

BUILDING INNER STRENGTH  
**DEFINING FUTURE**

DHG

Building inner **STRENGTH**  
defining future

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## LIST OF ABBREVIATIONS

ABBREVIATED	INTERPRETATION
AR	Annual Report
EB	Executive Board
SB	Supervision Board
CARG	Compound Annual Growth Rate
BFO	Business Force One
BOS	Board of Supervision
AGM	Annual General Shareholder Meeting
MB	Magagement Board
EGM	Extraordinary General Shareholder Meeting
CAGR	Compound Annual Growth Rate
DHG	DHG Pharmaceutical Joint Stock Company
DHG PHARMA	DHG Pharmaceutical – Parent Company
EPS	Earning Per Share
ESOP	Employee stock ownership plan
GDP	Gross domestic product
GLP	Good Laboratory Practice
GMP	Good Manufacturing Practice

ABBREVIATED	INTERPRETATION
GPP	Good Pharmacy Practice
GSP	Good Storage Practice
BOD	Board of Directors
IR	Investor Relation
KPI	Key Performance Indicators
PAT	Profit after tax
OM LLC	One Member Limited Liability Company
P/B	Price-to-Book ratio
P/E	Price to Earning ratio
PR	Public Relations
BA	Business Administration
ROA	Return On Assets
ROE	Return On Equity
ROS	Return On Sales
HOSE	Ho Chi Minh Stock Exchange
HNX	Hanoi Stock Exchange
WHO	World Health Organization

## DHG PHARMA AT A GLANCE

Company's name	: <b>DHG PHARMACEUTICAL JOINT-STOCK COMPANY</b>
Abbreviated name	: DHG Pharma
Stock ticker	: <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	: 2,521,236,027,240 VND (at 31/12/2015)
Telephone	: (8471) 03 891 433
Fax	: (8471) 03 895 209
Email	: dhgpharma@dhgpharma.com.vn
Website	: www.dhgpharma.com.vn
Certificate of business registration and tax code	: 1800156801

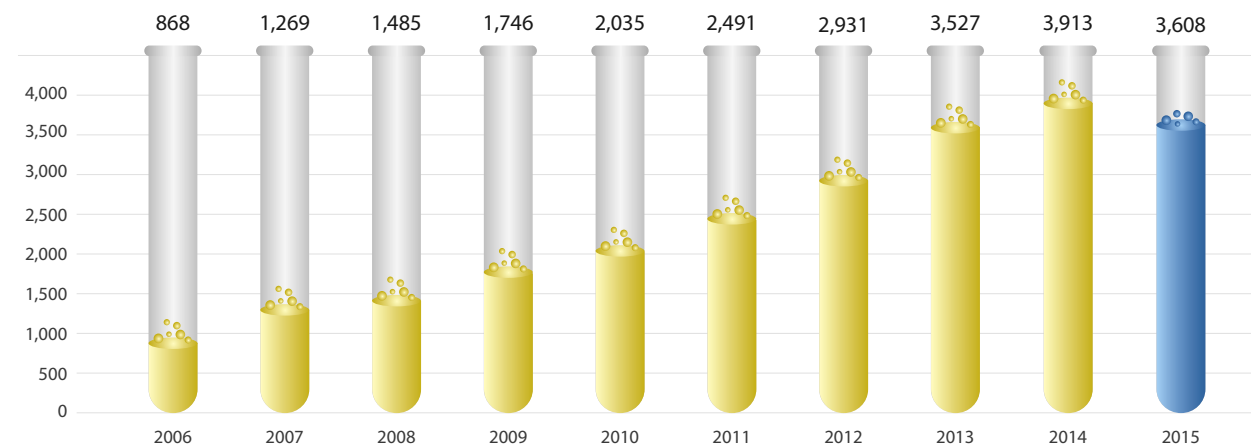


# FINANCIAL HIGHLIGHTS (Consolidated)

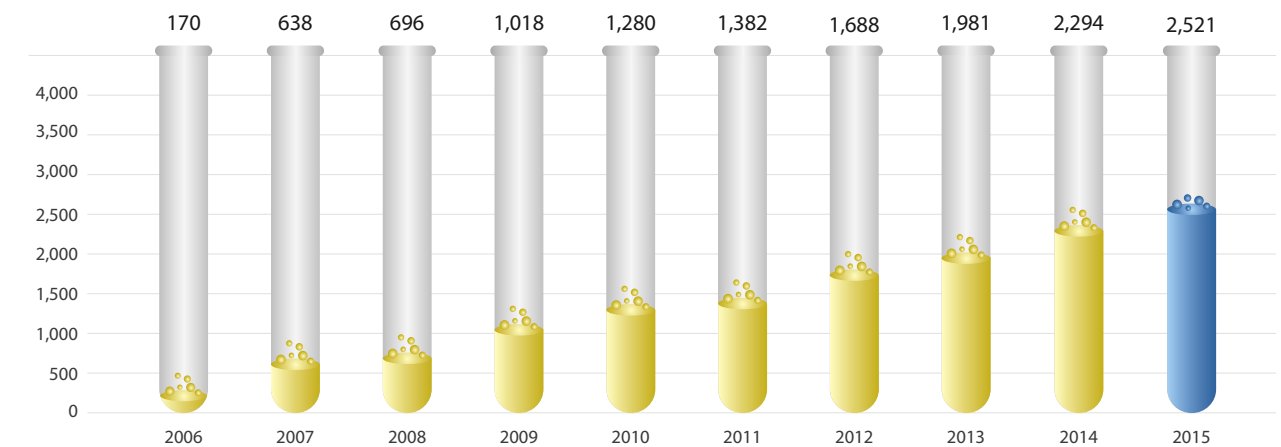
INCOME STATEMENT		UNIT: BILLION VND	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	<b>Net sales</b>		<b>868</b>	<b>1,269</b>	<b>1,485</b>	<b>1,746</b>	<b>2,035</b>	<b>2,491</b>	<b>2,931</b>	<b>3,527</b>	<b>3,913</b>	<b>3,608</b>
	Gross profit		465	669	791	924	1,019	1,209	1,444	1,640	2,131	1,413
	Profit before tax		87	128	145	410	434	491	585	782	722	701
	<b>Profit after tax</b>		<b>87</b>	<b>115</b>	<b>130</b>	<b>362</b>	<b>383</b>	<b>420</b>	<b>491</b>	<b>593</b>	<b>534</b>	<b>593</b>
	Profit of shareholders of the parent company		87	115	129	357	381	416	486	589	533	589
BALANCE SHEET		UNIT: BILLION VND	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	<b>Total assets</b>		<b>483</b>	<b>945</b>	<b>1,082</b>	<b>1,522</b>	<b>1,820</b>	<b>1,996</b>	<b>2,378</b>	<b>3,081</b>	<b>3,483</b>	<b>3,363</b>
	Current assets		330	679	784	1,212	1,442	1,491	1,818	2,233	2,386	2,221
	Non-current assets		153	266	298	310	378	505	561	848	1,096	1,142
	Liabilities		312	304	383	496	531	602	675	1,081	1,189	842
	Owner's equity		170	638	696	1,018	1,280	1,382	1,688	1,981	2,294	2,521
	Charter capital		80	200	200	267	269	652	654	654	872	872
CASH FLOW		UNIT: BILLION VND	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	Net cash from operating activities		25	54	185	354	258	263	470	484	301	475
	Net cash from investing activities		(106)	(189)	(3)	(17)	(74)	(188)	(88)	(468)	(334)	(369)
	Net cash from financing activities		80	235	(105)	35	(126)	(251)	(131)	(122)	(82)	(183)
	Cash flows in the period		(0.46)	100	77	372	58	(175)	252	(106)	(115)	(78)
	Cash and cash equivalent at the beginning of the period		35	35	135	212	584	643	467	719	613	498
	Cash and cash equivalent at the end of the period		35	135	212	584	643	467	719	613	498	421
BASIC FINANCIAL RATIOS		UNIT: %	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	ROS		10.0%	9.1%	8.8%	20.8%	18.8%	16.9%	16.8%	16.8%	13.6%	16.4%
	ROA		18.0%	12.2%	12.0%	23.8%	21.1%	21.0%	20.7%	19.3%	15.3%	17.6%
	ROE		51.1%	18.0%	18.7%	35.6%	29.9%	30.4%	29.1%	29.9%	23.3%	23.5%
SHARES			2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	Number of shares		8,000,000	20,000,000	20,000,000	26,662,962	26,912,962	65,176,429	65,376,429	65,376,429	87,164,330	87,164,330
	Treasury shares			2,280	6,500	11,290	10,130	10,130	10,130	10,130	10,130	222,380
	Outstanding shares		8,000,000	19,997,720	19,993,500	26,651,672	26,902,832	65,166,299	65,366,299	65,366,299	87,154,200	86,941,950
	Basic earnings per share (VND/share)		10,882	6,114	6,445	13,396	14,234	6,382	7,443	6,758	5,169	5,748
	Dividend (VND)		2,500	2,500	2,500	3,000	4,000	2,000	3,000	3,000	3,000	3,500

Source: DHG Pharma

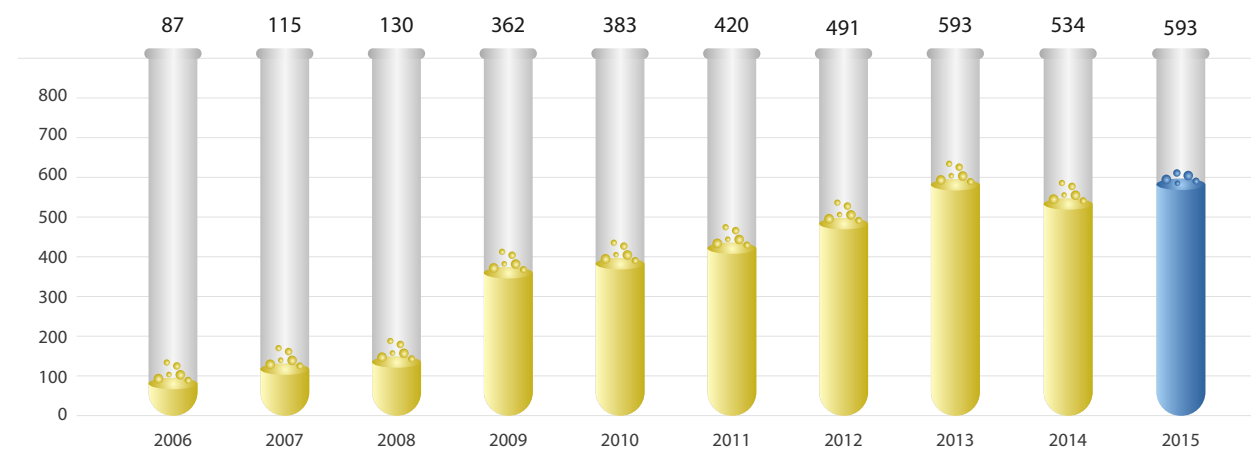
## INTRODUCTION

**HIGHLIGHTS (Consolidated)** (continued)**Net sales since Initial Public Offering**

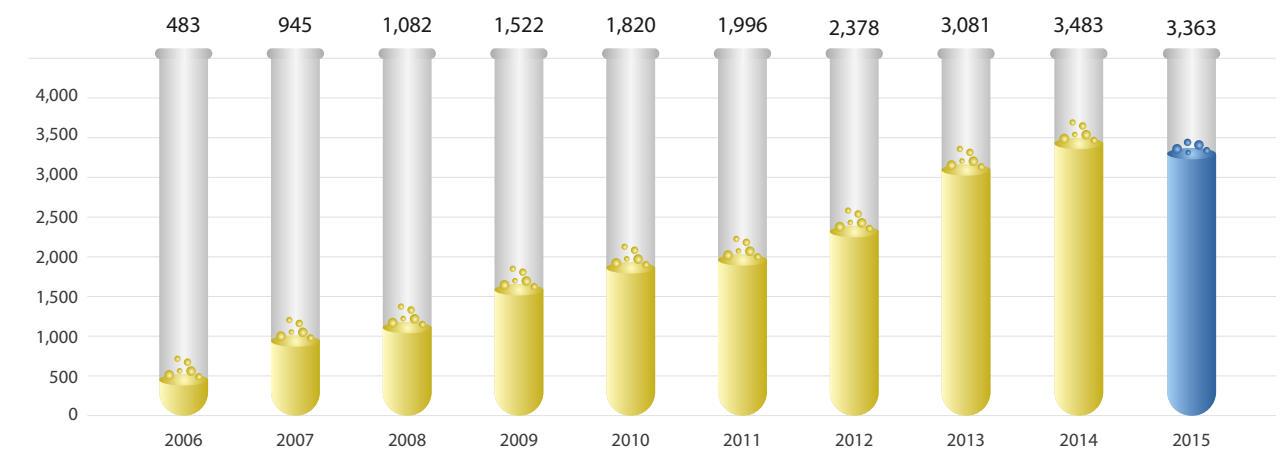
CAGR of net sales 2006 - 2015: **17%**

**Owner's equity since Initial Public Offering**

Owner's equity in 2015 is **15 times** compared to that of 2006

**Profit after tax since Initial Public Offering**

CAGR of PAT 2006-2015: **24%**

**Total assets since Initial Public Offering**

Total Assets in 2015 is **7 times** compared to that of 2006

# DISTINGUISHED AND SPOTLIGHT AWARDS 2015



1996

**LABOR HERO** FROM 1991 - 1995

1998

**FIRST-CLASS LABOR MEDAL**

2010

**SECOND-CLASS INDEPENDENCE MEDAL**

TOP **50** OF VIETNAM'S  
MOST EFFECTIVE COMPANIES

» Voted Vietnamese High-Quality Goods by consumers for the 20<sup>th</sup> consecutive years

» Among Top 50 of Vietnam's most effective companies held by Vietnam Investment Review magazine for 4 consecutive years

TOP **10**  
BEST ANNUAL REPORTS

» Top 10 best annual reports as voted by the Stock Exchange and the Securities Investment Magazine for 7<sup>th</sup> consecutive years.

» Top 50 of Vietnam listed companies voted by Forbes for 2<sup>nd</sup> consecutive years

TOP **50** COMPANIES  
WITH SUSTAINABLE GROWTH  
FROM 2011 - 2014

» Top 50 Companies with Sustainable Growth from 2011 - 2014 as voted by the Vietnam Investment Review magazine

» Reputable exporter of 2014

» TOP Brand in 2015 as awarded by Global (Hapacol, Naturenz, NattoEnzym)

## MESSAGE FROM CHAIRMAN



**IN ORDER TO CONTINUE  
GROWING, MAINTAINING  
SUSTAINABLE  
DEVELOPMENT AND  
TO ENSURE THE  
LEADING POSITION  
IN THE DOMESTIC  
PHARMACEUTICAL  
INDUSTRY, DHG  
CONCENTRATED ITS  
RESOURCES AND  
EFFORTS IN CREATING  
“DHG’S DEVELOPMENT  
STRATEGY IN PERIOD  
2016-2020” REPORTING  
TO THE 2015 AGM.**

**Dear Shareholders, Customers, Partners, and Employees,**

Vietnam Pharmaceutical Industry growth has slowed down in recent years due to cyclical economic downturn. The average growth rate of 2005-2015 reached 15.8% per year, but during 5 years from 2011 to 2015 this figure was only 10.5%. Nevertheless, growth rate of Vietnam pharmaceutical market remains high among emerging markets group and also has great growth potential.

In 2015, DHG continues to be the leading enterprise of Vietnam Pharmaceutical industry. However, net sales were only VND 3,608 billion, meeting 90.2% of the plan, down 7.79% compared with that in 2014; profit before tax was VND 701 billion, reaching 92% of the plan and down 2.37% over the same period. Profit after tax reached VND 593 billion, an increase of 11.04% over the same period thanks to cost savings initiatives, product portfolio restructuring (cut down inefficient products) and tax incentive from the new plant. Hot growth rate in previous years has created an enormous challenge DHG itself. DHG’s organizational structure, human resources and administration system have not fully fit with the scale of growth and development of DHG; exposing many shortcomings. In 2015, DHG faced many difficulties, both objective and subjective, resulting in some unmet business targets.

Difficulties which DHG encountered were not only challenges but also motivation for the Company determining to restructure, laying the foundation for growth and sustainable development in the coming years. Fully aware of its internal shortcomings, in 2015 DHG has gradually strengthened its operational aspects such as building a long-term development strategy; fine-tuning rules/procedures to enhance institutional capacity; restructuring the product portfolio by only produce effective products; completing Beta Lactam factory with GMP-WHO standard to enhance production capacity of additional 1 billion units of products per year; restructuring a professional and efficient distribution system; improving capacity framework for future leaders, especially in senior positions of the Company.

**Ladies and gentlemen,**

In order to continue growing, maintaining sustainable development and to ensure the leading position in the domestic pharmaceutical industry, DHG concentrated its resources and efforts in creating “DHG’s development strategy in period 2016-2020” reporting to the 2015 AGM.

Accordingly, DHG positioned itself in 2020 as “Being the leading domestic pharmaceutical enterprise of the pharmaceutical industry in Vietnam, in the TOP 10 leading pharmaceutical company in Southeast Asia with sales of USD300 million in 2020. DHG will become a symbol of humane in contributing to society, enhancing quality of life”.

In 2016, the Board of Directors submitted to the General Meeting of Shareholders a revenue plan of VND 3,733 billion (+3.4% yoy), profit after tax of VND 679 billion (+14.2% yoy), dividend in 2016 is expected to be 30% of par value. The Company has planned to produce 4,299 million units of products (+3.4% yoy), corresponding to VND 3,860 billion worth of production (+18.6% yoy).

With more than 40 years of formation and development on a united orientation basis, steadiness in vision, mission, core values and DHG unique cultural identity, to have success as it is today, in addition to efforts of the Board of Directors, the Executive Board, employees, DHG also received much care, attention, and timely support of leaders at all levels and departments of Can Tho City, the Department of Health ... DHG is very grateful for the attention and regular relationship of major shareholders and the care and support of mass media agencies that have contributed effectively in enhancing DHG brand value.

**To successfully implement the development strategy of 2016-2020, DHG hopes to continue receiving attention and support of state authorities and trust from shareholders, customers, partners ...**

The Board of Directors together with the Executive Board and employees determine to successfully implement the 2016-2020 development strategy, the 2016 business targets to deserve the confidence of shareholders, partners, customers and social communities.

Chairman  
**HOANG NGUYEN HOC**



## VISION - MISSION

### CORE VALUES

### 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..



**Embracing Legacy**  
MOVING FORWARD

**INTRODUCTION**

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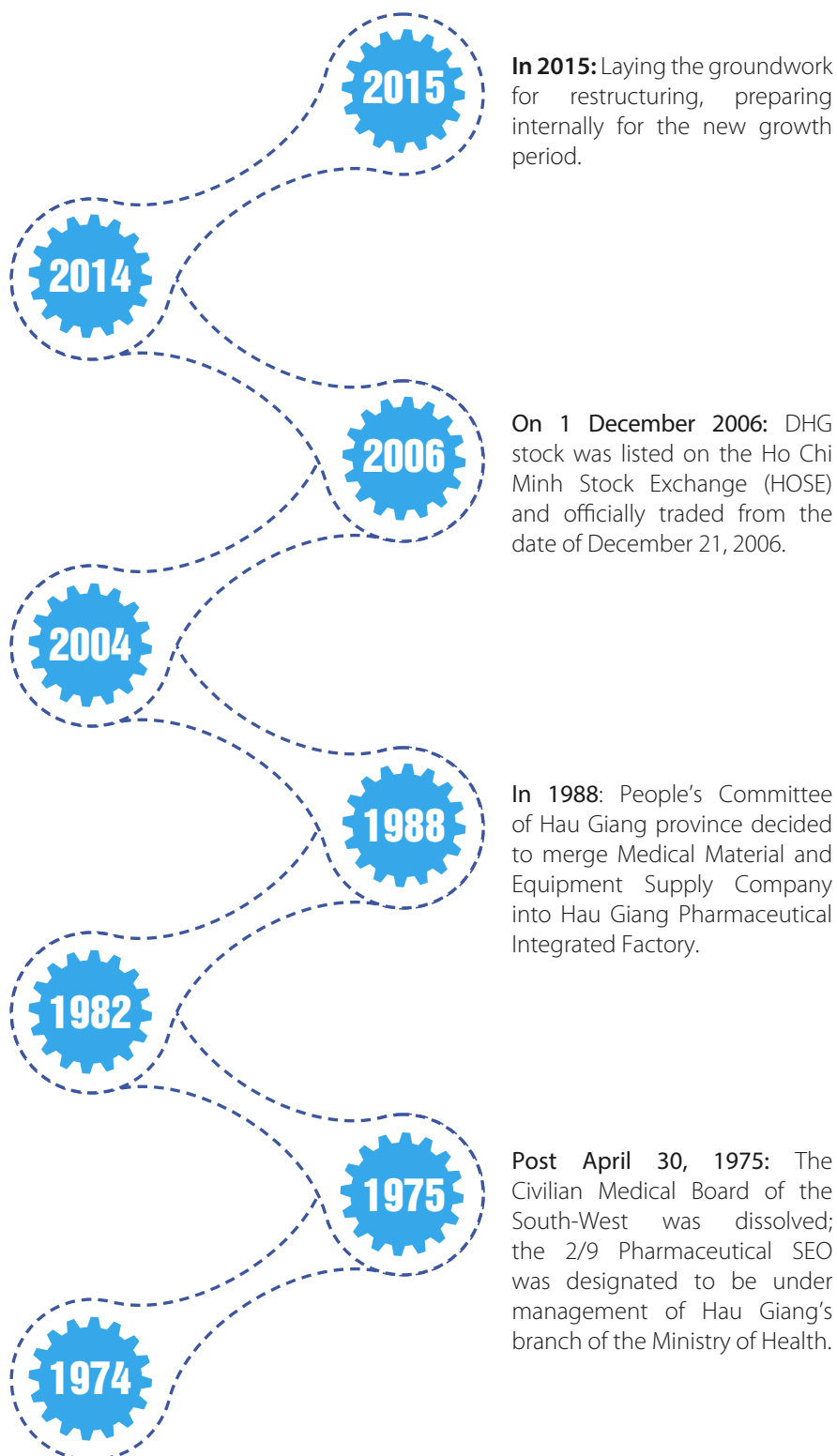
## HISTORY OF FOUNDATION AND DEVELOPMENT

**In 2014:** Celebrate 40<sup>th</sup> years of founding Hau Giang Pharma and 10 years of equitization.

**On September 2<sup>nd</sup> 2004:** Hau Giang Pharmaceutical Integrated Factory equitized to become DHG Pharmaceutical Joint-Stock Company.

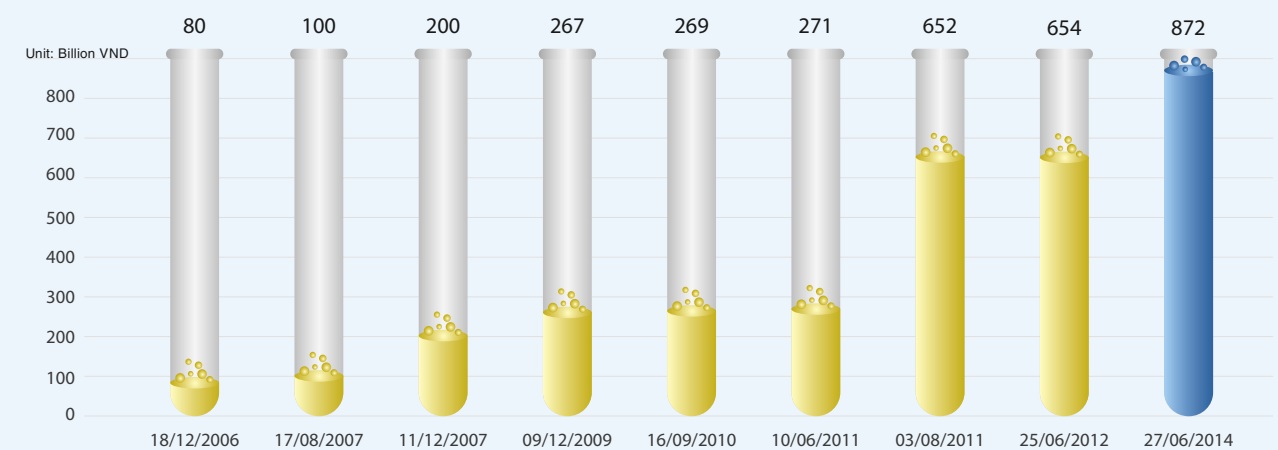
**In 1982:** Hau Giang Pharmaceutical Integrated Factory was founded based on consolidation of three units: 2/9 Pharmaceutical SOE Factory, Second Level Pharmaceutical Company, and the Medicinal Materials Station.

**In 1974:** DHG Pharma was formerly the 2/9 Pharmaceutical SOE Factory and was founded on September 2<sup>nd</sup> 1974 at Kênh 5 Dát Set, Khanh Lam commune (Khanh Hoa commune now), U Minh district, Ca Mau province.



## TIMELINE OF INCREASING IN CHARTER CAPITAL

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



## BUSINESS LINES

### Primary business line

DHG's primary business line is production and trading of pharmaceuticals, dietary supplement, and cosmeceuticals.

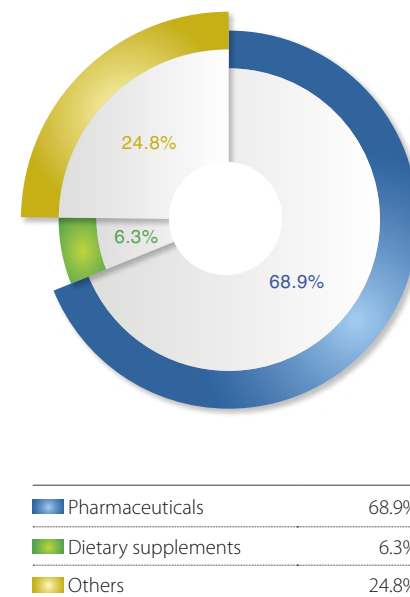
DHG currently has 279 product registration numbers in Vietnam.

Product has a vital role on the development of an enterprise. Therefore, to become the leading domestic pharmaceutical enterprise and reaching out to the regional level, DHG has constantly restructured the product portfolio, built a differentiated product strategy and effective distribution channels.

### Revenue breakdown by BUSINESS LINES

- » DHG's product portfolio is extensive and diversified with 234 pharmaceutical registration numbers and 45 dietary supplements registration numbers. Among them, pharmaceutical products account for nearly 70% of the Company's total net sales, dietary supplements accounted for 6% and the remaining 25% is from tradings of Eugica, exclusive imported goods, raw materials, packaging, herbal ingredients, and tourism, ...
- » According to the strategy and the product development plan to 2020, dietary supplements and cosmeceuticals accounted for an estimate of 12% of total net sales, equivalent to about 15% in sales of finished products.

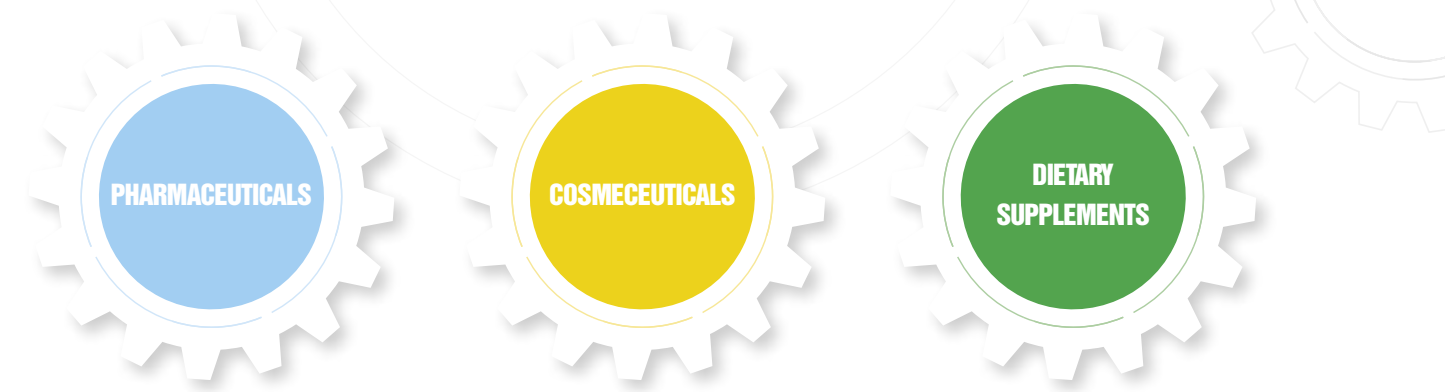
Revenue breakdown by business lines in 2015



Unit: billion VND

Items	2012	2013	2014	2015
<b>Net sales</b>	<b>2,931</b>	<b>3,527</b>	<b>3,913</b>	<b>3,608</b>
Pharmaceuticals	2,557	2,944	3,348	2,485
Dietary supplements	180	318	244	228
Others	194	266	320	895
<b>Proportion</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Pharmaceuticals	87.3%	83.5%	85.6%	68.9%
Dietary supplements	6.1%	9.0%	6.2%	6.3%
Others	6.6%	7.5%	8.2%	24.8%

Source: DHG Pharma

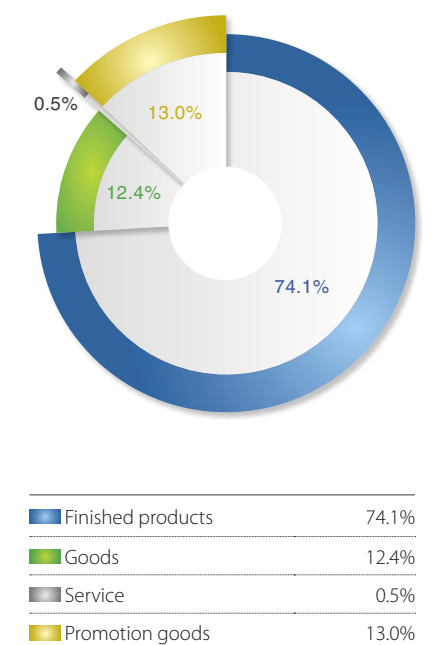


### Revenue breakdown by recognition in the FS

- » Sales of finished products come from domestic brands sales, direct wholesale, export, Eugica processing production, tradings ex. packaging, other tradings and Hati water.
- » Sales of goods come from tradings of Eugica, raw materials, exclusive imported goods, promotional goods and others.
- » Service revenues come from DHG Travel
- » In the structure of DHG's total net sales, sales of DHG's in-house products (finished goods) is always at a high proportion at over 92%. Increase/decrease in distribution revenues of imported goods and Eugica and the change in sales recognition method for promotion are some of the causes affecting the revenue breakdown of the Company.
- » In 2013, the proportion of in-house products fell to 85.2% due to the increase in sales from Eugica distribution (Eugica brand was sold to partner; DHG recognized both processing sales and distribution sales).
- » Since 2014, following the initial agreement with partner, DHG would not distribute Eugica products, but continued processing them until the end of 2017. This affected sales in 2014 y.o.y and increased the proportion of DHG's in-house products to 91.2% the same with previous year.
- » However, in light of the new agreement, from October 2014 to the end of 2017, DHG will continue to distribute Eugica brand in Vietnam. The partner will instead focus on developing Eugica in overseas market. The increase in sales from tradings of imported goods, raw materials and the change in accounting recognition of promotion goods according to Circular 200/TT-BTC, together with the decrease in sales of in-house products caused the revenue breakdown to fluctuate sharply. The proportion of in-house products in 2015 was only about 74.1% of total net sales, the lowest over the past 10 years.
- » According to the 5-year plan from 2016 to 2020, the share of in-house products sales - a group with high margin - will

be maintained at above 80%. The rest is mainly from tradings of exclusive goods, raw materials, Eugica products, and others.

Revenue breakdown by recognition in the FS





## BUSINESS LINES (continued)

Unit: Billion VND

Targets	2006	2007	2008	2009		2010	2011	2012	2013	2014	2015	CAGR 2006 - 2015
<b>Net sales (Unit: Billion VND)</b>	<b>868</b>	<b>1,269</b>	<b>1,485</b>	<b>1,746</b>		<b>2,035</b>	<b>2,491</b>	<b>2,931</b>	<b>3,527</b>	<b>3,913</b>	<b>3,608</b>	<b>17.1%</b>
Finished products	806	1,202	1,398	1,641		1,897	2,305	2,704	3,005	3,569	2,672	14.2%
Commodity sales	63	68	63	78		62	99	113	366	328	447	24.4%
Service	-	-	-	-		6	9	17	20	16	21	29.9% (*)
Promotion	-	-	25	27		69	78	97	137	-	469	
<b>Proportion</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	
Finished products	92.8%	94.7%	94.1%	94.0%		93.2%	92.6%	92.3%	85.2%	91.2%	74.1%	
Commodity sales	7.2%	5.3%	4.2%	4.4%		3.1%	4.0%	3.8%	10.4%	8.4%	12.4%	
Service	0.0%	0.0%	0.0%	0.0%		0.3%	0.3%	0.6%	0.5%	0.4%	0.5%	
Promotion	0.0%	0.0%	1.7%	1.6%		3.4%	3.1%	3.3%	3.9%	0.0%	13.0%	

Note: (\*) Average growth rate of services sales from 2010 to 2015

### REVENUE BREAKDOWN BY TREATMENT FUNCTION

**DHG DIVIDED THE  
PRODUCT PORTFOLIO BY  
TREATMENT FUNCTIONS  
INTO 10 CATEGORIES  
TO MANAGE AND INVEST  
IN BRANDING FOR  
PRIMARY BRANDS.**

#### List of 10 categories:

##### Cate 1

Antibiotic



##### Cate 2

Analgesic - antipyretic



##### Cate 3

Respiratory



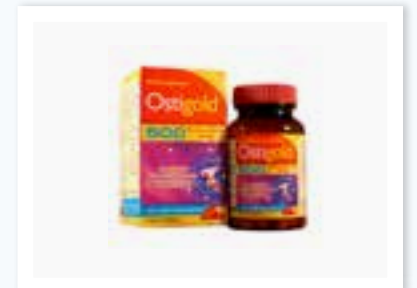
##### Cate 4

Nutrition



##### Cate 5

Musculoskeletal



##### Cate 6

Gastrointestinal



##### Cate 7

Neurology - ophthalmology



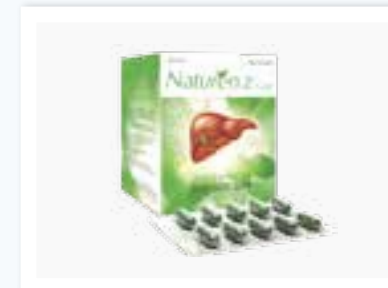
##### Cate 8

Cardiovascular - diabetic



##### Cate 9

Hepatobiliary



##### Cate 10

Skin care

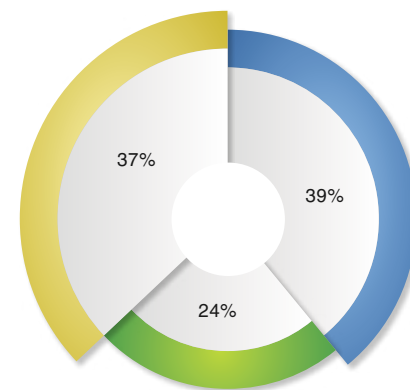


## BUSINESS LINES (continued)

- » Two major categories contributed to DHG's revenue breakdown in 2015 were Antibiotics (39%) and Analgesic & antipyretic (24%).
- » The remaining 8 categories accounted for 37% including: Nutrition (6%), Respiratory (5%), Cardiovascular (5%), neurology - ophthalmology (5%), musculoskeletal (5%), gastrointestinal (5%), hepatobiliary (3%), and skin care (3%).
- » In the period of 2016-2020, DHG will continue to manage and develop the product portfolio, in which the antibiotic category continues to be the primary category with sales proportion of over 37%, followed by antipyretic - analgesic category with over 18% in sales.



Proportion of DHG's categories in 2015



Antibiotics	39%
Analgesic & antipyretic	24%
Others	37%

**9 BRANDS  
WITH OVER  
50%  
OF TOTAL  
SALES OF DHG'S  
IN-HOUSE  
PRODUCTS**

**HAPACOL**  
Giảm đau - Hạ sốt

**KLAMENTIN**  
Dầu KCl hòa chảy quá  
trọng chảy tại nhĩ thất

**Haginat**  
GEFURXIM  
Thuốc giảm đau hiệu  
quả cho bệnh nhân hô hấp

**Naturenz**  
Cho lá gan khỏe

**NattoEnzym**  
Chống đông máu hiệu  
quả trong bệnh tim mạch

**Mitux**  
Acetylsalicylic acid 200 mg  
Thuốc giảm đau chống viêm

**Bocalex**  
Thuốc giảm đau hiệu  
quả

**BIPP**  
Mụn nhọt VI TÂM C

**Apitim**  
5mg  
Chẩn đoán áp lực máu

### KEY BRANDS

- » DHG has successfully invested in brands, of which 3 of them achieved annual sales of over VND 100 billion: Hapacol (VND 657 billion), Klamentin (VND 421 billion), Haginat (VND 125 billion). Previously, Eugica brand (with annual sales of over VND 200 billion) was sold to Mega WeCare.
- » In addition to the reduce in purchasing power, increase in competition and some other objective reasons, the fact that DHG completed the 2014 in

spite of the sudden reduction of Eugica distribution sales, loss from unregistered products; and the decrease in hospital sales forced some key brands to grow stronger at the unsustainable rate to bear the burden from the decrease of other revenues sources. Thus, the total sales of brands category in 2014 increased by 21.5% y.o.y, but fell 24.7% y.o.y in 2015. The brands declined sharply are Naturenz, Spivital, Davita Bone, Unikids, Eyelight, NattoEnzym, ...

- » Currently, there are 9 brands accounting for over 50% of total in-house product sales including Hapacol, Klamentin, Haginat, Naturenz, Apitim, NattoEnzym, Bocalex, Apitim, Bipp, Mitux.
- » DHG's goal til 2020: to have at least one brand with annual sales of VND1,000 billion and five brands with annual sales of ≥ VND 100 billion.



