(2,892,028,269)	(2,892,028,269)
Closing balance	18,566,450,573	21,992,927,367	40,559,377,940

## 20. OWNERS' CAPITAL

	2014		2013	
	Number of shares	VND	Number of shares	VND
Authorised and issued share capital	87,164,330	871,643,300,000	65,376,429	653,764,290,000
Treasury shares	(10,130)	(455,850,000)	(10,130)	(455,850,000)
Ordinary shares currently in circulation	87,154,200	871,187,450,000	65,366,299	653,308,440,000

All ordinary shares have a par value of VND10,000. Each share is entitled to one vote at shareholders' meetings. Ordinary shares are ranked equally with regard to the Company's residual assets. Shareholders are eligible to dividends declared by the Company. In respect of shares bought back by the Company, all rights are suspended until those shares are reissued.

Movements in share capital during the year were as follows:

	2014		2013	
	Number of shares	VND	Number of shares	VND
Opening balance	65,366,299	653,308,440,000	65,366,299	653,308,440,000
Ordinary shares issued	21,787,901	217,879,010,000	-	-
Closing balance	87,154,200	871,187,450,000	65,366,299	653,308,440,000

21. MOVEMENTS IN OWNERS' EQUITY

	Share capital	Treasury shares	Investment and development fund	Financial reserve fund	Undistributed earnings	Total
	VND	VND	VND	VND	VND	VND
As at 1 January 2013	653,764,290,000	(455,850,000)	491,137,167,263	66,762,044,635	476,511,599,368	1,687,719,251,266
Profit for the year	-	-	-	-	588,959,753,802	588,959,753,802
Dividends paid for the year 2012	-	-	-	-	(130,732,598,000)	(130,732,598,000)
Dividends declared for the year 2013	-	-	-	-	(98,049,448,500)	(98,049,448,500)
Appropriation to reserves	-	-	210,259,593,005	167,707,182	(210,427,300,187)	-
Appropriation to bonus and welfare fund	-	-	-	-	(55,487,114,834)	(55,487,114,834)
Appropriation to bonus fund for Board of Management	-	-	-	-	(11,044,369,634)	(11,044,369,634)
As at 31 December 2013	653,764,290,000	(455,850,000)	701,396,760,268	66,929,751,817	559,730,522,015	1,981,365,474,100
Bonus shares issued (*)	217,879,010,000	-	(217,879,010,000)	-	-	-
Profit for the year	-	-	-	-	533,272,781,144	533,272,781,144
Final dividends declared for the year 2013 (Note 23)	-	-	-	-	(130,731,300,000)	(130,731,300,000)
Appropriation to reserves	-	-	298,558,731,951	134,023,103	(298,692,755,054)	-
Appropriation to bonus and welfare fund	-	-	-	-	(90,366,344,160)	(90,366,344,160)
Appropriation to bonus fund for Board of Management	-	-	-	-	(16,745,549,029)	(16,745,549,029)
As at 31 December 2014	871,643,300,000	(455,850,000)	782,076,482,219	67,063,774,920	556,467,354,916	2,276,795,062,055

(\*) In May 2014, the Company declared bonus share issuance to existing shareholders at ratio 3:1 to increase share capital from the owners' equity. In 2014, the share capital increase was completed.

22. MINORITY INTEREST

	2014 VND	2013 VND
Opening balance	18,077,447,483	15,750,128,249
Net profit for the year	499,297,883	4,292,243,167
Appropriation to bonus and welfare fund	(643,836,475)	(805,652,150)
Appropriation to Board of management bonus fund	(245,000,000)	(301,771,783)
Dividends paid	(857,500,000)	(857,500,000)
Closing balance	16,830,408,891	18,077,447,483

23. DIVIDENDS

In 2014, the Company has declared final dividends of 15% in cash of the year 2013, which were paid on 4 August 2014.

