

REPORT OF BOARD OF DIRECTORS
(Re.: Evaluation of operating results of the Company in 2014;
Investment plans 2015 & Business Targets 2015;
Activities and remuneration of BOD in 2014)

**Kind Attn: THE GENERAL MEETING OF SHAREHOLDER OF DHG PHARMACEUTICAL
JOINT-STOCK COMPANY**

- *Based on the Enterprise Law No. 60/2005/QH11 dated 29/11/2005;*
- *Based on the functions, duties of the Board of Directors (BOD) defined in the Organization and Operations Charter of DHG Pharmaceutical Joint-Stock Company (DHG Pharma) approved by the Annual Shareholders' Meeting 2013 on 28/4/2014,*

The Board of Directors for the third term (2014 – 2018) of DHG Pharma would like to report operating results of the Company in 2014; Investment plans 2015 & Business targets in 2015; Activities and remunerations of the BOD in 2014 as follows:

PART 1: EVALUATION OF OPERATING RESULTS OF 2014

I. Characteristics of business environment of the year 2014

- In 2014, with the direct effect of Circular 01, most of domestic pharmaceutical companies focused on investing in OTC to offset the loss of market share from hospital system.
- The above displacement created the picture of pharmaceutical market 2014 with many activities, programs from media to selling of pharmaceutical companies in order to attract customers.
- The new Regulation of visa granting was closer and took a long time affecting the application of visa no. for new products and products of the new plant of the Company at Tan Phu Thanh Industrial Park.
- Selling price was always managed by the State and was a sensitive issue, interested by the mass media.

II. Performance results

1. Performance results of business targets in 2014

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

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

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

- The business result in 2014 helped DHG Pharma maintain the leading position in Vietnam Pharmaceutical Industry about sales, profits and production capacity during 18 consecutive years with the following specific data:
 - + Sales of self-manufactured products: VND 3,569 billion
 - + Profit before tax: VND 722 billion
 - + Profit after tax: VND 533 billion
 - + Total production: 4.8 billion units
 - + Total output: 4.7 billion units
- Market share
 - + Continue holding the Top 5 position of pharmaceutical companies achieving the largest market share in pharmaceutical industry of Vietnam (according to statistic of IMS in 2014)
 - + Maintain the rate of market share achieving 11% of Vietnam pharmaceutical industry, 5% of domestically produced medicines (compare with estimated data in 2014 of DAV)
- 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 | 2012 | 2013 | 2014 |
|--|-------------|-------------|-------------|
| Revenue growth of self-manufactured products of DHG Pharma | 17.3% | 11.1% | 18.8% |
| Growth of drug consumption amount of Vietnam pharmaceutical industry | 9.1% | 6.7% | 17.5% |
| <i>In which: Growth of amount of domestically produced medicines</i> | 5.3% | 8.3% | 7.7% |

2. Enhance brand reputation through achieved awards & titles

- Being 5th 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 15 Vietnam Excellent Brand (Vietnam Economic Times awarded on 15/03/2014).
- Top 10 the Best annual report and Top 5 Sustainable Development Report 2013.
- 19 consecutive years, being voted Vietnamese High-Quality Goods by consumers.
- Enterprise of Strong & Sustainable Development in 2014 – awarded by Vietnam Chamber of Commerce and Industry (VCCI).

3. Development & reorganization of distribution system

- Complete Phase 1 of the project: "Reorganization of professional - effective sales system"; the project "Developing potential areas" and the project "Selling by use of hand-held tablets". These projects were implemented to help the sales system more professional and efficient; help increase production, contribute to utilize the plant capacity. However, the initial implementation was also encountered much difficulties due to changing the habits of staffs and customers. Thus, the Company has gradually adjusted to fit more suitably and simply.
- Effectively deploy advantages of distribution system, increase in income through development of imported product business. Revenue of exclusive foreign product distribution in 2014 was VND 96 billion, achieved 110% of the year plan, accounted for 2.5% of total net sales.
- Improve the quality of customers:

By 31/12/2014, total customer of DHG Pharma including hospitals, health center, pharmacies, private companies and drug stores, was 25,171, increasing 14.4% y/y. In which, Customers of Prosperity Club (revenue of VND 4 million or more per month) were 10,154, increased by 3.76% compared with the year 2013.
- Implement significant activities of customer care:
 - + In 2014, CEO and Marketing session directly visited customers across the country.
 - + Implement "Summer experience 2014: program" for 638 customers' children. This was the invested program requiring much effort, thoughtful organization and highly appreciated by customers.
 - + Implement "Vu lan program" with the topic of "Rose for love" for 13,584 customers, creating emotion for customers, helping them increasingly closer to DHG Pharma.
 - + Organize conference for 493 strategic customers in Phu Quoc. The program invited owners of pharmacies to participate, discuss to help DHG Pharma set up development strategy 2015 and next years.

4. Maximize the capacity and efficiency of production, quality, research

4.1. Production

New NonBetalactam factory was put into operation

- The new NonBetalactam factory was officially put into operation on 20/04/2014.
- Designed capacity: 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 plant will reach maximum 75% in 2015.
- The registration progression of products of Non-Betalactam factory till 31/12/2014: 82/158 of total submitted dossiers.

Investment in equipment for production:

In 2014, production units additionally invested in 15 new equipment to supplement for production line. The investment in changing equipment for production helped units enhance their production capacity; timely comply with goods demand for market, especially in the peak months; reduce labor; increase 3% of labor productivity compared with the same period of 2013. For DHG PP1 helped increase value of packaging after printing for difficult artwork samples which required high professionalism and aesthetics.

Gradually increase automation rate:

- One of development strategy goals of the Company is gradually replacement of manual labor with automation in order to reduce labor cost, increase capacity, improve the development level of factory to be more modern. Thus, automation in production from the beginning of the year was implemented in 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 to complete artworks and stable activities. In 2014, there were 08/58 fully automated production line (for 02 plants), accounting for 13.8%.

4.2. Quality

With the increasing scale and quantity of finished products, system maintenance and improvement were very important to keep and enhance the quality of products. In 2014, the company implemented:

- *System maintenance*: re-evaluate pharmaceutical production lines complied with WHO GMP standard; QC Department complied with ISO/IEC 17025, WHO GLP; central warehouse complied with GSP and intermediate warehouse at Branches, Subsidiaries complied with GDP. The project “separating the medicinal line from pharmaceutical chemistry line” was being completed and certified GMP WHO by Drug Administration of Vietnam on 21/12/2014.

- *System improvement*: Inviting CMPlus Consultancy Company to evaluate status of pharmaceutical facilities (new plant) in Tan Phu Thanh Industrial Park in comparison with PIC/S standard to have performance method.

4.3. Science research and Bio-equivalence

- In 2014, the Company deployed to produce 09 new products in industrial scale and improve 20 production processes.
- Implement and proclaim the result of clinical study of Naturenz. This product has created a 4-link chain: State – Scientific Researcher - Manufacturer and Farmer, creating economic and social benefits.
- Continue successfully testing of bio-equivalence for products: to have competitive advantages for tender in hospitals and help doctors, end-users feel secure to use, the Company successfully tested bio-equivalence 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 value chain of products from nature
 - + Project of *Plectranthus amboinicus* at Tri Ton – An Giang was supported nonrefundable from Vietnam Enterprise Challenge Fund with a mount of VND 2.6bn. DHG Nature was paid VND1.096 bn; 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... worth nearly VND 200 mn.
 - + On 08/11/2014, DHG Nature was recognized as a member of the Ethical Biotrade Union for value chain of natural products of DHG Pharma.