Product introductory seminar of DHG Pharma

# MARKET REGIONS

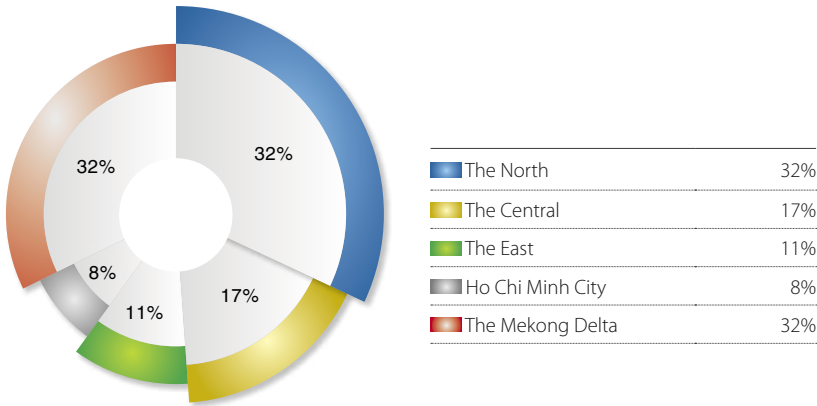
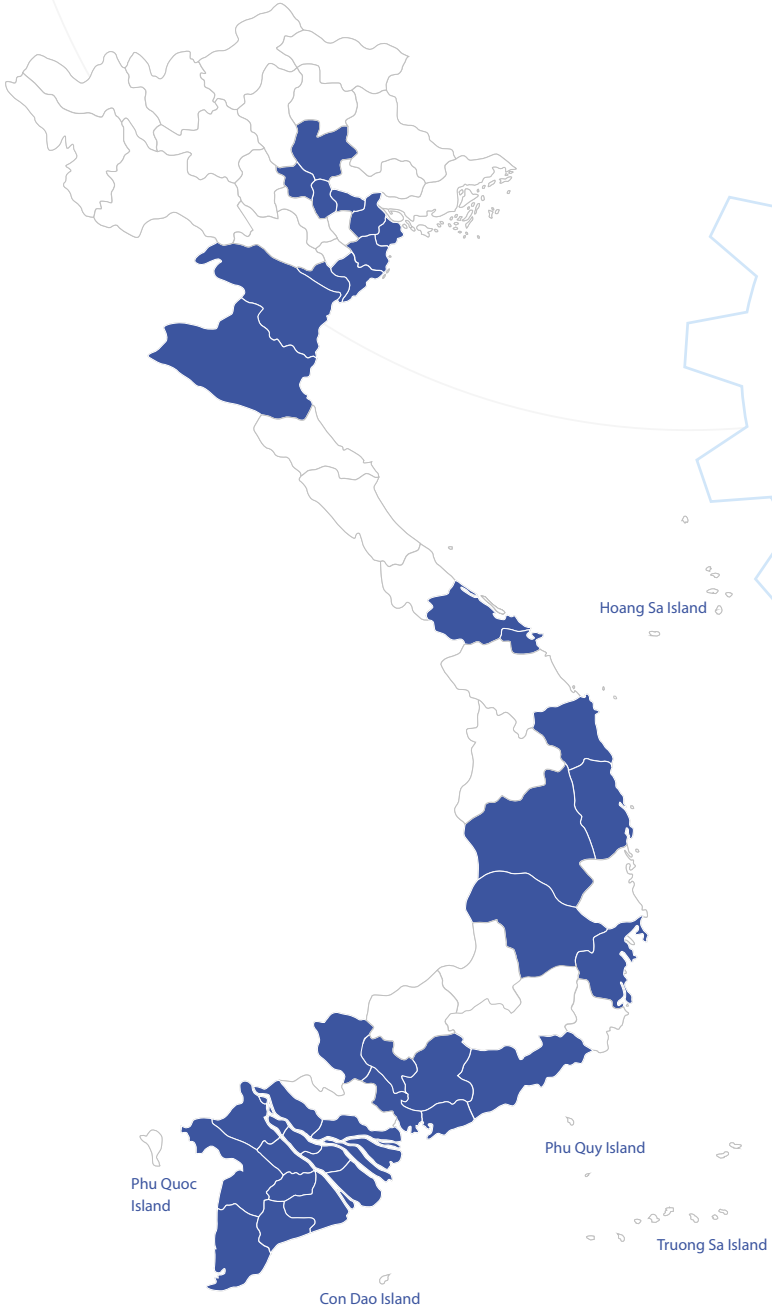
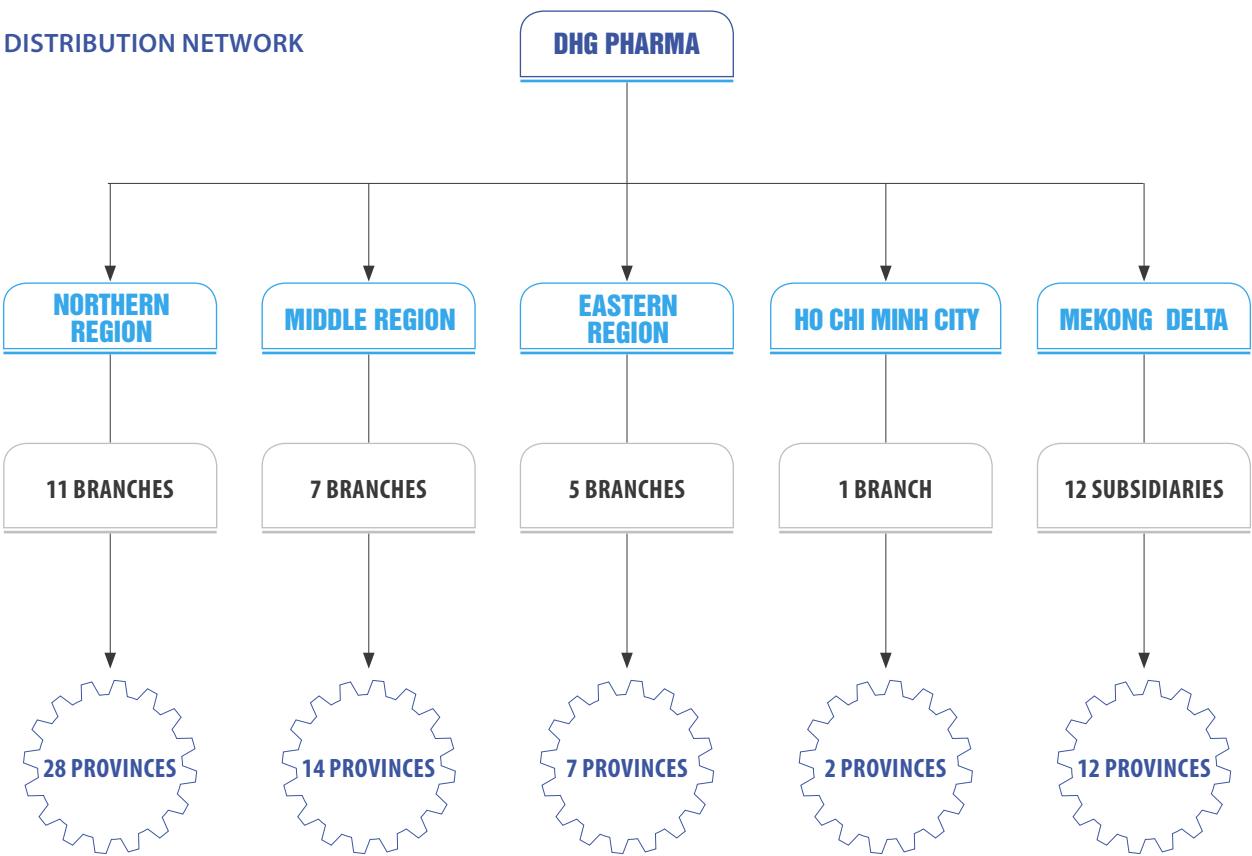
**DHG’S PRODUCTS ARE AVAILABLE AT MOST HOSPITALS AND 63/63 PROVINCES AND CITIES NATIONWIDE. DHG’S DISTRIBUTION SYSTEM IS CONSIDERED THE LARGEST AND MOST EXTENSIVE ONE IN THE COUNTRY, WITH MORE THAN 1,200 SALESPeOPLE. THE COMPANY HAS MORE THAN 22,000 CUSTOMERS, IN WHICH MORE THAN HALF ARE LOYAL CLIENTS.**

## Domestic market

### ACCORDING TO THE GEOGRAPHICAL AREA

» The distribution market is mostly domestic (99%), within total sales of brands products: 32% in the North , 17% in the Central, 11% in the East, 8% in Ho Chi Minh City, 32% in the Mekong Delta

### DISTRIBUTION NETWORK



**24**  
DISTRIBUTION  
BRANCHES

**12**  
DISTRIBUTION  
SUBSIDIARIES

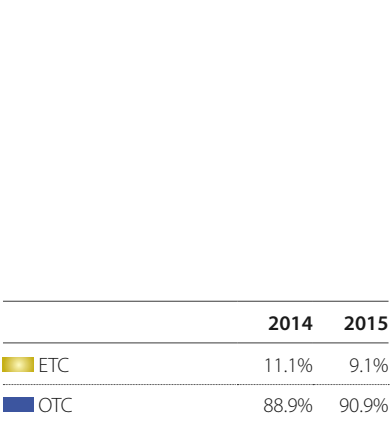
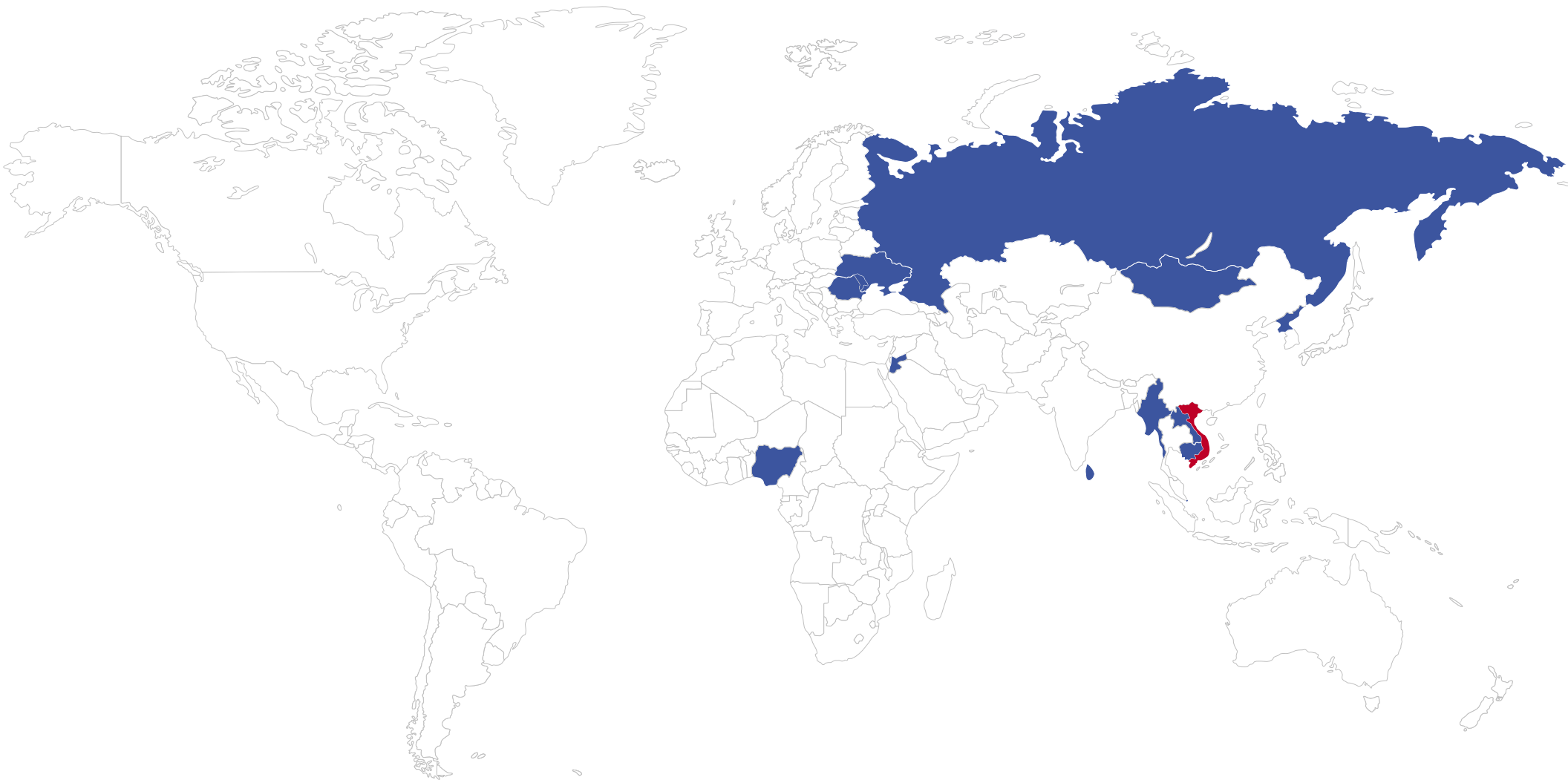
**In order to take initiative and remain leader in the industry, from 2016 - 2020, DHG set a target of “being a pharmaceutical company with the most extensive and diversified distribution channel” Accordingly, the Company will expand and enhance the modern distribution channels, including supermarkets, convenience stores, pharmacy chains, ....**



# MARKET REGIONS (continued)

## ACCORDING TO DISTRIBUTION CHANNEL

- » DHG is currently distributing via two major channels: ETC and OTC. DHG has focused more on the development of the OTC channel due to the active advantages in business and shorter collection period than the ETC channel.
- » In 2015, the proportion of sales from ETC channel decreased from the previous year, only account for 9% of total sales due to some products not able to obtain registration and the effect of Circular 01. ETC channel sales decreased by 22.6% y.o.y and bidding sales fell 24% y.o.y. Reduction in ETC proportion and sales put pressures on OTC channel. Circular 01 also created a more competitive environment on the OTC channel because DHG’s peers also focus more on the OTC channel.
- » In order to take initiative and remain leader in the industry, from 2016 - 2020, DHG set a target of “being a pharmaceutical company with the most extensive and diversified distribution channel” Accordingly, the Company will expand and enhance the modern distribution channels, including supermarkets, convenience stores, pharmacy chains, ....
- » Traditional trade channel (Pharmacy) has been developing with modern, professional selling techniques to the right target, right schedule, and increase in quality per customer order (increasing number of products on each order and on each customer). The sales system was professionalized using the pharmaceutical representation model (introduce products - receive orders) and distribution (delivering - collecting money) to collaborate in distribution with partners.
- » Traditional Hospital Channel included a team in charge of bidding and pharmaceutical representation at clinics. The target of this channel is to get a net sales proportion of 10% or more.



## EXPORT MARKET

- » DHG’s current export market includes 13 countries: Moldova, Ukraine, Myanmar, Russia, Mongolia, Cambodia, Nigeria, Laos, Singapore, Jordan, Sri Lanka, Romania, and Malaysia.
- » Main export products are the key products of the Company and herbal originated products with Vietnam natural herbal strength.
- » Export sales in 2015 achieved VND 26 billion (+19% y.o.y).

13

COUNTRIES & TERRITORIES

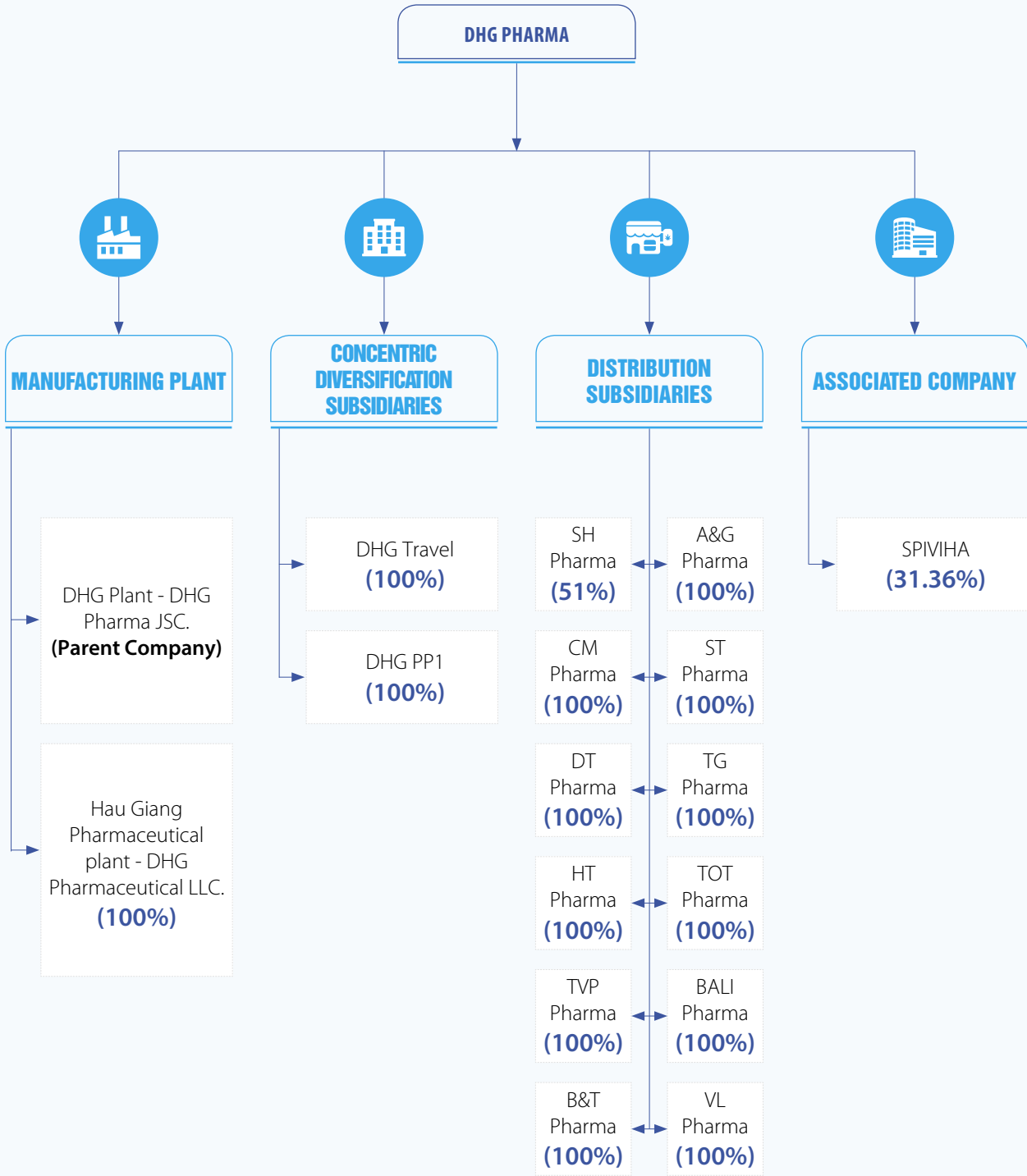
# COMPANY OPERATING MODEL



Hau Giang Pharmaceutical plant - DHG Pharmaceutical LLC.

## DHG PHARMA HAS A TOTAL OF 15 SUBSIDIARIES AND 01 ASSOCIATE

- » **As of 31 December 2015, the operating model of DHG Pharmaceutical Joint-Stock Company includes:**
  - › Companies with pharmaceutical plant including one under the Parent company - DHG Pharmaceutical Joint-stock Company (based in Can Tho city) and one under a wholly owned subsidiary of DHG - DHG Pharmaceutical Limited Company (based in Hau Giang province).
  - › Companies specializing in distribution: 12 distribution subsidiaries in the Mekong Delta, 11 of which are 100% owned by DHG and one with 51% owned by DHG (SH Pharma).
  - › Concentric diversification subsidiaries with 100% owned by DHG are DHG Travel (based in Can Tho city) and DHG PP1 (based in Hau Giang province).
- › Joint-venture include one associated company: Vinh Hao Spirulina Algae Corporation (SPIVIHA) with 31.36% owned by DHG.
- » **Changes during the year:**
  - › From 1 February 2009 to the end of 2015, DHG Pharma had a 100% owned subsidiary: DHG Nature Company Limited (DHG Nature).
  - › DHG Nature was established to expand herbal material production, processing, and trading. However, after a period of operation, trading sales was only about VND7 billion per annum, accounting for about 15% of DHG Nature sales and 0.2% of DHG Pharma net sales.
- › On 8 June 2015, the DHG Pharma Board of Directors has adopted the dissolution of DHG Nature (Decision No. 023/2015/QD.HDQT dated 08/06/2015)..
  - Reason for dissolution: The dissolution of DHG Nature will help restructuring DHG organization, reducing costs but still ensure that the use of herbal material production and processing line will be maintain, thus providing enough materials for the production of herbal derived products of DHG Pharma.



# ORGANIZATIONAL STRUCTURE DIAGRAM





# SUBSIDIARIES AND ASSOCIATES

**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:**

Companies which hold more than 50% of DHG Pharma’s equity: None

Companies which DHG pharma holds more than 50% of their equity:

DHG Pharma has a total of 15 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 ownership of DHG Pharma.

## 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	Charter capital (billion VND)	Percentage of ownership by 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%
11	VL Pharmaceutical One Member Limited Company (VL Pharma)	Official operation date: 1 Apr 2013 Head office: Long Ho city, 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
	Charter capital:	VND 5 billion
	Business lines:	Domestic travel services, advertising services

### 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
	Charter capital:	VND 5 billion
	Business lines:	Manufacture and trade plastic, aluminum, paper packaging. Print publications for production and marketing activities of DHG Pharma.

### DHG PHARMACEUTICAL ONE MEMBER LIMITED COMPANY (DHG PHARMA LTD.)

	Date of issuance for 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
	Charter capital:	VND 50 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
	Charter capital:	VND 12 billion
	Percentage of equity of DHG Pharma:	31.36%
	Business lines:	Manufacture and trade Spirulina

## INTRODUCTION OF THE BOARD OF DIRECTORS



Mr. **HOANG NGUYEN HOC**

Chairman, Non-executive

**Date of birth:** 1957

**Professional qualification:** 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, Non-executive

**Date of birth:** 1970

**Professional qualification:** 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 Regional Branch of SCIC, Chairman of Tay Ninh Industrial Park Infrastructure Development Joint Stock Company, Chairman of Thang Long investment and service Group

**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 qualification:** 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 Integrated 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 qualification:** 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: Associate at the Planning Dept. – Hau Giang Pharmaceutical United Factory.

02/2003 – 09/2004: In charge of product development and brand activities of Hau Giang Pharmaceutical Integrated 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.

Từ 05/2012 – now: Deputy CEO of DHG Pharma.

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

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

## INTRODUCTION OF THE BOARD OF DIRECTORS (continued)



Mrs. **PHAM DANG MINH LOAN**  
Member, Non-executive

**Date of birth:** 1977  
**Professional qualification:** 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, BOD's member of Quoc Cuong Gia Lai JSC.  
**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 qualification:** Assoc. Prof. – Dr. – Doctor of Medicine.  
**Current position:** 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 qualification:** Bachelor of marine biology (Hokkaido University).  
**Positions holding in other organizations:** Director of 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.

Mr. **TRAN QUOC HUNG**  
The Head

**Date of birth:** 1958  
**Professional qualification:** 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 Management Department of DHG Pharma. 06/2007 – Now: Supervisor – Human Resources 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.

Mrs. **NGUYEN PHUONG THAO**  
Member

**Date of birth:** 1976  
**Professional qualification:** Master of Business – Finance and Banking (Monash University – Australia).  
**Employment history:** 05/1997 – 03/2002: Associate at VID Public Bank. 05/2002 – 07/2005: Master of Business – Finance and Banking – Australia. 08/2005 – 08/2006: Associate at MB Bank. 08/2006 – 07/2007: Associate at VID Public Bank. 08/2007 – Now: Associate 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. **DINH DUC MINH**  
Member

**Date of birth:** 1977  
**Professional qualification:** Master of Investment Management (Coventry University, UK).  
**Employment history:** 03/2003 – 11/2007: Assistant for the General Director – TNT Ltd. Co. 08/2008 – 08/2010: Investment executive of State Capital Investment Corporation (SCIC). 05/2012 – now: Manager, Institutional Research & Investment Advisory for Saigon Securities Inc. (SSI) 04/2009 – 04/2011: Member of DHG Pharma's BOS Term II. 28/04/2014 – now: Member of DHG Pharma's BOS Term III.



## INTRODUCTION OF EXECUTIVE MEMBERS



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

(Please see **BOD introduction** - Page 37)



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

(Please see **BOD introduction** - Page 37)



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

**Date of birth:** 1959  
**Professional qualification:** 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 Integrated Factory.  
 11/1989 - 03/1997: Chief Accountant of Hau Giang Pharmaceutical Integrated Factory.  
 03/1997 - 09/2004: Vice Director of Hau Giang Pharmaceutical Integrated 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 qualification:** Postgraduate education junior - PGJ.  
**Employment history:**  
 12/1991 - 06/1995: Associate of QC Department of Hau Giang Pharmaceutical Integrated Factory.  
 07/1995 - 12/1996: Deputy Chief at QC Department of Hau Giang Pharmaceutical Integrated Factory.  
 01/1997 - 06/1997: Deputy Chief of R&D Department of Hau Giang Pharmaceutical Integrated Factory.  
 06/1997 - 09/2004: QC Manager of Hau Giang Pharmaceutical Integrated Factory.  
 09/2004 - 04/2012: QC Manager of DHG Pharma.  
 Từ 05/2012 - now: Deputy CEO of DHG Pharma.



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

**Date of birth:** 1966  
**Professional qualification:** Master of Business Administration (MBA - UBI, Belgium).  
**Employment history:**  
 1986 - 1987: Teacher at Can Tho Business Operations.  
 1987 - 09/2004: Accountant of Hau Giang Pharmaceutical Integrated Factory.  
 09/2004 - 2007: Accountant of DHG Pharma.  
 2007 - 2008: General Accountant of DHG Pharma.  
 2008 - 10/2010: Deputy Chief of Financial Management Department of DHG Pharma.  
 10/2010 - 03/2012: Chief Accountant cum Chief of Financial Management Department of DHG Pharma.  
 03/2012 - 01/2015: CFO, Chief Accountant cum Chief of Financial Management Department of DHG Pharma.  
 01/2015 - now: Chief Accountant, Chief of Accounting Department of DHG Pharma.



## Diversification strategy

### DISTRIBUTION EXPANSION

#### DEVELOPMENT ORIENTATIONS

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## VIETNAM'S MACRO ECONOMY AND SOCIETY



**IN 2015, ALTHOUGH THE WORLD ECONOMIC CONDITIONS WERE AT THE LOW GROWTH CYCLE, VIETNAM'S ECONOMY ACHIEVED SOME CONSIDERABLE RESULTS.**



### Period of 2011 - 2015

Big fluctuations in the world economy had negatively impacted on the stability of Vietnam's macro economy, resulted in double digits inflation in 2011.

The Government promptly issued Resolution 01/NQ-CP in 2012, switching from developing at high sustainable growth to reasonable growth, prioritizing macroeconomic

stability and inflation control, ensuring social security while implementing a comprehensive restructuring of the economy, develop a new growth model to adapt to the world economic downturn and the instability of domestic macro economy.

By multiple initiatives by the government, consumer price index (CPI) declined significantly from 18.13% in 2011 to just 2% in 2015; interest rate went from around the inflation level back to below 8%; Forex reserve was at the highest level in history with over 40 billion USD at some time. The total investment capital reached 31.2% of GDP, the absolute figure is almost 2 times higher than that from the previous 5-year period.

In 2015, although the world economic conditions were at the low growth cycle, Vietnam's economy achieved some considerable results. According to the General Statistics Office, GDP of Vietnam increased 6.68% in 2015; this was the first time the growth rate was higher than

the planned target (> 6.2%), almost 4 times the rate in 2005. Domestic demand was an important cause of this growth. Per capita income reached over \$2000/person/year made Vietnam become a middle income country.

Inflation was at lowest in 14 years (less than 1%), but there was no indication of deflation because total demand still increased strongly. Total retail sales of goods and consumer services were estimated at 3242.9 trillion, up 9.5% from the previous year (excluding prices

increase of 8.4%, higher than the increase level of 8.1% in 2014). Base interest was stable; lending rate decreased but still high compared to the region and the world; export increased; the surplus balance of payments and many major balances of the economy were stable even when FED raised interest rate.

However, public debt increased sharply from large expenditure. A large portion of workers, administrative officials, teachers experienced economic hardship, needed salary raise to improve living conditions.

Many laws, economic institutional framework relating to investment, business were issued and adopted such as the Enterprise Law (amended), Investment Law (amended), Law on Investment, Law on management and use of state capital in enterprises ... greatly promoted the process of integration..

Congress has issued 87 laws; The Government issued 668 decrees, the Prime Minister issued 340 decisions. Most of them were appreciated in creating transparency and facilitate

# 31.2% GDP

**The total investment capital, the absolute figure is almost 2 times higher than that from the previous 5-year period.**



**INVESTMENT AND BUSINESS ENVIRONMENT HAS IMPROVED CONSTANTLY, FACILITATED ENTERPRISES TO BE MORE PROACTIVE IN PARTICIPATING IN THE GLOBAL VALUE CHAINS. VIETNAM HAS ESTABLISHED SOME STRATEGIC ECONOMIC PARTNERSHIPS.**



# VIETNAM'S MACRO ECONOMY AND SOCIETY (continued)

business environment, simplified the troublesome procedures for enterprises and people in business sector, public administration...

Investment and business environment has improved constantly, facilitated enterprises to be more proactive in participating in the global value chains. Vietnam has established some strategic economic partnerships. The basic fundamentals of the market economy were gradually formed and recognized by many countries. So far, nearly 50 countries recognized that Vietnam's economy is a market economy, among which are some large trade partners of Vietnam. At the same time, Vietnam has established diplomatic relation and trade with more than 170 countries.

On 31/12/2015, Vietnam and the ASEAN countries formally established the ASEAN Economic Community (AEC) to build a Union

of production, trade and investment, creating a common market with population of 600 million people, total output (GDP) each year are about 2,000 billion USD, equaling the 7th economy in the world. Vietnam officially implemented national OSS and technical connectivity OSS with ASEAN, simplified the administrative procedures in the field of taxation, customs, energy approach, investment in construction, licensing, resource and environment ...

Vietnam is evaluated to be the most beneficial country in bilateral and multilateral agreements. In recent years, Vietnam signed and concluded negotiation of 04 important agreements with the biggest markets in the world. Vietnam signed 02 trade agreements including free trade agreement between Vietnam and Eurasian Economic Union (EEU), free trade agreement between Vietnam and

Korea, completed the negotiation of Trans-Pacific Partnership (TPP), free trade agreement between Vietnam and Europe.

The period of 2011 - 2015 was regarded as a significant improvement, a firm and important premise for Vietnam on the path of integration, especially in the period of a series of free trade agreements between Vietnam with USA, EU, South Korea, ASEAN economic community, or TPP...

However, economic integration not only brought opportunities but also challenges for many enterprises. The noteworthy thing was that most enterprises had not ready for integration yet. PACE business school published a surveying result in awareness of business integration. The result showed that only 1/5 the amount of surveyed enterprises were ready for the most important events of Vietnam's economy - AEC and TPP.

## Forecast the period of 2016-2020

The world economy condition by 2020 is forecasted to be edge up in all over the world - in most regions and in the largest economies. According to NCSEIF in February/2014, economic

growth rate is gradually improved over the years, forecasted that global growth rate will grow at CAGR of 4.1% in the period of 2016-2020, comparing to 3.7% of 2014-2015.

Following is the forecasted growth rate of population, GDP and CPI in Vietnam under two scenarios by NCSEIF 2020 with the average level in each period:

Year	Population (%)	Low scenario		High scenario	
		CPI (%)	GDP (%)	CPI (%)	GDP (%)
2006 - 2010	1.08	7.0	11.0	7.0	11.0
2011 - 2015	1.04	9.29	5.67	9.51	5.87
2016 - 2020	0.98	6.96	6.62	7.10	7.23

Source: 2006-2013: GSO, 2014-2020: NCSEIF, February/2014



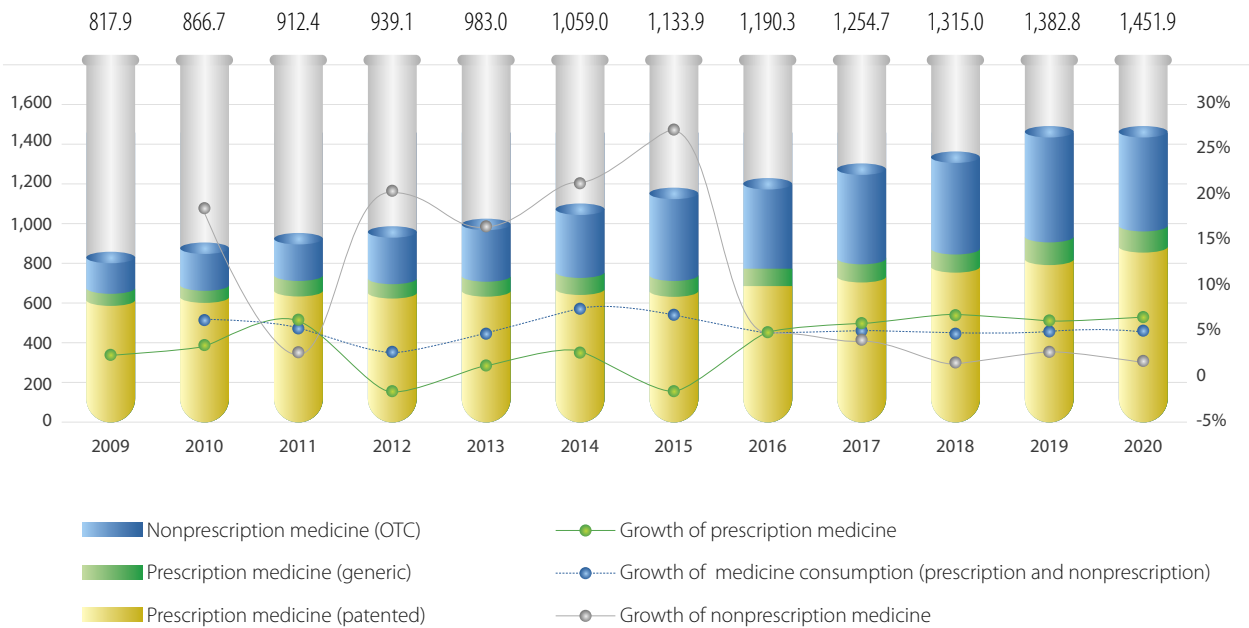
**2016 WILL BE THE START OF THE 5-YEAR ECONOMIC AND SOCIAL DEVELOPMENT PLAN 2016-2020. THE GOAL OF VIETNAM GOVERNMENT IS THAT BEYOND MACROECONOMIC STABILITY, ECONOMIC GROWTH RATE WILL REACH 6.7%, EXPORT GROWTH RATE AT 10%, TRADE DEFICIT RATE AT 5% ...**

# GLOBAL AND REGIONAL PHARMACEUTICAL INDUSTRY

**ACCORDING TO IMS HEALTH, THE PROPORTION OF OVER 65-YEAR-OLD POPULATION GROUP WILL GROW FASTEST IN THE NEXT 4 YEARS WITH AN APPROXIMATE INCREASE OF 30%. THE MAIN REASON COMES FROM THE INCREASING IN QUALITY OF MEDICAL CARE, HEALTH AWARENESS, THE POSITIVE IMPACT OF FAMILY PLANNING PROGRAMS IN DEVELOPING COUNTRIES, THE AGING POPULATION AND LOW BIRTH RATES IN DEVELOPED COUNTRIES.**

## Growth of the world's pharmaceutical industry

"According to IMS Health, the proportion of over 65-year-old population group will grow fastest in the next 4 years with an approximate increase of 30%. The main reason comes from the increasing in quality of medical care, health awareness, the positive impact of family planning programs in developing countries, the aging population and low birth rates in developed countries. The inevitable consequence of this trend is that the global pharmaceutical expenditure is predicted to continue rising in the coming 4 years, from \$ 1,096 billion in 2014 to \$ 1,355 billion in 2018, corresponding to an average increase of 5.3% per year".  
*Quoted from report on pharmaceutical industry of FPT, October/2015.*



## Growth trend of generic medicine in emerging markets

*Quoted from report on pharmaceutical industry of FPT, October/2015*

### ON A GLOBAL SCALE

Invented medicine still accounts for a large proportion in the medicine consumption structure in most countries, and to 2018 it still accounts for 52% of the global medicine consumption. However, expiring patent protection of invented medicine will create significant opportunities for generic medicine, especially in the emerging markets.

### IN DEVELOPED COUNTRIES

Strict laws on copyright protection of invented medicine, priority for people's health and the increase of aging population more seriously are three main causes which help invented medicine always overwhelming proportion compared with generics medicine. The balance of proportion tends towards group of generic medicine, but it is not really significant.

### IN THE EMERGING MARKETS

Fast growing and large population, low expenditure for medicine per capita, conscious of health protection and increasing income are major factors in this market group with the highest growth rate in the world. Different from other market groups, generic medicine always accounts formidably in these markets due to the low price and in accordance with the low consumer price level in these countries. Governments in these countries also create favorable conditions and legal policies to encourage the development of domestic pharmaceutical enterprises and minimize the impact of the regulations on copyright protection of invented medicine. Therefore, it is inevitable in the near future that group of generic medicine will gradually replaces most of invented medicine in this market group.

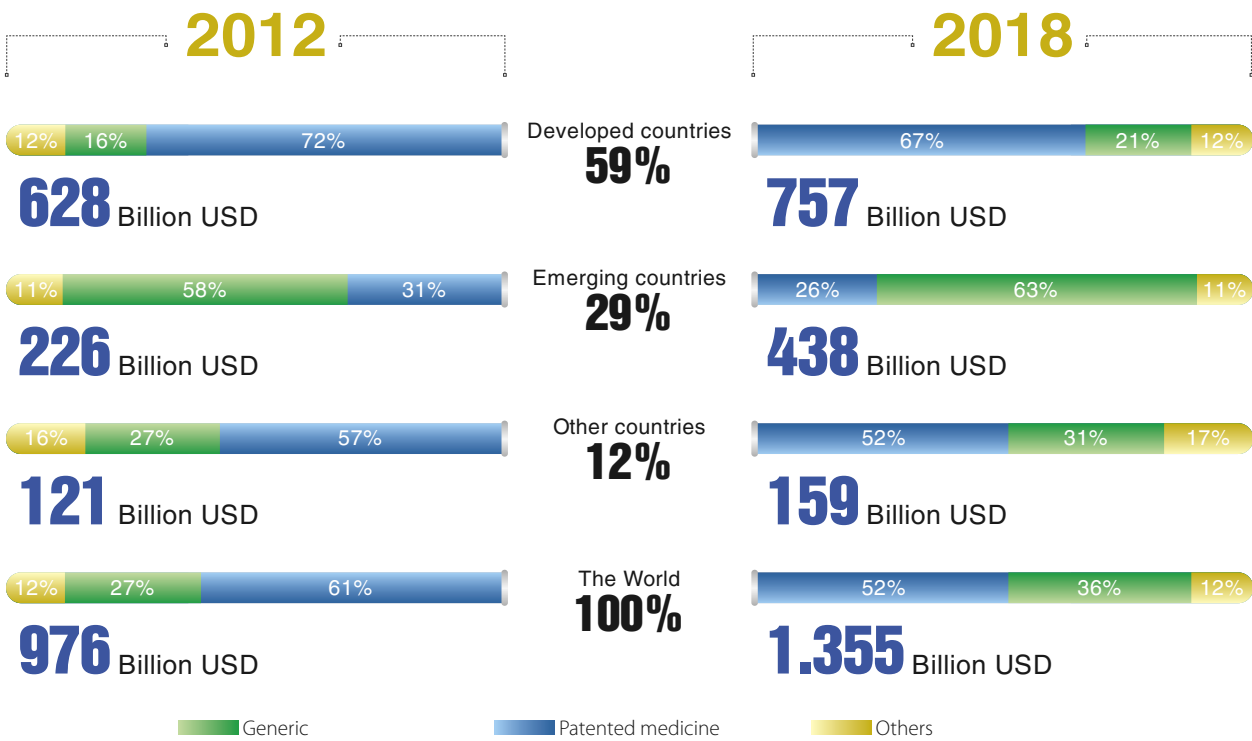


**HOWEVER, EXPIRING PATENT PROTECTION OF INVENTED MEDICINE WILL CREATE SIGNIFICANT OPPORTUNITIES FOR GENERIC MEDICINE, ESPECIALLY IN THE EMERGING MARKETS.**

GLOBAL AND REGIONAL  
PHARMACEUTICAL INDUSTRY (continued)



PROJECTION FOR MEDICINE CONSUMPTION BY MEDICINE TYPES DURING 2012 - 2018

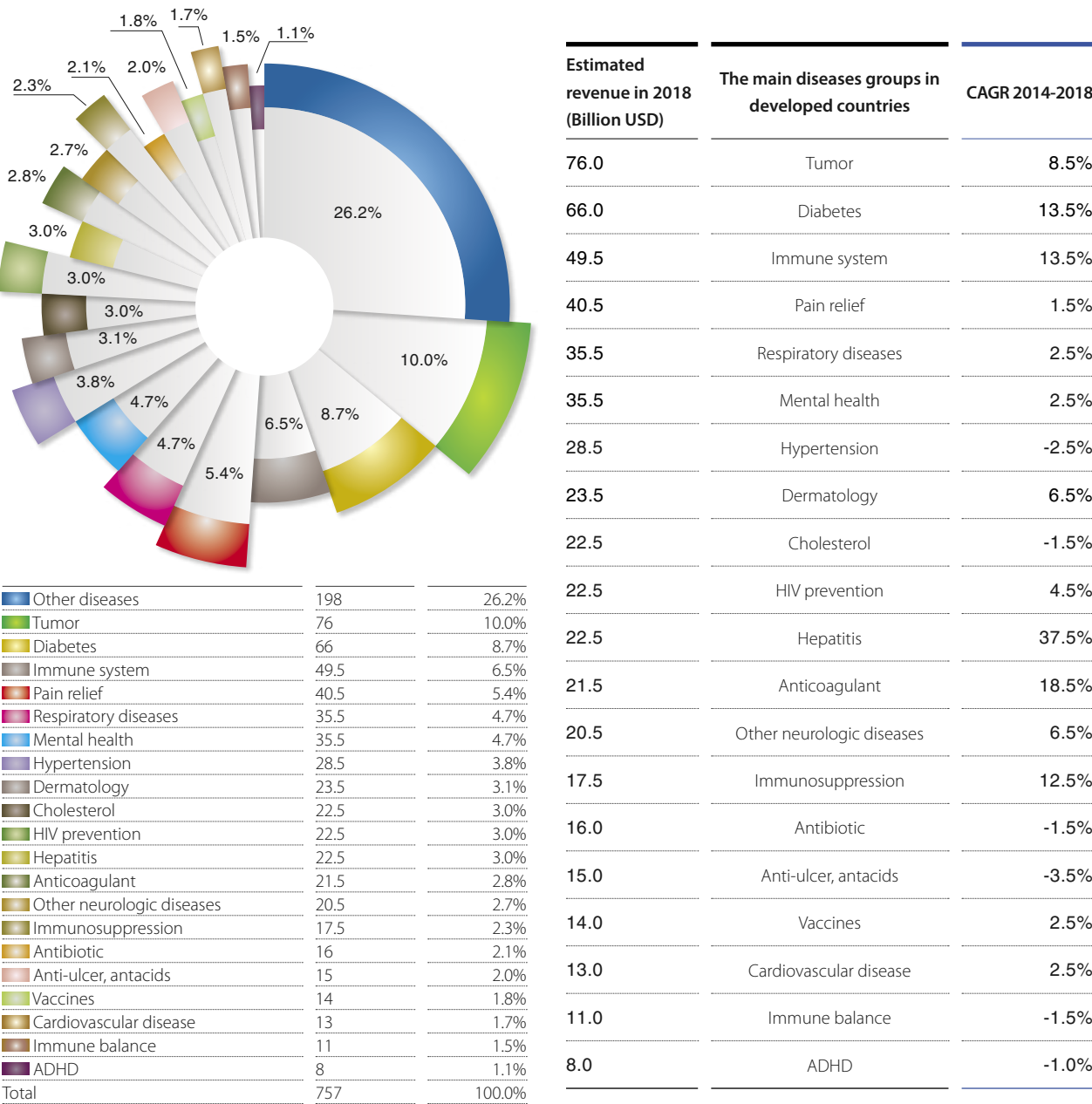


Source: IMS Health, FPTs

Expenditure structure of disease groups

The total medicine expenditure in developing countries in 2018 is estimated at over 757 billion USD, in which spending on group of 20 common diseases is up to 559 billion USD (accounting for 74% of total consumption). Group of oncology, diabetes and other diseases related to the immune system accounts for over 26% of the medicine consumption value in 2018 and grows sharply compared with the average level. Group of treatment hepatitis is expected to grow nearly 38% while consumption level in other groups of medicine such as blood pressure, hyperlipidemia, antibiotics, anti-inflammatory ... is predicted to have a slight decrease

PROJECTION FOR SPENDING BY DISEASE IN DEVELOPED COUNTRIES AT 2018:



Source: IMS Health, FPTs



GLOBAL AND REGIONAL  
PHARMACEUTICAL INDUSTRY (continued)

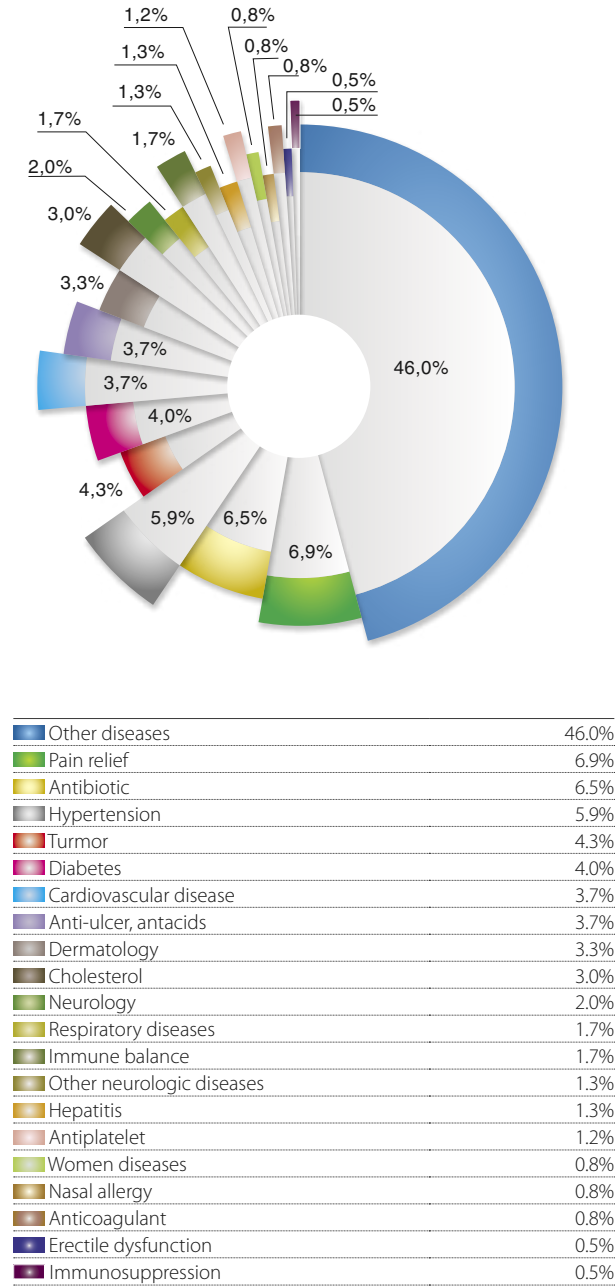
DIFFERENT FROM THE DEVELOPED COUNTRIES, THE SITUATION OF MEDICINE CONSUMPTION IN THE DEVELOPING COUNTRIES (THE GROUP OF PHARMACEUTICAL EMERGING COUNTRIES) IS RELATIVELY OPTIMISTIC.