24. REVENUE

(a) Net sales

	2014 VND	2013 VND
<b>Sales</b>		
Sales of finished goods	3,612,896,747,585	3,648,071,755,256
Sales of merchandise goods	330,058,698,522	425,521,013,151
Revenue from services rendered	15,754,464,312	20,067,847,691
	3,958,709,910,419	4,093,660,616,098
<b>Sales deductions</b>		
Trade discount	(26,942,479,274)	(689,741,098,767)
Sales returns	(19,249,286,670)	(13,122,865,281)
	(46,191,765,944)	(702,863,964,048)
<b>Net sales</b>	<b>3,912,518,144,475</b>	<b>3,390,796,652,050</b>
<b>In which:</b>		
Sales of finished goods	3,568,648,442,589	3,004,645,593,649
Sales of merchandise goods	328,115,237,574	366,083,210,710
Revenue from services rendered	15,754,464,312	20,067,847,691
	3,912,518,144,475	3,390,796,652,050



24. REVENUE (continued)

(b) Financial income

	2014 VND	2013 VND
Interest income from deposits at bank	34,739,772,617	45,144,327,640
Realised foreign exchange gains	1,696,369,873	1,734,178,444
Dividend income	441,221,468	671,856,142
Gains on disposal of investments	95,680,000	-
Other financial income	166,833,861	419,426,401
	<u>37,139,877,819</u>	<u>47,969,788,627</u>

25. COST OF SALES

	2014 VND	2013 VND
Cost of finished goods sold	1,471,321,790,703	1,392,977,700,826
Cost of merchandises sold	302,293,190,931	352,461,960,554
Cost of services rendered	7,420,696,144	18,809,646,954
Provision/(reversal of provision) for decline in value of inventories	961,448,256	(1,570,607,521)
	<u>1,781,997,126,034</u>	<u>1,762,678,700,813</u>

26. FINANCIAL EXPENSES

	2014 VND	2013 VND
Payment discounts	58,724,336,738	17,231,206,349
Interest expense from loans	4,838,876,750	2,269,547,030
Realised foreign exchange losses	3,694,771,640	1,355,415,261
Reversal of provision for decline in value of long-term investments	-	(4,513,881,450)
Other financial expenses	82,688,601	113,235,585
	<u>67,340,673,729</u>	<u>16,455,522,775</u>

27. SELLING EXPENSES

	2014 VND	2013 VND
Discount and promotion expenses	444,549,320,357	136,466,311,585
Staff costs	324,877,901,970	335,960,751,296
Seminar expenses	103,134,130,636	63,800,991,431
Advertising expenses	91,743,846,347	101,113,448,985
Customer care expenses	22,002,839,612	13,602,487,489
Transportation for goods sold	16,558,084,954	18,232,295,644
Material expenses	15,412,133,808	12,437,118,860
Depreciation expenses	13,689,976,685	12,349,170,379
Tools and supplies expenses	9,035,110,627	4,472,257,789
Other expenses	57,584,032,922	59,312,783,447
	<u>1,098,587,377,918</u>	<u>757,747,616,905</u>

28. GENERAL AND ADMINISTRATION EXPENSES

	2014 VND	2013 VND
Staff costs	233,103,477,372	171,752,758,544
Outside service expenses	20,223,776,168	13,582,475,230
Depreciation expenses	12,230,740,025	12,572,092,529
Tools and supplies expenses	7,098,049,584	5,815,080,375
Fees and duties	856,689,086	429,965,624
Material expenses	854,593,034	784,435,454
Science and technology development fund	-	36,350,477,547
(Reversal of provision)/provision for doubtful debts	(1,731,861,420)	3,988,592,986
Other expenses	40,140,344,610	25,482,027,443
	<u>312,775,808,459</u>	<u>270,757,905,732</u>

29. OTHER INCOME AND EXPENSES

	2014 VND	2013 VND
<b>Other income</b>		
Commission income	28,802,574,580	27,666,754,978
Proceeds from disposals of fixed assets	2,092,971,399	6,473,133,397
Proceeds from sales of scraps	1,588,696,918	933,484,551
Revenue from provision of car rental services	44,183,363	294,183,104
Income from brand transfer (*)	-	127,476,000,000
Fire insurance compensation	-	4,725,320,451
Sundry income	4,316,076,778	14,442,880,987
	<u>36,844,503,038</u>	<u>182,011,757,468</u>