5. Maximize capacity, effectiveness of corporate governance, finance, supply chain

5.1. Gradually professionalize corporate governance

- Standardize regulations of Corporate governance processes, including: modifying the Corporate governance regulation, setting up and issuing stipulations of decentralization at the Parent Company; saving stipulations of the Parent Company; financial regulation of production subsidiaries; draft amendments of financial management regulations of the Parent company and financial management regulations of distribution subsidiaries.
- Compliance, internal control, risky 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;
- Applying information technology in management with ERP project, hand-held tablets for sales force.

5.2. Professionalize financial management

- Shorten progress of 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, evaluate investment projects to have the approved investment decisions with a high practicability.
- IR activities had 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 large-scale events.

5.3. Professionalize supply chain management

- Reducing loss in production of VND389 mn (2.3%) compared with 2013. Reducing aluminium loss by 2.26%, PVC by 4.54%. Total value of loss reduction efficacy is VND5.2 bn. Improvement of complementation rate of forecasted plan was 104.4% and the order rate timely meeting customer needs was 98.2%
- Delivering right quality, quantity, no mistakes. Minimizing mistakes in delivery and receipt not more than 4 times/ year. Rebuilding of a reasonable inventory norm to the branches and distribution subsidiaries will be completed in 2015.
- Providing timely materials, packagings, finding more sources of raw materials, packings meeting the requirements for reserve and minimizing mistakes in making plan, supplying, producing.

6. 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

7. Carry out community responsibility

7.1. Carrying out activities towards the 40th anniversary of establishment of the Company to customers, employees, shareholders, and partners

- Hold a meeting of the 40th anniversary of establishment, an exhibition of the Company's foundation and development to 1,030 cadres of Southwest Medical military, employees, retired officers of the Company, the employee's relatives at the new plant.
- Hold an annual activity: "Walking and pig-bank opening ceremony for poor patients" on the occasion of the Company's the 40th birthday.
- Hold a program "Returning to the roots" to employees of the Company. This is activity for young people to respect the past toward the future and for shareholders and partners to know more history of DHG Pharma and share with DHG in the past development stage.
- Carry out the activity "A pink Sunday" with a participation of 1,800 staffs and 162,000 leaflets of product information sent to customers.
- Local Union visited and offered gifts to each family of the Company's employee.

7.2. Community Activities

In 2014, DHG Pharma has spent VND9 billion for community activities:

- Organize 138 free examination and drug offering programs for nearly 59,190 poor people in the remote provinces across the country and some provinces in Cambodia, Laos, with a total cost of nearly VND6 billion.
- Support for families with terminally ill, poor patients with cost of VND1.7 billion. Support the program “protecting together the South China Sea sovereignty”, and construct rural bridges in Ca Mau province with the cost over VND1 billion.
- To mark the 40th establishment, DHG performed construction of classrooms, gave warm clothing offering, mental and knowledge health care to students and teachers in Lung Cu, Ha Giang province with a total cost of nearly VND300 million through the program "Keeping forever kids smile in highland".
- Guide consumers through programs such as “Physician for every home, Medical bridge, Medical Journal, Medical seminar”.
- Club of blood donors in 2014 had 332 people participating in blood donation with 392 units of blood.
- Fund for Poor Patients of the Company has received VND1.85 billion. In which, employees contributed VND1.54 billion, customers and donors outside the company contributed VND302 million.
- In the spirit of solidarity, the employees contributed the “Fund of Heart of gold” in the amount of VND94.3 million. Movement of pig-bank for Fund for Poor Patients had a contribution of VND1.54 billion from the employees and VND302 million from customers, partners of the Company. Support VND 300 mn to Can Tho city Poor-patient sponsoring association and VND300 million to Hau Giang province Poor-patient sponsoring association.
- Union local organized care for the elderly at Binh Thuy district Center and children at Can Tho city orphanage Center.

8. Implementing of environmental responsibilities and fire prevention

- The Company complied with environmental regulations and pollution prevention according to WHO GMP, GLP, GSP standards. In addition, the Company has implemented measures of prevention of environmental pollution through guidance of the local environmental agencies such as implementing assessment of environmental impact and complying with the commitments. Carrying out annually environmental monitoring 4 times. Results of monitoring of environmental quality was assessed according to current Vietnam standards and Vietnam regulations.
- Check and guide fire protection, escape to office workers, workers and safety of using elevators at the branches in the country.
- Organize training, communication, and dissemination of knowledge about fire protection and fire drills; put guidelines for use of fire fighting means by images at the units in the company .