Different from the developed countries, the situation of medicine consumption in the developing countries (the group of pharmaceutical emerging countries) is relatively optimistic because the expenditure in groups of major diseases is increasing positively. 5 main groups of medicine in this market are analgesics, antibiotics, hypertension, oncology and diabetes, accounting for nearly 30% of total consumption. Although antibiotics group accounts for a large proportion of the value (7% of total consumption), the growth rate is lowest among 20 categories of medicine which are consumed most. Remarkably, group of blood fat (cholesterol) and hepatitis is expected to increase strongly due to the increasing of obesity population and the outbreak of diseases caused by hepatitis virus because this is also the contagious disease in the community. It can have no symptoms at the early stage and later causes complications such as cirrhosis, liver cancer.”

PROJECTED PROPORTION OF SALES FROM DISEASES CATEGORIES IN DEVELOPING COUNTRIES 2018

Estimated sales in 2018 (USD bn.)	Main diseases group at developed countries	CAGR 2014-2018
31.5	Pain relief	9.5%
30.1	Antibiotic	2.5%
27.2	Hypertension	10.5%
20.1	Tumor	13.5%
18.6	Diabetes	11.5%
17.2	Cardiovascular disease	8.5%
17.2	Anti-ulcer, antacids	14.5%
15.8	Dermatology	10.5%
14.3	Cholesterol	19.5%
10.0	Neurology	8.5%
8.6	Respiratory diseases	8.5%
8.6	Immune balance	13.5%
7.2	Other neurologic diseases	9.5%
7.2	Hepatitis	21.5%
5.7	Antiplatelet	11.5%
4.3	Women diseases	6.5%
4.3	Nasal allergy	9.5%
4.3	Anticoagulant	15.5%
2.9	Erectile dysfunction	6.5%
2.9	Immunosuppression	11.5%



Ngu n: IMS Health, FPT

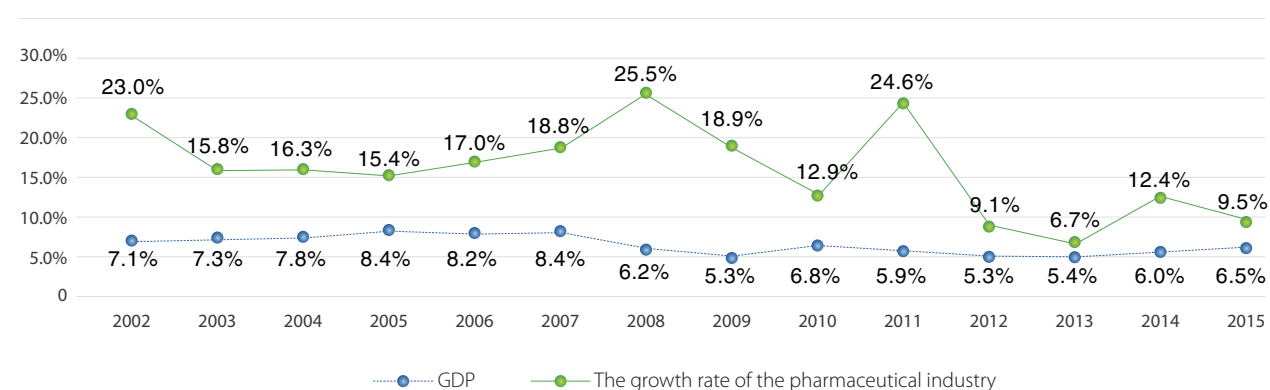
# VIETNAM PHARMACEUTICAL INDUSTRY

## GROWTH prospect of VIETNAM'S PHARMACEUTICAL INDUSTRY

Despite only accounting for 2% of GDP of the country, the pharmaceutical industry is a sector playing a strategic role on people's health, a special care of the government and relating ministries. This is also a sector with high growth rate with CAGR of 15.4%/year for 2005-2015; 9.4% for

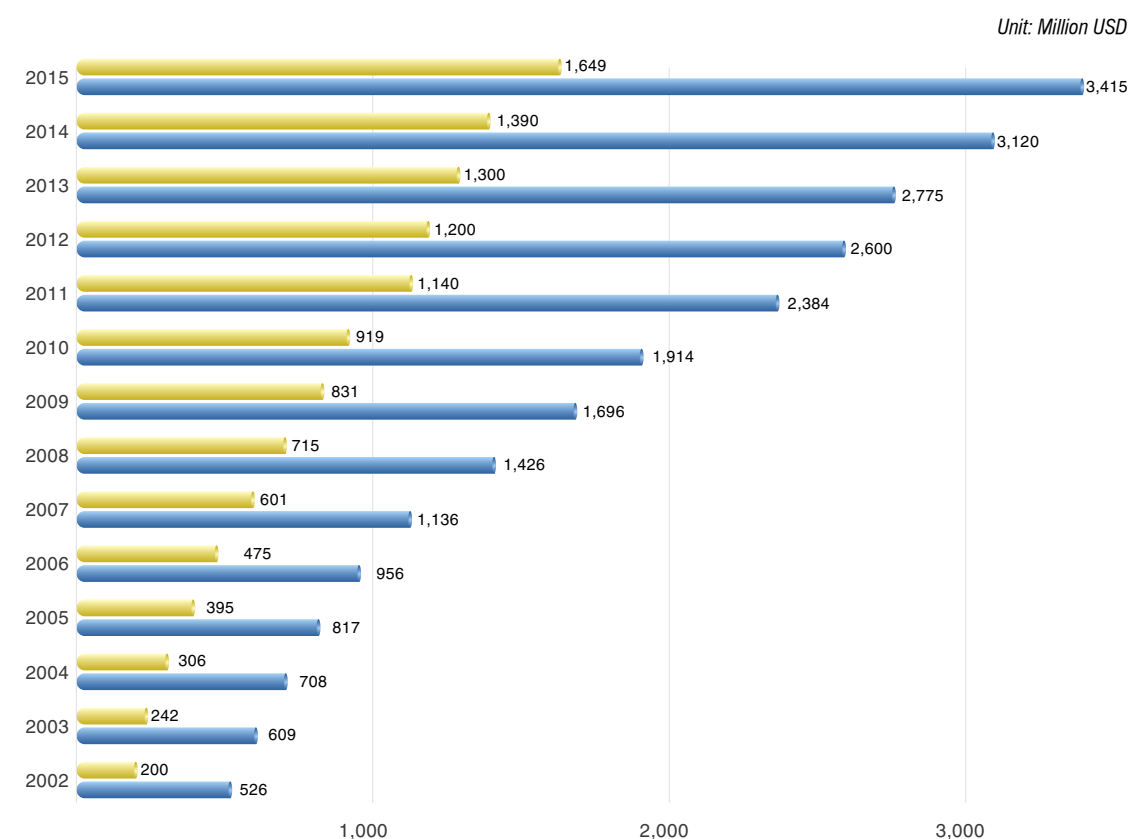
2011-2015. The growth rate may be slow in recent years due to a cycle of economic downturn. However, it is still high compared with other emerging markets and still has the huge growth potential because domestically-produced medicine only meets 48% of demand.

### COMPARISON THE GROWTH OF GDP AND PHARMACEUTICAL INDUSTRY



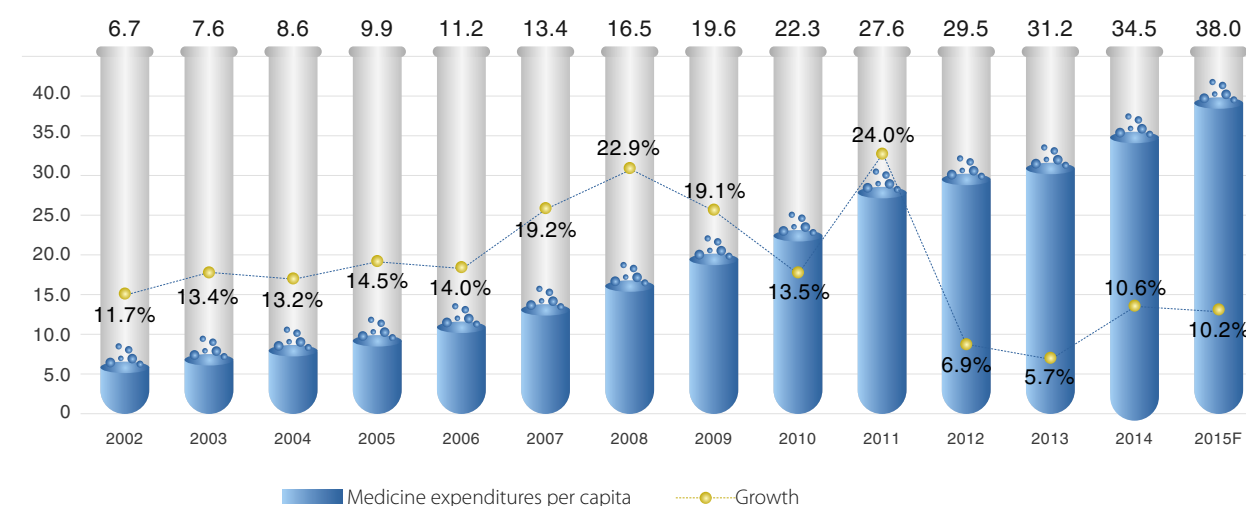
Source: Vietnam Drug Administration and the General Statistics Office

### VIETNAM'S PHARMACEUTICAL INDUSTRY SIZE AND MARKET SHARE OF DOMESTIC PRODUCED MEDICINE



The expenditure per capita on medicine in Vietnam is still very low. The large population is a positive factor for the growth of the pharmaceutical industry in the future. According to the statistics in 2014 of the Drug Administration, the expenditure per capita on medicine is about \$34.5 lower than other countries in the region such as Thailand (\$68.7), Singapore (\$148.8) ... and much lower than developed countries such as Japan (\$876), the USA (\$1,087) ....

### MEDICINE CONSUMPTION PER CAPITA AND GROWTH RATE OF 2002 – 2015



Source: Vietnam Drug Administration

## VIETNAM

## PHARMACEUTICAL INDUSTRY (continued)



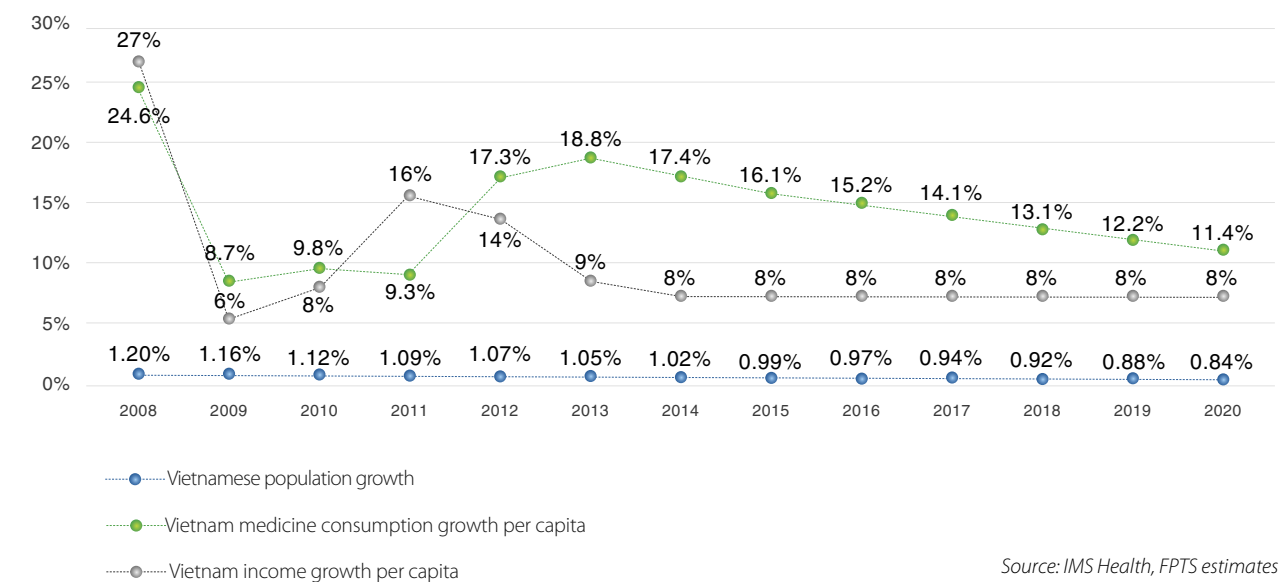
According FPTS: "compared to the average consumption in the world at 153 USD in 2014, the expenditure in Vietnam is 78% lower, so the growth potential of the pharmaceutical industry in upcoming period 2015-2020 is still big. With a growth rate of current

medicine consumption, Vietnam is still a country having a stable growth rate at the highest level in group of emerging countries (average 13.2% per year in the period 2015-2020) and will reach \$7.3 billion of total medicine consumption in 2020.

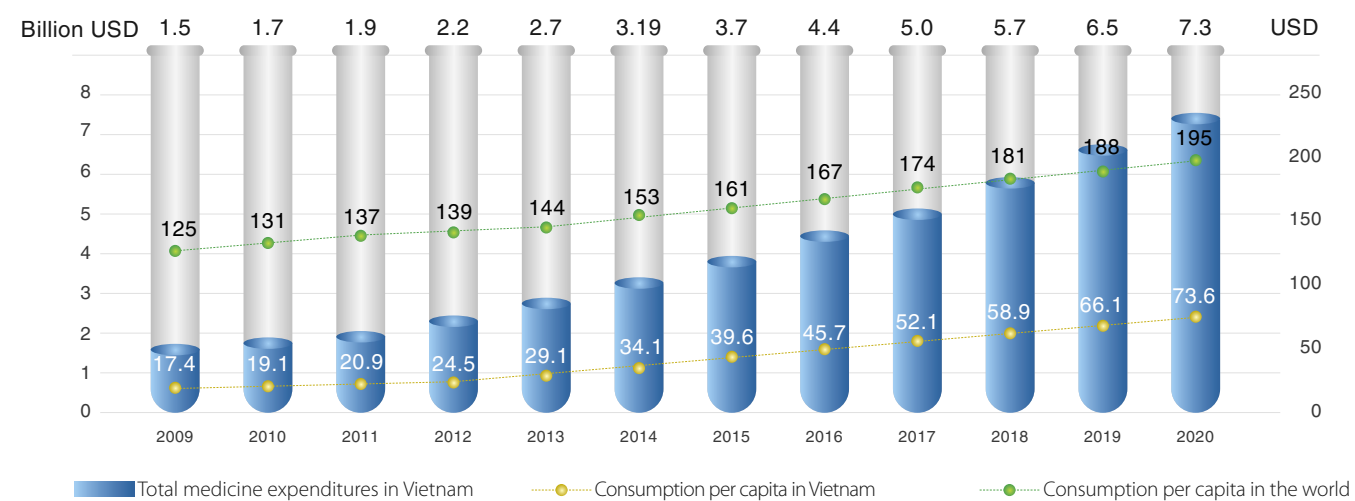
However, due to the relatively low starting point compared to average level of the world, the proportion of medicine consumption per capita of Vietnam is still difficult to catch up with the average of 195 USD/ person in the world in 2020. Estimated income per capita in Vietnam will continue growing stably at about 7.53% per year in the period 2015-2020; the growth rate of Vietnam's population is slowing down and the improving in literacy level is expected to boost expenditure of Vietnamese people for medicine and healthcare in the coming years.

Estimation of IMS and FPTS about medicine expenditure per capita in Vietnam in the period 2009-2020 and the correlation between growth of population - medicine consumption - per capita income in 2008-2020:

## RELATIONSHIP BETWEEN POPULATION GROWTH RATE - MEDICINE CONSUMPTION - INCOME FROM 2015 - 2020



## MEDICINE EXPENDITURES PER CAPITA IN VIETNAM



(\*) Consumption including the estimated devaluation of VND vs. USD of 2% per year and average Vietnamese population growth





## VIETNAM

**PHARMACEUTICAL INDUSTRY** (continued)

**ENVIRONMENTAL AND LIFESTYLE FACTORS HAVE INCREASED THE DEMAND OF USING PHARMACEUTICALS. THE INCREASE IN AIR AND WATER POLLUTION, TRAFFIC ACCIDENTS, THE SMOKING HABITS, DRINKING ALCOHOL, UNHYGIENIC FOOD AND SEDENTARY LIFESTYLE HAVE ALSO CAUSED MANY DISEASES FOR VIETNAMESE.**

**General Assessment:**

Drugs produced domestically have accounted for only 48% of total consumption amount in the whole market. Medicine expenditure of Vietnamese people has been still very low compared to the average level of the world and other countries in the region.

Vietnam is a country with a large population, expected to increase to 100 million by 2020. Vietnam's demographic is favorable for development of the Pharmaceutical

industry. Vietnam's population is growing older with over 55-year-old people accounted for 12.5% of the total population in 2010. This proportion will rapidly increase to 15% in 2015 and 18.2% in 2020 (forecasted by the United Nations). The under-4-year-old is also a group which consume a lot of pharmaceutical products and this group will remain from 7.5 to 8% of the population within the next 10 years.

Environmental and lifestyle factors have increased the demand of using pharmaceuticals. The increase in air and water pollution, traffic accidents, the smoking habits, drinking alcohol, unhygienic food and sedentary lifestyle have also caused many diseases for Vietnamese.

The above factors are growth catalysts of the pharmaceutical industry in the future.



Automatic capsule packing machine at DHG's new plant

### **THE GOVERNMENT COMMITTED TO DEVELOPING PHARMACEUTICAL INDUSTRY AND IMPROVING SOCIAL HEALTHCARE**

#### **Governmental policy for the development of pharmaceutical industry**

On January 10th 2014, the Prime Minister signed Decision No.68 / QĐ-TTg approving the National Strategy on development of the Vietnam pharmaceutical industry up to 2020, with vision toward 2030, including "Developing the pharmaceutical industry in specialization and modernization, capable to compete with countries in region and the world; developing a modern, professional and standardized system of drug distribution and supply."

#### **SPECIFIC OBJECTIVES UP TO 2020**

- » Timely supply 100% of preventive and curative drug demand.
- » Strive to produce to meet 20% of raw materials demand for domestic medicine production, drugs produced domestically account for 80% of total value of drugs consumed in year, in which drugs from herbal materials shall account for 30%; vaccines produced domestically shall meet 100% of demand for expanded vaccination and 30% of demand for service vaccination.

- » To strive to attain 40% generic drugs produced domestically and imported with registration number for circulation with bioequivalence and bioavailability.

- » 100% of medicines-trading establishments under the drug distribution system meet good practice standard, 50% of testing establishments and 100% of establishments of examining and verifying medical biological products and vaccines meet good practice standard (GPS).

- » 50% of central and provincial hospitals have clinical pharmacy divisions, 50% of district-level and private hospitals have clinical pharmacy operation.

- » Attain rate of 2.5 pharmacists per ten thousand people, in which 30% are clinical pharmacists.

#### **VISION TOWARD 2030**

Drugs produced domestically shall largely meet the usage demand, possibly producing specialized drugs; taking the initiative in production of vaccines and biological products for epidemic prevention, and able to produce raw materials. System of testing, drug distribution, clinical pharmacy, drug information shall be comparable to the advanced countries in the region.

Plan will be proceed aiming at cutting drug prices, stabilizing supply source and reducing dependence on foreign imported drugs. Incentives policies on corporate income tax, raw material import duty will continue to support the development of domestic pharmaceutical industry.

# VIETNAM

## PHARMACEUTICAL INDUSTRY (continued)

### Structure of Vietnam pharmaceutical industry

Based on data from IMS Health Q3/2015, the total size of Vietnam pharmaceutical market (cumulation of 3 quarters/2015) was 58,615 billion VND, increasing +12% y.o.y. In which:

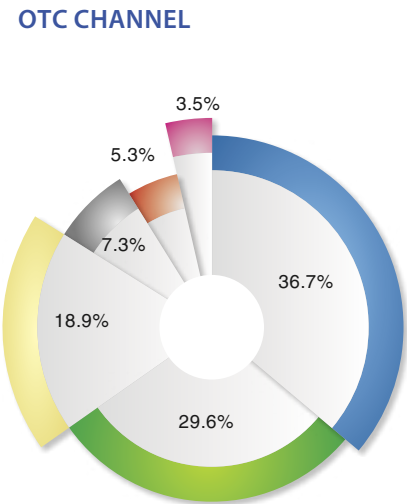
- » Pharmacy channel achieved 19,066 billion VND (accounted for 32.5%), Hospital channel:

39,549 billion VND (accounted for 67%).

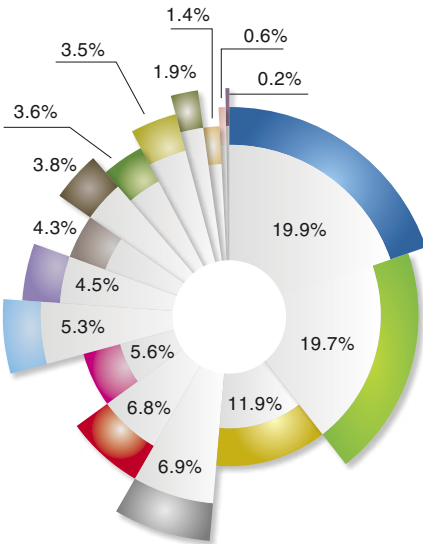
- » In term of value, imported drugs accounted for 67%, domestic drugs achieved 33%. In term of volume, imported drugs accounted for 32%, domestic drugs: 68%.

- » Ho Chi Minh City and Hanoi accounted for 47.2% in sales of pharmacy channel and 56.2% in sales of hospital channel.
- » Based on therapeutic use, 03 groups accounted for 51.5% including: cardiovascular (11.9%), injections (19.9%), nutrition - metabolism (19.7%).

#### OTC CHANNEL

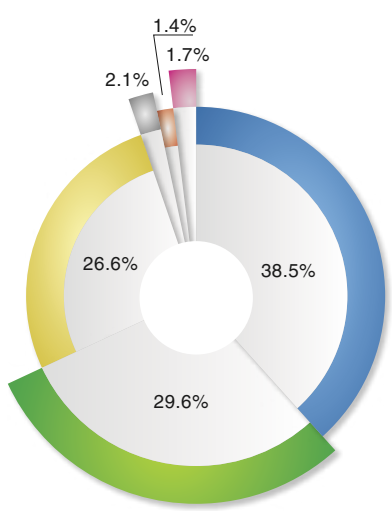


OTHER (G: 5%; E: 104)	36.7%
HO CHI MINH CITY (G: -2%; E: 97)	29.6%
HANOI (G: -1%; E: 98)	18.9%
CAN THO (G: 11%; E: 110)	7.3%
DA NANG (G: 3%; E: 102)	5.3%
HAI PHONG (G: -20%; E: 79)	3.5%



J-SYSTEM ANTIINFECTIVES (G: 8%; E: 97)	19.9%
A-ALIMENTARY T. & METABOLISM (G: 13%; E: 101)	19.7%
C-CARDIOVASCULAR SYSTEM (G: 19%; E: 106)	11.9%
N-NERVOUS SYSTEM (G: 17%; E: 104)	6.9%
L-ANTINEOPLAST+IMMUNOMODUL (G: 10%; E: 104)	6.8%
R-RESPIRATORY SYSTEM (G: 6%; E: 95)	5.6%
M-MUSCULOSKELETAL SYSTEM (G: 13%; E: 101)	5.3%
K-HOSPITAL SOLUTIONS (G: 12%; E: 100)	4.5%
V-VARIOUS (G: 16%; E: 103)	4.3%
G-G.U.SYSTEM & SEX HORMONES (G: 12%; E: 100)	3.8%
B-BLOOD+B-FORMING ORGANS (G: 18%; E: 105)	3.6%
D-DERMATOLOGICALS (G: 11%; E: 99)	3.5%
S-SENSORY ORGANS (G: -1%; E: 88)	1.9%
H-SYSTEMIC HORMONES (G: 9%; E: 97)	1.4%
T-DIAGNOSTIC AGENTS (G: 8%; E: 9)	0.6%
P-PARASITOLOGY (G: 15%; E: 103)	0.2%

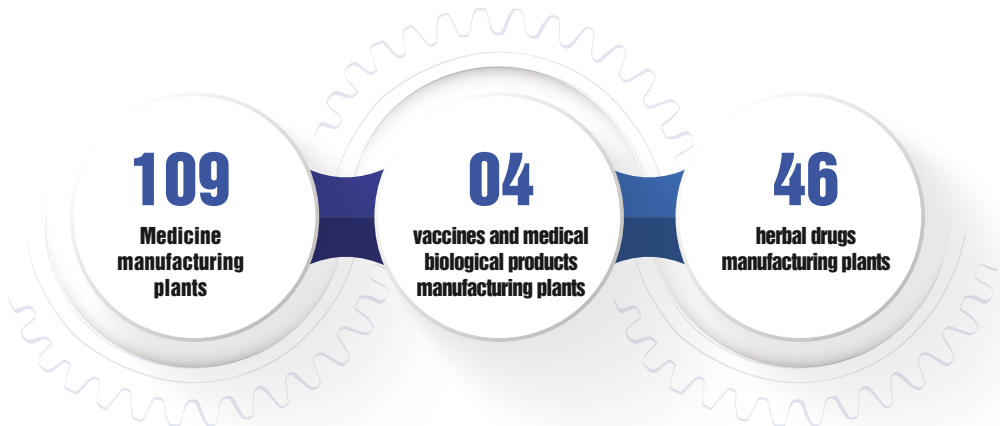
#### HOSPITAL CHANNEL



OTHER (G: 8%; E: 91)	38.5%
HO CHI MINH CITY (G: 9%; E: 92)	29.6%
HANOI (G: 57%; E: 133)	26.6%
CAN THO (G: 3%; E: 87)	2.1%
DA NANG (G: 18%; E: 100)	1.4%
HAI PHONG (G: 19%; E: 101)	1.7%

### Pharmaceutical manufacturing plants

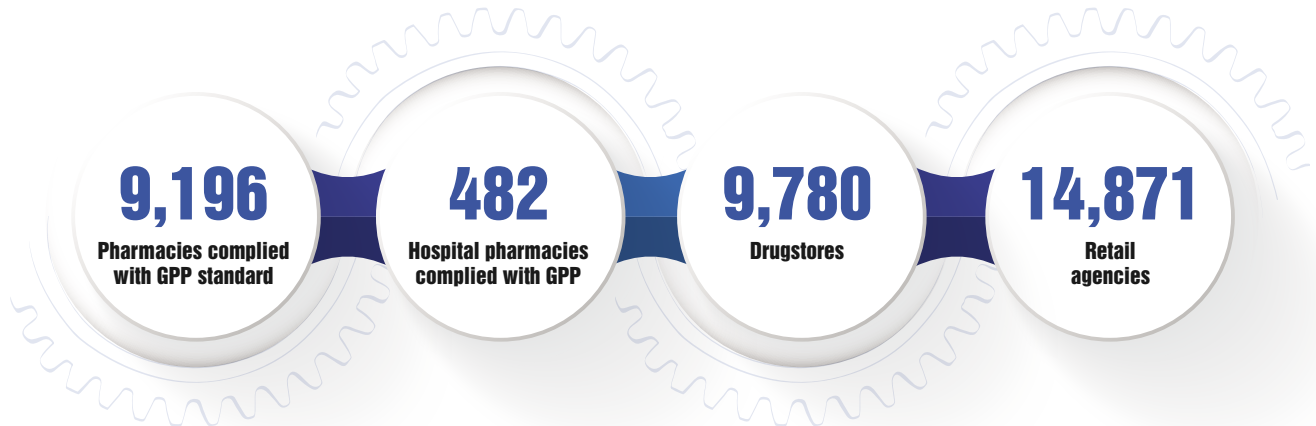
Up to 12/2015, there were 146 companies owning 159 manufacturing plants complied with GMP standard. In which:



### Distribution system

Currently, distribution system of pharmaceutical industry in Vietnam has been complicated because there are many participants including 174 import and export companies and 1,700 warehouses complied with GDP. Hospitals, agencies, pharmacies, clinics also participate in the above distribution system etc.

According to data from the Drug Administration of Vietnam, as of 12/2015, there were 42,196 retail outlet nationwide, serving more than 90 million people, on average 2,200 people / 01 outlet:



### Raw materials of pharmaceutical manufacturing

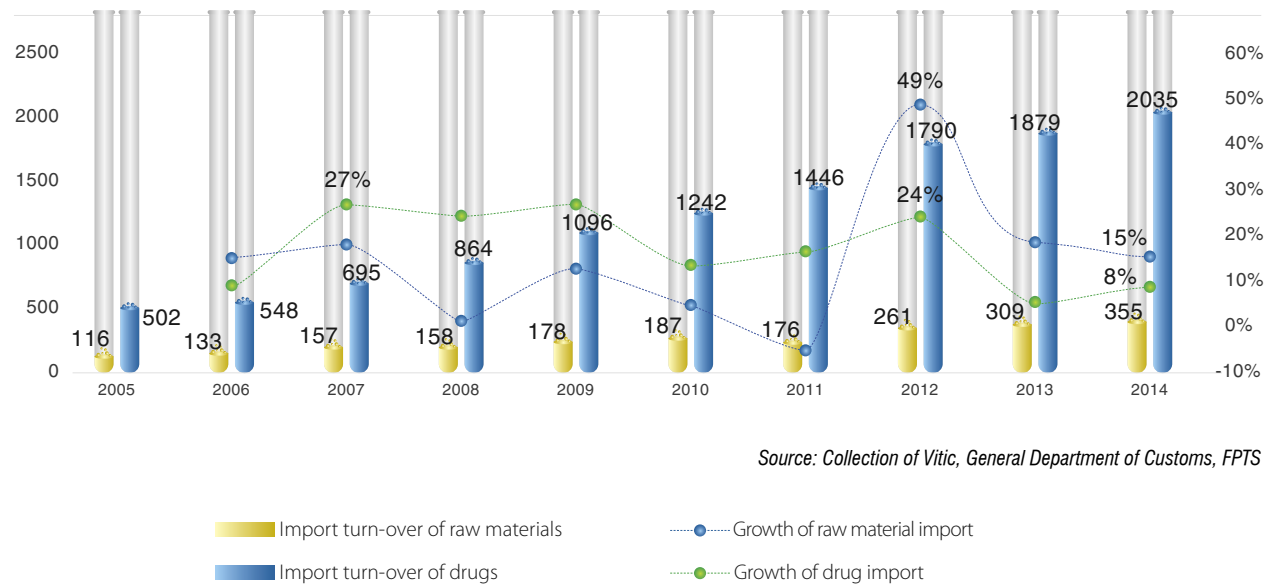
Vietnam pharmaceutical industry still relies at a fairly high volume of imported raw materials. According to FPTs, "In recent 10 years, import turnover of the finished drugs in Vietnam has continued to increase through the years with an average increase of 16.8% per year (reaching over 2 billion USD in 2014) and always achieved a large proportion (about 85% on average) of the total import turnover of drugs - pharmaceutical raw materials. Meanwhile, although the import turnover of pharmaceutical raw materials to produce domestic drugs has increased with the average growth rate of 13.2% per year, the proportion has been quite small (only over 15%). This shows that the scale of the domestically pharmaceutical industry is still modest and can not gradually replace the leading role of imported drugs, in the context that the pharmaceutical expenditure of Vietnamese people has gradually grown over the years."



## VIETNAM

## PHARMACEUTICAL INDUSTRY (continued)

## STATISTICS OF IMPORT TURN-OVER OF PHARMACEUTICAL RAW MATERIALS AND THE FINISHED PRODUCTS YEAR BY YEAR



## Current status of drug registration and substandard drugs

At 12/2015, total of 21,044 drugs had valid registration numbers in the Vietnam market. Specifically, domestic drugs: 11,566 registration numbers, foreign drugs: 9,478

registration numbers. Drugs with multiple registration numbers were antibiotics, antipyretic, analgesic, NSAID anti-inflammatory, vitamins, supplements.

In total of 35,000 statistical samples, the proportion of substandard drugs tended to decrease from 2.7% in 2011 to around 2.3% in 2015. In 2015, 02 counterfeit drugs were discovered.

## The competitive landscape of the Vietnam pharmaceutical industry

» The Vietnam pharmaceutical industry has been evaluated to be quite dispersed and highly competitive. Domestic pharmaceutical companies have competed with each other mainly in the production of generics. Barriers to entry have been quite high due to requiring large capital and standards of industry and the Government. With the trend of investment in expanding the manufacturing plant in recent years, that domestic companies increasing capacity have made domestic

drugs production more and more fiercely competitive.

» Cheap drugs from neighboring countries such as China, India, Pakistan and Bangladesh being appropriate for foreign mentality of consumers have shared a significant market share. The influence of circulars, pharmaceutical regulations have also affected the company revenue, especially circular No.01 regarding ethical bid and the loss of registration numbers of some products with high revenue.

» The domestic pharmaceutical companies are gradually focusing on manufacturing high-grade drugs. Currently, foreign pharmaceutical companies have dominated the market in the segment of original proprietary drugs which are copyrighted and have high value. However, in the forth coming time, a lot of patent protection will be expired and this will be an opportunity for domestic pharmaceutical companies.

## Impact of the legal regulations on Vietnam pharmaceutical industry

(According to FPTs's Report of Pharmaceutical Industry in October/2015)

- |  |  |
|--|--|
| 1. Law on Pharmacy No. 34/2005/QH11  | 8. Circular No. 05/2014/TT-BYT   |
| 2. Decision No. 10/2007/QĐ-BTM and Circular No. 34/2013/TT-BTC             | 9. Law No. 71/2014/QH13  |
| 3. Decision No. 12/2007/QĐ-BYT   | 10. Decree No. 181/2013/NĐ-CP  |
| 4. Joint Circular No. 36/2013/TTLT-BYT-BTC and Circular No. 37/2013/TT-BYT | 11. Circular No. 45/2013/TT-BYT  |
| 5. Circular No. 40/2014/TT-BYT   | 12. Circular No. 44/2014/TT-BYT  |
| 6. Law No. 43/2013/QH13 of the National Assembly                           | 13. Circular No. 05/2015/TT-BYT  |
| 7. Circular No. 23/2013/TT-BYT   | 14. Amended Enterprise Law 2014  |
|  | 15. Provisions of the TPP Agreement relating to the pharmaceutical industry of Vietnam |





## S.W.O.T ANALYSIS OF DHG

### STRENGTHS

- 1 The distribution system is the deepest and most extensive in Vietnam compared to the domestic and foreign competitors; therefore, DHG can actively generate high revenue from in-house products and exclusive products.
- 2 Biggest plant capacity in Vietnam (7.5 billion product units/year). In addition to in-house production, volume growth from existing markets; the company can accept temporary processing order, export-orienting and centralized bidding.
- 3 Leading position in market share, reputation, and brand position in Vietnam pharmaceutical industry: 20 consecutive years leading in sales, market share, and production capacity.
- 4 Strong financial resource, effective operation (cash-rich, 15 years tax incentive for new plant, high profitability ratios) enables the Company to implement modern strategies to attract skillful personnel, R&D investment, capital raising, M&A and Joint-Venture
- 5 DHG has grown and trained passionate and enthusiastic staff: they are confident, loyal, and represent DHG's cultural identity; thus it creates confidence for customers, consumers, partners, and investors with the image of a reputable and friendly Company.
- 6 Social activities: DHG is well-known as a company having many social activities to give back to the community.

### WEAKNESS

- 1 The application of new technology in R&D is a major strategic initiative but have yet to prove effective. The progress of releasing new products each year is still slow. There are still few external activities.
- 2 Investment has been slow and often delayed, especially large projects under approval of the Board of Management.
- 3 Slow to react proactively to the provisions of law (Circular 01, Circular 200, Regulations on medicine registration), affecting business results and company strategies.
- 4 Has yet to release financial statements, report of B.O.M using BFO software, thus no multidimensional analysis data was available to assist the financial advisory for the decision-making of internal management, market operating, and manufacturing.
- 5 The logistic initiative has not been established, thus internal resources and costs have not been optimized to carry out the best business performance possible.
- 6 The regulation system of the Company is still insufficient, and there are still many keys initiatives which need to be reviewed to achieve high operation efficiency and inline with the development plan of the Company.

### OPPORTUNITY

- 1 Opportunity for R & D from collaborative relationships, joint ventures, technology transfer, purchasing scientific projects, hiring researches.
- 2 State policies and new pharmaceutical regulation create opportunities for enterprises to be in control of production and business operation.
- 3 Thanks to economic integration, many international pharmaceutical groups are entering the Vietnam market; this facilitates the learning and experiences growth in science and technology for DHG Pharma personnel, creates the opportunity for them to interact with modern equipment and machinery.
- 4 Market size is expanding more and more due to the overall increase in health expenditure, population and per capita income.
- 5 DHG has advantages when participating in the centralized bidding (based on production capacity, product quality, supplying and distribution chain, financial capacity...)
- 6 The strengths of DHG create advantages for DHG to attract investment, opportunity for joint venture, association, M & A, exclusive distribution, technology transfer from large corporations in the world, qualified suppliers selection, and price competition.