29. OTHER INCOME AND EXPENSES (continued)

	2014 VND	2013 VND
<b>Other expenses</b>		
Net book value of fixed assets disposed	2,227,095,543	4,595,805,109
Sundry expenses	1,637,285,435	26,642,230,474
	3,864,380,978	31,238,035,583
<b>Net other income</b>	<b>32,980,122,060</b>	<b>150,773,721,885</b>

(\*) Represents proceeds from transferring Eugica brand of all pharmaceutical products and functional foods to Mega Lifesciences Limited in 2013.

30. TAXATION

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the normal tax rate as regulated in current tax regulations as follows:

	2014 VND	2013 VND
Net accounting profit before tax	721,937,158,214	781,500,416,337
Tax calculated at a rate of 22% (2013: 25%)	158,826,174,807	195,375,104,084
Effect of:		
Expenses not deductible for tax purposes	47,575,443,187	14,732,810,707
Income not subject to tax	(97,068,723)	(167,964,035)
Under provision in previous years	85,858,209	111,079,621
Tax incentives	(18,225,328,293)	(21,802,611,009)
Business income tax charge	188,165,079,187	188,248,419,368

The business income tax charge for the year is based on estimated taxable income and is subject to review and possible adjustments by the tax authorities.

Applicable tax rates

According to Circular 78/2014/TT-BTC, the standard corporate income tax decreased to 22% since 1 January 2014 and 20% since 1 January 2016.

The Company

According to the Decision of 3044/QĐ-UBND of the People's Committee of Can Tho City, the Company is required to pay the business income tax ("BIT") at rate of 20% from 2005 to 2014 and 25% for the following years. Accordingly, the Company applied the BIT rate of 20% for the year 2014.

The Subsidiaries

Except for DHG Packaging and Printing 1 One Member Limited Company, DHG Nature One Member Limited Company, ST Pharmaceutical One Member Limited Company and Song Hau Pharmaceutical Joint Stock Company, other subsidiaries in the Group have an obligation to pay the business income tax at rate of 22% of taxable profits.

DHG Printing and Packing 1 One Member Limited Company ("DHG Packaging and Printing 1")

Pursuant to its Investment Licence, DHG Packaging and Printing 1 has an obligation to pay the business income tax at rate of 10% of taxable profits from 2014 to 2028. The company was exempted from income tax from 2014 to 2017 and received a 50% reduction in income tax from 2018 to 2026.

DHG Nature One Member Limited Company ("DHG Nature")

Pursuant to its Business Registration Certificate, DHG Nature has an obligation to pay the business income tax at rate of 20% of taxable profits from 2009 to 2018 and 25% thereafter. The company was exempted from income tax from 2009 to 2010 and received a 50% reduction in income tax from 2011 to 2013.

ST Pharmaceutical One Member Limited Company ("ST Pharma")

Pursuant to its Business Registration Certificate, ST Pharma has an obligation to pay the business income tax at rate of 20% of taxable profits from 2009 to 2018 and 25% thereafter. The company was exempted from income tax from 2009 to 2010 and received a 50% reduction in income tax from 2011 to 2014.

Song Hau Pharmaceutical Joint Stock Company ("SH Pharma JSC")

Pursuant to its Business Registration Certificate, SH Pharma JSC has an obligation to pay the business income tax at rate of 20% of taxable profits from 2008 to 2017 and 25% thereafter. The company was exempted from income tax from 2008 to 2009 and received a 50% reduction in income tax from 2010 to 2015.

All the above tax incentives are not applicable to other income which is taxed at rate of 22% for the year 2014.

### 31. EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2014 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding.

	2014 VND	2013 VND
Net profit attributable to shareholders (VND)	533,272,781,144	588,959,753,802
Weighted average number of ordinary shares in issuance	87,154,200	65,366,299
Basic earnings per share based on weighted average number of ordinary shares in issuance (VND)	6,119	9,010
Revised weighted average number of ordinary shares in issuance by taking into account the bonus shares issued in June 2014, with the assumption that they were issued at 1 January 2013	87,154,200	87,154,200
Revised basic earnings per share by taking into account the bonus shares issued in June 2014, with the assumption that they were issued at 1 January 2013 (VND)	6,119	6,758

The Group does not have potentially dilutive ordinary shares.