9. Carrying out responsibility for the employees

- Employee structure of the Company as of 31/12/2014 includes 2,964 people. In which, the above university degree: 59 people, the University degree: 703 people, technical secondary: 1,400 people; the rest is elementary level and high school.
- Content of training tasks are renewed, focused application of knowledge, experience and practice of advanced management methods. The total budget used for training in 2014 was VND11.9 billion.
- Facilitate inheritors and leaders to attend training courses for management and administration to enhance governance capacity.
- Implement health care for employees such as periodic health examination for 1,620 employees in the amount of VND2.9 billion; Buy senior insurance for leaders and key staffs in the amount of VND3.3 billion; Diagnose and treat on site for more than 2,774 employees in the amount of VND108.6 million; Support health care, insurance purchase for employees' relatives with the amount of VND1.2 billion. Awarded 102 scholarships for the employees' children in the amount of VND138.6 million.
- Carry out industrial safety for employees through training, regular activities and regular inspections of industrial safety and hygiene, laboratory safety, training of emergency skills; through equipping personal protective equipment for workers. Measuring and testing industrial environment of noise - dust - gas, timely making good at risky places.
- Launching innovative movements which attracted 550 ideas and saved costs, rationalized 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.

10. Development investment projects

10.1. The new plant

Non Betalactam factory was put into operation; and Betalactam factory is being built.

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

- The value of the approved investment: VND676 billion (excluding DHG PP1: VND37.4 billion, the remaining, including Non Betalactam and Betalactam factories were VND638.6 billion (before VAT).
- The total contracted value: VND549.5 billion (before VAT: 499.6 billion)
- Has been disbursed: VND414.3 billion (before VAT: 376.6 billion)

10.2 DHG PP1 factory

It was put into operation in Jan/2014. The total approved investment value was VND94.7 billion; has been disbursed VND84.8 billion (inclusive of VAT).

10.3. Transferring land-renting forms to land allocation with land use fee at 5 positions at Can Tho city with their values of 34,724,351,250 dong and has been disbursed 30,873,851,250 dong.

10.4. Performing transferer and transferee for land use rights

- Transference of land use rights in HCMC (Tan Quy Dong commune, Tan Phong ward, District 7, HCMC) 120 m² with the price of VND46 million/m², the total value of land is VND5.52 billion; in Thai Nguyen (parcel No. 147, map no. 33.130m², urban land) with price of VND1.1 billion, was received 30%, corresponding to VND330 million.
- Already transferred the land use rights at Binh Hung commune, Binh Chanh dist. HCMC with the price of VND 5.32 bn (its procedure will be implemented in Q1/2015) and at parcel no. 34, 30/6 str., (previously Tran Hung Dao str.), Nam Khanh ward, Ninh Binh province with the price of VND1 bn.

10.5. Investing in offices for the branches, subsidiaries

Works were put into use, already balanced

| Address | Estimated (VND) | Increasing assets (VND) |
|-----------|-----------------|-------------------------|
| TV 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 | Estimated (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 |

10.6. Project to renovate factory 1&5, factory 4 (separating medicinal line from the pharmaceutical chemistry line)

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

10.7. Data center project

Initial estimate was VND19.7 billion, adjusted to VND13 billion (not implemented a backup center in Tan Phu Thanh plant), the value of signed contract was VND12.9 billion (before VAT: VND11.7 billion), has been disbursed VND5.3 billion.

10.8. Hand-held apparatus for sales force

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

IV. The main reasons for achieving results in 2014

- Keeping of product quality and brand reputation of DHG created a peace of mind, confidence for consumers, a trust from doctors.
- A deep and wide distribution. Products were presented all provinces, cities and most of hospitals in the country.