### CHALLENGES

- 1 The economy of Vietnam is integrating deeply and widely. The open trade policy with other countries, fragmentation growth of market, psychology of preferring imported goods, cheap medicines with poor quality flocking into Vietnam market create an extremely fierce competition environment in the healthcare market.
- 2 The main raw materials for production of DHG and other enterprises in the sector is mainly imported (80-90%); hence, it is influenced by factors such as exchange rates, raw material price fluctuations, import tax policy,...
- 3 The monetary policy of exchange rate in the macro-economic with export priority affects unfavorably to enterprises having large importing proportion (materials, equipment and technology).
- 4 Medicine price is controlled by the Government while input costs are increasing. Besides, the increase of medicine price is influenced by competitive factors and other means of mass media.
- 5 The growth rate in the last 10 years of DHG significantly outperformed peers. Expectation of investors regarding growth rate, dividend rate, ROS, ROE... are always high, exerting pressure to the Board of Management and Board of Directors. It also affects to the long-term sustainable development strategy of the Company.
- 6 Change of policies and regulations related to the industry affect the business bottom line of the Company (Circular 01, Circular 200, the regulation for approving product registration number, regulations on advertising,...).

# POSITIONING STATEMENT

## DHG'S IMAGE TO YEAR OF 2020

DHG WILL BECOME  
A SYMBOL OF  
**HUMAN CULTURE**  
IN CONTRIBUTION TO SOCIETY,  
ENHANCING LIFE QUALITY.

IN THE TOP  
**10** LEADING  
PHARMACEUTICAL  
COMPANY IN  
SOUTHEAST ASIA



SALES REACHING  
**300**  
USD  
MILLION IN 2020

DHG WILL REMAIN THE  
**LEADING**  
DOMESTIC COMPANY OF THE  
PHARMACEUTICAL INDUSTRY  
IN VIETNAM

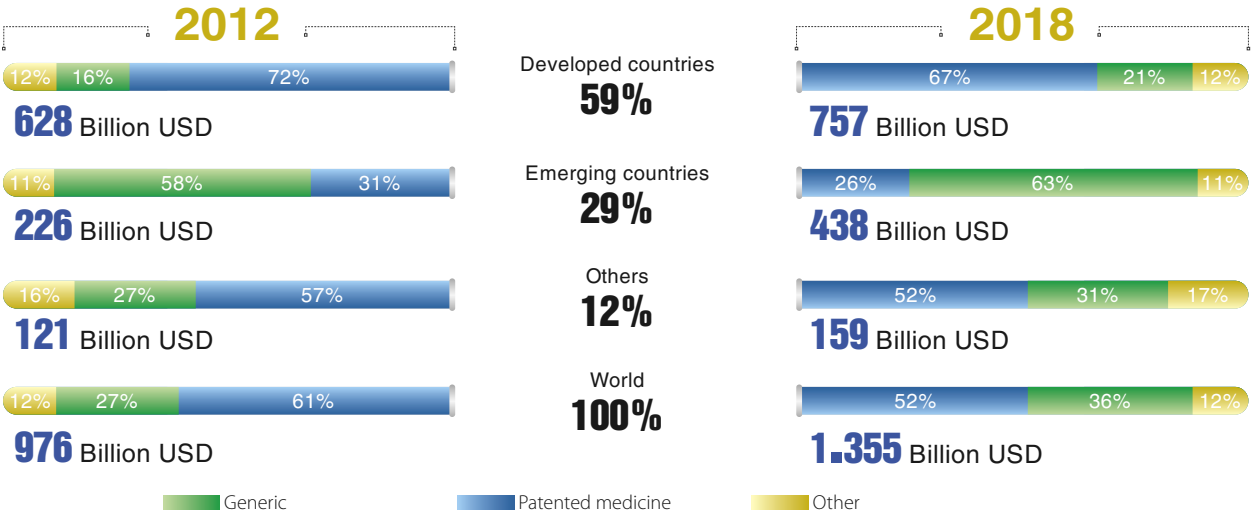
# BASIS FOR

## THE POSITIONING STATEMENT

### Growth potential of generics in emerging market

Generics in the emerging countries holds a high proportion and their proportion increased from 58% (2012) to 63% (2018). This is a potential market for pharmaceutical companies producing generics. Up to 2018, proportion of patent drug will be decreased, generics will grow fast but will only account for 36% because of its low value.

PROJECTED PROPORTION OF MEDICINE CONSUMPTION BY CATEGORIES 2012-2018



Source: IMS Health, FPTIS

### DHG's position compared with peers in Southeast Asia

According to Bloomberg, in 2014, in Top 10 listed pharmaceutical companies in Southeast Asia, DHG ranked 6th in market capitalization, 7th in sales and 5th in profit after tax.

TOP 10 PHARMACEUTICAL COMPANIES LISTED IN SOUTHEAST ASIA WITH THE LARGEST MARKET CAPITALIZATION, SALES, AND PROFIT IN 2014

Dvt: triệu USD					
NO.	Name of company	Market capitalization	Name of company	Sales	Profit
1	Kalbe - Indonesia	6,912	Kalbe - Indonesia	1,465	174.2
2	Haw - Singapore	1,408	Pharmaniaga-Malaysia	649	93.8
3	Tempo- Indonesia	1,039	Tempo - Indonesia	634	48.9
4	Kimia - Indonesia	656	Kimia - Indonesia	381	28.7
5	Mega - Thailand	437	EU Yan Sang Intl -singapore	268	25.2
6	DHG - Vietnam	391	Mega - Thailand	238	19.8
7	Pharmaniaga -Malaysia	339	DHG - Vietnam	185	16.9
8	Merck - Indonesia	289	Apex - Malaysia	153	12.7
9	EU Yan Sang Intl - Singapore	248	Haw - Singapore	122	10.4
10	Darya Varia Labo - Indonesia	153	Indofarma - Indonesia	117	6.8

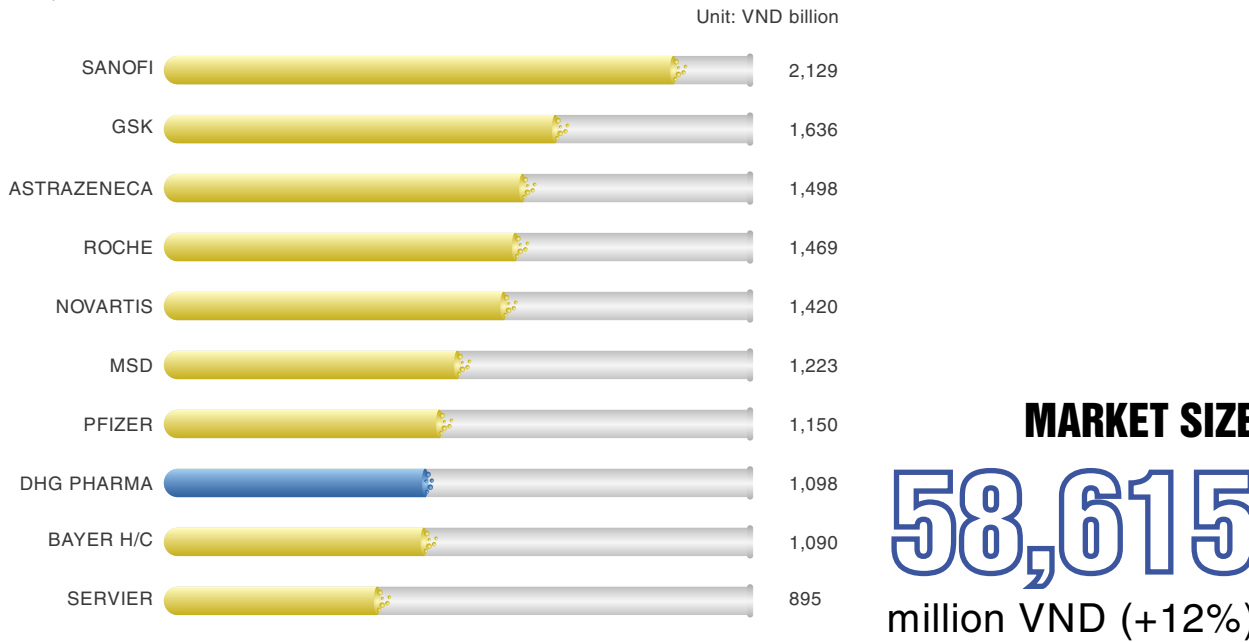
Source: Bloomberg, calculated by DHG

# BASIC FOR THE POSITIONING STATEMENT (continued)

## DHG's position compared with peers in the Vietnam pharmaceutical industry

(ranked by IMS Q3/2015)

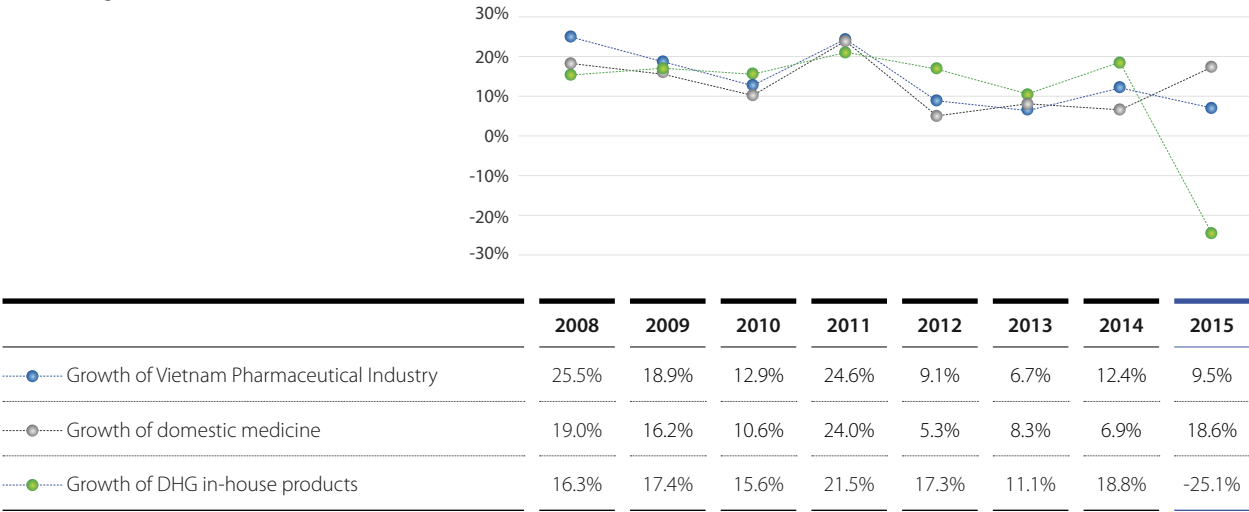
DHG Pharma is the only Vietnam pharmaceutical company in the top 10 the Vietnam leading pharmaceutical companies.



Source: IMS Health Q3/2015

## DHG's growth compared to the Vietnam pharmaceutical industry

(according to DAV data)



Source: Vietnam Drug Administration and DHG Pharma

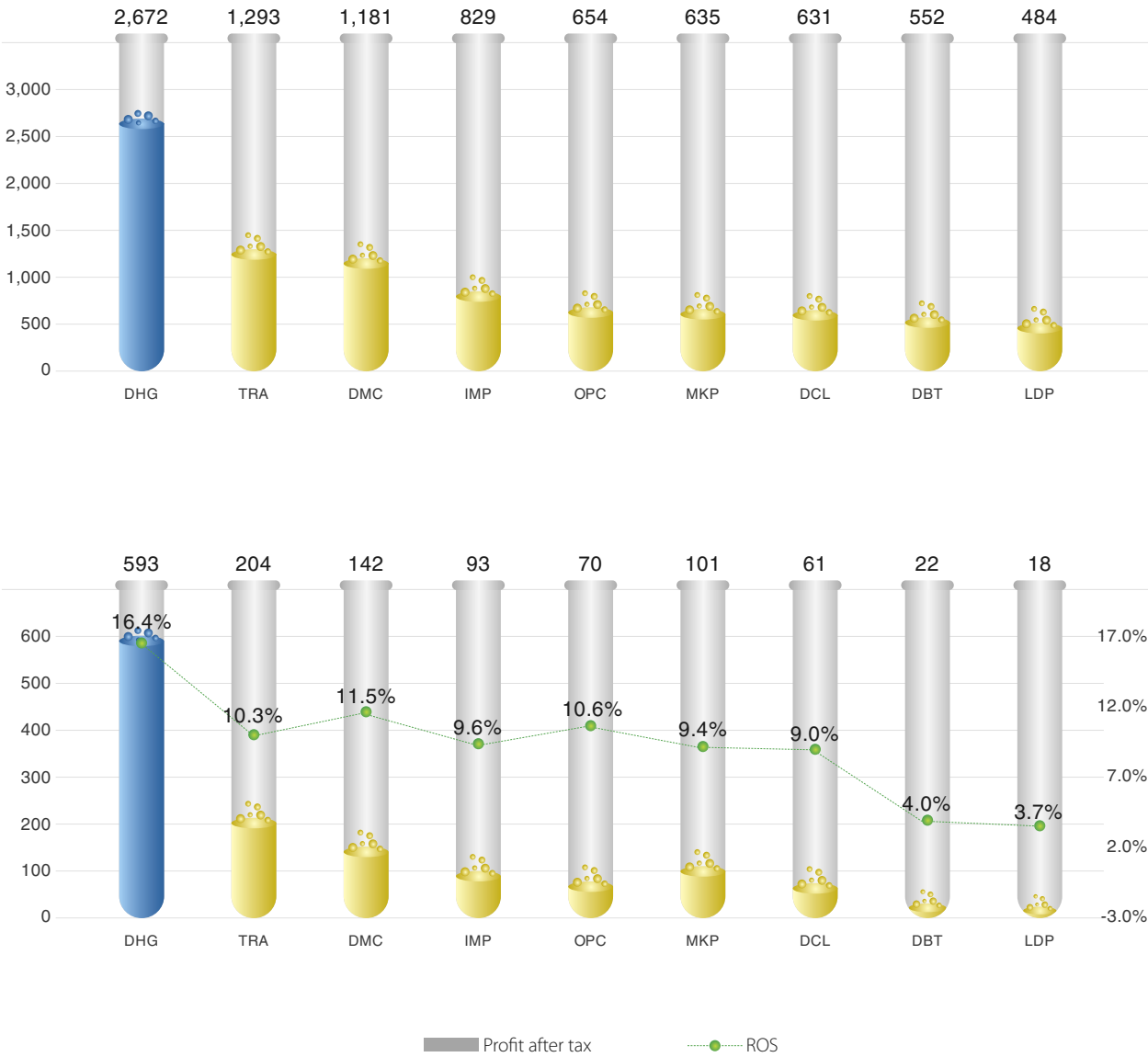
DHG's revenue growth rate is higher than that of the pharmaceutical industry in general and the domestic pharmaceutical companies. However in 2015, DHG's growth declined as explained in the Report of the Board of Directors.

## DHG position compared with the domestic pharmaceutical companies

(According to the Financial Statement 2015 of the compared companies)

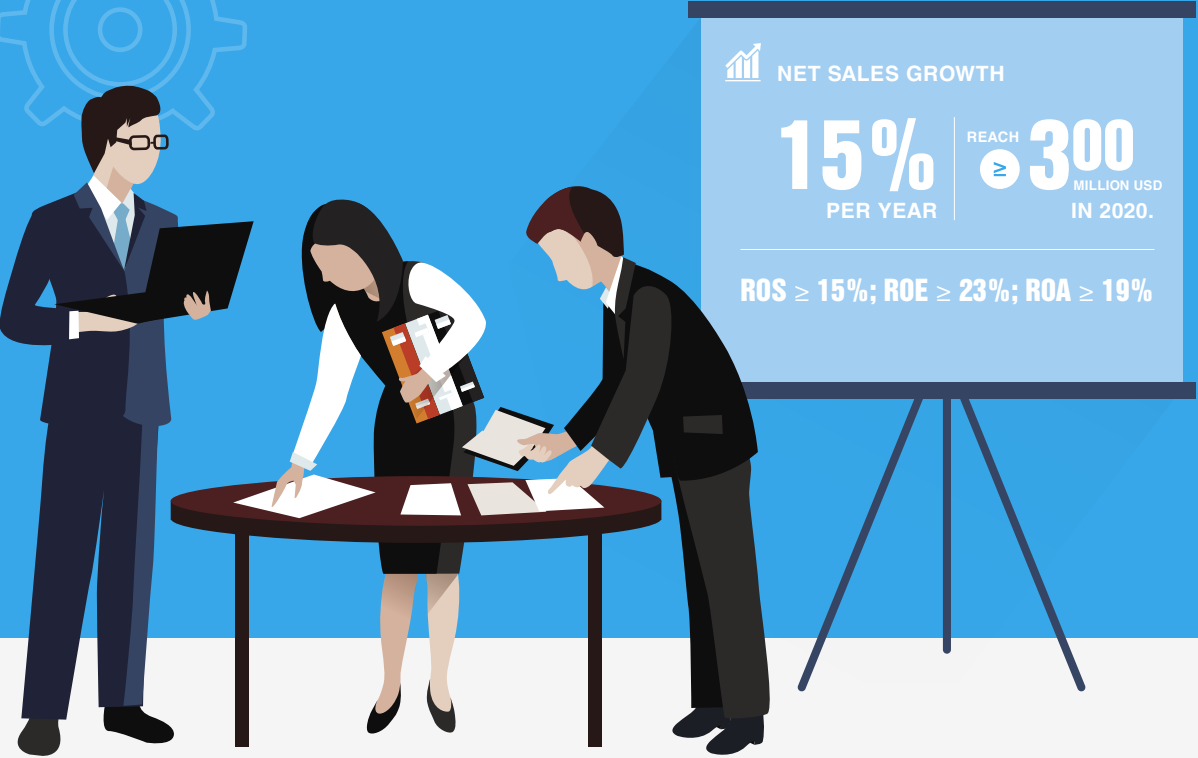
DHG's in-house products sales is the industry leader for 20 consecutive years and DHG's profit is always much higher than that of domestic competitors, specifically two times the profit of the closest peer, six to seven times that of the 3rd position company.

COMPARISON CHART OF PRODUCTION SALES AND PROFITABILITY, ROS OF DHG COMPARED WITH DOMESTIC PHARMACEUTICAL COMPANIES



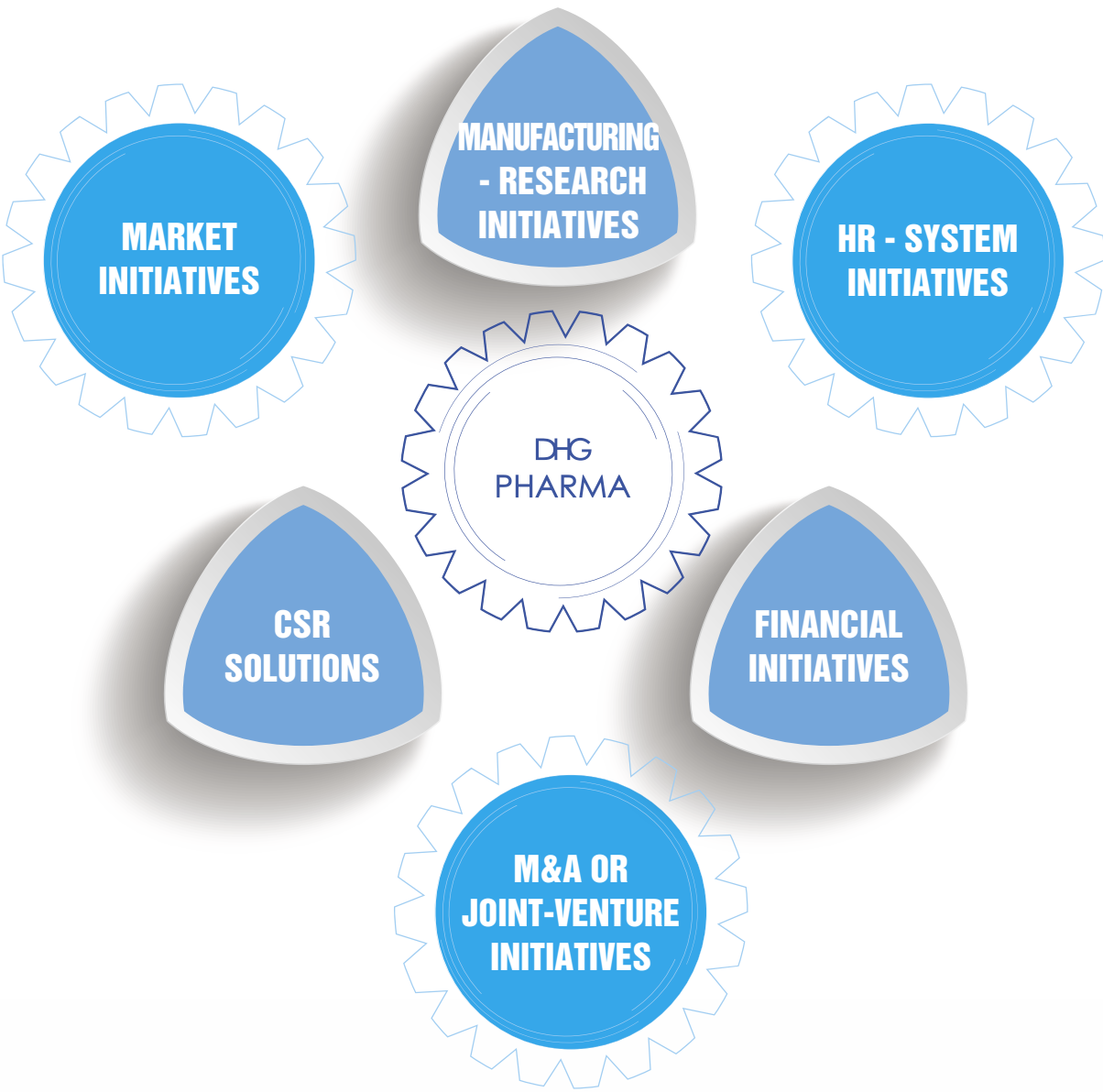
Source: 2015 audited consolidated financial reports of listed pharmaceutical companies





STRATEGIC GOALS 2016 - 2020

- 1 Net sales Growth  $\geq 15\%$  per year, reach  $\geq$  USD 300 million in 2020.
- 2 Remains a pharmaceutical company with the most extensive and diversified distribution channel.
- 3 The largest generic drugs manufacturer in Vietnam, account to 10% market share of domestically produced drugs.
- 4 Develop biotechnology products derived from natural raw ingredients (especially herbal source from Vietnam) with scientific evidence or documents recognized by the Ministry of Health, providing high scientific technology content.
- 5 Maintain and improve the efficiency ratios: ROS  $\geq 15\%$ ; ROE  $\geq 23\%$ ; ROA  $\geq 19\%$ .
- 6 M&A or joint venture, co-operation to add value.
- 7 Follow good Corporate social responsibility (CSR) and optimize the benefits of all stakeholders.



## STRATEGIC INITIATIVES 2016 - 2020 (continued)



### MARKET INITIATIVES

#### SELLING ACTIVITIES

- » Implement KPI for each salesperson with four key elements:
  - › Detailed, specific sales target to each salesperson
  - › Coverage (increasing the quality of coverage: routine)
  - › Coverage of strategic products
  - › Output of strategic products
- » Policy of transparent and appropriate salaries, bonuses that create enough incentives
- » Assign/ manage sales target each quarter/month

#### MARKETING ACTIVITIES

- » At least one brand with sales reaches VND 1.000 billion and five brands with sales  $\geq$  VND 100 billion.
- » Focus funding on media for major brands: Hapacol, NattoEnzym, Naturenz. Enhance approach to consumers.
- » Strategic managing product under 04 criteria and direct orientation for each group
  - › High output - High profit
  - › High output - Low profit
  - › Low output - High profit
  - › Low output - Low profit
- » Establishing a Fund for Public Health, investing and implementing ad campaigns for DHG brand



### MANUFACTURING - RESEARCH INITIATIVES

- » Standardization of effervescent powder line and effervescent tablet line achieves PIC/S by the end of 2018.
- » Deploy manufacturing of products with new ingredients or new dosage forms: at least 5 products/year
- » Research and register off-patent products: at least 5 products/year.
- » Develop at least 5 new products from application of biotechnology for differentiation in the FS and cosmetics group.
- » Use more natural ingredients within Vietnam (gradually decrease the dependence on imported raw materials), at least 10% to manage materials and exchange rates proactively.
- » Strategic cooperation with one leading specialized research unit in Vietnam
- » Finding initiatives to connect with overseas research.
- » Increase output of products with registration numbers assigned to the new plant to optimize capacity
- » Increase capacity utilization for both plants through production planning and processing contracts. Implement "production optimization" project per consultants' advise.
- » Increase automation of packaging line.



## STRATEGIC INITIATIVES 2016 - 2020 (continued)



### HR - SYSTEM INITIATIVES



- » Develop a plan for future DHG leaders from 2016-2020 and recruit additionally missing positions as required by framework of organization.
- » Operate effectively the system of decentralization, assignment of responsibilities and assessment of KPI effectiveness. Finalize and promulgate procedures and regulations to ensure operation in 2016.
- » Maintain and improve the quality of healthcare and lifestyle activities for employees.
- » Provide training at home and abroad to improve professional skills to meet the needs of development.



### M&A OR JOINT-VENTURE INITIATIVES



- » M&A: holdings of 35% or more. Scope: input suppliers, those with product advantages, and pharmaceutical distribution system.
- » Joint ventures, co-production, exclusive product distributorship, transfer and receipt of technology (Project of Fuji Medic joint-venture establishment in the field of healthcare that is expected to operate in the beginning of 2017).



### FINANCIAL INITIATIVES



- » Prepare financial statements, consolidated report using BFO software
- » Operate and systematize a management accounting system as modeled by consultants and implement corporate governance using BFO.
- » Manage the budget effectively according to the new method. Clearly define cost centers and monitor profit centers as a basis to better evaluate the effectiveness of work.
- » Improve the function of capital and investment management and act as a financial advisor for analysis of efficiency of operation, products, and units.
- » Using existing relationships with investors to be introduced with potential strategic partners.
- » Achieve Best Annual Report and other titles.



### CSR SOLUTIONS



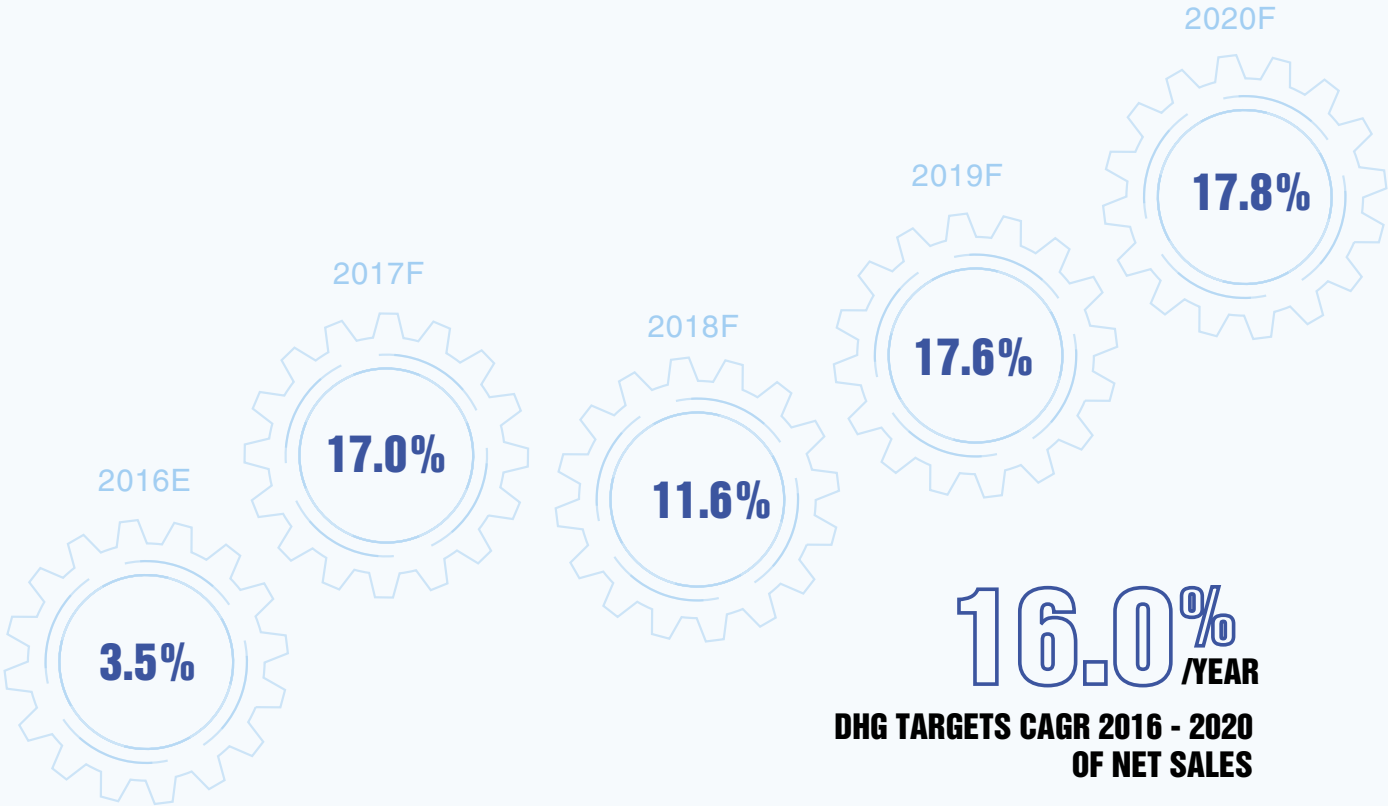
"Compassionate heart" formed by 1500 employees of DHG Pharma in DHG's 37<sup>th</sup> birthday

- » Implementing ISO 14000 at the new plant.
- » Branding DHG Pharma to become a humane symbol through CSR projects.
- » Lives of employees and their families are above the average level compared to that of employees with the same industry, area, and social status.



BUSINESS  
PLAN 2016 - 2020

Target	Cal. unit	2016E	2017F	2018F	2019F	2020F	CAGR 2016 - 2020
Net sales	Billion VND	3,733	4,369	4,874	5,731	6,750	16.0%/year
Growth	(%)	3.5%	17.0%	11.6%	17.6%	17.8%	
Profit before tax	Billion VND	750	800	890	1,009	1,148	11.3%/year
Growth	(%)	6.9%	6.7%	11.3%	13.4%	13.8%	



Notes on sales growth of 2016 - 2020:



- » DHG targets CAGR of net sales over 15%/year and reach USD300 million in 2020.
- » After 40 years of continuous growth, DHG needs time to prioritize restructuring of the organization, administration system, operation of manufacturing and selling. Therefore, the business plan 2016 - 2020 has been adjusted from the plan 2014-2018 adopted at the AGM 2014. The year 2015 was chosen to adjust and stabilize the market, create a foundation for development in the following years.
- » In 2016, growth cycle resume with sales target from brands category of 18.6%. However, due to change of sales policies towards discount by cash instead of by goods as in 2015, thus we would not recognize promotion revenue like we did in 2015 (a difference of VND 340 billion (469-129 = 340 billion). Besides, wholesale distribution channel suspended under the BOD Resolution due to low business efficiency, resulting in the decline of VND 92 billion in revenue. Adding up these figures, in 2016, DHG will “lose” VND 432 billion, an equivalent of 11.6% net sales. Thus, 2016 net sales would only grow 3.5% yoy.
- » In 2017, the growth rate of brands and categories sales of domestic market is expected to increase by 14.9%. However, unlike 2016, the 2017 net sales will increase by 17% yoy thanks to the presence of modern channel revenue, the Fuji Medic project, other distributions and export growth.

- » From 2018, DHG will conclude the distribution agreement with Eugica brand from Mega partner. Thus there will be no revenue from Eugica distribution in 2018. As a result, even though production sales increased by 16.2% but net sales growth in 2018 will only reach 11.6% yoy.
- » For 2019-2020, sales from brands and categories of domestic market will increase by 15.3% and 13.8%, respectively. However, DHG will strive to maintain growth rate of over 17% to achieve US\$300 million through other business such as joint venture or processing, other distribution.

Explanation of revenues growth

- » Excluding the VND 432 billion promotion and direct wholesales revenues explained above, gross revenues in 2016 actually increased 19% yoy. In 2016, with the intensified business environment, to maintain higher growth than industry average, the company will focus funding to invest and develop key brands and starting human resources management initiatives. Profit before tax growth in 2016 is targeted at 6.9% yoy, NPAT/Net Revenues reaches 20%.
- » The pharmaceutical industry is subject to the price control of the State. Therefore, to ensure prudent business plan for 5 years from 2016 to 2020, the selling price was fixed and input costs increased with inflation, at the rate of volume increase and are planning under the detailed 05-year development strategy.
- » From 2018, fixed cost increase slower than sales growth, thus profit growth will be higher than the same period in 2016, 2017. Pre-tax profit margin / net revenue is projected to be higher than 17 % up to 2020, albeit decreasing due to constant selling price assumptions.

## THE INTERNAL CONTROL AND RISK MANAGEMENT

**FOR A MORE SCIENTIFIC AND LOGICAL RISK MANAGEMENT, DHG WILL COMPLETE COMPUTERIZING ALL 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.**



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, it requires a scientific and synchronistic construction process.

From the year 2013, DHG hired Ernst & 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". These have been in implementation since 2014. Two contents, including "improvement of financial accounting system" and "improvement of operational efficiency of business units" are being surveyed by the consultants in 2014. In 2015, DHG continued implementing Human Resource Management project together with EY including the 5-components such as forming the basis to build the remuneration policy, evaluating,

training, developing and promoting employees, simultaneously building group of future leaders in order to strengthen management apparatus.

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) prepare financial statement soundly and honestly; and (iv) protect, manage and effectively use the Company's assets. The internal control system also includes controlling environment, accounting system, and procedures by construction and addition of regulations and policies, regarding decentralization, management for advance and payment, etc. Besides, the Company is considering and applying for the whole Group 65 protocols in finance – accounting consulted by EY.

For a more scientific and logical risk management, DHG will complete computerizing all 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.

### Internal Control System

- » Developing control mechanisms to forecast, detect and prevent risks associated with any of the Company's activities;
- » Improving the capacity of internal control: ensure continuous improvement activities to enhance the effectiveness, productivity, minimize risks in all activities of DHG;
- » Standardizing regulations and enterprise management processes.

In 2015, Internal Supervisory Board continued check monitoring and evaluating the operation of the internal control system in the year, in order to ensure the objectiveness on the effective level of the management system, range of completed work as follows:

- » The procedures of sales and managing credit sales - cash - inventory at 11 subsidiaries / branches.
- » The procedures of the business cost management at 11 subsidiaries / branches.
- » The procedures of the compliance on the manufacturing process at the factories level.
- » Using of cash flows of investing project of the Packaging plant 1.
- » And other items as requested by BOM.

In 2015, all checking findings were identified by responsibility and applied to the criteria of the performance assessment of each involved individual, helping to significantly enhance awareness of compliance among all levels of management and staff. The action plans aiming at improving the control system as recommended by Internal Supervisory Board were also fully deployed throughout the Company.

In 2016, Internal Supervisory Board will implement the new additional functions under the EY's consultancy:

Building and standardizing the process and policies related to the activities of internal control to convey to all employees

Managing the overall procedure framework, establishing, maintaining the tools and forms, decentralizing and supporting the main processes in the procedure management operations.

Ensuring the effectiveness of the designed procedure for the running processes of all departments, ensuring full control and responsibility accordingly.

Ensuring the effectiveness of the running process.

Monitoring, measuring and reporting the operational efficiency of the procedure.

Carrying out the special checks in the scope of the activities of all

departments and doing researches to consult the managerial levels in solving problems.

Monitoring the implementation of operational efficiency improvement, adjusting, and overcoming risk violations in each Division and Department.

Providing the Board of Management with the reports of each check as well as periodical summaries of the findings. Proposing plans to improve and overcome outstanding issues to BOM.

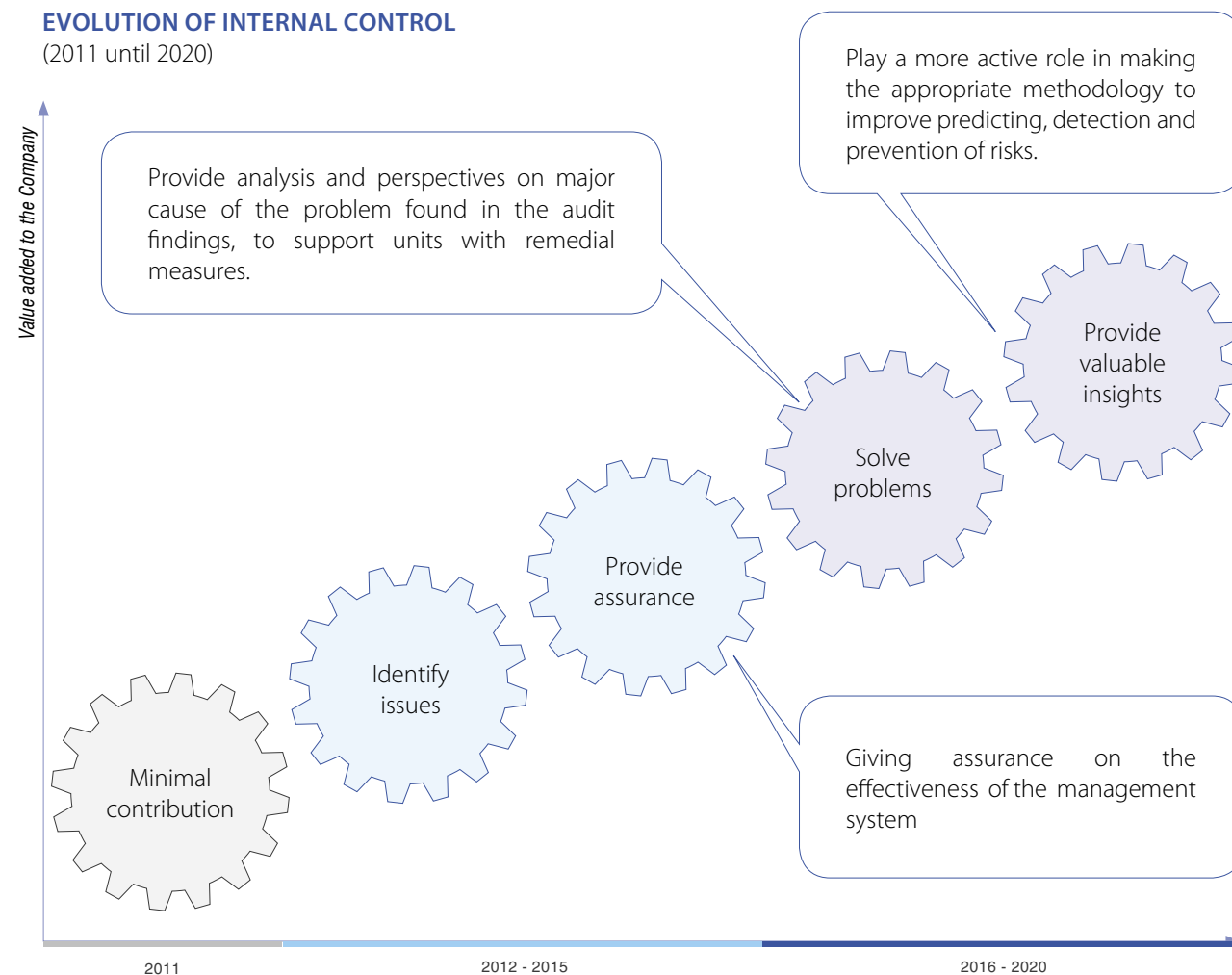


**THE INTERNAL CONTROL BOARD WILL FOCUS ON MONITORING AND EVALUATING THE COMPLETENESS, EXISTENCE AND EFFECTIVENESS OF THE INTERNAL CONTROL SYSTEM.**

## THE INTERNAL CONTROL AND RISK MANAGEMENT (continued)

### EVOLUTION OF INTERNAL CONTROL

(2011 until 2020)



### EVOLUTION OF INTERNAL CONTROL

### Risk Management System

In 2015, the Company approached Risk Management basing on the method of the advanced practices, eg. ISO 31000, COSO. The activity of risk assessment was periodically performed, with reports proposing appropriate control procedures to prevent potential risks in business, timely overcome shortcomings, problems, and violations of the Company's activities.

The long-term strategy of the company in the period of 2016 - 2020 is to implement the framework of risk

management based on the following principles:

- » Consider "the main leverage factors" - People, Procedure, Technology and Data;
- » Concentrate risk management connectivity to support the current organizational structure and the risk management strategies;
- » Create the conditions to assign the roles and responsibilities of

risk at the organization levels in order to help to build a strong defensive barrier; and

- » Connect Risk Management in the Departments/Divisions throughout the Company and eliminate the implementation of "singular" Risk Management.

For the 5-year (2016 - 2020) strategy, DHG will move toward forming the main component of Enterprise Risk Management (ERM) as follows:



**THE ACTIVITY OF RISK ASSESSMENT WAS PERIODICALLY PERFORMED, WITH REPORTS PROPOSING APPROPRIATE CONTROL PROCEDURES TO PREVENT POTENTIAL RISKS IN BUSINESS, TIMELY OVERCOME SHORTCOMINGS, PROBLEMS, AND VIOLATIONS OF THE COMPANY'S ACTIVITIES.**



# THE INTERNAL CONTROL AND RISK MANAGEMENT (continued)

- » Strategy: the strategy of risk management is the first milestone in the efforts of ERM, the strategy defines the goals and the direction for risk management.
- » The organizational structure: is a foundation to bring ERM into the organizational structure of the enterprise with the roles and responsibilities on risks that have been clearly defined.