### 32. COST OF OPERATIONS BY FACTOR

	2014 VND	2013 VND
Raw materials	1,395,915,401,560	1,532,368,308,195
Labour costs	748,374,531,574	729,394,523,615
Outside service expenses	727,235,631,094	441,649,462,551
Depreciation expenses	70,013,893,370	60,025,400,722
Other expenses	212,409,242,223	126,849,606,336
	3,153,948,699,821	2,890,287,301,419

### 33. RELATED PARTY DISCLOSURES

The largest shareholder of the Company is the State Capital Investment Corporation ("SCIC") which owns 43.31% of the Company's share capital. The SCIC is controlled by the Government of SR Vietnam.

#### Related party transactions

During the year, the following transactions were carried out with related parties:

	2014 VND	2013 VND
<i>i) Purchases of goods and services</i>		
<b>Associate</b>		
Vinh Hao Algae Processing Joint Stock Company	40,400,000	4,004,000,000
<i>ii) Dividend paid</i>		
The State Capital Investment Corporation ("SCIC")	56,626,237,500	99,095,916,500
<i>iii) Remuneration of key management</i>		
Gross salaries and other benefits	14,238,341,053	14,668,492,342

### 34. SEGMENTAL REPORTING

Segment information is presented in respect of the Group's product segment. The primary format, product segments, is based on the Group's management and internal reporting structure.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise assets and liabilities, financial income and expenses, selling, general and administration expenses, other gains or losses, and corporate income tax.

#### Product segments

In presenting information on the basis of product segments, segment revenue is disclosed for pharmaceutical products, functional foods and others.

	2014 VND	2013 VND
<b>Net sales</b>		
Pharmaceutical products	3,348,343,392,825	2,943,574,401,650
Functional foods	243,885,863,927	317,790,760,412
Others	320,288,887,723	265,992,138,149
	3,912,518,144,475	3,527,357,300,211
<b>Cost of sales</b>		
Pharmaceutical products	(1,433,876,245,987)	(1,508,336,811,907)
Functional foods	(108,080,008,504)	(186,830,484,474)
Others	(240,040,871,543)	(191,716,262,884)
	(1,781,997,126,034)	(1,886,883,559,265)
<b>Gross profit</b>		
Pharmaceutical products	1,914,467,146,838	1,435,237,589,743
Functional foods	135,805,855,423	130,960,275,938
Others	80,248,016,180	74,275,875,265
	2,130,521,018,441	1,640,473,740,946

### 35. COMMITMENTS

#### (a) Capital commitments

Capital expenditure committed for at the balance sheet date is as follows:

	2014 VND	2013 VND
Approved but not contracted	183,740,702,869	277,981,720,607
Approved and contracted but not implemented	112,345,655,928	181,158,336,297
Total minimum payments	296,086,358,797	459,140,056,904

#### (b) Commitments under operating leases

The future minimum lease payments under non-cancellable operating lease are as follows:

	Land rental	
	2014 VND	2013 VND
Within 1 year	2,141,497,932	2,141,497,932
Between 1 and 5 years	8,565,991,728	8,565,991,728
Over 5 years	52,192,466,036	54,363,706,995
Total minimum payments	62,899,955,696	65,071,196,655

### 36. FINANCIAL RISK MANAGEMENT

#### Financial risk factors

##### Overview

The Group has exposure to the following risks from their use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

The Board of Directors ("the Board") has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board establishes policies to identify and analyse the risks faced by the Group, to set up appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

#### (a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

##### (i) Currency risk

The Group's business is exposed to foreign currency risk arising from various currency exposures, primarily United States Dollar ("USD").

The Group ensures that the net exposure to this risk is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. The Board of Directors does not enter into currency hedging transactions since it considers that the cost of such instruments outweigh the potential risk of exchange rate fluctuations.