- Access to standards, management processes; business management knowledge and tools for building strategies of business and production, satisfaction of customer's needs were more perfectful and professional.
- Support and assistance of agencies of health industry, social insurance, health insurance; Drug Administration, agencies of customs, tax, local governments in the country.
- Follow closely results of implementation of proposed strategies; being flexible in management process; adjusting timely the appropriate internal policies; and determining, making efforts of all DHG's staffs.

V. Works have not been done

1. Delay construction progress of Betalactam factory due to Panel package (which was canceled 3 times). This factory is expected to complete the construction of the plant by the end of May/2015.
2. The new plant went into operation and generated new problems need to be solved in the production, management and operation between the parent company - subsidiaries and employee's psychology.
3. The new rules on visa registration of products are quite tight; so, the products of the new plant has not got visas as expected, affecting production planning and efficiency of capacity utilization of the new plant.
4. Some projects have not been implemented:
 - Project of investment in buying back ASV Pharma's shares was ceased because DHG focuses on distribution in Myanmar ahead.
 - 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 selection of locations.
 - Project of construction of an excipient and material warehouses at Central Warehouse has not been implemented due to considering the feasibility of project regarding tracing out central warehouses.
5. Due to providing a list with too much products, the forecast of market demand of the Company met difficulties. By time period, unreasonable inventory and production capacity did not meet selling demand timely.
6. The promulgation of new policies, changes in sales system in the more difficult, competitive market conditions and the impact of Circular 01 to hospital system that although contributed to increase output, build a basis for professional and effective sales system created a great pressure to achieve the business targets in the last months.
7. In 2014, due to difficult sales, processing for Mega (Eugica products) also met obstacles; so processing sales did not complete the year plan, created a pressure to achieve the Company's business targets.

8. Export revenues did not achieve the plan in 2014 and not grew compared to 2013 due to 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 the bill of lading date. If these orders are included, export sales reached 100% of the year plan.
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 operated across the system to set up consolidated financial statements. Because recurrently some subsidiaries have only implemented some parts, not completing the preparation of financial statements. At the same time, the parent company still makes financial statements by book records; the change requires time and a consultant to unify the processes.

In 2014, DHG Pharma has received supports of Can Tho city People Committee, Cantho Department of Health, Drug Administration, State Capital Investment Corporation – SCIC and agencies, Board of Directors, Board of Management and employees of DHG Pharma would like to appreciate and sincerely thanks for valuable assistance of Agencies that concerned, supported and created favorable conditions to help DHG Pharma fulfill the business target in 2014.

PART 2: INVESTMENT PLANS AND BUSINESS TARGETS IN 2015

1. Investment plans in 2015

Total of investment plans in 2015 is 367,685,000,000 dong, including:

1.1. Investment items in 2015 under the authority of the Board of Directors

Figure in: million dong

| Investment items | Investment reasons | Estimates (before VAT) | Disturs- ement in 2015 | Disturs- ement in 2016- 2017 |
|---|--|---------------------------------------|---------------------------------------|---|
| Purchasing and constructing a representative office, house of Hanoi branch | Since the current house flooded with water which cause an inconvenient situation in rainy season. In 2014, a plan of 12-billion construction was given; however, the pland position is unsuitable and will be selected the new. | 27,071 | 8,121 | 18.950 |
| Building a new office at the head office (288 Bis Nguyen Van Cu Str., Can Tho city) | The current office was built since 1985. It was previously research area of new products and two liquid- and softgel-producing factories. Since 1995, it was renovated into an office house and has been 30 years so far. Its material facilities, equipment have been downgraded; it was regularly flooded out during the rainy | 49,790 | 14,937 | 34.853 |

| Investment items | Investment reasons | Estimates (before VAT) | Disturs- ement in 2015 | Disturs- ement in 2016- 2017 |
|---|---|------------------------------|------------------------------|---------------------------------------|
| | 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. | | | |
| Constructing effervescent producing line with PIC/S standard. | Upgrading standards of some production lines to prepare premise for export orientation, production cooperation. | 200,000 | 60,000 | 140.000 |
| Total | | 276.861 | 83,058 | 193,803 |