- » The report: ensures the consistent and clear approach to the appropriate risk information that is reported to the stakeholders (internal and external) on a regular basis.
- » The ERM tools: the productivity of ERM includes a variety of methods and tools for collecting, identifying, rating, evaluating, monitoring, processing and modeling of ERM.
- » Information technology: appropriate information technology is the main leverage of ERM, the structure should cover the network, hardware, software and data.

During the operation, DHG has identified some types of risks that are properly tracked and controlled as follows:

## LEGAL AND COMPLIANCE RISKS

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.

Management solutions for Legal and Compliance risks:

- » Complying with the law is one of the moral values of the Company that are specified in the regulations and the Company's culture.
- » The Company annually invites Tax authorities for CIT finalization before the independent audit

reports financial statements.

- » Heightening the compliance, the Legislation Department has been split into separate units, specially and independently operated with Internal Supervisory Board. The Legislation Committee implements the following basic functions:
  - » Review, build and improve the system of regulations and internal procedures of the Company in accordance with the provisions of law and the operation of the Company.
  - » The Legislation's professional staff reviews at the 100 percentage of the contracts and signed agreements.
  - » Update any changes of the law relating to the operation of the Company and popularize to each department, and specialized functions.
  - » Consulting the Board of Management and the subordinate units on

## COMPLYING WITH THE LAW IS ONE OF THE MORAL VALUES OF THE COMPANY THAT ARE SPECIFIED IN THE REGULATIONS AND THE COMPANY'S CULTURE.

## TO DEAL WITH THE POTENTIAL MARKET RISKS, DHG CHOSE THE YEAR 2015 TO BE THE PAUSE POINT, TO CONSOLIDATE ALL THE OPERATIONS AND COST MANAGEMENT IN ORDER TO REDUCE PRODUCT COST.

implementing the procedure of investment projects, joint venture cooperation contracts, sales policy and other matters related to laws.

## MARKET RISKS

DHG identifies that market risks can occur such as:

- » Reduce market share and run the risk of being kept up with the following competitors in the next 5-10 years if the Company has no breakthrough and the right strategy.
- » The pressure of high growth will lead up to a hot growth and uncontrollability on the operation of the sales system.
- » The Circular No. 01 of the Ministry of Health tendering the medicines in the hospitals caused the strong impact as reducing ETC's revenues of DHG Pharma and affecting trade channels.
- » The new regulations on issuing number registration for pharmaceuticals, dietary supplements and approving advertising tools... are getting

tighter and more difficult. It takes DHG Pharma much time, cost, effort and great impact in the development strategy of brands, new products and the new plant operation of the Company.

To deal with the potential market risks, DHG chose the year 2015 to be the pause point, to consolidate all the operations and cost management in order to reduce product cost. The project implementation included selling more professionally and effectively, increasing product coverage per each customer, enhancing level of compliance - discipline in managing cash, sales, delivery on the right schedule and the

right route. In 2015, DHG accepted one decline year in the development cycle to create the prerequisite steps aiming to prepare for a new phase of sustained growth.

Board of Directors and Board of Management have coordinated to construct and complete the development strategy in the period of 2016 - 2020 presenting to the Annual General Meeting 2015 for approval. Accordingly, DHG has set the targets of the revenue growth of 15% / year, as the largest generic manufacturer in Vietnam, as the distributor having the most extensive and diverse distribution channel, focusing on developing biotechnology products



Product introductory seminar of DHG Pharma

## THE INTERNAL CONTROL AND RISK MANAGEMENT (continued)

with the scientific and technical content, and M&A or joint-venture for more company added-value, etc. DHG has also established CEO's Assistant Project Team regarding designing, completing, monitoring and reporting on executing 2016's strategy and the period of 2016 - 2020. Recruiting Japanese and Singaporean experts is to provide product strategy consultancy, R&D and production management implementation.

Maintaining the proportion of the hospital channel from 10% or more is the target of the Company in the period of 2016 - 2020 by the enhancing the manufacturing plant's standard, performing the bioequivalence and equivalent treatment products, constructing the division responsible for contractor development, implementing cost reduction measures to enhance the Company's price competitiveness when tendering, etc.

As the product registration is more and more difficult, DHG Pharma now concentrates on the further existing

product portfolio. Continuing to invest in branding, the strategic locations, customer classification, sales deployment "detailed - frequent - do not miss any customers" are the strategies that help DHG Pharma to exploit and extend the further market share for the existing products with registration numbers in circulation.

### PERSONNEL RISKS

Most of the senior leaders who

are well-known and experienced throughout the history of development and brilliant success of DHG nearly reach to the retirement age, which has created a greater pressure for the recently elected young leaders and senior executives in proving capacity and building confidence among investors and customers.

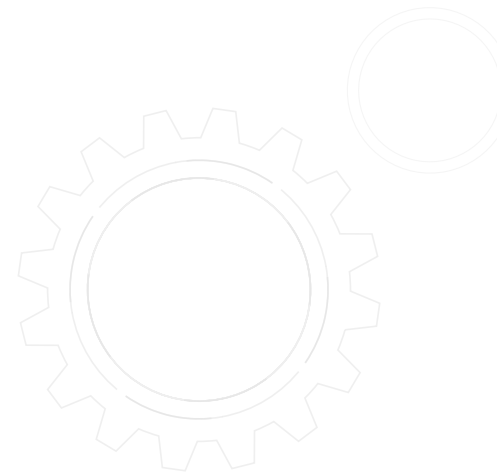
In 2015, with the assistance of EY, DHG has built the capacity framework



**CONTINUING TO INVEST IN BRANDING, THE STRATEGIC LOCATIONS, CUSTOMER CLASSIFICATION, SALES DEPLOYMENT "DETAILED - FREQUENT - DO NOT MISS ANY CUSTOMERS" ARE THE STRATEGIES THAT HELP DHG PHARMA TO EXPLOIT AND EXTEND THE FURTHER MARKET SHARE FOR THE EXISTING PRODUCTS WITH REGISTRATION NUMBERS IN CIRCULATION.**

for inherited positions of all levels until 2022. In 2016, the company will implement the 5-component human resource management project; complete the 2016 policies of salary, bonus, incentive suitable to the domestic and regional labor markets.

In addition, the Company will continue to focus on enhancing the staff training and development, especially the inheritance of human resources; caring well for workers through policies of salary, bonus, benefits, compensation, talent discovering; creating a favorable



working environment and fair opportunities for promotion. New recruitment and workforce purification will be guaranteed to meet work requirements, uphold the spirit of dedication and loyalty.

### FINANCIAL RISKS

Raw material for imported drugs manufacturing accounts for 80%; therefore, DHG is affected by input factors such as exchange rates, fluctuations in prices of raw materials, the import tax policy, etc.

- » For exchange rates: the solution to this type of risk is to regularly update by the Company and forecast foreign currency exchange rate fluctuations through a relationship with the Banks. Implementing L/C contracts with Banks will be done to ensure payment timeliness for hedging against foreign currency scarcity.
- » For the price fluctuations of raw materials: the Company trades raw materials to purchase large shipments so that there is an advantage in price negotiations and choices of multiple reputable suppliers. Also, the Company is able to catch the trend of using raw materials and development of new products. Procurement department regularly offers forecasts from the beginning of the year in order to have a plan for reasonable purchase

**RAW MATERIAL FOR IMPORTED DRUGS MANUFACTURING ACCOUNTS FOR 80%; THEREFORE, DHG IS AFFECTED BY INPUT FACTORS SUCH AS EXCHANGE RATES, FLUCTUATIONS IN PRICES OF RAW MATERIALS, THE IMPORT TAX POLICY, ETC.**



contracts throughout the year.

- » The Company continues to store materials to facilitate the relocation of the new plant and some of the main raw materials to ensure inputs. In addition to the financial impact, raw materials must also be ensured in order to stabilize the product quality. Each new raw material into production should be monitored for stability at least during 06 months. DHG has plans to increase the choice for many other reputable suppliers and DHG is also examining the stability of raw materials.

Credit risk: the Company's interest rate were affected mainly by the bank deposits and trade receivables from customers. However, the amount of deposits that will continue to be disbursed in the following years is used for dividends distribution and investments. Therefore, the forecast of risks from deposits will decrease in the next year. Instead, there is a liquidity risk at some certain time when the Company has the demand for loans to finance working capital.

Trade receivables risk: this content has been carefully analyzed in the financial analysis (See the financial analysis).



## Joint Venture & Cooperation

INCREASING VALUE



### REPORT ON PERFORMANCE IN 2015

88	Report of the Board of Directors
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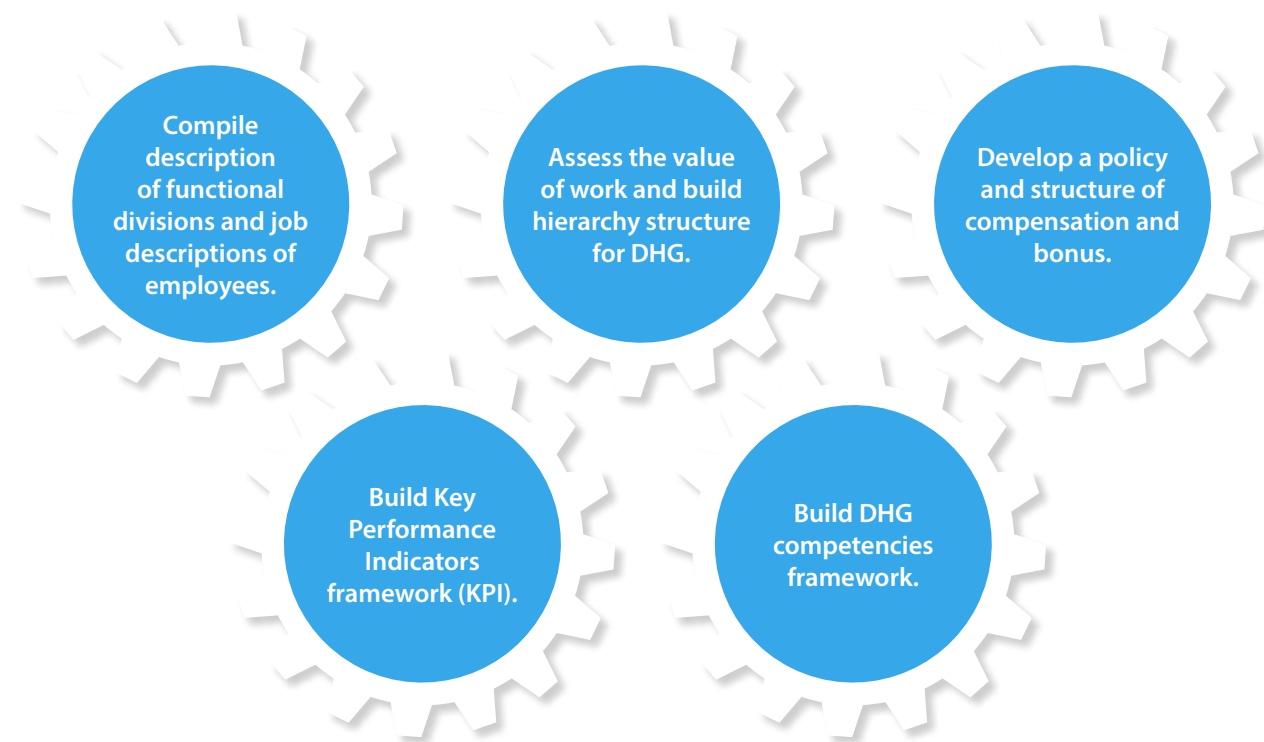
# REPORT OF THE BOARD OF DIRECTORS

## EVALUATION OF OPERATING RESULTS OF 2015

### Results achieved

- 1** 107 registration numbers granted in 2015 (of which 39 registration numbers for the new plant, 14 export registration numbers) to help exploit the plant capacity and effectively capitalized of preferential corporate income tax for the Company.
- 2** Implement Phase 2 of the project "Restructuring professional and effective distribution system" which helps stabilize market, increase coverage, and increase the volume and quality of new customers.
- 3** Expand in trading of exclusive imported goods to capitalize on the advantages of distribution system, increase international cooperation links. Distribution revenues of Eugica, MSD, Mitoyo constantly meet and exceed target with total revenues of nearly VND300 billion.
- 4** Complete the construction of a new Betalactam factory with GMP WHO standard. The factory is expected to come into operation starting in Q2/2016 with designed capacity of 1-billion product unit, to enhance the value of income tax incentives for the company.
- 5** Deploy the human resource management project as advised by EY includes 5 components: forming a basis for building remuneration and bonus policy; evaluating, training, developing, and building up future management team at all levels to streamline the management hierarchy; thus motivate employees to work efficiently. It is measured by:
  - Compile description of functional divisions and job descriptions of employees.
  - Assess the value of work and build hierarchy structure for DHG.
  - Develop a policy and structure of compensation and bonus.
  - Build Key Performance Indicators framework (KPI).
  - Build DHG competencies framework.

- 6** Improve regulation/procedure systems of the company to help management team monitoring standards and efficiencies.
- 7** Set up an accounting management system; budgeting process, cost allocation method, product effectiveness, sales unit by variable interest method; create a database source serving for decisions of the Executive Board and internal management needs.
- 8** Waste identifying project to reduce waste: a total of 391/803 feasible ideas for cost savings and work streamlining has been implemented. The company saved almost VND 2 billion as a result.
- 9** Social activities: in 2015, DHG spent VND 6 billion for community activities and successfully organized 138 programs of free medical examinations and medicine giveaways in the countryside for 58,790 people and 2 programs in Cambodia to support border protection initiatives and improve relationship. 12 programs of physicians for every home on VTV Can Tho, 18 TV programs of health and life on Hau Giang Television, 10 programs titled "listen to your body" on Hanoi Television, 10 programs "For future lives" on Hochiminh Television. These programs improve the health and wellness knowledge of people nationwide to protect the health of families and relatives.
- 10** Maintain awards and voting on product quality, business efficiency and information transparency, strengthen our reputation as the leading brand of Vietnam Pharmaceutical Industry.



*Fluidized bed drying system at the manufacturing plant of DHG Pharma*

## REPORT OF THE BOARD OF DIRECTORS (continued)

### Unfinished business

- 1** Financial targets fell to meet targets of 2015: net sales only meet 90.2% target, decreased 7.8% y.o.y. Profit before tax achieved 92% of target, a decline of 2.37% y.o.y.
- 2** New products launched were less than the previous years due to prioritizing registration numbers to the new plant. There are initiatives to connect with external researches, but were not of high priority.
- 3** Incomplete financial statements, consolidated statements, management report on BFO software, so provision of detailed data, financial advising for internal management decisions, market operation and production business were untimely.
- 4** The production plan was revised down due to unfavorable sales in 2015, affecting the optimal arrangement of production plan, personnel engaged in manufacturing, production costs and labor productivity.
- 5** Progress of implementation of the investment projects planned in 2015 was slow, especially in large projects approved under the BOD. This was partly due to the Executive Board suspended some investments to focus efforts on more intense Market. On the other hand, because the Company has not established a unit/division in charge of investment management to supervise and speed up, monitor and report on investment.
- 6** The sales policy and sales remuneration policy were sluggish in practice. Media operating budget and branding were used suboptimally due to the policy of stabilizing the market, one of the few causes for many brands to not meet the planned revenue in 2015 and declined steeply year-over-year.
- 7** Organization of hospital channel, clinics, and bidding strategies were ineffective. The proportion of sales to the hospital channel reaches just 9% compared to target of 10%.
- 8** Strategy of expanding on small customers base and market stabilization was only implemented starting Q2/2015, so even though sales from this customer group increased, it was not enough to offset the decline of sales from big customer group.



Blister machine at the manufacturing factory of DHG Pharma

## EVALUATION ON PERFORMANCE OF THE DISTRIBUTION SUBSIDIARIES AND ASSOCIATED COMPANIES

### The distribution subsidiaries

#### Summary of performance of the subsidiaries

The utilization of distribution subsidiaries are to take advantage of the preferential CIT policies at the local provinces, establishing the agencies networks of subsidiaries to trade other products to increase sales and profits.

Sales activities of the distribution subsidiaries are conducted uniformly nationwide under policies and regulations of the parent company. This has created a unified and sustainable development throughout the distribution system of DHG.

#### Summary of business performance of the subsidiaries

Unit: million VND

No.	Name of subsidiaries	Total assets 2015	Net sales 2015	Profit after tax 2015	Net sales growth	Profit after tax growth
1	A&G Pharma	35,486	136,872	8,094	-6.10%	197.54%
2	Bali Pharma	22,199	64,943	2,911	-8.54%	-16.96%
3	CM Pharma	23,496	65,593	3,318	-17.82%	81.79%
4	DT Pharma	13,834	48,007	2,701	-8.76%	250.02%
5	SH Pharma	58,859	108,846	8,131	-14.68%	697.96%
6	ST Pharma	25,959	83,300	3,686	-7.13%	-19.35%
7	TG Pharma	16,750	44,130	2,069	-24.12%	481.73%
8	TOT Pharma	54,210	208,938	8,116	-22.65%	13.33%
9	HT Pharma	30,008	77,856	6,285	-13.26%	72.54%
10	VL Pharma	21,162	58,179	3,642	-26.06%	703.47%
11	TVP Pharma	14,290	38,872	875	-33.53%	-44.75%
12	B&T Pharma	17,721	56,066	3,577	-1.88%	250.75%

Source: Audited report of the distribution Subsidiaries 2015

#### Assessing business performance of the distribution subsidiaries

Along with the decline on DHG's distribution system, net sales in 2015 of 12 distribution subsidiaries decreased y.o.y. The reasons were analyzed in the Report of the BOD. In which, the worst declines are from Tra Vinh, Vinh Long and Tien Giang subsidiaries.

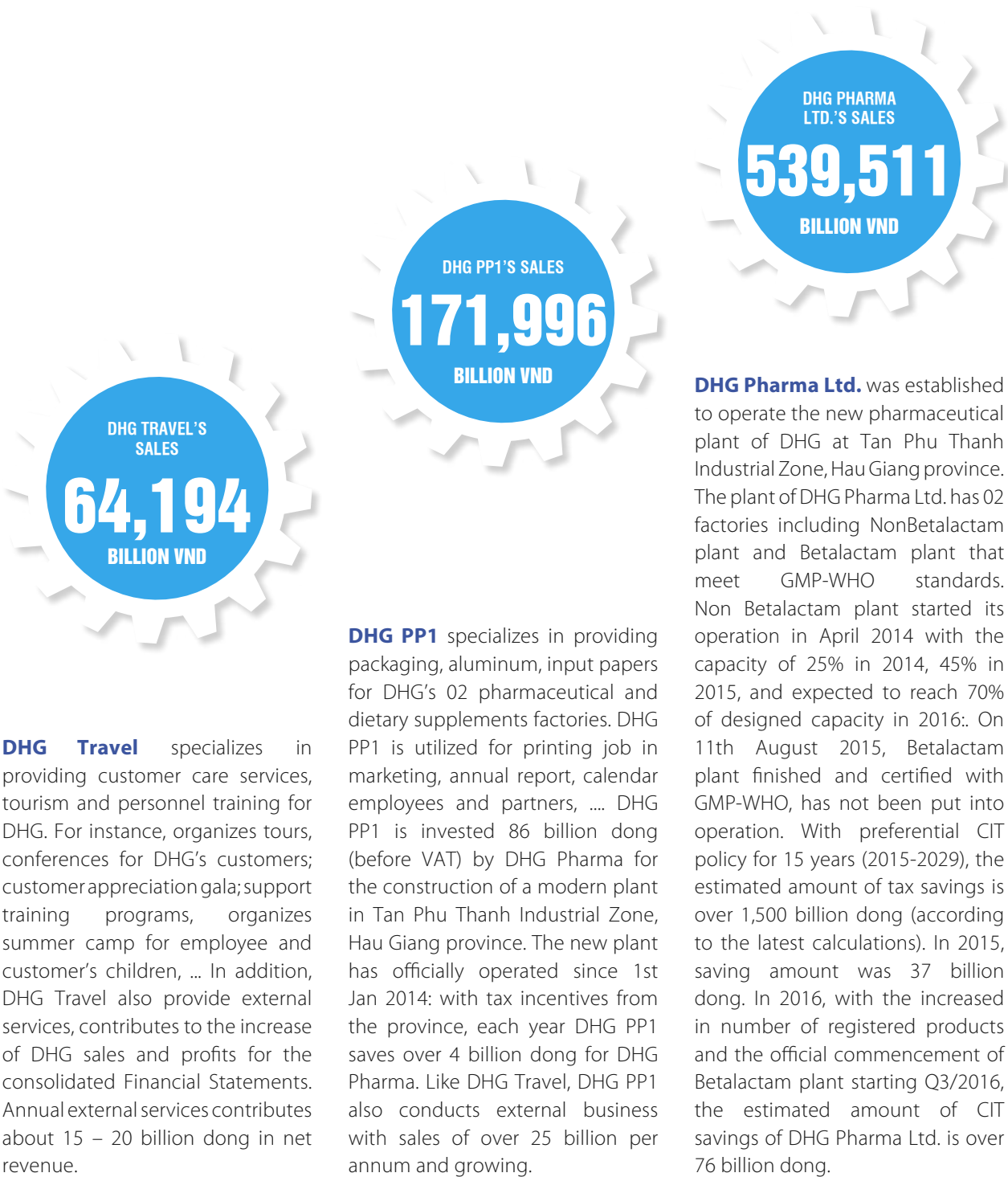
However, as for profits, the subsidiary has significant growth, especially VL Pharma (Vinh Long), SH Pharma (in Hau Giang) and TG Pharma (Tien Giang). The main reason for this increase is that the Subsidiary did not have to pay taxes in 2015 due to cost exceeding the 15% controlled for expenses of promotions, receptions, conferences, seminars, ... Bonuses for sales staff plummeted because of failing to meet sales target.



# REPORT OF THE BOARD OF DIRECTORS (continued)

## Group of the concentric diversification Subsidiaries

### Summary of performance of the concentric diversification Subsidiaries



### Summary of business performance 2015 of the concentric diversification Subsidiaries

Unit: million VND						
No.	Company Name	Total assets 2015	Net sales 2015	Profit after tax 2015	Net sales growth	After tax profit growth
1.	DHG PP1	138,121	171,996	29,013	-23.28%	-35.30%
2.	DHG Travel	6,889	64,194	1,313	-1.11%	-36.05%
3.	DHG Pharma Ltd.	658,733	539,511	169,324	82.62%	874.43%

### Assessing the business performance 2015 of the concentric diversification Subsidiaries

DHG Travel, DHG PP1, DHG Pharma Ltd. are the companies primarily serve the needs of inputs and services of the Parent company; therefore, revenue and profit growth depends on production planning, sales, orders of the Parent company. And the related party revenues and profits of these Companies are eliminated when consolidating the financial statements of the Company.

In 2014 and 2015, the Parent company reduced expenses for customer care in the form of tourism and the competition in terms of quality – service cost rendered net sales of DHG Travel fell by 1.1% and profit reduced by 36% y.o.y. External business activities of DHG Travel increased from 16 billion dong (2014) to 20 billion dong (2015), with the growth of 25% y.o.y.

In 2014, revenue growth of DHG PP1 was only 3.3%; however, due to new invested machinery and buildings and being effective in cost reduction, profit of DHG PP1 rose 32.5% compared to 2013. In 2015, as of the reduction of DHG business on manufacturing products, input printing and packaging orders for production of 02 DHG pharmaceutical factories also fell down. This makes DHG PP1's revenue fell 23% and profit fell 35%. However, external business of DHG PP1 also contributed 24 billion in net revenue for the Corporation, with growth of 19.5% y.o.y.

For DHG Pharma Ltd., the utilization of the plant's capacity and the business performance depends on the relocation of the old plant from the Parent company to the new plant. The capacity transfer depends on the transferring of product registration number to the new plant. 2015 Revenue of DHG Pharma Ltd. grew 82.6%, while profit after tax increased to 874%. Profit after tax of DHG Pharma Ltd. 2015 increased exponentially y.o.y because in 2014, the Company delayed CIT exemption until 2015. This means that in 2014, DHG Pharma Ltd. had to pay income tax rate of 22%, exemption started at 2015. Besides, the products having a high profit margin (with registration number) produced in 2015 also contributed to profit growth for this Company.

Printing and Packaging 1 (DHG PP1) OM LLC.



## REPORT OF THE BOARD OF DIRECTORS (continued)

### Associated company

#### Summary of SPIVIHA's performance

SPIVIHA established since 2008 in Vinh Hao, Binh Thuan with the natural mineral water source, perfect for farming natural Spirulina to supply high quality input materials for the production of SPIVITAL product of DHG in the value chain. Investment purposes: to provide production materials of Spivital product lines and other biotechnology product line.

The brand SPIVITAL of DHG received trust from consumers early on with annual revenues of over 40 billion dong. However, SPIVITAL products are not diversified enough to be able to grow fast while selling all goods produced by SPIVIHA to the parent Company. Thus, SPIVIHA had to stop large-scale production in the past 02 years, only maintain low production, because of ineffective scale, it recorded a loss of 2.9 billion dong in 2014 and 866 million dong loss in 2015.

In order for SPIVITAL brand to develop to its full potential and utilize efficiently, DHG has been developing new dosage forms to serve multiple subjects, multiple segments with different indication and usage.

#### Summary of business performance 2015 of SPIVIHA

Target	2013	2014	2015	% 2015/ 2014	%2014/ 2013
Production Quantity (Kg algae powder)		5,200	1,863	-64.17%	
Sales Quantity (Kg algae powder)		5,800	2,699	-53.47%	
Total assets (million dong)	16,804	13,626	12,507	-8.21%	-18.91%
Equity (million dong)	16,137	13,262	12,396	-6.53%	-18.00%
Net sales (million dong)	5,396	2,530	1,858	-26.57%	-53.10%
Profit after tax (million dong)	102	-2,627	-866	-69.73%	-2882.96%

#### Assessing business performance 2015 of SPIVIHA

- » Production volume in 2015: 1,863 kg of algae powder, meet 37% of the annual plan and decreased 64% compared to 2014. Sales volume in 2015 was 2,699 kilograms of algae powder, reaching 54% of the plan and declined 53% compared with 2014.
- » Net sales reached 1,858 billion dong, 47% higher than planned and 27% negative growth y/y.
- » Reasons for slowing down the Company's production activities is that the Company has not found new customers. Key customer of the Company is still DHG Pharma that has halted buying Algae materials since 2014 to maintain appropriate balance of the inventory.
- » DHG Pharma is repositioning the algae product line and has successfully able to remove algae odor during the blow drying, enabling the expansion of different product development strategies, increase in purchase to ensure stable and effective operation for the Company.

### EVALUATION OF THE BOARD OF MANAGEMENT PERFORMANCE

#### IN 2016, THE BOARD CONTINUES TO REQUEST THE BOARD OF MANAGEMENT TO BE MORE PROACTIVE IN DEPLOYING, DELEGATING TASKS TO EACH DEPUTY CEO IN CHARGE. THE BOARD OF MANAGEMENT SHOULD CONTINUE TO IMPROVE BUILDING AND FINALIZING REGULATIONS AND PROCEDURES OF WORK IMPLEMENTATION FOR EACH DEPARTMENT.

» The Board of Management performed their tasks in accordance with the resolution of the General Meeting of Shareholders and resolutions of the Board of Directors. However, in the future, the Company Board of Management should actively improve the progress of works in accordance with resolutions of the Board of Directors.

» In the situation of low growth of the pharmaceutical industry, although the business results of the Company in 2015 did not achieve the targets under the proposed plan, the Board recognized the efforts of the Board of Management during the course of business operations of the company. In the future, the Board of Directors

proposed the Company Board of Management to implement measures to enhance the efficiency of business operations and production, including: strengthening the effectiveness of marketing activities and sales operation, focusing on tender bidding into hospitals, accelerating drug registration with the Ministry of Health... In addition, research of new products and development of sales network also need to be strengthened.

» In addition to the difficult market situation, the Board recognized that the Company Board of Management has also tried to implement measures to strengthen internal governance related to

the organizational structure, personnel and production activities of factories. In 2016, the Board continues to request the Board of Management to be more proactive in deploying, delegating tasks to each Deputy CEO in charge. The Board of Management should continue to improve building and finalizing regulations and procedures of work implementation for each department.

» Comply with the resolutions of the Board of Directors, in late 2015, the Board of Management has implemented training and built human resources for future leaders in senior positions based on existing staff. The BOM is proposed to have training plans, knowledge and practical experience to the planned location.

» With the current scale of DHG, business activity has spread across the country. Therefore, expansion of operating scope of the Board of Management is required, the Board of Directors proposed the Board of Management to arrange offices in two largest cities: Ho Chi Minh City and Hanoi in 2016 to better trade and communicate with international partners, investors, customers..., according to the regulations of Board of Directors adopted in 2015, to better implement tasks that the AGM and the Board has entrusted, while attracting talents in the big cities, ensuring and maintaining the leading position in Vietnam's pharmaceutical market.



Board of Management, DHG Pharma

# REPORT OF THE BOARD OF DIRECTORS (continued)

## PROFIT DISTRIBUTION 2015

Target	Appropriation rate 2015	Amount (VND)
Profit after tax at the parent company used to distribute		542,991,263,137
Dividends for 2015	<b>Planned:</b> 25% nominal value (by cash) <b>Proposed:</b> 35% nominal value (by cash)	304,296,825,000
Appropriating to bonus, welfare fund	Follow the plan: 10% consolidated PAT	54,299,126,314
Remuneration for BOD, SB, and collaborators	Follow the plan	5,000,000,000
Bonus for BOD, BOS, collaborators, Executive Board, key staffs	<b>Planned:</b> 5% growth in consolidated PAT <b>Proposed:</b> not performing	-
The remaining profit will be added to the Development Investment Fund	Follow the plan	179,395,311,823



Soft capsule producing machine of the DHG soft capsule factory.



Technical infrastructure system at the new Non-Betalactam plant of DHG Pharma

## Balance of the funds after profit distribution 2015

No.	Content	Balance at 31/12/2015	Profit distribution 2015	Balance after profit distribution 2015
1.	Bonus, welfare fund	31,584,615,771	80,010,895,248	111,595,511,019
	+ At the parent Company	28,610,527,409	54,299,126,314	82,909,653,723
	+ At the subsidiaries (*)	2,974,088,362	25,711,768,934	28,685,857,296
2.	Remuneration, bonus Fund of the BOD, BOS, Executive Board	6,727,252,863	5,000,000,000	11,727,252,863
3.	Development investment Fund	1,039,479,185,578	179,395,311,823	1,218,874,497,401

(\*) Bonus, welfare fund at the subsidiaries was temporarily appropriated 10 months in the financial statement in accordance with Decision No. 037/QĐ.HĐQT dated 12/12/2015. Thus the balance as of 31/12/2015 on the financial statement of the subsidiaries recorded in the Fund of Bonus and remuneration is 20,821,239,925 dong.

## PROFIT DISTRIBUTION PLAN OF 2016

Profit distribution 2016	Appropriation rate
Dividends for 2016	30% nominal value
Appropriating to the Bonus, welfare fund	10% PAT at Parent Company
Remuneration for BOD, BOS, and collaborators	5,000,000,000 dong
Bonus for BOD, SB, collaborators, Executive Board, key staffs	5% growth of consolidated profit after tax
The remaining profit added to the Development Investment fund	The remaining



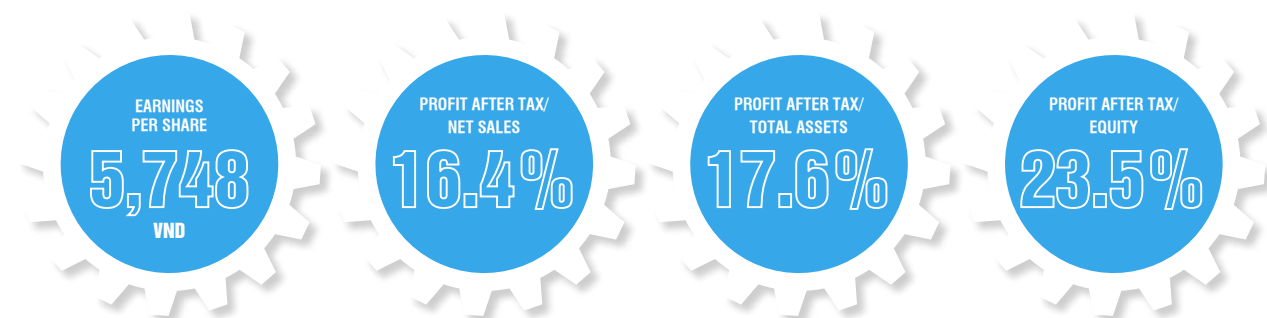
# REPORT OF THE BOARD OF SUPERVISORS

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

In the context of the overall difficult, competitive market, the business results of DHG Pharma did not achieve the target set at the 2014 AGM, specifically:

- » Consolidated net sales of 2015 reached VND3,608 billion, decreased by 7.8% compared to 2014, reaching 90.2% of the plan.
- » Consolidated profit before tax (excluding financial income) of 2015 reached VND671 billion, decreased by 2.37% yoy, meeting 92% target.
- » Customer receivables as of 31/12/2015 was VND571 billion, accounting for 15.9% of net sales 2015 of the Company and decreased 25.0% yoy.
- » BOS has reviewed the 1H financial statement, 2015 financial statement and was consistent with the results of production and business activities 2015 and the targets in the financial statements. The reports are complete, clear and reflect financial position of the Company.
- » Some basic financial indicators include:

Indicators	2014	2015
<b>1. Liquidity ratios</b>		
- Current ratio	2.13	2.85
- Quick ratio	1.43	2.03
<b>2. Capital structure</b>		
- Debt /Total assets	34.1%	25.0%
- Debt /Equity	51.8%	33.4%
<b>3. Operational capacity</b>		
- Inventory turnover	2.3	3.1
- Net sales/total assets	112.3%	107.3%
<b>4. Profitability</b>		
- Profit after tax/Net sales	13.6%	16.4%
- Profit after tax /Equity	23.3%	23.5%
- Profit after tax /Total assets	15.3%	17.6%
- Earnings per share (VND)	5.169	5.748



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

- » In 2015, SB held quarterly meetings under the provisions of the Company Charter and operating regulations of the BOD. The SB evaluated BOD's performance of 2014 in accordance with regulations of law and the Company, able to promptly respond to requests of business and operations 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. The Resolutions and Decisions of the BOD were issued in the correct order and competence and were appropriate with the AGM's Resolution, in full compliance with the Company Charter, Law on Enterprise, and other legal provisions.
- » In the context of the difficult business condition, The BOD and BOM were quick to comprehend, they listened to the sentiments of shareholders and customers, regularly updated market information and came up with changes and new policies to overcome weaknesses in management and, aiming for specific goals of growth and business efficiency.
- » The Company made reports, disclosed information in compliance with the law and regulations.
- » SB agreed with the BOD's report to submit to the AGM 2015.

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

- » In 2015, BOD and BOM created a favorable working condition for the SB by providing sufficient information on production and business activities and the financial position of the Company.
- » SB attended all BOD's meetings and contributed inputs in accordance with the functions and duties of the SB.
- » SB, BOD and BOM coordinated closely to promptly overcome difficulties in the process of inspection and control of the SB.
- » Periodically, the SB compiled reports and proposals to submit

DHG's Supervisory Board, 3<sup>rd</sup> term  
(2014-2018)





## REPORT OF THE BOARD OF SUPERVISORS (continued)

### SOME SUPERVISORY BOARD'S PROPOSALS

Through monitoring activities of the Company, in order to maintain growth rate in accordance with the business plan 2014-2018 submitted to the AGM 2014 while controlling possible risks, SB has some suggestions as followed:



### SB'S WORKING DIRECTIONS IN 2016

SB will continue to perform inspections and monitoring according to its functions and duties stipulated in the Law on Enterprise and the Company Charter.

Supervise the BOD and BOM in implementation of the AGM's Resolution.

Coordinate with the independent

auditor to audit the financial statements and the project proposal to build new plant at Tan Phu Thanh industrial park. Monitor the implementation of content proposed and suggested by the independent auditor.

Review financial reports and report on management activities of the BOD to submit to the AGM 2016.

Continue to identify and present shortcomings in procedures, regulations, and sales process of the company. Monitor compliance with the procedures and regulations.

Monitoring the implementation of new investment projects.

### PLAN ON SELECTING THE INDEPENDENT AUDITOR FOR FINANCIAL STATEMENT 2016

After considering the capabilities records and audit services fees corresponding to scope of work and additional services offered by audit firms to DHG Pharma, the Supervisory Board submits to the General Annual Meeting of shareholders to authorize the Board of Directors - DHG Pharma in collaboration with the Supervisory Board selecting one of the following two audit firms to audit the financial statements in 2016 of DHG Pharma and its subsidiaries:



# REPORT OF THE BOARD OF MANAGEMENT

## REPORT ON 2015 BUSINESS OPERATION RESULTS

### Results from business operation compared to plan and previous period

Target	Year 2014	Year 2015	Plan 2015	% of the plan 2015	+/- 2015/ 2014
Net sales	3,913	3,608	4,000	90.2%	-7.79%
Profit before tax	722	701	-		-2.86%
Profit before tax (not including financial income)	687	671	729	92.0%	-2.37%
Profit after tax	534	593			11.04%



Since the beginning of 2015, with forecasted difficulties both subjective and objective, DHG only set sales growth of 2.2% compared to 2014 even though growth from previous years have always outperformed the market (2012: 17.7%, 2013: 20.3%, 2014: 15.4%)

However completing the business plan in 2015 experienced many difficulties, net sales only reached 90.2% of target, decreased 7.8% y.o.y; PBT only achieved 92% of plan, a decline of 2.37% y.o.y. Profit after tax increased 11.04% y.o.y because of the tax incentive at the new plant and the removal of ceiling cost control of 15%.

### Reasons for not meeting the business target

- » Average growth of the pharmaceutical industry in recent years has been low due to the decrease in purchasing power and increase in competition. Influence from Circular 19 on addictions, codeine control; Circular 40 on health insurance list excluding vitamin combination products; Circular 200 on financial regulations changing ways to recognize revenue and expenses.
- » Higher revenue growth in Q4/2014 (approximately 29% excluding the impact of sales of Eugica processing and distribution) leads to decline in sales of Q1/2015 due to excess inventory still in customers' hands.
- » 63 DHG products' registration numbers expired or unable to re-register. Influence of Circular 01 on bidding of hospital channel: bidding volume decreased by 32.6%, net sales decreased by 24%. Circular 01 also affected many other pharmaceutical companies, thus they focused more on OTC channel, resulting in higher competition.
- » Information crisis of Unikids product (on Nov. 2015): handling returns cost DHG VND 4 billion. On 12/1/2016, investigating authorities concluded that the matter is not related to DHG's product. Nonetheless, it has caused damage to the company.





# REPORT OF THE BOARD OF MANAGEMENT (continued)

## Market Activity

### Sales activity

- » Continued implementation of Phase 2 of the project “Restructuring of a professional – effective sales system”.
- » The market has stabilized, customers continue to trust and support DHG, the number of loyal customers increasing again.
- » Salesperson get used to using the professional sales system and became more efficient.
- » Initial successes with organizing Sales Supervision team.

### Marketing Activities

#### Digital Marketing

##### DHG Pharma Website

Completed improving DHG Pharma website interface and Mobile interfaces for mobile devices. Total visits in the last 08 months of the year were 2,538,010.

##### Fanpage DHG Pharma – For a more beautiful & healthier life.



Successfully organized minigames to increase the awareness of consumers about the products in a lively and catchy way: Enjoy Healthy Spring, Exciting Summer.

##### Household doctors

06<sup>th</sup> year program to provide guidance, health care knowledge:

- » Total visitors have accessed to the information in 2015: 1,032,947 times
- » Total plays interactive feedback and information sharing: 74.821 times.

##### Fanpage of Baby Kho Qua shower gel.



Photo Contest “Baby Kho Qua together with Kids rash prevention”, online mentoring program with topic ‘Baby Skin Care properly in dry season “, the contest to share moments and games when babies taking shower.

Result:

- » Total visitors have accessed to the information: 635.287 times.
- » Total plays interactive feedback and information sharing: 58.572 times..

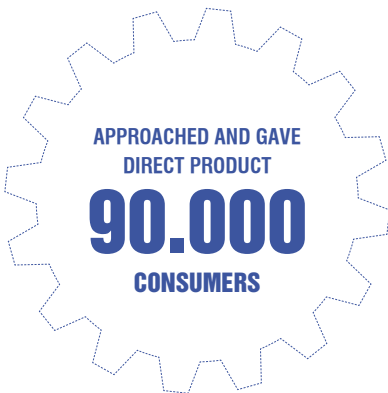


Brand categories of DHG organized the Christmas Party for people in Can Tho City

#### Communication Activity of Brands

In 2015, the implementation of brand communication programs on multiple media (online, offline) to attract, reach and promote brand image to consumers. Here is a summary of key activities:

- » Coordinated Pink Sunday: 36 shows, access to product descriptions directly to about 90,000 consumers.
- » Organized internal sales: 04 shows, attracting 2,000 company staffs.
- » Sale Consulting at Aeon Mall supermarket: 18 shows, access product descriptions directly to about 105,000 consumers.
- » Sponsored gameshows, sponsored programs broadcast on radio and television.