The Company's currency exposure to the USD is as follows:

	Original currency - USD		Equivalent to VND	
	2014	2013	2014	2013
<b>Financial assets</b>				
Cash and deposits at bank	336,670	558,065	7,206,417,286	11,789,127,351
Trade and other receivables	15,615	188,825	334,235,136	3,988,933,744
	352,285	746,890	7,540,652,422	15,778,061,095
<b>Financial liabilities</b>				
Trade and other payables	4,991,674	5,106,128	106,846,788,391	107,866,940,903
	4,991,674	5,106,128	106,846,788,391	107,866,940,903
<b>Net currency exposure</b>	<b>(4,639,389)</b>	<b>(4,359,238)</b>	<b>(99,306,135,969)</b>	<b>(92,088,879,808)</b>

At 31 December 2014, if the USD had strengthened/weakened by 10% against the VND with all other variables (included tax rate) being held constant, the Group's profit after tax for the year ended 31 December 2014 would have been VND7,944,490,878 lower/higher as a result of foreign exchange losses/gains on translation of USD-denominated financial instruments.

##### (ii) Price risk

During the year, the Group was under no securities price risk as it did not enter into any securities transactions. The Group is not significantly exposed to commodity price risk.

##### (iii) Interest risk

The Group is not subject to significant risks on interest rates because majority of the Group's loans are short-term loans from banks which bear fixed interest rates.

(b) **Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group adopts the policy of dealing with customers of appropriate credit history to mitigate credit risk.

(c) **Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. As at 31 December 2014, the Company had financial liabilities comprising borrowings, trade and other payables amounting to VND948,479,953,643 (2013: VND905,229,038,035) which represented contractual undiscounted cash outflows payable in less than one year.

**37. COMPARATIVE FIGURES**

Certain comparative figures regarding to the year ended 31 December 2013 have been reclassified to enhance the comparability of the financial statements as follows:

**Consolidated Income statement**

Code		For the year ended 31 December 2013		
		As previously reported	Adjustment (*)	As reclassified
		VND	VND	VND
01	Sales	4,230,222,382,163	(136,561,766,065)	4,093,660,616,098
02	Sales deductions	(702,865,081,952)	1,117,904	(702,863,964,048)
10	Net sales	3,527,357,300,211	(136,560,648,161)	3,390,796,652,050
11	Cost of sales	(1,886,883,559,265)	124,204,858,452	(1,762,678,700,813)
20	Gross profit	1,640,473,740,946	(12,355,789,709)	1,628,117,951,237
24	Selling expenses	(770,103,406,614)	12,355,789,709	(757,747,616,905)

(\*) Before 2014, the Group recognised revenue and cost of sales for value of promotional goods (free-of-charge) in the income statement. Starting from 2014, the Group ceased to recognise revenue and cost of sales from promotional goods.

The reclassifications have no impact to the net profit and tax expenses for the year ended 31 December 2013.

The consolidated financial statements were approved by the Board of Directors on 14 March 2015.



NGO THI HONG DAO  
Preparer



DANG PHAM HUYEN NHUNG  
Chief Accountant



LE CHANH DAO  
Deputy General Director  
Authorised signatory  
14 March 2015



**AUDITED FINANCIAL STATEMENT 2014  
 OF THE PARENT COMPANY**

Please view via the link

<http://www.dhgpharma.com.vn/dhg/en/investor-relations/financial-report/1504-dhg-pharma-audited-financial-statements-of-2014-parent-company-and-dhg-audited-consolidated-financial-statements-of-2014-1.html>

**AUDITED CONSOLIDATED FINANCIAL  
 STATEMENTS IN 2014**

Please view via the link

<http://www.dhgpharma.com.vn/dhg/en/investor-relations/financial-report/1504-dhg-pharma-audited-financial-statements-of-2014-parent-company-and-dhg-audited-consolidated-financial-statements-of-2014-1.html>

**EXPLANATION OF THE DIFFERENCE  
BETWEEN AUDITED REPORT AND SELF-MADE REPORT**

DHG Pharmaceutical JSC would like to explain the financial figures stated on the financial statement of the Parent company and the consolidated financial statement for the fiscal year ended 31 December 2014 disclosed by the Company as follows:

Unit: **DONG**

Financial Statement of the Parent Company	Target	Code	Audited figure	Unaudited figure	Difference	
					Value	%
Total profit before tax		50	679,404,412,556	679,418,405,892	(13,993,336)	0.00%

Target 50 decreased by difference in adjustment of increase in other costs.