1.2. Investment items in 2015 under the authority of the Board of Management

Figure in million dong

| Investment items | Investment reasons | Estimates (before VAT) |
|---|--|---------------------------|
| Purchasing land and building a house for Nghe An branch (*) | The current warehouse overloaded (not belonging the project of regional warehouse in the North) | 8,834 |
| 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 is only implemented in the North | 12,222 |
| 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 increased and the sales increased; this leads an overloaded warehouse. | 8,300 |
| 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 |
| 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 |
| 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 |
| Building a finished-product warehouse in CMT8 Street | In 2014, the Company planned to build an excipient, material store in the General Warehouse at CMT8. For more effective, the Company replanned General warehouse used to store finished products, Nguyen Van Cu warehouse will used for excipients, material | 13,044 |
| Building a excipient, material warehouse in Nguyen Van Cu Street | Transfer from CMT8 warehouse of excipients, material | 8,320 |
| Making a project with rate 1/500 at Nguyen Van Cu area | Overall planning of land at the head office and certificate of assets on the land | 400 |
| Production machines, equipment at the Parent's warehouse | Investing more machines, equipment for production | 8,590 |
| Machines, equipment for DHG PP1 | Investing more machines, equipment for production | 3,700 |

| Investment items | Investment reasons | Estimates (before VAT) |
|---|---|---------------------------|
| Microsoft software | Buying a software copyright in phase 1/2015 | 2,836 |
| The Parent Company's transport means(a 8-ton truck + 7-seat car) | Selling the old ones and buying another | 3,800 |
| DHG Nature's transport mean (1,5-ton truck) | Buying a truck for transporting goods | 500 |
| Repairing and maintaining houses of the branches and subsidiaries | According to arising demand | 2,340 |
| Hiring consultants | Deploying BFO and IT procedures | 776 |
| Total | | 90,824 |

Note: Investment plans are scheduled based on demand and necessity. The decisions of investment will be made by the competent authorities on the basis of conformity with the legal provisions, rules and regulations of the Company, feasibility and financial performance. For investments in purchase of land for the branches and subsidiaries must be approved by the Board of Directors regarding the transfer of land use rights.

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

2. Business targets 2015

- The theme of the year 2015: "Regenerate and be prosperous".
- Business plan in 2015:

| Targets | 2014 | 2015 | Growth |
|---|-------|-------|--------|
| Net sales | 3,913 | 4,000 | 2,2% |
| Profit before tax (not including financial income) | 687 | 729 | 6% |

- Notes to business targets in 2015

Net sales:

- + According to the business plan of the period 2014-2018 of the Board of Directors at the beginning of the third term was approved by the 2013 AGM, the net sales of the year 2015 is VND4,420bn. 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 2012-2013-2014, DHG's net sales grew 17.7%, 20.3%, and 15.4% respectively y/y. This created an enormous pressure for the growth of the Company in 2015.
- + In addition, towards a stable development of DHG Pharma after 40 years with a continuous growth, the year 2015 is a good time 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 an stronger impetus, exploiting the potential 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, due to the effect of Circular 200 specifying some expenses are deducted from net sales. This decreases the net sales of plan 2015 by VND220 bn. Thus, if excluding the impact of Circular 200, DHG's planned sales in 2015 is VND4,220 bn, increased by 7.85% y/y.

Profit before tax:

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

- + Increasing labor productivity in terms of the modern new plant came in operation;
- + Increasing roles of financial functions to analyze and use effectively resources: financial resource, human and material resources;
- + Investing in marketing and implementing selling projects professionally, effectively;
- + Enhancing governance capacity through organizational restructure; improvement of procedures, regulations; recruitment, training of personnel and inheritors, application of information technology, ERP software in management.