#### Customer care

- » Develop multiple Tour created a good impression as the “Summer Experience - Steel Warrior - Seeking value for money”, the program “Vu Lan - Connect the rhythm of love” and VIP meetings.
- » Create a summer playground, taking care of employees’ children through the Program “Once Upon A Time” and “Summer Experience”.
- » Organize games show programs and received great feedback from customers: “Spring Love, Gala - Japanese culture”.
- » Perform X-mas & Summer Experience program successfully.





## REPORT OF THE BOARD OF MANAGEMENT (continued)

### ONE OF THE GOALS OF DEVELOPMENT AND PRODUCTION ACTIVITIES OF THE COMPANY IS GRADUALLY REPLACING MANUAL LABOR WITH AUTOMATION TO REDUCE LABOR COSTS, INCREASE PRODUCTIVITY, IMPROVE DEVELOPMENT LEVEL OF THE FACTORY TO BECOME MORE MODERN.

#### Production Activities

DHG has great advantages in terms of scale production. With the introduction of the new plant in Tan Phu Thanh into operation in 2014, a total design capacity of DHG reached 7.5 billion units / year.

In 2015, the total production capacity of both old & new plants reached 4,156 millions product units, or 3,368 billion Vnd respectively, reaching 87.1% compared with the original plan and reached 94.5% compared to the adjusted production plans. Corresponding production value at 76.2% compared to the first plan.

The production plan of the Company did not meet target due to the drop in sales, the plan was adjusted to reduce the inventory of finished products. This makes it difficult to arrange production plan, utilize equipment efficiently and ensure job for workers. Many products out of registration but have not been reissued in time, thus affecting inventory and shelf life of the product.

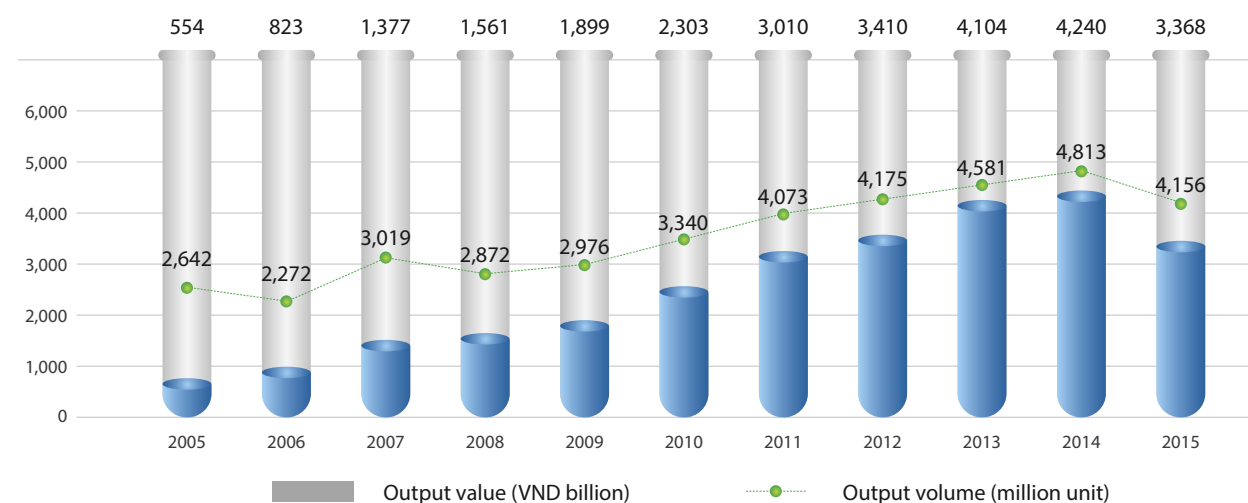
One of the goals of development and production activities of the company is gradually replacing manual labor with automation to reduce labor costs, increase productivity, improve development level of the

factory to become more modern. Thus, the automation of production since the beginning of the year was implemented in the production units. There were 4 projects of automation in production registered for implementation, 3 of them were completed and 1 project is in the process of completion.

The Subsidiary DHG Packaging & Printing 1 Member Limited Company (DHG PP1) not only meet internal needs with timely packaging for prescription medicine labels; printing by orders of Marketing Department but also print products, sell packaging for external partners, bringing in more profits.

The production sector coordinating with the Environment Board to regularly checks & reminds employees of the compliance with rules and regulations on labor safety in production, enhancing the responsibility of the members to help detecting electrical hazards, risks of equipment failure to repair timely. Coaching all production staff safety and fire prevention knowledge.

#### Output and actual output value 2005 - 2015



Source: DHG Pharma

#### Quality Management Activity

- » Reviewed and approved 16,437 batches of finished product in compliance with regulation.
- » Construction of a new GMP WHO Betalactam plant as schedule, troubleshoot suggestions of the Drug Administration Department of GMP WHO, GLP, GSP at finished products inspection.
- » Support test / re-test GSP, GDP of 9 subsidiaries and 7 branches.
- » Support pharmacy customers of Pharma CM in GPP checking.
- » Evaluate monitoring ISO / IEC 17025 reached requirement in May 2015.
- » Timely respond to the results in quality inspection of raw materials and products.
- » Switch to disclose material matching actual active ingredients in use.
- » Upgrade some material testing standards appropriate for registration documents.
- » Participate in proficiency testing and interlaboratory competition by the Central Institute for Drug Testing organizations and achieved good results.

#### Conducting research and development products

Investing in research is a prerequisite for a differentiated product system and creating competitive advantage. DHG has strong financial resources, always ready to respond to the research needs. R&D department has a total of 40 personnel, including 21 pharmacists and 2 PhD chemists involved in the whole process of research and development of new products and upgrading the quality of the existing product (the product of study include tablets, capsules, soft capsules, eye drops, creams, ointments, liquid...).

Cost of investment in Research and Development (R&D) of DHG accounts for about 5% of profits, 1% of revenue, much lower than the average rate of 15% -18% of the revenue of multinational pharmaceutical corporations. In addition to the regular operating costs, DHG appropriated in Funds for Scientific Technological Development & Investment 02 times, 1st time in 2009 (VND 38.7 billion) and 01 time in 2013 (VND 36.35 billion).

In 2015, the first clinical research (Eyelight Vita) was approved by

the Health Ministry. The Company completed bioequivalence evaluation for 6 products, the Health Ministry announced bioequivalence for 14 products, and 7 products were sent for bioequivalence testing.

By 31.12.2015, the Company has 41 products achieved bioequivalence:

- » 19 products have been announced by the Ministry of Health.
- » 22 products waiting for the Ministry of Health to announce.

- » 05 products is conducting bioequivalence testing to gradually raise product quality standards to support DHG bidding.

Produced 10 new products. Produced 20/20 improved product as targets.

New products awaiting registration: 40 pharmaceuticals products, 2 dietary supplement products.

Products in the research stage: 72 pharmaceuticals products, 16 dietary supplement products, 7 cosmetics products.



DHG Pharma's testing laboratory

# REPORT OF THE BOARD OF MANAGEMENT (continued)



## Product Registration Activity

In 2015 total 107 registration numbers were granted, including 39 registration numbers for the new plant, 14 registration numbers for exporting . Extension of 6 months for 35 products, increased shelf-life for 33 products.

Implementing clinical testing and processing for Eyelight Vita product to reapply for registration number (no original formula).

Explanation registration documents to saves costs and time to evaluate bioequivalence again: Apitim granted Registration number in 12/2015, remaining products (product line Haginat, Klametin, ...) expected Q1/2016 to have registration number. The acceleration in registering product helps utilizing effective tax incentives for the company in 2016.

## Finance / Accounting / IT activities

Prepare financial statement on schedule, timely disclose information for the securities market. Negotiate with the banks to receive benefit worth 9 billions from the reduction of domestic money transfers fees, purchase foreign currency at competitive prices; reduction in bid deposits / guarantee contract performance, remove deposit in guarantee L/C, no payment guarantee in local.

Hire consultants to rebuild the system of management accounting information; budgeting process; cost allocation methods, product effectiveness, unit sales by the method of variable interest charge. Performed financial advising and provided timely data for internal management needs.

Complete clearance procedures for 2012 ESOP. Analysis and implementation of procedures for the purchase of treasury shares for price stabilization in the securities market.

Putting Datacenter system into operation, complete tablet system, client birthday messaging system.

Established BFO for the new plant. Established the mail exchange system and merge 2 inside and outside mail systems into one. Started digitizing of Financial management procedure according EY consultants into BFO. Support BFO for the management of Thuong Tin warehouse, salespeople payroll and merged DHG Nature into Factory 3.



## BUSINESS PLAN FOR THE YEAR 2016

### Business targets for 2016

Target	Actual 2015	Plan in 2016	Growth 2016/2015
Net sales	3.608 Billion VND	3.733 Billion VND	3,5%
Pre-tax profit	701 Billion VND	750 Billion VND	6,9%

(Note: See notes to sales growth and profit growth in 2016 in the 2016-2020 of business plan which presented above).

### Markets and distribution system

- » Develop detailed strategic development category, brand, distribution channel period 2016-2020.
- » Restructuring Marketing Department under six channels: Strategic Marketing, Services Marketing, Commercial Marketing, Im-Export Channel, Development Channel, Treatment Channel.
- » Conversion of Sales to Trading sector includes separate functions: Sales, Customer Care, Distribution, Sales Supervisor.
- » Review the list of products according to 04 criteria: High output - high profit; High output - low profits; Low output - high profit; Low output - low profits.
- » Investments 03 major strategy brands of company, investment strategy implementation CRS for DHG Pharma. Increasing introduction and trial products for consumers; increasing the coverage and frequency of customer purchases.
- » Stable sales policy, improve compliance. Setting and monitoring, promoting complete quantity targets, sales of key products on each sales unit.
- » Product training, online sales program for the units sales continue to implement improvements and more efficient.
- » For the distribution of imported products: Consolidation and expansion of product diversification in the treatment channel (Hospital) and commercial channels (Pharmacy).





# REPORT OF THE BOARD OF MANAGEMENT (continued)

## Distribution channels activities

### Tenders channel

Established Tenders Division: responsible for internal affairs, foreign affairs, combine with contractors business, to ensure the proportion of sales from hospital tenders are at least 10% of total sales, heading to the centralized tenders direction. Improving the quality of products through clinical trials, bioequivalence tests to create competitive advantages in tenders and export.

### Dietary Supplements and Cosmeceutical channel

Processing and importing (from developed countries) for distribution, domestic production with significantly differentiated formulas (prioritized in applying scientific thesis and medicinal materials in Vietnam).

### Modern channel

Invest in expansion of modern distribution channels, placing products into supermarkets, convenience stores, pharmacy chains. Stepping up marketing activities at the points of sale to increase brand image.

### Export channel

» Restructured into 03 groups:



- » Open 04 more distributors in exported countries
- » Export to 08 more countries
- » Adding new products with new registration number and existing ones:
  - ✓ Products already registered: 11 products
  - ✓ Products newly registered: 25 products
- » Establish exclusive distributors of DHG products in Cambodia.

## Production plan

Target	2015	Plan in 2016	Growth
Production volume (Million of product units)	4,156	4,299	3.4%
Production value (Billion VND)	3,368	3,986	18.4%

The 2016 production plan was created with a total production value increased by 18.4%, while total output increased by only 3.4%. The reason is that in 2016, the Company stopped trading of direct wholesale products as this group has low value and profit. The structure of the product portfolio shifts into groups of high-value products and higher profits.

Relocated Betalactam factory to the new plant and quickly stabilize production. Restoration of Workshop 3: eye drops production lines, lotions, WHO GMP certified topical products.

Enhance the capacity of 02 plants through production planning and processing contracts. Executed the “production optimization” project as advised.

Monitor and supervise the progress of building the PIC/S certified pharmaceutical factory at the end of 2018.

Improved the processes automation of packaging lines currently are labor-intensive. Invested on new equipment, maintain old equipment to meet the requirements of increasingly advanced manufacturing.

Process sufficient pharmaceutical products to meet demand in 2016, effectively established and managed ingredients growing field to prepare for the registration of pharmaceutical GMP.

## Quality Assurance

Reassessment of GMP, GLP, GSP production line of finished pharmaceutical, dietary supplement.

Assessment of the GSP, GDP: warehouse in Tan Tao Industrial Park; inventories of finished products, raw materials, packaging in the Company;

The laboratory continues to achieve ISO/IEC 17025 (extended assessment for dietary supplements).

Implementation of the risk management for products quality, processes, equipment and systems . Fix issues as suggested by the Drug Administration, set standards for material testing.

Continue to implement change control, participate in program proficiency testing and inter-laboratory comparisons in 2016 by the Ho Chi Minh city Institute of Quality Control.



Testing laboratories at the new plant of DHG Pharma



# REPORT OF THE BOARD OF MANAGEMENT (continued)

## Research & Development and Product registration

Anticipated soon to expired patent products that have good potential market for the present and the future: 5 products will be researched each year.

Developed herbal products originated from Vietnam using biotechnology applications.

Signed strategic cooperation with the Institute of Biotechnology and Technology Incubator - Cantho University. Provide training for researchers in developing countries.

Improved on product development of products with the registration assigned to the new plant, give priority on switching registration number of Betalactam plant and products with new active ingredients, high market demand, helps companies to capitalize

efficiently on the tax incentive on new factory.

Sent the registration for 20 new products, in which 10 new products was granted registration number, 50 products were re-register and switching registration to new plant.

Sent for bioequivalence testing 6 products and completed 4 products bioequivalence.

## Supply chain management

### Production Plan

Actively coordinate with related units to anticipate production requests to quickly start of soon to be have registration products. Check weekly production schedule to detect the incompleted orders, find out the reason to resolve accordingly.

### Supply

Ensure timely and adequate supply of raw materials - packaging for production planning, researches, product registration documents. Selecting the appropriate time of purchase materials for reasonable pricing, reserve seasonal ingredients. Find backup resources to actively guarding against monopoly pricing, minimize impact crisis from some countries. Improve planning and forecasting materials. Material trading sales target: 170 billion VND.

### Warehouse

Logistic, promptly and accurately allocation of goods for production and sales purpose, following the business plan. Involved and prepared the conditions necessary for the re-evaluation of GSP, GDP at large and intermediate warehouses at subsidiaries and branches.



## Finance/Accounting/Investment/IT

### Accounting

Complete the audit report, report on inspection of tax settlement in 2015 and the financial statements, the consolidated report periodically on schedule. Provide accurate and timely accounting information for analysis and internal management.

### Finance

Improve the accounting management systems of the company, using BFO's Accounting management module; Establish and monitor budget periodically

using new methods. Update the production and sales system. Clearly define cost centers and monitoring and evaluating the profit center as a basis to better evaluate the effectiveness of work. Establish service providers systems to have a basis for negotiation on price and quality of services to increase efficiency through economies of scale...

### Investment

Establish the fund management and investment from Q2/2016 to enhance the role of the

finance function in advising financial planning, M&A, joint ventures, issue shares; dividend policy, capital structure; analyze, evaluate and manage fixed asset investment, external investment.

### IT

Complete set of financial statements, consolidated statements, management report, the pricing system under the new method, the automatic system for aftermarket programs, KPI evaluation and bonus for employees according to consulting from EY on BFO system.

## IMPROVEMENTS ON THE STRUCTURE, POLICIES AND MANAGEMENT

### Changes of organization structure

(Refer to Company Introduction)

Current organizational structure chart of DHG dated 21.01.2015. On 02.01.2016, re-issued with the following change: exclude DHG Nature which has been dissolved.

In order to build the organizational structure to meet operational requirements during the period 2016 - 2020, DHG is expected to change to the new organizational structure hierarchy as followed:

### Established 8 functional groups under the Deputy Directors including

Market group, Sales group: under Deputy Director of Sales and Customer Service. Marketing Department under Director of Marketing, removed the title of Marketing Manager.

Technical group, Quality Control group, Production group, Supply group: under the Deputy Director.

Finance group: under the Deputy Director of Finance, including: accounting, finance, IR and investment.

Human Resource and other departments with support function such as Information Technology Department, Legal Department, Internal Audit Department: managed directly by CEO.

### Considering establishment of Internal Audit department managed by BOD

According to the Accounting laws issued on 20/11/2015, enterprises establish two separate divisions:

Internal Control: establishing and implementing processes, policies, procedures, internal regulations in line with the provisions of the law to ensure the prevention, detection, timely treatment of risks.

Internal Audit: check and confirm the quality, the reliability of the economics, financial information of financial reports, management accounting reports before they are submitted for approval. Check the compliance with operating principles, management, legal compliance, financial regulations and accounting policies, resolutions and decisions of the Company BOD.

# REPORT OF THE BOARD OF MANAGEMENT (continued)

## Changes on Human Resource

(Refer to Board of Management in Company Introduction)

### HR structure by gender (2011-2015)

Gender	31/12/2011		31/12/2012		31/12/2013		31/12/2014		31/12/2015	
	Qty	%	Qty	%	Qty	%	Qty	%	Qty	%
Male	1,346	51.1	1,450	52.5	1,537	54.3	1,673	56.5	1,641	57.1
Female	1,289	48.9	1,314	47.5	1,293	45.7	1,291	43.5	1,235	42.9
<b>Total</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>	<b>2,876</b>	<b>100</b>

### HR structure by functional groups (2011-2015)

Functional groups	31/12/2011		31/12/2012		31/12/2013		31/12/2014		31/12/2015	
	Qty	%	Qty	%	Qty	%	Qty	%	Qty	%
Supportive group	697	26.5	815	29.5	861	30.4	763	25.7	760	26.4
Production group	992	37.6	815	29.5	727	25.7	754	25.5	735	25.6
Sales group	946	35.9	1,134	41.0	1,242	43.9	1,447	48.8	1,381	48.0
<b>Total</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>	<b>2,876</b>	<b>100</b>

### HR structure by education (2011-2015)

Education level	31/12/2011		31/12/2012		31/12/2013		31/12/2014		31/12/2015	
	Qty	%	Qty	%	Qty	%	Qty	%	Qty	%
<b>Post-graduate</b>	<b>32</b>	<b>1.2</b>	<b>43</b>	<b>1.6</b>	<b>53</b>	<b>1.8</b>	<b>59</b>	<b>2.0</b>	<b>60</b>	<b>2.1</b>
PhD. in Economics, Chemistry, Pharmaceutical	2		2		2		1		3	
Master of Pharmaceutical, Chemistry	6		6		6		6		6	
Master of economics	3		14		24		31		31	
Pharmacist 1	21		21		21		21		20	
<b>University</b>	<b>578</b>	<b>21.9</b>	<b>544</b>	<b>19.7</b>	<b>588</b>	<b>20.8</b>	<b>703</b>	<b>23.7</b>	<b>694</b>	<b>24.1</b>
University of Pharmaceutical, Doctor	91		93		91		109		104	
Economics University	221		218		242		302		362	
Mechanical University	46		43		46		46		59	
Other Universities	220		190		209		246		197	
<b>College, vocational schools</b>	<b>1,140</b>	<b>43.3</b>	<b>1,230</b>	<b>44.5</b>	<b>1,321</b>	<b>46.7</b>	<b>1,400</b>	<b>47.2</b>	<b>1,365</b>	<b>47.5</b>
<b>Technical workers</b>	<b>28</b>	<b>1.1</b>	<b>26</b>	<b>0.9</b>	<b>27</b>	<b>1.0</b>	<b>30</b>	<b>1.0</b>	<b>29</b>	<b>1.0</b>
<b>Prescription clerk</b>	<b>195</b>	<b>7.4</b>	<b>182</b>	<b>6.6</b>	<b>170</b>	<b>6.0</b>	<b>169</b>	<b>5.7</b>	<b>148</b>	<b>5.2</b>
<b>High schools</b>	<b>662</b>	<b>25.1</b>	<b>739</b>	<b>26.7</b>	<b>671</b>	<b>23.7</b>	<b>603</b>	<b>20.4</b>	<b>580</b>	<b>20.2</b>
<b>Total</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>	<b>2,876</b>	<b>100</b>





## REPORT OF THE BOARD OF MANAGEMENT (continued)



*Youth training activities provided by DHG Pharma*

In 2015, DHG has recruited 88 new employees for sales group. The Company organized the training program for heads and deputies of units, key staff, sales staff and other employees at the Company with the total of 136,182 training hours (59.5 hours/person/year). Implemented the Project Human Resources Management consulted by EY including 05 components, formed the basis of developing policies for incentive compensation, evaluation, training, developing and promoting employees, while preparing the future leaders for the entire management system.

### HR activities in 2016

- » Manpower planning and training 2016. Implement KPIs strategies for the Company in 2016 as advised by EY consultants.
- » Rebuilding manufacture unit wage on the basis of the salary scale implemented in 2016.
- » Implement the project Improvement of human resources management under the consultancy of EY. Building plan to prepare personnel and recruit additional positions in accordance with the requirements of the organization.
- » Continue to improve the rules and regulations in the management system of human resources in line with the 2016 Law.
- » Improve the criteria of fluency in English (encourage the learning of English in 80% of female staff aged ≤ 40 and male aged ≤ 45 working in the management group, office and support group).

### Changes in regulatory/procedures system

In 2015, the company has issued Amended Financial Regulations, Regulations on procurement of assets, Regulations on compensation and remuneration; Regulations on procurement of goods and services and the proposed amendments and additions to the company's Charters in according with 2014 business laws.

2016 plan: Build and improve the regulations on the organization and operation of the Company; Investment management regulations; Regulations on Information Disclosure; Regulation on operations control at the One-Member Ltd. company; Regulations on pricing policy for related transaction and contract management. Effectively operated the system of decentralization, tasks management to assess the effectiveness of work through KPI. Finalizing and issuing procedures and regulations to ensure operation in 2016.

### IR activities

Investor relations activities helped maintaining good relationship with shareholders; enabling access to potential investors with financial capacity and experience, while creating good brand impression in the stock markets in Vietnam and abroad through the following significant achievements:

- » Maintained top 10 best annual reports for the 7th consecutive years.
- » Organized 39 direct meetings with 182 different investment funds and securities institutions both domestic and foreign to learn about DHG Pharma
- » Organized 05 major shareholders/investors meeting to update information regarding the AGM 2014, Q1/2015, Q2/2015, and Q3/2015.
- » Introduced about DHG at the "Invest ASEAN: Vietnam" seminar held in HCM City by Maybank Kim Eng .
- » Through relationships with investors, get referrals with other strategic partners of pharmaceutical industry.
- » Disclose information (financial and non-financial) transparently and timely on the website of the Company at the address <http://www.dhgpharma.com.vn/dhg/quan-he-co-dong.html>



*IR team meeting investors*

### ASSESSMENT REPORT ON SOCIAL AND ENVIRONMENT RESPONSIBILITY (ENVIRONMENT, EMPLOYEES, COMMUNITY)

Refer to the Sustainable report in this report and the 2015 Sustainable report.



# INVESTMENT REPORT

## REPORT ON APPROVED INVESTMENTS, DISBURSEMENT IN THE PERIOD OF 2011 - 2015

Unit: billion VND

ITEMS	Ap- proved plan	Ap- proved Invest- ment value	2011	2012	2013	2014	2015	Total (not in- cluding VAT)	Balance at be- ginning of 2016 (not in- cluding VAT)
<b>TOTAL INVEST- MENTS APPROVED</b>	<b>1,760</b>	<b>1,582</b>	<b>149</b>	<b>144</b>	<b>305</b>	<b>260</b>	<b>153</b>	<b>1,011</b>	<b>574</b>
<b>I COMPLETED</b>	<b>410</b>	<b>393</b>	<b>125</b>	<b>99</b>	<b>60</b>	<b>102</b>	<b>17</b>	<b>403</b>	<b>-</b>
1 Investment plan 2011 (AGM 2010)	180	180	124	14	31	-	-	169	-
2 Investment plan 2012 (AGM 2011)	102	102	1	85	29	10	-	125	-
3 Investment plan 2014 (AGM 2013)	121	104	-	-	-	92	11	103	-
4 Investment plan 2015 (AGM 2014)	7	7	-	-	-	-	5	5	-
<b>II DROPPED</b>	<b>171</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1 Investment plan 2014 (AGM 2013)	171	-	-	-	-	-	-	-	-
<b>III ON HOLD (TRANS- FER TO THE NEXT YEAR)</b>	<b>41</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
1 Investment plan 2014 (AGM 2013)	37	-	-	-	-	-	-	-	-
2 Investment plan 2015 (AGM 2014)	4	-	-	-	-	-	-	-	-
<b>IV ONGOING</b>	<b>1,138</b>	<b>1,189</b>	<b>24</b>	<b>45</b>	<b>245</b>	<b>158</b>	<b>136</b>	<b>608</b>	<b>574</b>
1 Investment in the new plant - Extraor- dinary AGM 2011	676	725	24	45	245	140	106	559	158
2 Investment plan 2014 (AGM 2013)	105	107	-	-	-	18	15	34	73
3 Investment plan 2015 (AGM 2014)	357	357	-	-	-	-	15	15	342

## REPORT ON PERFORMANCE OF INVESTMENTS IN 2015

Most of investment activities and investment disbursements in 2015 were delayed against the plan. Specifically each investment item is as follows:

### Project of Tan Phu Thanh pharmaceutical plant and DHG packaging printing factory

#### Tan Phu Thanh pharmaceutical plant

- » Value of approved investment was VND676 billion (excluding VND37.4 billion of DHG PP1), the remaining VND638.6 billion (before VAT) was for Non-Betalactam and Betalactam pharmaceutical factories. Total value of the signed contract was VND566.5 billion (before VAT: VND515 billion)
- » Disbursement was implemented with VND528.4 billion (before VAT: VND 480.4 billion)

#### DHG PP1 factory

- » DHG PP1 factory went into operation in Jan 2014. Total approved investments were VND94.7 billion, in which VND87 billion was disbursed (including VAT). The remaining (VND4.2 billion) expected to be disbursed in 2016.

### Project of effervescent line with PIC/S standard

According to the original plan, progress of the project is:

No.	TASKS	EXPECTED SCHEDULE
1	Stage of Conceptual Design (CD)	Has been completed on Nov 2015
	Stage of Basic document (BD) and detailed design (DD)	11/2015 - 07/2016
	Prepare BD and DD	11/2015 - 02/2016
	Design technological devices	11/2015 - 04/2016
2	Make a report of investment project (feasibility study)	11/2015 - 02/2016
	Other activities for approving investment projects	12/2015 - 02/2016
	Check approved investment projects	02/2016 - 03/2016
	Detailed design	03/2016 - 06/2016
	Organize bidding and select bidding	03/2016 - 07/2016
	Starting construction	07/2016
	Construction	07/2016 - 03/2017
3	Procurement and installation of equipment	03/2016 - 04/2017
	Evaluation	03/2016 - 05/2017
	Development of pharmaceutical quality system and training	02/2016 - 08/2017
4	Prepare PIC/S assessment	2018

The above estimated time was constructed and agreed by DHG and consulting firm (CMPV). However, the project was currently suspended from 25/12/2015 due to review of technological process and plant location change. When come back, CMPV will adjust the implementation progress and give a new expected schedule. The suspension period is expected to be approximately 4 to 6 months.

## INVESTMENT REPORT (continued)

### Reasons of plant location change

The project has been approved by the BOD in 2015 and its construction site was at the headquarters of the parent company. The Company signed a contract with a consulting unit on planning, training of GMP knowledge and PIC/S design consultation. However, after recommended by the Can Tho city authorities, the Company has changed direction to Tan Phu Thanh Industrial Zone - Hau Giang Province. Also according to the local authority, the land at Nguyen Van Cu street is in residential area and will not be permitted for medicines manufacturing in the future.

Procedures for new purchase of land and application for investment license at Tan Phu Thanh Industrial Zone will lead to slow progress and increased costs. According to the latest opinion of CM Plus, DHG may invest in constructing PIC/S factory on DHG's unused land at Tan Phu Thanh Industrial Zone if Betalactam factory is isolated. Therefore, the Company will consider the plan of Betalactam isolation to quickly proceed construction of PIC/S factory.

### Purchase of land and construction of a representative office and a company house for Hanoi branch

The investment was suspended because Hanoi branch's warehouse and office will be moved to the North center warehouse. For the operation of representative office, if required, DHG will consider renting office at some high-rise building in the city.

### Construction of the headquarters in Can Tho

In order to focus on solving business problems, the Board of Management has decided to put the project on hold until 2017.

#### The remaining items of 2015's investment plan within the CEO's jurisdiction

Unit: billion VND					
No.	ITEMS WITHIN CEO'S JURISDICTION	Estimated value (not including VAT)	Dis-burse-ment plan 2015	Disbursed in 2015	% Dis-burse-ment/ Dis-burse-ment 2015
<b>I.</b>	<b>Completed in 2015</b>	<b>7.1</b>	<b>7.1</b>	<b>5.4</b>	<b>75.5%</b>
1.	Phase 1: Microsoft software	2.8	2.8	2.5	87.1%
2.	Transportation means in the parent company (two 8-ton vehicles + a 17-seat car)	3.8	3.8	2.6	69.0%
3.	Transportation means for DHG Nature (a 1.5-ton truck) -> switch to F3 Hati	0.5	0.5	0.3	59.5%
<b>II.</b>	<b>Ongoing</b>	<b>83.7</b>	<b>83.7</b>	<b>12.3</b>	<b>14.7%</b>
1.	Construction of new house and maintenance of old one of Thai Nguyen Branch (2 adjoining slots)	2.8	2.8	0.02	0.6%
2.	Purchase of land and company house construction for Danang branch (*)	12.2	12.2	4.8	39.1%
3.	Purchase of land and company house construction for BaLi Pharma (*)	7.1	7.1	1.6	22.9%
4.	Construction of finished-product warehouse at CMT8	13.0	13.0	3.5	26.6%
5.	Construction of raw material, excipient warehouse at Nguyen Van Cu factor	8.3	8.3	0.03	0.3%
6.	Land purchase and company house construction for Nghe An branch	8.8	8.8	0.0	0.0%
7.	Land purchase and company house construction for Nha Trang branch	8.3	8.3	0.0	0.0%
8.	Land purchase and company house construction for Tay Ninh branch	7.3	7.3	0.0	0.0%
9.	Planning a ratio 1/500 at Nguyen Van Cu	0.4	0.4	0.1	32.8%
10.	Machinery and equipment for manufacturing, warehouse in the Parent Company	8.6	8.6	0.0	0.0%
11.	Repair & maintenance of branches and subsidiaries	2.3	2.3	1.6	69.6%
12.	Hiring consultants	0.8	0.8	0.1	16.2%
13.	Manufacturing machinery and equipment of DHG PP1	3.7	3.7	0.5	13.2%
	<b>Total</b>	<b>90.8</b>	<b>90.8</b>	<b>17.7</b>	<b>19.5%</b>

# INVESTMENT REPORT (continued)

## INVESTMENT PLAN IN 2016

New investment plans for 2016 of the Company is 75,649,000,000 VND in total, including:

Unit: million VND		
No.	Items	Investment plan 2016 (including VAT)
1	Renovation of the liquid factory complying with GMP WHO standard	18,384
2	Renovation for reassessment of GMP WHO at Nguyen Van Cu plant	5,155
3	Joint-venture project of Fuji Medic (mobile test vehicle)	12,360
4	Machines and equipment in DHG PP1	11,341
5	IT (2 <sup>nd</sup> phase of Microsoft software and other equipment)	6,341
6	Machines and equipment in QC division at Nguyen Van Cu plant	8,829
7	Transportation vehicles in distribution system	3,521
8	Subsystem of professional inventory checking and warehouse shelves	2,630
9	Maintain houses, factories, infrastructure	7,087
<b>TOTAL</b>		<b>75,649</b>

Notes:

The investment plan 2016 is estimated based on needs and necessity of investment. The investment decision will be approved by competent authorities on the basis of conformity with the legal provisions, the Company's procedures and regulations, feasibility and financial efficiency.

In 2016, any incurred activities, including fixed assets investment and leasing; mergers and acquisitions; pledge, mortgage, transfer or purchase of assets must be conducted in accordance with the provisions in the Company Charter.

## DISBURSEMENT PLAN OF THE REMAINING INVESTMENTS AND NEW INVESTMENTS IN 2016

Total disbursements for the remaining investments were approved from the previous years and disbursement for the new investment plan in 2016 is estimated to be VND 423 billion.

No.	ITEMS	Approved investment plan (including VAT)	Disbursed to 31/12/2015 (including VAT)	The re-maining is transferred to 2016 (including VAT)	Estimated disbursement 2016
<b>I. Project of Tan Phu Thanh plant &amp; DHG Printing Packing factory - Extraordinary AGM 2011</b>		<b>797.2</b>	<b>615.4</b>	<b>181.8</b>	<b>130.8</b>
1	Project of Tan Phu Thanh plant	702.5	528.4	174.1	126.6
2	DHG Printing Packing factory (DHG PP1)	94.7	87.0	7.7	4.2
<b>II. The remaining investment plan in 2014</b>		<b>139.9</b>	<b>37.1</b>	<b>102.8</b>	<b>64.8</b>
1	Investment in research and development of products	33.4	19.5	14.0	14.0
2	Project of herbal materials processing with GMP WHO standard	38.5	2.1	36.4	7.3
3	Purchase of land and construction of North warehouse	47.3	1.3	46.0	37.1
4	Construction of a company house for HCMC branch	12.6	6.9	5.6	5.6
5	Construction of a company house for Hai Phong branch	8.1	7.3	0.8	0.8
<b>III. The remaining investment plan in 2015</b>		<b>414.5</b>	<b>16.2</b>	<b>398.2</b>	<b>151.7</b>
1	Land and construction of effervescent line according to PIC/S standard	242.0	3.4	238.6	87.0
2	Construction of headquarters at NVC Can Tho	54.8	0.0	54.8	5.5
3	Purchase of land and construction of RO – Hanoi branch	29.8	0.0	29.8	0.0
4	Construction of a new company house and maintenance of the old one for Thai Nguyen branch (2 adjacent land slots)	3.1	0.0	3.1	3.1
5	Purchase of land and construction of a company house for Danang branch	13.4	5.3	8.2	8.2
6	Purchase of land and construction of a company house for BaLi Pharma	7.8	1.6	6.0	6.1
7	Construction of a finished product warehouse at CMT8	14.3	3.8	10.5	10.5
8	Construction of raw material. excipient warehouse at Nguyen Van Cu factory	9.2	0.0	9.1	9.1
9	Purchase of land and construction of a company house for Nghe An branch	9.7	0.0	9.7	3.9
10	Purchase of land and construction of a company house for Nha Trang branch	9.1	0.0	9.1	4.2
11	Purchase of land and construction of a company house for Tay Ninh branch	8.0	0.0	8.0	2.8
12	Planning a ratio 1/500 at Nguyen Van Cu	0.4	0.1	0.3	0.3
13	Machinery and equipment for the Parent Company	9.4	0.0	9.4	9.4
14	Repair & maintenance of houses for branches and subsidiaries	2.6	1.8	0.8	0.8
15	Hire consultants	0.9	0.1	0.7	0.7
<b>IV. Investment plan in 2016</b>		<b>75.6</b>			<b>75.6</b>
1	Renovate liquid factory complying with GMP WHO	18.4			18.4
2	Renovate for reassessment of GMP WHO of NVC factory	5.2			5.2
3	Invest in machines and equipment in QC division	0.9			0.9
4	Invest in machinery and equipment for Nguyen Van Cu plant	7.9			7.9
5	Maintenance of houses, factories, infrastructure	7.1			7.1
6	Transportation vehicles of distribution system	3.5			3.5
7	IT (2 <sup>nd</sup> phase of Microsoft software and other equipments)	6.3			6.3
8	Subsystem of professional inventory checking and warehouse shelves	2.6			2.6
9	Invest in machinery and equipment in DHG PP1	11.3			11.3
10	JV project of mobile testing vehicles	12.4			12.4
<b>TOTAL</b>		<b>1,427</b>	<b>668.7</b>	<b>682.8</b>	<b>423</b>



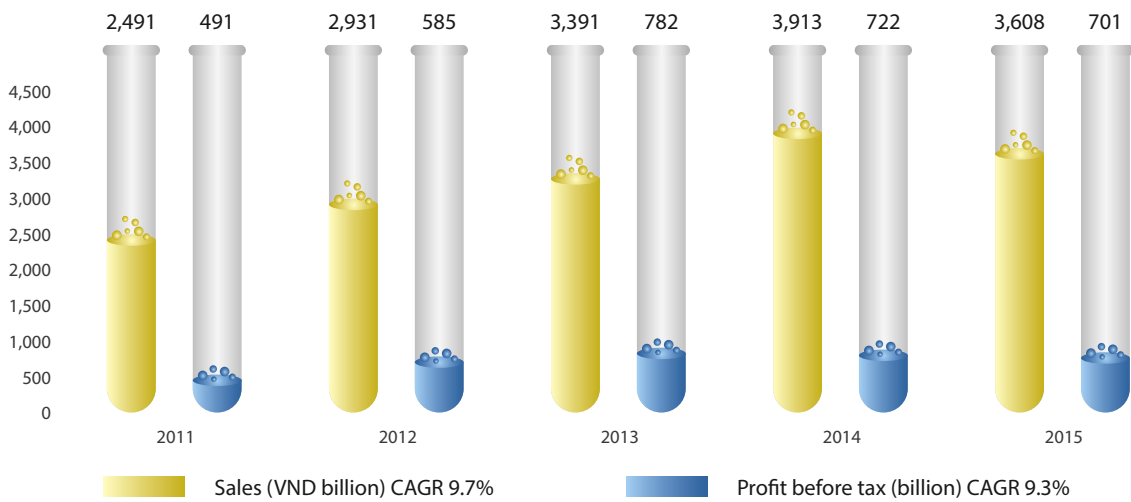
# ANALYSIS OF THE FINANCIAL STATEMENTS

## BUSINESS PERFORMANCE ANALYSIS

2015 continues to be a difficult year for the pharmaceutical industry in general and for DHG Pharma in particular. Circular 01 had negative impacts on most of the domestic manufacturing pharmaceutical companies. Many companies shifted their focus to OTC trading to offset loss market share from ETC. This intensified the competition to the OTC market, which has always been the strength of Hau Giang Pharmaceutical (DHG). Moreover, DHG Pharma experienced challenges as we started restructuring the sales systems to be more professional and efficient, aiming for the sustainable development in the future. After years of high growth, 2015 was an ideal year for DHG Pharma to review, strengthen and rebuild the internal operating system to continue to maintain the leading position in the domestic pharmaceutical industry. DHG aims to gradually reach the regional level in the next 5-year period.

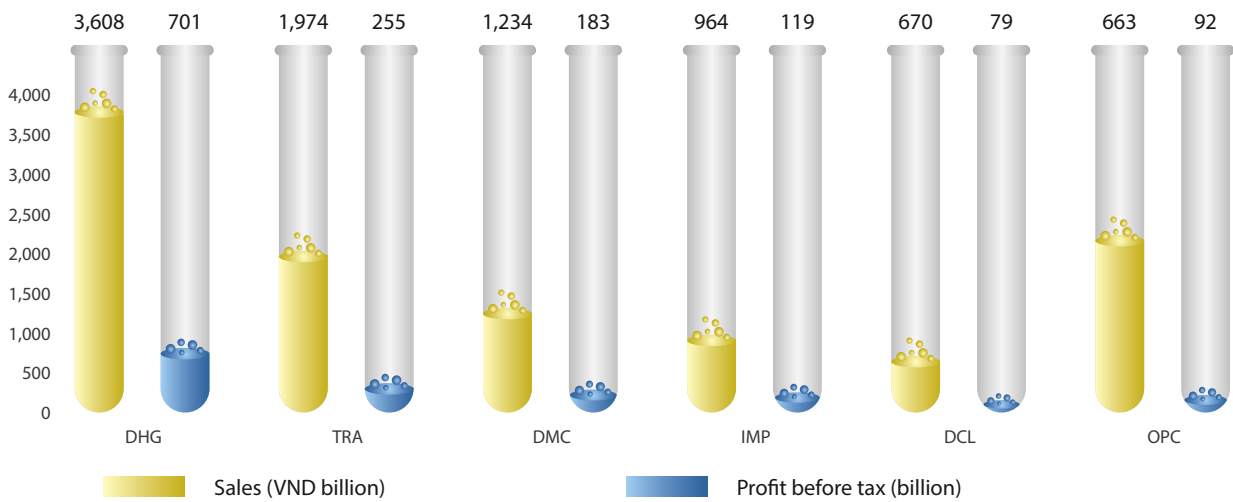
Overcoming many difficulties, at the end of the fiscal year 2015, revenue and profit figures of DHG are as followed: net revenue from operating activities was 3608 billion, down 7.8% y.o.y and achieved 90.2% of the plan. Earnings before tax (EBT) excluding financial income reached 671 billion, 92.0% of target. With financial income, EBT reached 701 billion, down 2.9% compared to 2014. However, net sales in Q1 2016 shows signs of recovering. Specifically, net sales reached 815 billion, up 21.8% over the same period last year and achieved 21.8% of target. This indicates the restructuring efforts in recent years have started to bear fruit.