Unit: **DONG**

Consolidated Financial Statements	Targets	Code	Audited figure	Unaudited figure	Difference	
					Value	%
Sales of goods sold and services		1	3,958,709,910,419	3,946,892,916,551	11,816,993,868	0.30%
Net sales of goods sold and services		10	3,912,518,144,475	3,913,071,904,475	(553,760,000)	-0.01%
Cost of goods sold		11	1,781,997,126,034	1,782,430,489,690	(433,363,656)	-0.02%
Sales expenses		24	1,098,587,377,918	1,097,328,767,053	1,258,610,865	0.11%
General & administration expenses		25	312,775,808,459	312,477,242,176	298,566,283	0.10%
Other income		40		33,637,275,529	(657,153,469)	-1.95%
Total profit before tax		50	721,937,158,214	724,271,885,175	(2,334,726,961)	-0.32%

- » Target 01 increased by wrong consolidated presentation between sales and revenue deductions;
- » Target 10, 11 decreased by adjusting reduction of sales, cost price of goods invoice of 2014, but not delivering to customers at DHG Nature.
- » Target 24 increased by difference in addition to cost of sales at SH Pharma
- » Target 25 increased by adjusting an increase in appropriation of provision for bad debts at DHG Nature.
- » Target 40 decreased by adjusting disbursement from the medicinal materials project at DHG Nature (this project has not been finished, so it has not recorded in other income).

These above reasons lead to profit before tax of the audited consolidated financial statement decreased by 2,334,726,961 vnd compared to the unaudited statement.

Certain of comparative figures of the fiscal year ended 31 December 2013 have been restated as follows:

Unit: **DONG**

Report on results of business activities of the Parent Company	Code	Targets	As reported previously	Adjusted (*)	Re-stated
	1	Sales	3,772,232,558,650	(143,261,781,726)	3,628,970,776,924
	10	Net sales	3,254,187,337,448	(143,261,781,726)	3,110,925,555,722
	11	Cost of goods sold	(1,878,985,343,814)	130,676,197,048	(1,748,309,146,766)
	24	Cost of sales	(663,242,886,963)	12,585,584,678	(650,657,302,285)

Unit: **DONG**

Report on results of consolidated business activities	Code	Targets	As reported previously	Adjusted (*)	Re-stated
	1	Sales	4,230,222,382,163	(136,561,766,065)	4,093,660,616,098
	10	Net sales	3,527,357,300,211	(136,560,648,161)	3,390,796,652,050
	11	Cost of goods sold	(1,886,883,559,265)	124,204,858,452	(1,762,678,700,813)
	24	Cost of sales	(770,103,406,614)	12,355,789,709	(757,747,616,905)