PART 3: ACTIVITIES AND REMUNERATION OF THE BOARD OF DIRECTORS IN 2014

- In 2014, the Board of Directors focused on working by function, mission, power of collective, member individual and conformed to Law on Business, Company Charter, current law; kept development stability in fluctuant economic situation, employed the working regulations according to the Charter, examining mission, operating evaluation, annual business strategy and orientation of each year.
- Member structure of the Board of Directors made sure that 2/7 the BOD's members being independent under the provision of Circular 121 and the Company Charter.
- The BOD's meetings were organized and carried out in accordance with the Company Charter. Their minutes, resolutions, decisions based on the agreement of members and kept according to regulations.
- Professional subcommittees promoted their voles, kept in activities, and reported quarterly to the BOD, and contributed in real opinions.

Specific content on the activities of the BOD and its subcommittees include:

1. Adding up meetings and Resolutions/Decisions of the BOD

In 2014, the BOD had 5 direct meetings and 11 ones via email to solve issues under the BOD's function, power. The BOD issued 16 Resolutions and 45 Decisions. The Minutes, Resolution, Decisions were sent to all members of the BOD and BOS. The BOD invited the Board of Supervision and Board of Management to participate in discussing in the meetings. This created a high agreement in the strategies, business orientation, and direction of the Board of Directors and Management Board.

2. Ratio of meeting participation

The Board of Directors Term II (2009 – 2013): to 28/Apr/2014

| No | The BOD's members | Position | The number of meetings to be present | Ratio | Note |
|----|---------------------------|--------------------------------|--------------------------------------|-------|----------------------------|
| 1. | Mrs. Pham Thi Viet Nga | Chairwoman | 7/7 | 100% | |
| 2. | Mrs. Le Minh Hong | The BOD's member CEO | 7/7 | 100% | |
| 3. | Mr. Le Chanh Dao | The BOD's member Deputy CEO | 7/7 | 100% | |
| 4. | Mr. Doan Dinh Duy Khuong | The BOD's member Deputy CEO | 7/7 | 100% | |
| 5. | Mrs. Nguyen Thi Hong Loan | The BOD's member | 6/7 | 86% | Reason: private busy |
| 6. | Mr. Le Dinh Buu Tri | The BOD's member | 7/7 | 100% | |
| 7. | Mr. Nguyen Nhu Song | The BOD's member | 7/7 | 100% | |

The Board of Directors Term III (2014 – 2018): from 28/Apr/2014

| No. | The BOD's members | Position | The number of meetings to be present | Rate |
|-----|--------------------------|----------------------------------|--------------------------------------|------|
| 2. | Mr. Hoang Nguyen Hoc | Chairman | 9/9 | 100% |
| 3. | Mr. Le Dinh Buu Tri | Deputy Chairman | 9/9 | 100% |
| 4. | Mrs. Pham Thi Viet Nga | The BOD's member CEO | 9/9 | 100% |
| 5. | Mr. Doan Dinh Duy Khuong | The BOD's member Deputy CEO | 9/9 | 100% |
| 6. | Mrs. Dang Pham Minh Loan | The BOD's member | 9/9 | 100% |
| 7. | Mr. Tran Chi Liem | The BOD's member, independent | 9/9 | 100% |
| 8. | Mr. Shuhei Tabata | The BOD's member, independent | 9/9 | 100% |

3. Performance of the ASM 2013's Resolutions:

Basically, the Board of Directors performed sufficiently contents which passed by the AGM 2013. For the profit distribution 2014 will be asked for opinion at the AGM 2014. Change in the 20th business registration certificate about changing share capital (issuance of bonus share 3:1) has not already implemented due to meeting with difficulties in registration procedures at Can Tho city Planning and Investment Department.

4. Performance of the BOD's Resolutions in 2014:

- Contents not be performed: Project of investment of share acquisition of ASV Pharma; project of investment in regional warehouses; project of construction of excipient and material warehouses at General warehouse.
- Contents being performed: Building the medicinal processing line with GMP WHO standard at DHG Nature; Investment in electric gravure printer at DHG PP1; Investment in hardware system and put in existing main data center of the Parent Company.