## 2011-2015 Net Sales - Pre-tax profit of DHG



Over the last 5 years, CAGR of revenue reached 9.7%, pretax profit CAGR reached 9.3%. In comparison with competitors (Traphaco - TRA, Domesco - DMC, Imexpharm - IMP, Duoc Cuu Long - DCL and OPC), in 2015, net sales of DHG is 1.8 times the second company (TRA) and profit before tax (PBT) is 0.96 times of all competitors combined.

## Comparison of net sales - PBT of some listed Pharmaceutical Company in 2015



The increased proportion of sales from commodities trading group (with lower gross profit margin) resulted in DHG's revenue structure from in-house drugs (with a higher gross profit margin) fell sharply, contributing to the decrease in profit margin of the Corporation in 2015. In particular, Circular 200 changed the accounting classification of promotion discount made deductions from revenue and cost of sales rose sharply.

Accordingly, trade discounts was previously classified as selling expenses is now included in deductions, reducing net revenues. DHG uses promotion via goods, thus promotion expenses treatment is to record revenues from promotion goods as COGS instead of selling expenses as before (with COGS almost equal to revenues, except for in-house goods).



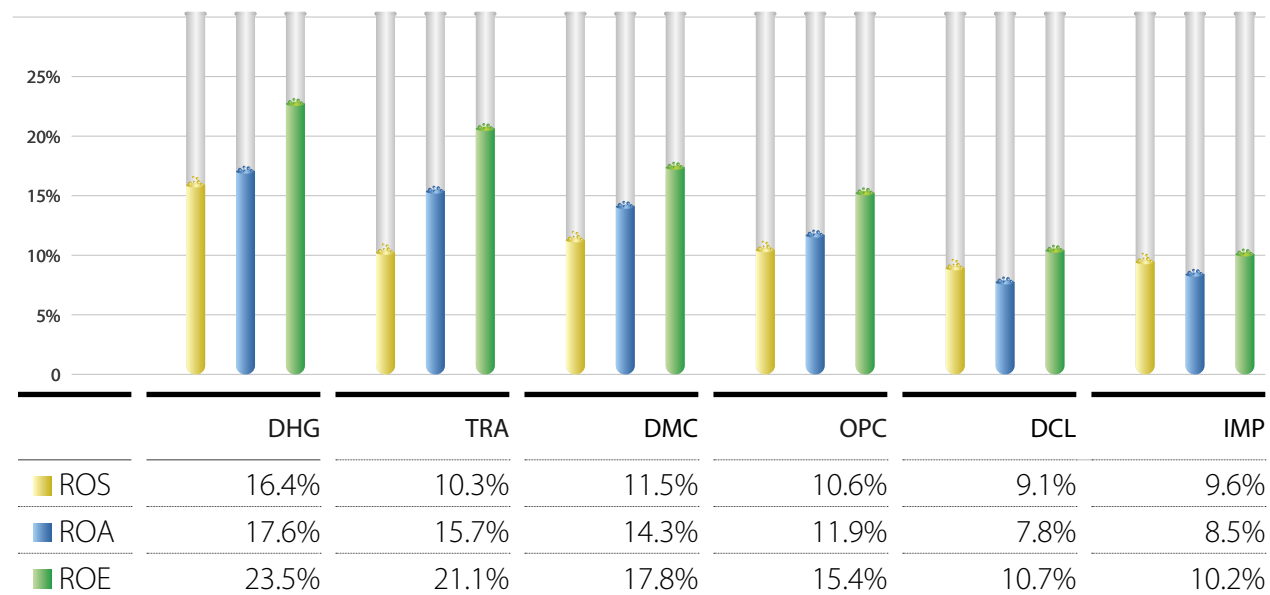
	2011	2012	2013	2014	2015
Gross Profit Margin	48.5%	49.3%	48.0%	54.5%	39.2%
Earnings before tax (EBT)	19.7%	20.0%	23.0%	18.5%	19.4%
Net profit margin (ROS)	16.9%	16.8%	16.8%	13.6%	16.4%
Return on Equity (ROE)	30.4%	29.1%	29.9%	23.3%	23.5%
Return on Assets (ROA)	21.0%	20.7%	19.3%	15.3%	17.6%

Source: Consolidated Financial Statements, DHG's calculation.

## ANALYSIS OF THE FINANCIAL STATEMENTS (continued)

Compared with the listed companies in the same industry, the profitability ratios of DHG in 2015 still shows the superiority. The before-tax profitability ratios of DHG continued to maintain at high levels due to the reduce in tax burden compared to previous year.

### Comparison on profitability ratios of listed pharmaceutical companies in 2015



Source: audited 2015 Consolidated Financial Statements of listed pharmaceutical companies

Note: ROS: PAT/Net Sales; ROA: PAT/Total Assets; ROE: PAT/Owner's Equity



### EXTENDED DUPONT ANALYSIS

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

According to DuPont analysis, following a period of decline in 2013 - 2014, the net income/EBT ratio of DHG bounced back in 2015. This demonstrated that the tax burden had reduced impact on the Company's ROE in 2015.

One of the reasons for this is that starting in 2015 DHG

Pharmaceutical Company Limited in Tan Phu Thanh Industrial Zone began benefiting from the 15 years preferential tax policies. In addition, the DHG PP1 subsidiary continued to enjoy preferential tax breaks since 2014.

Starting in 2015, the 15% cost control ceiling was lifted along

with the announcement of Circular 200. With this new policy, DHG became more active in the allocation of expenses to increase the competitiveness of goods and limit the risk of paying additional tax difference exceeding the ceiling (promotions, advertising, receptions, conferences...)

FORMULA	DESCRIPTION	2011	2012	2013	2014	2015
Net income/EBT	<b>Tax Burden Ratio</b>	85.5%	84.0%	75.9%	73.9%	84.5%
X EBT/EBIT	<b>Interest Burden Ratio</b>	108.8%	106.7%	105.8%	104.3%	103.2%
X EBIT/Sales	<b>Operating Profit Margin</b>	18.1%	18.7%	20.9%	17.7%	18.8%
= <b>Net income/Sales</b>	<b>Gross Interest Ratio (ROS)</b>	<b>16.9%</b>	<b>16.8%</b>	<b>16.8%</b>	<b>13.6%</b>	<b>16.4%</b>
X Sales/Total Assets	<b>Asset Turnover Ratio</b>	1.25	1.23	1.15	1.12	1.07
= <b>ROA</b>	<b>Return on Asset</b>	<b>21.0%</b>	<b>20.7%</b>	<b>19.3%</b>	<b>15.3%</b>	<b>17.6%</b>
X Total Assets/Shareholders Equity	<b>Financial Leverage Ratio</b>	1.44	1.41	1.55	1.52	1.33
= <b>ROE</b>	<b>Return on Equity</b>	<b>30.4%</b>	<b>29.1%</b>	<b>29.9%</b>	<b>23.3%</b>	<b>23.5%</b>

Source: 2015 audited Consolidated Financial Statements, DHG's calculation

# ANALYSIS OF THE FINANCIAL STATEMENTS (continued)

## Impacts of Interest Income

As of 31.12.2015, the cash and cash equivalents of the Company reached 420.7 billion. If we include term deposits over 3 months (short-term investments), the cash and cash equivalents amounted to 928.3 billion, up 22.6% over the previous year. The reason being that the new factory in Tan Phu Thanh Industrial Park was fully operated, investment thus decreases with the progress leading to the increase of cash on hand. DHG utilize this large sum of cash on hand to receive preferential interest rates from banks.

In 2015, the Company also spent a large amount of money for

investment and development, some of the significant ones are: (i) 106.1 billion for the Pharmaceutical plant and the package printing plant at Tan Phu Thanh industrial Park (including 490 million purchase of plant machinery for the package printing plant); (ii) Project data center equipped with Microsoft software; provided tablet computer for salespeople for 10.4 billion and (iii) purchased land, construction and maintenance of the distribution systems, warehouse for 22 billion ...

During the year, interest income was 30.4 billion, representing 4.3% of EBT. For 2016, the total amount for expected dividend payments

would be about 304 billion (35% of the par value for the dividend in 2015). The expected disbursement of 434 billion investments, includes the remainder of the ongoing investments of 358.4 billion and new investment in 2016 of 75.6 billion. With the investment plan above together with the stable or slightly increased rate level of bank deposits, the expected proceeds from interest will be the same or slightly higher than that in 2015. Therefore the ROS, ROA and ROE ratios would have some contributions from this source.

## Impacts of net profit margin

During 2014, net profit margin fell due to large increased in expenses for marketing, promotions, customer care, product introduction seminar. In 2015, net profit margin has recovered to the level of 2012. During the year, due to the more difficult business conditions, DHG

had strict control over expenses, even the employees of DHG shared the burden by accepting a slight reduction in income to support DHG to meet the target.

In summary, the first part of DuPont analysis demonstrated: the tax

burden has fallen significantly, together with the support of interest income and the improved net margin rate contributed to the rise of ROS to 16.4%, roughly equivalent to that of the period 2011-2013.

## The impact of financial leverage and asset utilization ratio

In 2015, despite the asset utilization ratio decreased compared to 2014, ROA increased yet again mainly thanks to the support of the tax burden ratio and the net profit margin ratio. However, ROE remained comparable to the previous year due to the higher growth of equity compared to net profit after tax.

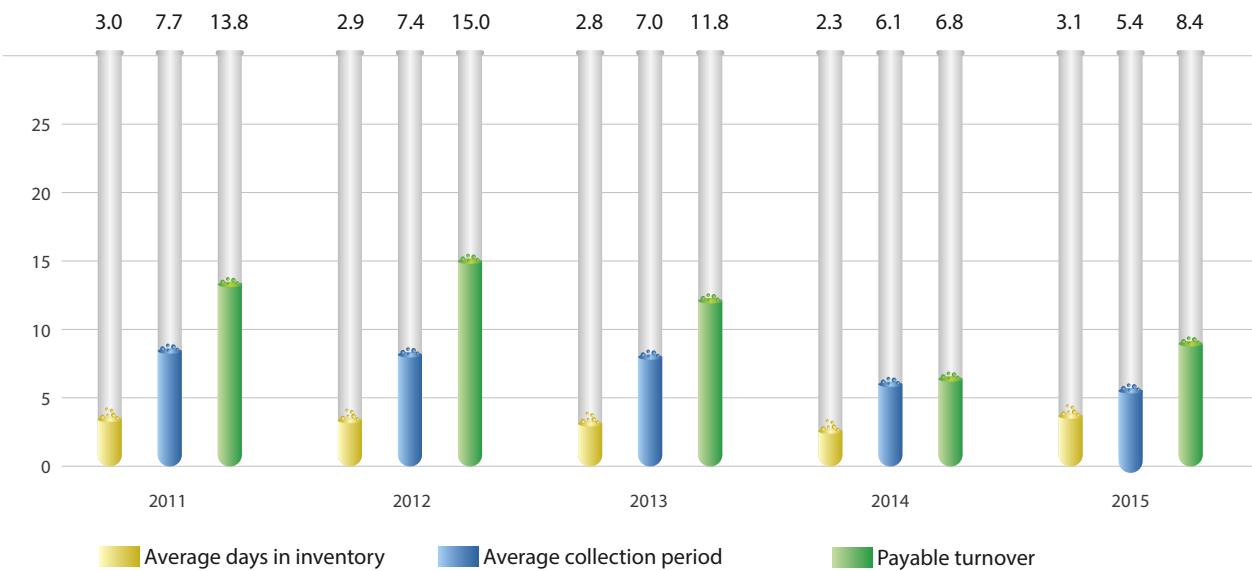


## Asset efficiency ratio

	2011	2012	2013	2014	2015
Average days in inventory	123	126	131	158	118
Average collection period	47	49	52	60	67
Days payable outstanding	26	24	31	54	43
Cash Flow	144	151	152	164	142

Source: DHG's audited consolidated financial statements

Overall, the utilization rate of the DHG's assets decreased from the previous year, excluding the average number of days in inventory. Accounts receivable turnover was 5.4 times, decreased 0.7 times compared to 2014. This is due to accounts receivable was high at the beginning of 2015, thus the average receivables remained at high levels while net sales decreased 7.8% during the year.



Source: audited consolidated Financial Statements, DHG's calculation.

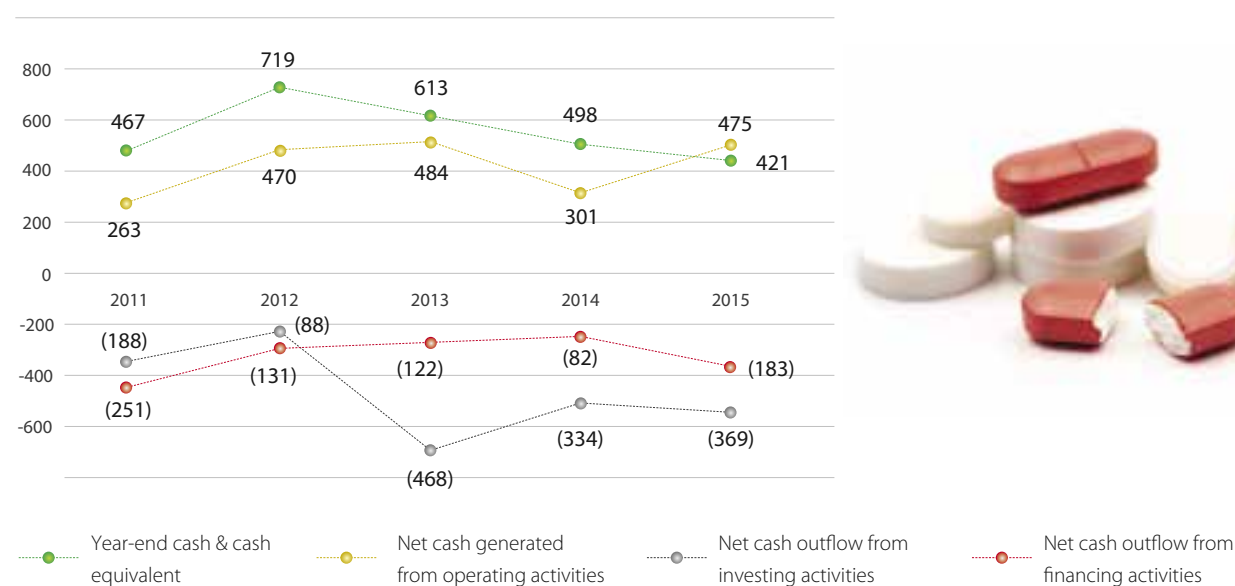
Inventory turnover increased slightly to 3,1 times, equivalent to that of 2011. Higher inventory turnover demonstrated that DHG goods move faster, which is a good sign. and. However, in 2016, DHG will continue to move inventory of DHG tablet Factory 2 from Nguyen Van Cu plant to Tan Phu Thanh plant. Thus, the impact of moving inventory and waiting for new registration will continue to put pressure on DHG's asset utilization ratio during the year.



## ANALYSIS OF THE FINANCIAL STATEMENTS (continued)

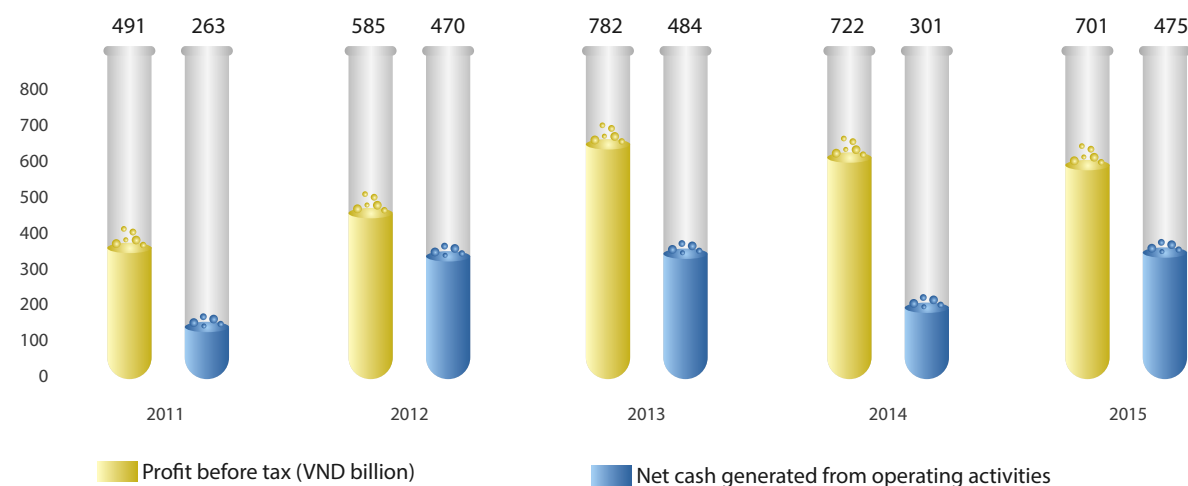
### ANALYSIS ON THE “CASH-GENERATING” ABILITY OF THE COMPANY

At the end of 2015, net cash flow from operating activities increased to 475 billion, the equivalent to the cash flow in 2012 and 2013. Meanwhile, cash outflow for investing and financing activities increased significantly compared to 2014. As a result, cash and cash equivalents amount at 31/12/2015 only decreased slightly to 421 billion. Moreover, the cash outflow for financing activities contains a term deposit over 3 months worth 507 billion. This amount in essence is similar to cash and cash equivalents. This implies that the money available by the Company increased 22.6% over the same period in 2014.



Source: DHG 2015 audited Financial Statements

Positive cash flow from increased in operating activities during the year was mainly due to the decrease in accounts receivable and inventories. Also, the increase in negative cash flow was due to decrease in payables.



Source: DHG audited consolidated Financial Statements.

For current ratio, following a period of decline in 2013 - 2014, this ratio increased significantly in 2015 and higher than that during the period of 2011 - 2012. Short-term debt fell sharply due to the decrease in short term expenses payable and workers payable, thus increasing the current ratio. At the same time, the Company continued to invest in fixed asset thus the current assets decreased respectively.

In 2015, raw materials inventory level fell after the factory in Tan Phu Thanh Industrial Park commenced operation. Due to the relatively low inventory, the quick ratio improved significantly compared to previous years.

Cash ratio increased slightly due to accounts receivable at the end of the year decreased sharply. However, DHG continues to transfer large cash sums into “short term investments” (long-term bank deposits to take advantage of high interest rate), thus this ratio in 2015 was still lower than that from the period of 2011 - 2013. In specific, at 12/31/2015, just by taking the cash and cash equivalents, DHG would have been able to immediately pay off about 54% of its existing short-term debt. If counting the high-interest term deposits in the bank, this ratio is 119%. Thus, with the positive operating cash flow, DHG will have no problem with short-term liquidity.

	2011	2012	2013	2014	2015
Current Ratio	2.74	2.78	2.17	2.13	2.85
Quick Ratio	1.79	2.00	1.43	1.43	2.03
Cash ratio	0.86	1.10	0.60	0.45	0.54

Source: audited consolidated Financial Statements, DHG's calculation.

Compare with companies in the same industries, even though DHG's liquidity ratios are not overwhelmingly dominant but always are at the safe level.

### Liquidity Ratios of listed pharmaceutical companies in 2015

	OPC	DCL	TRA	DHG	DMC	IMP
Current Ratio	2.72	2.84	2.88	2.85	3.72	4.76
Quick Ratio	1.08	1.88	1.93	2.03	2.28	3.19
Cash ratio	0.36	0.06	1.05	0.54	0.70	0.56

Source: audited 2015 financial statements of listed pharmaceutical companies, DHG's calculation.

## ANALYSIS OF THE FINANCIAL STATEMENTS (continued)

### ANALYSIS ON LARGE FLUCTUATIONS ON BUSINESS AND PRODUCTION PERFORMANCE

In 2015, revenue from distribution of goods increased compared to the previous year, in which, distributing and outsourcing of Eugica increased significantly due to partner transferred further distribution rights to DHG. This affects the overall sales structure and contribute to the increase in COGS of the Company.

Meanwhile, in 2015, COGS / net sales increased due to the change in revenue recognition and cost classification of promotion goods under Circular 200 as mentioned above.

	2011	2012	2013	2014	2015
<b>Net Sales</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
COGS	51.5%	50.7%	52.0%	45.5%	60.8%
<b>Gross Profit</b>	<b>48.5%</b>	<b>49.3%</b>	<b>48.0%</b>	<b>54.5%</b>	<b>39.2%</b>
Financial income (ex. Interest income)	0.3%	0.1%	0.1%	0.1%	0.1%
Financial expense (ex. Interest expense)	0.2%	0.1%	0.4%	1.6%	2.2%
Selling expense	22.4%	24.2%	22.3%	28.1%	12.7%
G&A expense	7.4%	7.4%	8.0%	8.0%	7.3%
Other income	0.4%	1.4%	5.4%	0.9%	2.4%
Other expense	0.6%	0.3%	0.9%	0.1%	0.6%
<b>Loss from associate</b>	<b>0.4%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
<b>EBIT</b>	<b>18.1%</b>	<b>18.7%</b>	<b>21.8%</b>	<b>17.7%</b>	<b>18.8%</b>
Interest income	1.7%	1.3%	1.3%	0.9%	0.8%
Interest expense	0.1%	0.1%	0.1%	0.1%	0.2%
<b>Profit before tax</b>	<b>19.7%</b>	<b>20.0%</b>	<b>23.0%</b>	<b>18.5%</b>	<b>19.4%</b>
Corporate income tax	2.9%	3.2%	5.6%	4.8%	3.0%
<b>Profit after tax</b>	<b>16.9%</b>	<b>16.8%</b>	<b>17.5%</b>	<b>13.6%</b>	<b>16.4%</b>

Source: audited consolidated Financial Statements, DHG's calculation

In the expenditure items with large fluctuations of 2015, the proportion of financing costs continued to rise sharply. This is due large increase in payment discounts from 58.7 billion to 71.1 billion, an increase of 22%. This increase in 2015 was due to the abnormally high sales revenue recorded at the end of 2014. DHG has issued new sales policies in 2015 to address the revenue volatility at the end of quarter / year. Therefore, the sudden increase in costs recorded due to the impact of seasonal revenue fluctuations will be limited in the future.

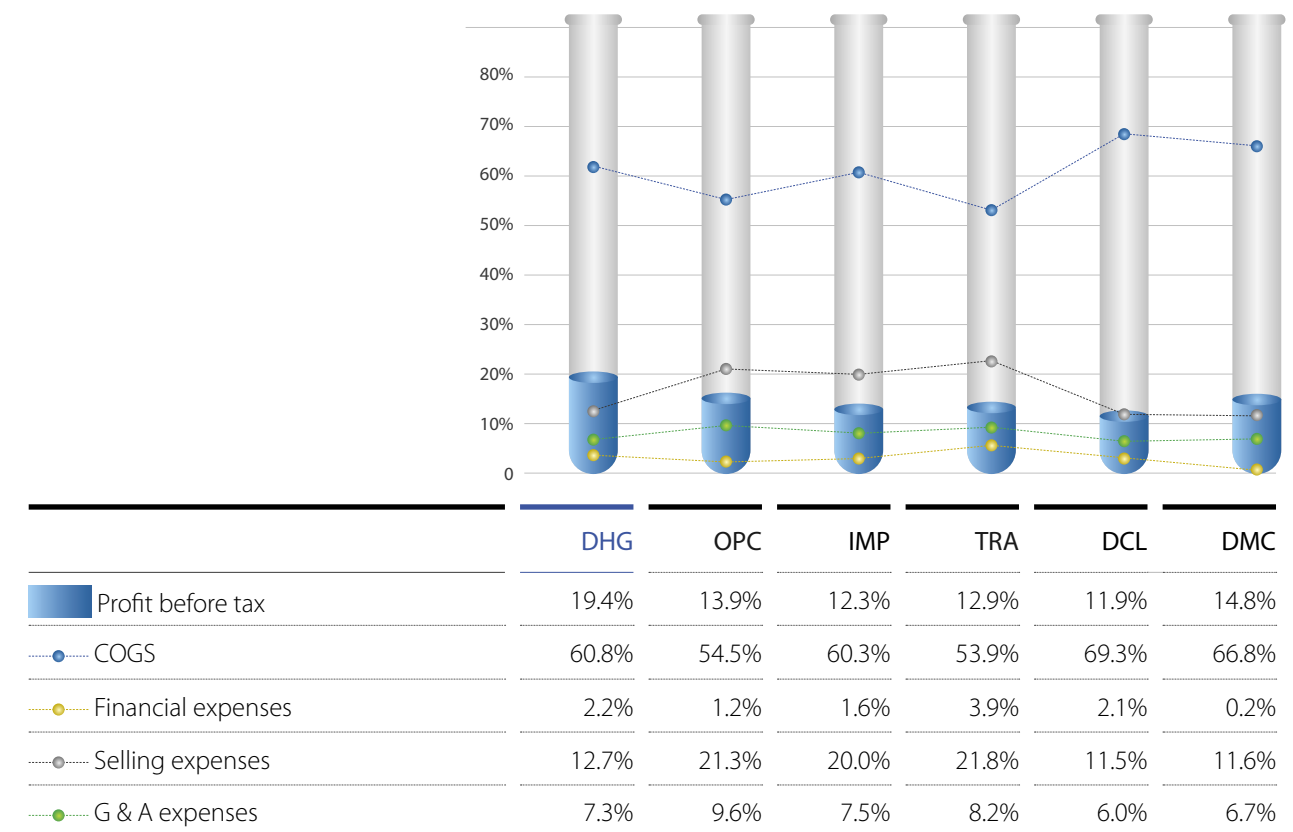
Selling expense ratio fell sharply due to a new cost recognition rule under Circular 200, in which promotion expenses are recognized in deductions of sales or revenues from sales promotion. This is the main reason for the increase in COGS and the ratio of COGS / revenue decline collectively in the period.

The G&A / Net Sales decreased: in the context of business difficulty in 2015, the decrease of this ratio demonstrated the efforts to cut management costs, management-related expenses in the period.

In comparison with peers, DHG's COGS ratio is equivalent to the industry average. Meanwhile, TRA, OPC has the lowest COGS ratio in the industry. However, selling expenses of DHG was among to the lowest. This contributed to the Company having a pretax profit margin outperforming peers.



### Expenses ratios of the listed pharmaceutical companies in 2015



Source: audited 2015 Consolidated Financial Statements of listed pharmaceutical companies, DHG's calculation

# ANALYSIS OF THE FINANCIAL STATEMENTS (continued)

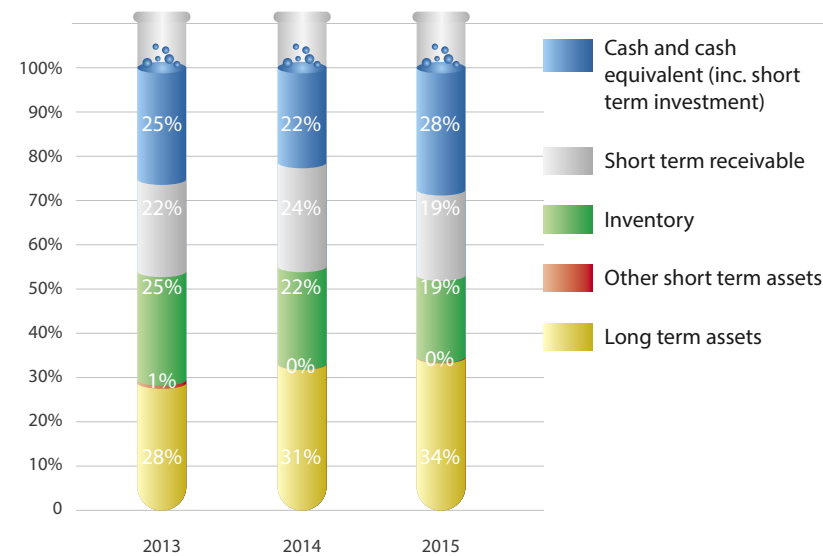
## ANALYSIS ON ASSETS AND CAPITAL STRUCTURES

### Analysis on assets structure

On the Balance Sheet at 31/12/2015, the total assets of the Company decreased by 3.4% (to 3,363 billion) compared to the same period last year. In terms of structure, the proportion of short-term assets continued the downward trend of the previous year. Short-term assets continued to decline 2.5 percentage points to contribute 66.0% of the total assets of the Group. Conversely, due to the increase of 45 billion, long-term assets is now 34.0% of total assets. This is mainly due to the increase in fixed asset investment, leading to the increase in the overall ratio of long-term assets to total assets.

In terms of short-term asset structure, at 12.31.2015 the proportion and value of inventories and short-term accounts receivable decreased sharply compared to last year. Meanwhile, cash, cash equivalents and bank deposits over 3 months rose sharply. This demonstrated a good trend in the short-term asset structure of DHG.

In summary, we can observe that short-term assets from inventory and accounts receivable decreased as part of switching to assets related to investment and development. Also another part is retained in the form of short-term cash and cash equivalent, increased liquidity for the Company.



Source: audited consolidated Financial Statements, DHG's calculation



Production area of pharmaceutical packaging at DHG PP1 complied with ISO 15378.

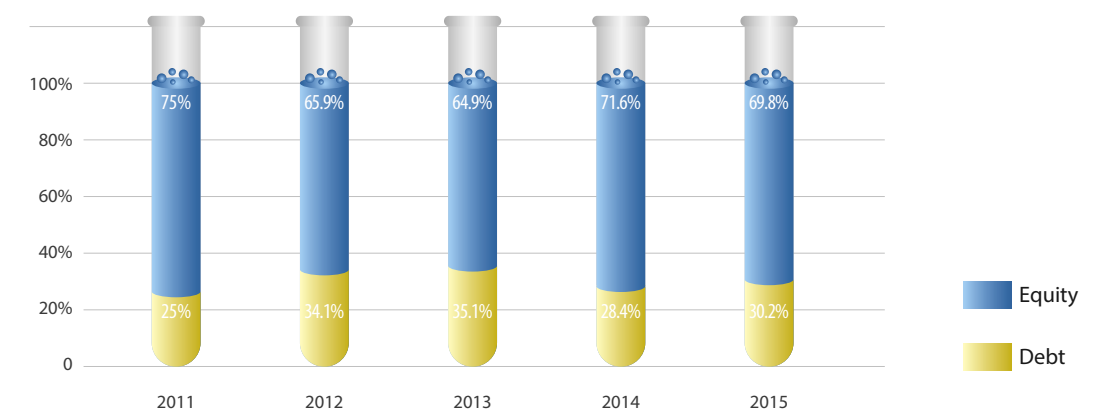
	2011	2012	2013	2014	2015
<b>SHORT-TERM ASSETS</b>	<b>74.7%</b>	<b>76.4%</b>	<b>72.5%</b>	<b>68.5%</b>	<b>66.0%</b>
Cash & cash equivalents	23.4%	30.2%	19.9%	14.3%	12.5%
Short-term investments	0.0%	0.0%	5.5%	7.4%	15.1%
Short-term receivables	24.5%	24.1%	21.7%	24.2%	19.2%
Inventory	25.8%	21.5%	24.6%	22.4%	19.0%
Other current assets	0.9%	0.5%	0.8%	0.1%	0.3%
<b>LONG-TERM ASSETS</b>	<b>25.3%</b>	<b>23.6%</b>	<b>27.5%</b>	<b>31.5%</b>	<b>34.0%</b>
Long-term receivables	0.0%	0.0%	0.0%	0.0%	0.0%
Fixed assets	23.0%	21.7%	25.9%	26.2%	31.7%
Real estate investments	0.0%	0.0%	0.0%	0.0%	0.0%
Long-term financial investment	0.9%	0.7%	0.7%	0.5%	0.5%
Other long-term assets	1.4%	1.1%	0.9%	3.3%	1.3%
Residual value of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%
<b>TOTAL ASSETS</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: audited consolidated Financial Statements, DHG's calculation

### Analysis of Capital Structure

As for liabilities, in 2015, the Company changed the accounting method of trade discounts in compliance with Circular 200, which drastically reduces the discount payable to customers (move above the line into Deductions), tax payable declined sharply (via tax break) and decrease in payables to employees (by reducing employee bonuses compared to the previous year), thus the proportion of liabilities to total capitals decreased by 9.1 percentage point over the previous year.

While liabilities decreased both in value and proportion, the equity component moved the opposite direction. Equity increased significantly during the year through undistributed profit from 2014 despite spending approximately 16 billion to purchase treasury shares.



Source: audited consolidated Financial Statements, DHG's calculation

Overall, the financial structure of DHG Pharma remained solid and continued heading to a positive direction during the year. At the end of 2015, 75% of DHG's assets are financed by equity. The liabilities component has low proportion with a healthy structure.



## ANALYSIS OF THE FINANCIAL STATEMENTS (continued)

	2011	2012	2013	2014	2015
<b>LIABILITIES</b>	<b>30.2%</b>	<b>28.4%</b>	<b>35.1%</b>	<b>34.1%</b>	<b>25.0%</b>
<b>Current liabilities</b>	<b>27.3%</b>	<b>27.5%</b>	<b>33.4%</b>	<b>32.1%</b>	<b>23.2%</b>
In which					
Short-term borrowings	1.1%	0.8%	4.1%	5.1%	8.0%
Trade accounts payable	6.2%	3.1%	8.7%	7.5%	6.7%
Deferred revenue	0.0%	0.1%	0.1%	0.0%	0.2%
Taxes and other payables to the State	1.4%	1.4%	1.8%	3.0%	0.4%
Payable to employees	6.3%	6.6%	6.7%	6.0%	3.8%
Accrued expenses	8.3%	10.2%	7.7%	7.6%	0.6%
Other payables	1.7%	2.7%	2.2%	1.0%	0.5%
Bonus and welfare funds	2.2%	2.6%	2.1%	1.9%	2.7%
<b>Long-term liabilities</b>	<b>2.9%</b>	<b>0.9%</b>	<b>1.7%</b>	<b>2.0%</b>	<b>1.9%</b>
In which					
Provision for severance allowance	1.7%	0.0%	0.0%	0.0%	0.0%
Development fund for Science and Technology	1.2%	0.9%	1.7%	1.2%	0.9%
<b>TOTAL EQUITY</b>	<b>69.8%</b>	<b>71.6%</b>	<b>64.9%</b>	<b>65.9%</b>	<b>75.0%</b>
<b>Equity</b>	<b>69.2%</b>	<b>71.0%</b>	<b>64.3%</b>	<b>65.4%</b>	<b>74.4%</b>
In which					
Owner's capital	32.7%	27.5%	21.2%	25.0%	25.9%
Share capital surplus	0.0%	0.0%	0.0%	0.0%	0.0%
Treasury shares	0.0%	0.0%	0.0%	0.0%	-0.5%
Investment and development fund	14.4%	20.7%	22.8%	22.5%	30.9%
Fund financial reserve	3.3%	2.8%	2.2%	1.9%	0.0%
Retained profits	18.9%	20.0%	18.2%	16.0%	18.0%
<b>Minority interests</b>	<b>0.6%</b>	<b>0.7%</b>	<b>0.6%</b>	<b>0.5%</b>	<b>0.6%</b>
<b>TOTAL OWNER'S EQUITY</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: 2015 audited consolidated Financial Statements, DHG's calculation

## CONCLUSION

The financial ratios of DHG still remain healthy in 2015. Even though revenue and pre-tax profit fell from the previous year amid difficult market, the impact of tax incentives helped profit after tax continued to grow.

The liquidity ratios improved significantly, especially the current ratio and quick ratio. Inventories decreased sharply in 2015 compared to the period from 2013 to 2014, but still higher than the period 2011-2012 due to the continuous relocation of the plant. Accounts payable was managed well to reduce the pressure on cash flow and support the efficiency ratios of the Company.

In 2016 DHG will continue as planned to spend money on enhance the reassessment of GMP – WHO on existing plants, investment in joint venture project on mobile testing van, the new plant project meet the PIC / S standard and a number of other development investments under the investment plan which was approved. However, with the reduced pressure on disbursement of investment in 2016, funds spent on production, business development and investment will stabilize and improve this year.

In 2016, we forecast the total assets of the Group will continue to increase due to the increased in reserves and investment goods. In particular, the asset structure will change toward increasing more in long-term assets from the increase in value of fixed assets. Proportion of short-term debt will not decrease or even likely to increase as DHG will continue to take advantage of short-term loans with low interest rate, support liquidity and take advantage of the tax shield from interest expenses.

For business efficiency, the Company's revenue is forecasted to grow strongly again as the restructuring effort of professional sales system starts bearing fruits, the market has been stabilizing and the determination of the Company aiming to regain what was lost in a most efficient way possible.

Profit before tax will increase in proportion with the revenue increase. In particular, DHG will continue to enjoy higher tax incentives from the factory in Tan Phu Thanh Industrial Zone due to the near-complete relocation progress and the increase in registration numbers at the new plant. Thus, the profit after tax will have strong support, contributing to maintain the ROE, ROA and ROS ratios, gradually shifting the tax burden into competitive advantage, bringing practical values to shareholders of the Company.



## Embracing challenges

CONTINUOUS INNOVATION



## CORPORATE GOVERNANCE REPORT

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## ACTIVITIES OF THE GENERAL SHAREHOLDER MEETINGS 2015



In 2015, the Company held 02 General Shareholders Meeting to ask for the opinion under the jurisdiction of the General Meeting, specifically:

No.	Resolution	Date	Content
1.	001/2015/NQ.ĐHĐCĐ	20/04/2015	<p>2014 annual General shareholders meeting adopted the following contents:</p> <ul style="list-style-type: none"> <li>» Report of the Board of Directors 2014, the 2015 investment plan, 2015 business plan.</li> <li>» Report of the Supervisory Board in 2014.</li> <li>» 2014 Consolidated financial statements audited by PwC Vietnam.</li> <li>» Approved the 2014 reports on profit distribution and 2015 profit distribution plan.</li> <li>» Approved the amendment and addition to the Charter of the Company.</li> <li>» Authorized the Board of Directors and the Supervisory Board to select 01 of the 03 independent auditors (PwC, KPMG &amp; Deloitte Vietnam) to audit DHG's 2015 Financial Reports.</li> </ul>
2.	002/2015/NQ.ĐHĐCĐ	16/10/2015	The 2015 extraordinary general shareholder's meeting asking for approval in writing to amend Article 4 of the Charter of the Company regarding adding new business line (production and sales of purified bottled water)

### Performance of the 2015 AGM's Resolutions

	Implementation achieved 90.2% of the planned revenue and 92% pre-tax profit target in 2015
	Appropriation of funds, dividend 2014 in cash, 30% of par value, record date: 12/5/2015, payment date: 26/5/2015
	Complete the amended charter adopted by the AGM 2014 (amending and supplementing Article 4, Article 8, Article 24, Clause 2 of Article 32, Clause 14 of Article 32 of the Charter of organization and operation of DHG Pharma)
	Change the 20th business registration certificate dated 06/05/2015 with changing charter capital.
	The BOD agreed with the SB regarding selection of PwC Vietnam as an auditor for 2015. Signed an audit contract dated 17/06/2015.

### Performance of the 2015 extraordinary general meeting's Resolutions

- » Amending and supplementing the 15th charter company dated 16/10/2015 according to the Extraordinary GMS 2015 Resolution (Amending Article 4 of the Charter of organization and operation of DHG Pharma on addition of business lines).
- » Change the 21st business registration certificate dated 29/10/2015 with addition of business lines of DHG Pharma as follows:

No.	Business line	Industry code
1.	Manufacturing of non-alcoholic drinks, mineral water Details: Production of purified bottled water	1104
2.	Wholesale of beverages Details: Wholesale of purified bottled water	4633
3.	Retail sale of beverages in specialized stores Details: Retail sale of purified bottled water	4723



## INFORMATION ON THE COMPANY'S BOARD OF MANAGEMENT

### LIST AND HOLDINGS OF DHG'S SHARE FROM THE BOD, BOM, SB

No.	Name	Name	SCIC ownership representation	Personal Holding	Total	Ownership ratio
<b>I MEMBER OF THE BOARD OF DIRECTOR, 3RD TERM (2014 - 2018)</b>						
1	Hoang Nguyen Hoc	Chairman	15,100,330	0	15,100,330	17,32%
2	Le Dinh Buu Tri	Vice Chairman	11,325,248	0	11,325,248	12,99%
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 MEMBER OF THE SUPERVISORY BOARD 3RD TERM (2014 - 2018)</b>						
1	Tran Quoc Hung	Head of SB	-	18,453	18,453	0,02%
2	Nguyen Phuong Thao	Member	-	-	-	0,00%
3	Dinh Duc Minh	Member	-	13	13	0,00%
<b>III BOARD OF MANAGEMENT</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 cum 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 AUTHORIZED INFORMATION DISCLOSURE PERSONNEL</b>						
1	Le Thi Hong Nhung	Head of IR Department - Secretary of the Board	-	4,864	4,864	0,006%

### Change in personnel of the Board of Directors, Board of Management, Supervisory Board, Functional Directors

- » Change in personnel of the Board of Directors: none
- » Change in personnel of the Supervisory Board: none
- » Change in personnel of the Board of Management: none
- » Change in personnel of the Functional Directors: from 19/01/2015, Mrs Dang Pham Huyen Nhung stopped holding the CFO position and still remained the Chief Accountant, Head of Accounting Department (according to personal wish). Mr. Le Chanh Dao - Deputy Director of Finance Department was appointed cum. CFO.