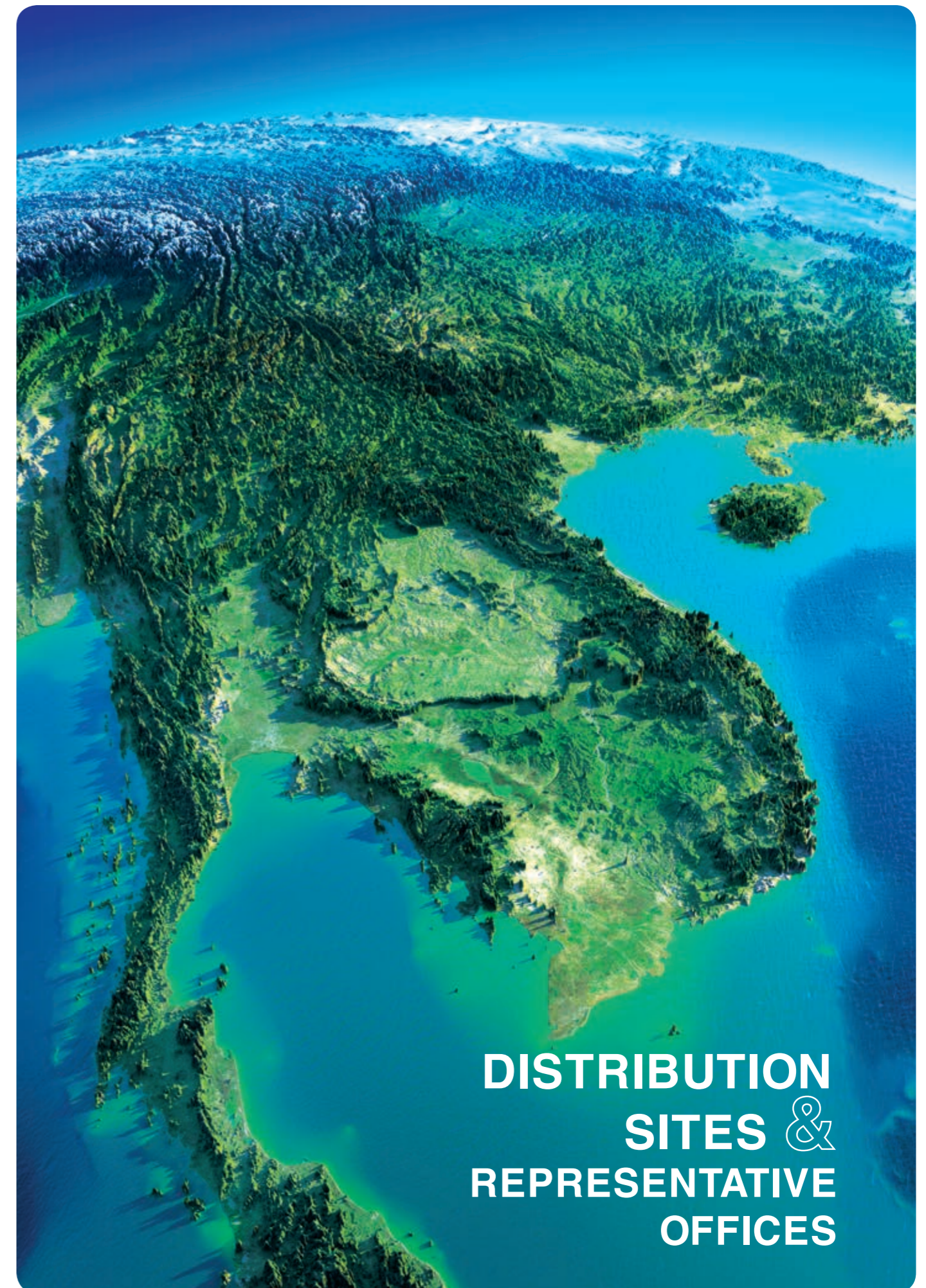
**Reason:** Before 2014, the Group recognized the value of promotion (free of charge) to the sales and cost of goods sold on the business results. As from 2014, the Group no longer recognized the value of promotion on sales and cost of goods sold. Hence, comparative figures for sales and cost of promotion of the fiscal year ended 31 December 2013 expressed on this year's financial statement are restated to ensure comparability of financial statements.

The restatement does not affect net profit and tax expense for the fiscal year ended 31 December 2013.

PLAN OF CHOOSING  
AN AUDITING FIRM

In order to strengthen business performance, risk control, financial transparency and to bring a value to the related parties, the Board of Supervision scheduled to submit the ASM2014 for approving the auditor list and authorized the Board of Directors combining with Board of Supervision to select an independent auditor for the financial statement in the fiscal year 2015 of DHG Pharmaceutical JSC and its subsidiaries, including:

-  1. Deloitte Vietnam Company Limited.
-  2. KPMG Vietnam (KPMG).
-  3. PricewaterhouseCoopers Vietnam (PwC).



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# DHG PHARMA

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