5. Activities of subcommittees under the BOD

The Board of Directors term of 2014-2018 established 3 subcommittees, including:

- Strategic subcommittees
- Audit and risk management subcommittees
- Personnel and treatment subcommittees

The subcommittees ensured quantity and requirements of personnel as required by the Company and conformed to legal regulations. Quarterly, the subcommittees met and sent reports to the Board of Directors.

6. Evaluation of the BOD to activities of the Board of Management

- The Board of Management performed their mission in accordance with the spirit of regulation of the General Meeting of Shareholders and Resolutions of the Board of Directors. Since CEO and Deputy CEO are responsible for business section and also members of the BOD, the deployment of the BOD's Resolutions and AGM's Resolutions happens quickly and smoothly.
- In the low growth of pharmaceutical industry, under a fierce direction of the Board of Management, the Company exerted itself to complete and exceed the 2014 business plan, specifically: sales reaching VND3,913 bn, profit before tax being VND 722 bn. This is an achievement appreciated by the BOD. In 2014, beside difficult market situations, the BOM thrived for overcoming challenges, difficulties in governance and production, particularly when Tan Phu Thanh plant was put into operation. However, since the Company's development scale is larger with the passing day, the BOD

suggested the BOM, apart from market mission should focus on and improve the internal management task in the future.

- The Board of Management includes four (4) members, including CEO, Deputy CEO being in charge of Business and Customer Service section, Deputy CEO being in charge of production and purchasing chain management, Deputy CEO being in charge of Finance/Accounting/IR are deeply professional and senior in their fields. To promote capacity and share responsibility of general works, in the future, the BOD suggests the BOM to give prominence to take initiative deployment, treatment of works and initiation of combination together among Deputy CEOs. In 2015, the Deputy CEOs should focus on supporting CEO in perfection of organization structure, operating process in units.
- Issue of inheritors for senior executives and other management level is a concern of shareholders, investors, and partners. Therefore, according to competent authorities, the Board of Management should take initiative performance or submit the BOD training programs for inheritors and attract grey matter outside Can Tho city to ensure the stable development and meet a new development scale of the Company.

7. Remuneration, bonus of the BOD, BOS, collaborators, Executive Board, key staffs in 2014

7.1. Balance of remuneration – bonus Fund

| No. | Interpretation | Amount (dong) |
|------------|--|-----------------------|
| 1 | Balance at the end of 2013 (31/12/2013) | 4,579,483,312 |
| | ▪ Remuneration | 5,526,323,537 |
| | ▪ Bonus | (946,840,225) |
| | Extracting for profit distribution of 2013 | 10,151,898,356 |
| | ▪ Remuneration | 5,000,000,000 |
| | ▪ Bonus | 5,151,898,356 |
| 2 | Total amount paid in 2014 | 7,787,388,273 |
| 2.1 | Paid for BOD, 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 | Paid bonus for Executive Board, key staffs who successfully completed the task in 2013 | 1,964,490,773 |
| | Balance at the end of 2014 (31/12/2014) | 6,944,993,395 |
| | ▪ Remuneration | 6,512,323,537 |
| | ▪ Bonus | 432,669,858 |
| 3 | Balance after profit distribution of 2014 | 13,589,484,254 |
| 3.1 | - Remuneration | 11,512,323,537 |
| 3.2 | - Bonus | 2,077,160,717 |

7.2. The detail of distribution for each member of BOD, BOS

Each member of BOD, BOS received the remuneration, bonus in 2014 as follows:

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

Above is the report of the Board of Directors on assessment of operating result of DHG Pharma in 2014; investment plan 2015 and business target 2015; and activities and remuneration of the BOD in 2014;.

Submitting respectfully to the Meeting for approval.

Sincerely./.

ON BEHALF OF THE BOARD OF DIRECTORS
CHAIRMAN
(Signed)

Hoang Nguyen Hoc