## SHAREHOLDER STRUCTURE AND CHANGE IN OWNER'S EQUITY

### Shares of DHG

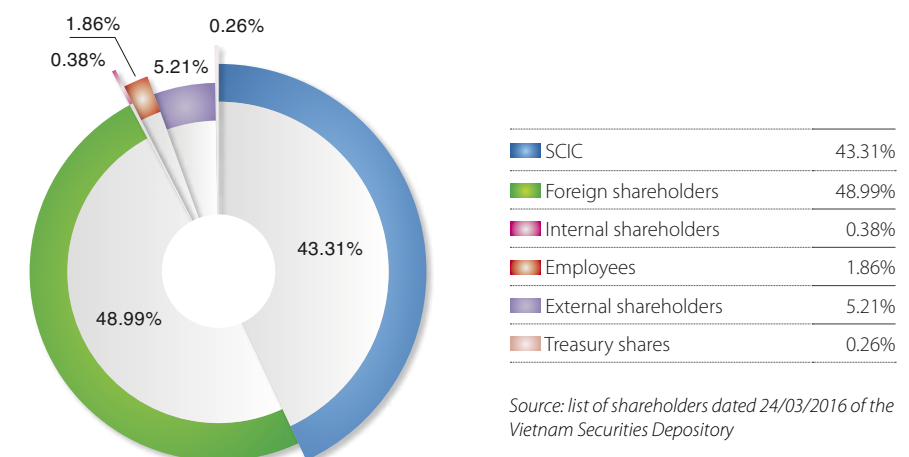
Par Value	VND10,000
Number of listed shares	87,164,330 shares
Number of share outstanding	86,941,950 shares
Treasury Shares	222,380 shares
Restricted Shares	8,945 shares

- » Restricted shares of SME due to suspended operation due to clearing: 9 shares
- » ESOP of ex-employees not cleared yet: 6,856 shares
- » ESOP from 2012, 2011, 2010 which have cleared but still haven't completed the necessary paperwork: 2,808 shares

### Shareholder Structures

#### SHAREHOLDER STRUCTURES ACCORDING TO THE LIST ON 24/03/2016

	Number of shareholders	Number of shares	% of Charter Capital
<b>Foreign</b>	<b>471</b>	<b>42,697,811</b>	<b>48.99%</b>
Individuals	368	845,100	0.97%
Institutions	103	41,852,711	48.02%
<b>Local</b>	<b>2,746</b>	<b>44,466,519</b>	<b>51.01%</b>
Individuals	2,677	5,024,247	5.76%
Institutions	69	39,442,272	45.25%
In which: SCIC	1	37,750,825	43.31%
<b>Total</b>	<b>3,217</b>	<b>87,164,330</b>	<b>100%</b>



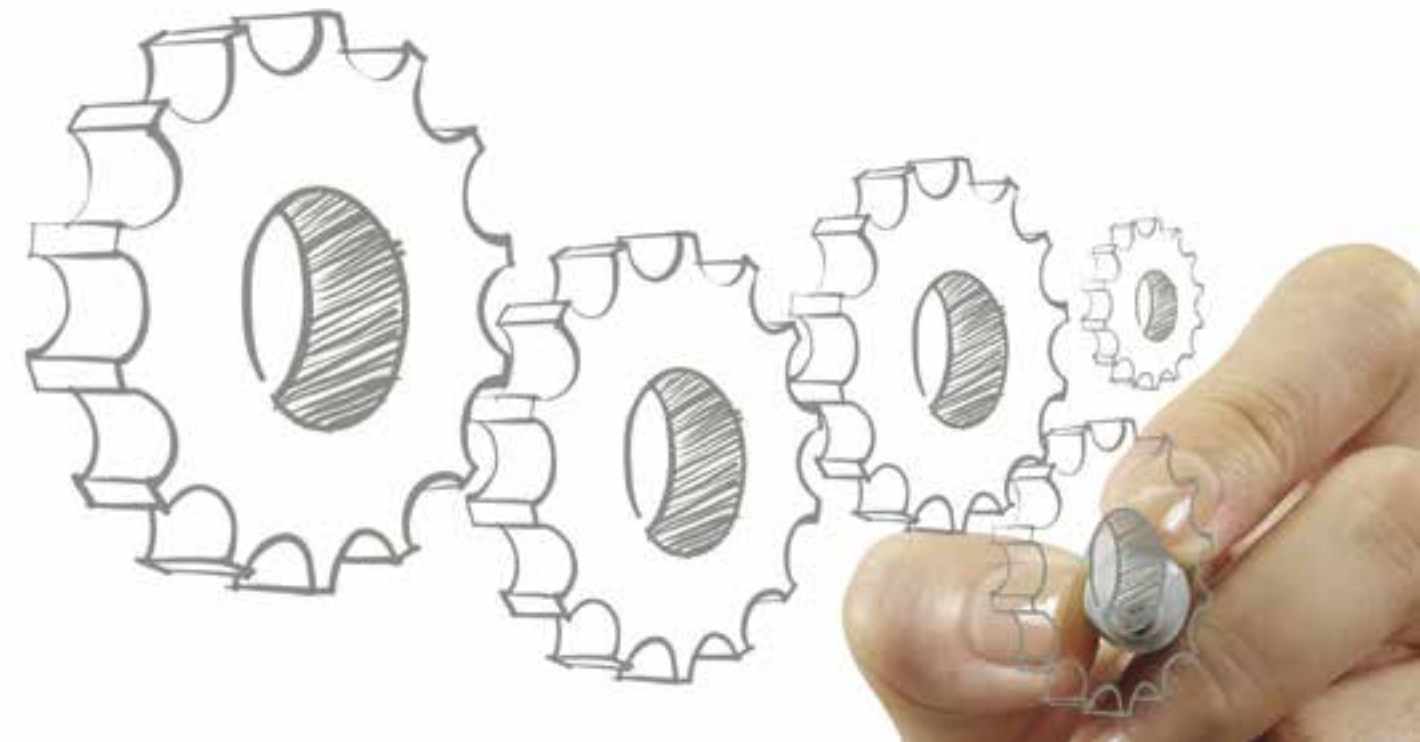
## SHAREHOLDER STRUCTURE AND CHANGE IN OWNER'S EQUITY (continued)

### OWNERSHIP TYPES

Shareholder type	Restricted shares	Outstanding shares	Total	Ownership (%)
<b>I. Internal shareholders</b>	-	<b>333,924</b>	<b>333,924</b>	<b>0.38%</b>
BOD & BOM	-	306,373	306,373	0.35%
Supervisory Board	-	18,466	18,466	0.02%
Chief Accountant	-	4,221	4,221	0.00%
Authorized Information Disclosure Personnel	-	4,864	4,864	0.01%
<b>II. Treasury shares</b>	-	<b>222,380</b>	<b>222,380</b>	<b>0.26%</b>
<b>III. Company Union</b>	<b>6,856</b>	<b>348,542</b>	<b>355,398</b>	<b>0.41%</b>
<b>IV. Others</b>	<b>2,089</b>	<b>86,250,539</b>	<b>86,252,628</b>	<b>98.95%</b>
<b>1. Local</b>	<b>2,089</b>	<b>43,552,728</b>	<b>43,554,817</b>	<b>49.97%</b>
1.1 Individuals	2,080	4,688,243	4,690,323	5.38%
1.2 Institutions	9	38,864,485	38,864,494	44.59%
In which: SCIC	-	37,750,825	37,750,825	43.31%
<b>2. Foreign</b>	-	<b>42,697,811</b>	<b>42,697,811</b>	<b>48.99%</b>
2.1 Individuals	-	845,100	845,100	0.97%
2.2 Institutions	-	41,852,711	41,852,711	48.02%
<b>TOTAL:</b>	<b>8,945</b>	<b>87,155,385</b>	<b>87,164,330</b>	<b>100.00%</b>

### LARGE SHAREHOLDERS ACCORDING TO THE LIST ON 24/03/2016

Shareholder name	Ownership Registration No.	Date issued	Nationality	Amount of shares held	Ownership (%)
STATE CAPITAL INVESTMENT CORPORATION	0101992921	03/11/2011	Viet Nam	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 in shareholder ownership

During 2015, The Company did not raise additional Capital

### Treasury Transactions

Transaction types	Ownership as of 01/01/2015		Ownership as of 31/12/2015		Reasons of increase / decrease
	# of shares	Ownership (%)	# of shares	Ownership (%)	
Treasury shares	10.130	0,01%	222.380	0,26%	Bought: 212,250 shares

During 2015, The Company bought back 212,250 treasury shares

- » Duration from 25/06/2015 - 24/07/2015
- » Average price: VND 73,805 / Share
- » Funding source: Investment Development Fund
- » Transaction type: order matching via the Ho Chi Minh Stock Exchange
- » Purpose:
  - › Stabilize DHG's price in the stock market, protect investors' rights
  - › Will sell the treasury share on the market at the right time to increase the efficiency in utilizing the Company's capital
  - › Other, as per BOD's resolution

## PERFORMANCE OF THE BOARD OF DIRECTORS

In 2015, the Board of Directors has focused on working by functions, duties and powers of the collective and individuals and complying with the Enterprise Law, the Company Charter, the current law, implementing working regulations under the Charter, examination tasks, evaluation of operating results, strategy and business orientation each year.

The membership of the BOD ensured 2/7 as independent board members that complies with the law and the Company charter.



The board meetings were held and conducted in accordance with the Company Charter. BOD's Minutes, Resolutions and Decisions were based on consensus of its members, were kept in accordance with regulations.

The specialized subcommittees promoted their roles, kept schedules, quarterly reported to the Board of Directors, participated in many ideas with practical results.

### The specific content of the activities of the BOD and its subcommittees includes

#### SUMMARY OF MEETINGS AND RESOLUTIONS/DECISIONS OF THE BOD

In 2015, the BOD held 18 meetings (5 direct ones and 13 via mail) and issued 19 Resolutions and 48 Decisions to solve issues under the BOD's function and power.

Supervisory Board and Board of Management were invited 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 Executive Board.

#### RATIO OF MEETING ATTENDANCE

NO.	The BOD's members	Position	Date started as Board member	The attendance number of meetings	Ratio	Reason not attending
1.	Mr. Hoang Nguyen Hoc	Chairman	28/04/2014	18/18	100%	
2.	Mr. Le Dinh Buu Tri	Deputy Chairman	25/04/2009	18/18		
3.	Mrs. Pham Thi Viet Nga	BOD member CEO	08/09/2004	18/18	100%	
4.	Mr. Doan Dinh Duy Khuong	BOD member Deputy CEO	29/04/2010	18/18	100%	
5.	Mrs. Dang Pham Minh Loan	BOD member	28/04/2014	18/18	100%	
6.	Mr. Tran Chi Liem	Independent BOD member	28/04/2014	18/18	100%	
7.	Mr. Shuhei Tabata	Independent BOD member	28/04/2014	17/18	94.4%	Busy in private business

#### Contents and Result of Board of Directors Meeting

No.	Resolution number	Date issued	Contents
1.	001/2015/NQ.HĐQT	19/01/2015	<ul style="list-style-type: none"> <li>» Approved the report of the BOD Secretary, report on performance of BOM, 2014 report on the performance of Science &amp; technology development Fund, 2014 report of sub-departments, report on performance of deputy chairmans.</li> <li>» Approved the amendment, additions on Regulation of financial management if DHG Pharma; Delegation of approval duty of related party transactions between DHG Pharma and subsidiaries</li> <li>» Approved the investment on renovation project for the pharmaceutical warehouse, change of Finance / Accounting / Investor Relations structures, changed in Board members of HT Pharma subsidiary, change of land rights use at Gia Lai branch, regulate funds restrictions - credit limit in 2015 and other contents</li> </ul>
2.	002/2015/NQ.HĐQT	01/03/2015	<ul style="list-style-type: none"> <li>» Approved matters related to personnel under the jurisdiction of the BOD.</li> </ul>
3.	003/2015/NQ.HĐQT	20/03/2015	<ul style="list-style-type: none"> <li>» Approved on the amendment, additions on assets purchase and maintenance regulation; regulation on the compensation and remuneration fund for the BOD, SB and other contents.</li> </ul>
4.	004/2015/NQ.HĐQT	27/03/2015	<ul style="list-style-type: none"> <li>» Approved on the contents related to the 2014 AGM of DHG Pharma, SH Pharma.</li> <li>» Approved on ceasing operation of DHG Nature; transfer of land use rights at 152 Nguyen An Ninh, Ninh Kieu District, Can Tho City. Received land use rights at Da Nang branch and other content.</li> </ul>
5.	005/2015/NQ.HĐQT	17/04/2015	<ul style="list-style-type: none"> <li>» Approved on the 004 proposal, replacing 002 proposal regarding amendment, addition of regulation and content change of Draft resolutions of 2014 AGM of DHG Pharma.</li> </ul>
6.	006/2015/NQ.HĐQT	20/04/2015	<ul style="list-style-type: none"> <li>» Approved on report of BOD secretary; report on performance of BOM, report of sub-departments on Q1/2015 operations, plan for Q2/2015.</li> <li>» Agreed upon the proposal of SB regarding choosing PricewaterhouseCoopers Vietnam (PwC) to be 2015's independent auditor.</li> <li>» Approved on the change of investment direction of printing system for DHG PP1; change on the transfer of land use rights at Da Nang branch.</li> <li>» Approved on the 2014 profit distribution, profit distribution plan for 2015 of 100% owned subsidiaries of DHG Pharma, distribution plan for Compensation and remuneration of BOD, SB.</li> </ul>
7.	007/2015/NQ.HĐQT	08/06/2015	<ul style="list-style-type: none"> <li>» Approved on the purchase of treasury shares.</li> <li>» Approved on the dissolution of DHG Nature - 100% owned subsidiary of DHG Pharma.</li> </ul>



## PERFORMANCE OF THE BOARD OF DIRECTORS (continued)

No.	Resolution number	Date issued	Contents
8.	008/2015/NQ.HĐQT	22/06/2015	<ul style="list-style-type: none"> <li>» Changed the authorized personnel; member of BOD, legal representative, Directors of 100% owned subsidiaries of DHG Pharma at VL Pharma, DT Pharma, B&amp;T Pharma and other content.</li> <li>» Approved contents related to the 2015 AGM of Vinh Hao Spiviha JSC.</li> </ul>
9.	008A/2015/NQ.HĐQT	31/08/2015	<ul style="list-style-type: none"> <li>» Following resolution 008/2015/NQ.HĐQT to register new business for VL Pharma.</li> </ul>
10.	009/2015/NQ.HĐQT	09/07/2015	<ul style="list-style-type: none"> <li>» Approved on contents related to the shares purchase transactions at companies.</li> </ul>
11.	010/2015/NQ.HĐQT	17/07/2015	<ul style="list-style-type: none"> <li>» Approved report of BOD secretary. Report on performance of BOM, reports of sub-departments regarding operations performance of 1H/2015, plan for Q3/2015 and other contents.</li> </ul>
12.	011/2015/NQ.HĐQT	24/08/2015	<ul style="list-style-type: none"> <li>» Approved the time, content, and documents for the first EGM in 2015 (in writing).</li> <li>» Approved on reports of representatives of DHG Pharma at SH Pharma and Spiviha.</li> <li>» Approved report of the BOM regarding assessment and progress of building the regulation and law system at DHG Pharma.</li> <li>» Other contents.</li> </ul>
13.	012/2015/NQ.HĐQT	29/08/2015	<ul style="list-style-type: none"> <li>» Approved matters related to change of personnel of DHG Pharma.</li> </ul>
14.	013/2015/NQ.HĐQT	29/09/2015	<ul style="list-style-type: none"> <li>» Approved on contents of Vinh Hao Spiviha JSC. 1st EGM of 2015.</li> <li>» Established the vote tabulation board for contents presented at the 1st EGM of DHG Pharma.</li> </ul>
15.	014/2015/NQ.HĐQT	12/10/2015	<ul style="list-style-type: none"> <li>» Approved on personnel matters for Vinh Hao Spiviha JSC.</li> </ul>
16.	015/2015/NQ.HĐQT	21/10/2015	<ul style="list-style-type: none"> <li>» Approved on the share purchase transactions of companies.</li> </ul>
17.	016/2015/NQ.HĐQT	26/10/2015	<ul style="list-style-type: none"> <li>» Approved on the report of BOD secretary; report on performance of BOM, report of sub-departments regarding operations of 3 quarters of 2015, plan for Q4/2015.</li> <li>» Approved on receiving land use rights transfer, house owning rights at Bac Lieu, change of Board members of subsidiaries: VL Pharma and ST Pharma.</li> </ul>
18.	017/2015/NQ.HĐQT	12/12/2015	<ul style="list-style-type: none"> <li>» Approved on the approval of budget limit, credit limit in 2016 for Hau Giang Pharma and temporary transfer PAT of 100% owned subsidiaries to parent company.</li> </ul>
19.	018/2015/NQ.HĐQT	29/12/2015	<ul style="list-style-type: none"> <li>» Approved on changing of authorized capital representative, member of the board, legal representative, CEO of 100% owned subsidiaries of DHG Pharma: DHG Travel and HT Pharma.</li> </ul>

In essence, all resolutions of the BOD of Hau Giang Pharma in 2015 was implemented

For contents of resolution number 001/2015/NQ.HĐQT on 19/01/2015 regarding approval on investment on maintain and renovate Pharmaceutical workshop meeting GMP - WHO standard is currently on hold because on 08/06/2015 the BOD has approved

the decision for the dissolution of one member DHG Pharmaceutical JSC. The project is transferred to DHG Pharma to continue investing in pharmaceutical workshop meeting GMP - WHO standards (planned restarting from 2016)

For some content on the resolution number 011/2015/NQ.HĐQT dated 24/08/2015 regarding agreements on

transferring of real estate, branches, subsidiaries no longer have used at 9 locations: Ha Noi, HCMC, Thai Binh, Phu Tho, Ca Mau, Soc Trang, Lam Dong, Da Nang, Hai Phong. The BOM is currently following procedures to sell those lands. Land at Phu Tho will not be sold and will retain as residential place for employees



DHG Pharma's Board of Directors, 3<sup>rd</sup> term (2014 - 2018)

### The monitoring activities of BOD to BOM

The monitoring activities of BOD to BOM include:

Monitoring the performance of resolutions from the general shareholder meeting, minutes and resolutions of the BOD

Evaluate and give feedback on the following topics: investment, finance, market, sales, human resources, production, quality.

## PERFORMANCE OF THE BOARD OF DIRECTORS (continued)

### Activities of the sub-committees under the BOD

The Board of Directors on 3rd term (2014-2018) has established 3 sub-committees as followed:

- » The Strategic sub-committee
- » The Audit and Risk Management sub-committee
- » The Human Resources and Compensation sub-committee

The subcommittees ensure sufficient number and quality of personnel as required by the Company, operate with rights and privilege according to the Company Charter. Every Quarter, the subcommittees meet and send report to the BOD according to the assigned scope.



### The Strategic sub-committee

	1. Mrs. Pham Thi Viet Nga	Member of the Board, CEO	Head of sub-committee
	2. Mr. Le Dinh Buu Tri	Deputy Chairman or the BOD	Member
	3. Mr. Doan Dinh Duy Khuong	Member of the BOD, Deputy CEO	Member
	4. Mr. Shuhei Tabata	Member of the BOD	Member
	5. Mr. Lam Dieu Phi	Head of Marketing Department	Member



### The Human Resources and Compensation sub-committee

	1. Mr. Tran Chi Liem	Independent Member of the Board	Head of sub-committee
	2. Mrs. Pham Thi Viet Nga	Member of the Board, CEO	Member
	3. Mrs. Tran Thi Anh Nhu	Human Resources Director	Member

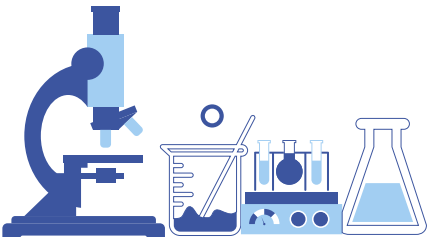


### The Audit and Risk Management sub-committee

	1. Mr. Le Dinh Buu Tri	Deputy Chairman of the Board	Head of sub-committee
	2. Mrs. Dang Pham Minh Loan	Member of the Board, CEO	Member
	3. Mr. Le Chanh Dao	Deputy CEO	Member

# PERFORMANCE OF THE BOARD OF DIRECTORS (continued)

DURING 2015, THE SUB-COMMITTEES HAD 4 MEETINGS TO REPORT, PROPOSE, ADVISE FOR THE BOD WITH THEIR RESPECTIVE FUNCTIONS. THE MAIN CONTENTS ARE AS FOLLOWED:



## THE AUDIT AND RISK MANAGEMENT SUB-COMMITTEE

Complete the 2015 Financial Report, coordinate with the independent auditor PwC to complete the 2015 audited financial report.

Report on the implementation on PwC’s comment on management letter.

Report on the budget implementation of 2015

Detailed report on sales and profit.

Analysis, financial consulting and providing information timely for management purpose.

Issue Regulation on financial management, procurement of assets.

Report on risk management issues, not following direction.

## THE HUMAN RESOURCES AND COMPENSATION SUB-COMMITTEE

Issued quarterly human resources report (number of employees, compensation, recruitment).

Continued to co-ordinate with EY to implement Human Resources management project.

Adjust and issues salary and compensation policies, incentives for Sales Department to motivate salesperson during the difficult time while still following the company’s business plan.

Organize and act on target, strategic plan 2016-2020 and business plan 2016 for all employees.

Performed periodic health-check for employees in 2015

Create human resources plan, training plan.

## THE STRATEGIC SUB-COMMITTEE

Direct the Management Board to build the strategic development plan for DHG Pharma 2016-2020

Increase the brand value, expand market, utilize the distribution system advantage: award and prize achieved, increase in sales, market share, growth compared to the industry, brand investment, improve customer quality, improve customer experiences, maintain the hospital channel; restructure the sales system, export revenue, utilize the distribution system advantage.

Optimize the capability and production effectiveness, quality, research; improve work efficiency, product quality; increase factory standards; improve products, research on new product, differentiated products, high in scientific and technical content

Maximize capability and business management, financial management and supply chain management.

Expand cooperation and investment through concentric diversification.

Social responsibilities and the environment: organized many programs for the community in 2015

## Activities of the Independent members of the Board of Directors

### IN THE MEMBERSHIP STRUCTURE OF DHG’S BOD THERE ARE 02/07 MEMBERS MEETING THE REQUIREMENTS OF BEING INDEPENDENT BOD.

The independent member of the BOD attended all the BOD meetings, contribute inputs, independently voted on issues, resolutions of the BOD. Participated in sub-committees as directed by the BOD.

» Mr. Tran Chi Liem, independent member of the BOD, Head of sub-committees of Human Resource and Compensation, Former Deputy of the Ministry of Health, with deep knowledge and experiences, he participated in the Company as a consultant, pointing out opportunities, challenges of the industry, advise the BOM to understand the related regulation and assisted

the external affairs of the BOD.

» Mr. Shuhei Tabata - Independent member of the BOD, member of the Strategic sub-committee. Not only giving inputs on strategic aspect, he introduced DHG to many Japanese consultants, important strategic partners and the communication hub between DHG Pharma and foreign JVs such as: introduced CM plus to consult on design the effervescent production line meeting the PIC/S standard, introduced consultant on production management and R&D, established the Fuji Medic JV (mobile testing vehicle) ...

## Planned working schedule of the BOD in 2016

The Board of Directors has agreed on the working schedule in 2016 as followed:

20/01/2016	Meeting Q4/2015
05/4/2016	Meeting on content of the AGM 2015
Last week of 04/2016	Meeting Q1/2016
Mid-month of 07/2016	Meeting Q2/2016
Mid-month of 10/2016	Meeting Q3/2016
Mid-month of 01/2017	Meeting Q4/2016

The above schedule may change according to the summon of the Chairman, however the Board will try to make it convenient for all member to fully attend. Beside, for smooth operation of the Company, the BOD can have extraordinary meetings via opinion polling by email for content under the BOD’s jurisdiction.



## PERFORMANCE OF THE BOARD OF DIRECTORS (continued)

### List of member having certificate on Company Management

There are 03/07 members of the BOD, 02/03 members of the SB, 03/04 members of the BOM and Secretary of the BOD was awarded the certificate on Company Management at the training centers approved by the State Securities Commission.

List of member of the BOD has certificate on Company Management:

Mr. Le Dinh Bui Tri	Deputy Chairman
Mrs. Pham Thi Viet Nga	Member of the BOD, CEO
Mr. Doan Dinh Duy Khuong	Member of the BOD, Deputy CEO
Mr. Tran Quoc Hung	Head of SB
Mr. Dinh Duc Minh	Member of SB
Mr. Le Chanh Dao	Deputy CEO
Mrs. Le Thi Hong Nhung	Secretary of the BOD

List of member of the BOD participating on the Company Management course during the year: none

The Company always support the member of the BOD, SB, BOM to participate in the company management training course. However, due to the schedule of the training course often conflict with the working schedule of the BOM, thus members of the BOM were unable to attend the training course. Beside, DHG has one foreign member of the BOD, the difference in languages affected the completion of the training course.



DHG's 2015 AGM

## PERFORMANCE OF THE SUPERVISORY BOARD

### Report of the meetings of the Supervisory Board.

During 2015, the Supervisory Board has held quarterly meetings with all members to summarize works done during the period, make working plan for the next period and compose

recommendation report to the BOD

Beside, the SB has participated in all meetings of the BOD to keep track of the business operation, investment

report and give suggestions, recommendations to the BOD, BOM within the SB's power and responsibilities.

### Meeting participation rate

NO.	Member of the SB	Title	Date started as member of the SB	Meeting attended	Participation rate
1	Mr. Tran Quoc Hung	Head of SB	08/09/2004	4/4	100%
2	Mrs. Nguyen Phuong Thao	Member of SB	26/04/2012	4/4	100%
3	Mr. Dinh Duc Minh	Member of SB	28/04/2014	4/4	100%

### Content of meeting of the SB

- » 20/01/2015: delegate responsibilities to member of the SB and create working schedule for the year
- » 28/03/2015: implemented the plan and responsibilities of member of the SB each quarter. Perform checking, controlling as planned.

- » 26/10/2015: assess the issues on checking, controlling and agreed on content of the recommendation report sent to the BOD. Create working plan for Q4/2015
- » 22/12/2015: implementing working plan of 12/2015 and Q1/2016 including: checking on the

compliance of bidding regulation at Tan Phu Thanh industrial zone, work with PwC regarding results of 2015 Audit and prepare suggestions for choosing auditing firm for 2016, prepare report for the General Meeting in 2015.

### Activities of the Supervisory Board

SB has built the working plan for 2015 including: monitoring the company's operation and finance, monitoring the activities of the BOD, BOM. SB has:

- » Checked, monitored the implementation of the 2014 AGM resolutions, implementation and results of the 2015 resolutions of the BOD
- » Worked with the independent auditor to review the 1H and the annual financial reports to evaluate the truthfulness and reasonableness of the financial figures, according to the standard, current accounting principles

and financial policies. Agreed and implemented the recommendations on the Letter on Management of the independent auditor to improve efficiency in the financial management of the Company.

- » Worked with the independent auditor to audit the new plant project, monitored the compliance on bidding regulation and financial management.
- » Give suggestions to the BOD and BOM regarding product policies, sales policies of the Company. Evaluate operational effectiveness

of some products and selling programs of the Company.

- » Reviewed and suggested improve on effective inventory management and receivables.
- » Reviewed the compliance on internal regulation and gave suggestions to amend, adding some rules, procedures.
- » Coordinate with functional units of the Company to review operational effectiveness of branches, subsidiaries, to improve management of the Company to these units.

## TRANSACTIONS, REMUNERATION AND OTHER BENEFITS OF THE BOD, SB, BOM

### Balance of remuneration - bonus Fund

Collection and payment of the remuneration - bonus fund to the BOD and SB

Unit: VND		
No.	Interpretation	Amount
1.	Balance after profit distribution of 2014	13,779,185,275
2.	Total amount paid this year	7,051,932,412
2.1.	Bonus for meeting targets in 2014	2,026,219,062
	- Bonus for BOD, Supervisory Board	553,675,000
	- Bonus for BOM and staff	1,472,544,062
2.2.	Paid to collaborators	3,156,000,000
	- Bonus for BOD, Supervisory Board	2,646,000,000
	- Bonus for BOM and staff	510,000,000
2.3.	Business expenses for BOD, Supervisory Board	1,286,278,850
2.4.	Training and coaching for BOD, Supervisory Board	445,612,000
2.5.	Other expenses	137,822,500
3.	Balance as of 31/12/2015	6,727,252,863
4.	Appropriation plan for 2015	5,000,000,000
	Balance after profit distribution of 201	11,727,252,863

### Security trading activities of internal shareholders and related person

Security trading activities of internal shareholders: none in 2015.

On 16/02/2016, Mr. Le Dinh Buu Tri - Deputy Chairman has the following trade:

No.	Person making the transaction	Title	Amount of share owned at the beginning period		Amount of share owned at the ending period		Reason
			Amount	Proportion	Amount	Proportion	
1	Le Dinh Buu Tri	Deputy Chairman of the BOD	29.600	0.03%	0	0.000%	Sold 29,600 shares for personal reason.

Security trading activities of the related person

No.	Person making the transaction	Relationship with the internal shareholder	Amount of share owned at the beginning period		Amount of share owned at the ending period		Reason
			Amount	Proportion	Amount	Proportion	
1	Dang Pham Phuc Hau	Sister of Mrs. Dang Pham Huyen Nhung -Chief Accountant	696	0.001%	6	0.000%	Sold 690 shares for personal reason.

### Detail of distribution for each member of BOD, SB

Each member of BOD, SB received the remuneration, bonus in 2015 as follows:

Unit: VND			
No.	Name of members	Position	Remuneration and bonus paid before PIT (VND)
I.	BOARD OF DIRECTORS		3,215,500,000
1	Hoang Nguyen Hoc	Chairman	540,000,000
2	Le Dinh Buu Tri	Deputy Chairman	484,000,000
3	Pham Thi Viet Nga	BOD member CEO	496,250,000
4	Doan Dinh Duy Khuong	BOD member Deputy CEO	457,250,000
5	Dang Pham Minh Loan	BOD member	416,000,000
6	Tran Chi Liem	Independent BOD member	416,000,000
7	Shuhei Tabata	Independent BOD member	406,000,000
II	SUPERVISORY BOARD		809,175,000
1	Tran Quoc Hung	SB Head	349,175,000
2	Nguyen Phuong Thao	SB member	236,000,000
3	Dinh Duc Minh	SB member	224,000,000
	Total		4.024.675.000

## TRANSACTIONS, REMUNERATION AND OTHER BENEFITS OF THE BOD, SB, BOM (continued)

### Contracts or transactions of internal shareholders

In corporate governance regulation and the Company Charter both have clear regulation on “responsibilities on transparency and avoiding conflict of interest of member of the BOD, SB, BOM, Management of the Company” at Article 42 Charter of Hau Giang Pharma and Article 35 in corporate governance regulation:

*“Member of the Board of Directors, Supervisory Board, CEO and management have the responsibility to notify the BOD*

*all interest can cause conflict of interest with DHG Pharma that they may enjoy through economic entities, transactions or other individuals. All the above can only enjoy those opportunity when the member of the Board not having the related interest have decided not to pursue these matters”.*

In 2015, there was no transactions between those member and the Company.

### FOR TRANSACTION WITH RELATED PARTY

This issue is discussed in Article 36 of Note of the audited Consolidated Financial Statements 2015. Specifically: the largest shareholder of the Company is the SCIC, owning

43.31% of the company's charter capital. SCIC is controlled by the State of Vietnam.

### RELATED PARTY TRANSACTIONS

	Fiscal year ended	
	31.12.2015 VND	31.12.2014 VND
<b>i) Sales of goods and services</b>		
<b>Subsidiary</b>		
DT Pharma OM LLC.	32,138,275,541	36,498,264,260
DHG Travel OM LLC.	1,866,234,972	1,737,045,453
HT Pharmaceutical OM LLC.	44,441,811,330	61,184,001,464
DHG Pharmaceutical OM LLC.	750,280,798	5,731,996,803
CM Pharmaceutical OM LLC.	41,605,188,004	54,076,622,307
Song Hau Pharma JSC.	64,327,155,934	88,612,017,606
A&G Pharma OM LLC.	81,379,443,980	99,647,618,739
ST Pharmaceutical OM LLC.	50,461,730,680	64,879,730,096
TOT Pharma OM LLC.	133,259,123,056	177,095,145,623
TG Pharma OM LLC.	28,486,237,786	43,623,193,688
Bali Pharmaceutical OM LLC.	40,042,565,964	50,378,585,662

	Fiscal year ended	
	31.12.2015 VND	31.12.2014 VND
DHG Pharmaceutical OM LLC.	210,383,050,327	122,484,853,280
B&T Pharmaceutical OM LLC.	33,991,568,663	40,400,587,890
TVP Pharma OM LLC.	24,680,351,743	39,534,945,438
VL Pharma OM LLC.	37,558,283,577	54,321,557,108
PP1 DHG OM LLC.	560,797,435	437,334,384
	825,932,099,790	940,643,499,801
<b>ii) Purchase of goods and services</b>		
<b>Subsidiary</b>		
DHG Travel OM LLC.	35,723,363,567	47,402,601,301
DHG Pharmaceutical OM LLC.	11,799,633,808	40,205,598,806
TOT Pharma OM LLC.	980,577,630	1,499,791,103
DHG Pharmaceutical OM LLC.	543,123,983,361	297,124,637,961
PP1 DHG OM LLC.	91,429,725,044	151,346,353,995
<b>Associated Company</b>		
Spiviha JSC.	51,950,000	40,400,000
	683,109,233,410	537,619,383,166
<b>iii) Sales of fixed assets and unfinished long term assets</b>		
<b>Subsidiary</b>		
DHG Pharmaceutical OM LLC.	9,396,623,533	-
Song Hau Pharma JSC.	-	9,090,909
TOT Pharma OM LLC.	-	63,636,364
PP1 DHG OM LLC.	18,181,818	-
<b>iv) Purchase of fixed assets</b>		
<b>Subsidiary</b>		
DHG Pharmaceutical OM LLC.	4,561,681,295	-



## TRANSACTIONS, REMUNERATION AND OTHER BENEFITS OF THE BOD, SB, BOM (continued)

	Fiscal year ended	
	31.12.2015 VND	31.12.2014 VND
<b>v) Dividend Income</b>		
<b>Subsidiary</b>		
DT Pharma OM LLC.	2,195,714,876	1,851,558,529
DHG Travel OM LLC.	2,717,107,096	2,435,281,892
HT Pharmaceutical OM LLC.	6,541,665,273	3,184,648,582
DHG Pharmaceutical OM LLC.	4,352,714,993	3,096,870,145
CM Pharmaceutical OM LLC.	3,303,440,138	2,852,308,274
PP1 DHG OM LLC.	56,453,674,866	-
PP DHG OM LLC.	-	31,022,791,966
Song Hau Pharma JSC.	331,500,000	892,500,000
A&G Pharma OM LLC.	7,688,111,262	3,291,247,725
ST Pharmaceutical OM LLC.	6,207,869,160	2,657,471,081
TOT Pharma OM LLC.	10,852,136,409	6,385,502,557
TG Pharma OM LLC.	1,244,460,792	900,846,651
Bali Pharmaceutical OM LLC.	4,468,601,959	2,490,840,626
B&T Pharmaceutical OM LLC.	2,858,091,878	391,238,914
TVP Pharma OM LLC.	1,905,474,737	1,000,463,287
VL Pharma OM LLC.	2,345,575,056	330,443,711
DHG Pharmaceutical OM LLC.	98,663,307,483	-
	212,129,445,978	62,784,013,940
<b>vi) Long term loan to subsidiary</b>		
<b>(*) Project investment Subsidiary</b>		
<b>Subsidiary</b>		
DHG Pharmaceutical OM LLC.	82,866,130,758	176,315,349,669
PP1 OM LLC.	42,078,476,167	23,291,909,060
	124,944,606,925	199,607,258,729
<b>Total Investment on the above companies are as followed:</b>		
DHG Pharmaceutical OM LLC.		
Charter Capital contributed (note 4(b))	50,000,000,000	50,000,000,000
Advanced on factory building investment (note 9)	485,163,454,704	402,297,323,946
	535,163,454,704	452,297,323,946

	Fiscal year ended	
	31.12.2015 VND	31.12.2014 VND
PP1 DHG OM LLC.		
Charter Capital contributed (note 4(b))	5,000,000,000	5,000,000,000
Advanced on factory building investment, purchase of assets (Note 9)	97,919,711,037	55,841,234,870
	102,919,711,037	60,841,234,870
<b>(**) Operating Loan</b>		
<b>Subsidiary</b>		
TVP Pharma OM LLC.	2,829,000,000	-
HT Pharmaceutical OM LLC.	2,000,000,000	-
	4,829,000,000	-
<b>vii) Dividend payout</b>		
State Capital Investment Corporation (SCIC)	113,252,475,000	56,626,237,500
<b>viii) Paid to key management</b>		
Compensation and other benefits	11,883,263,388	14,238,341,053
<b>(i) Short term receivable</b>		
<b>Subsidiary</b>		
DT Pharma OM LLC.	5,581,420,887	4,007,677,469
HT Pharmaceutical OM LLC.	16,329,487,130	19,063,395,707
CM Pharmaceutical OM LLC.	13,470,636,019	11,736,345,970
PP1 DHG OM LLC.	145,728,000	-
Song Hau Pharma JSC.	10,328,814,061	7,874,078,979
A&G Pharma OM LLC.	23,230,169,374	29,240,844,919
ST Pharmaceutical OM LLC.	16,278,620,117	24,028,313,624
TOT Pharma OM LLC.	36,872,239,339	56,991,628,788
TG Pharma OM LLC.	8,052,492,750	12,536,931,898
Bali Pharmaceutical OM LLC.	12,502,161,914	12,695,540,965
DHG Pharmaceutical OM LLC.	-	99,999,997
B&T Pharmaceutical OM LLC.	8,710,527,880	9,516,310,809
TVP Pharma OM LLC.	3,807,452,391	20,278,623,823
VL Pharma OM LLC.	11,155,691,322	9,334,445,968
	166,465,441,184	217,404,138,916

## TRANSACTIONS, REMUNERATION AND OTHER BENEFITS OF THE BOD, SB, BOM (continued)

	Fiscal year ended	
	31.12.2015 VND	31.12.2014 VND
<b>(ii) Long Term loan receivable</b>		
<b>Subsidiary</b>		
DHG Pharmaceutical OM LLC.	485,163,454,704	402,297,323,946
PP1 DHG OM LLC.	97,919,711,037	55,841,234,870
TVP Pharma OM LLC.	2,829,000,000	-
HT Pharmaceutical OM LLC.	2,000,000,000	-
	587,912,165,741	458,138,558,816
<b>(iii) Other short term Receivable</b>		
Subsidiaries	-	218,317,061
<b>(iv) Short term Payable to supplier</b>		
<b>Subsidiary</b>		
DHG Pharmaceutical OM LLC.	-	1,299,216,594
DHG Pharmaceutical OM LLC.	127,856,145,458	40,493,064,314
PP1 DHG OM LLC.	10,717,981,462	11,907,958,572
	138,574,126,920	53,700,239,480
<b>(v) Other short term payable</b>		
<b>Subsidiary</b>		
DHG Pharmaceutical OM LLC.	-	12,983,530,024

### Implementation of regulations on Corporate Governance

Most of the rules, regulations and activities of the company are in compliance with the provisions of the Corporate Governance law and is gradually applied following international best practices.

Significant activities to improve the Corporate Governance:

- » Comply with the Regulation on Corporate Governance: the Company Charter has been revised to conform to the new rules in Circular 121 and the company has issued amended regulations on Corporate Governance on 08.21.2014.
- » At the annual shareholders' meeting 2015, DHG continued to consult the AGM on amending, supplementing the Charter to comply with the Law on Enterprises No. 68/2014 / QH13 effective from 01/7/2015, due to the new Enterprise Law having more significant impact on corporate governance, and the management of the company. However, because no specific Circular Guidance replacing Circular 121, The company have not adjust the detailed content yet.
- » To ensure transparency and rights for all shareholders and investors, the Company has complied with the provisions for information disclosure in accordance with Circular 52/2012 / TT-BTC dated 07.26.2012. From 01/01/2016, in compliance with Circular 155/2015 / TT-BTC dated 10/06/2015 of the Ministry of Finance on the disclosure of information on the stock market
- » The company received consultancy from EY regarding service packages intended to improve the business performance to the entire Company, overcoming the limitations of governance and

management, improve organizational stability via proper expertise and resolve issues when the scale of organization rapidly growing and widen:

- » Strategic Management, change the organizational structure models, establish decentralized matrix.
- » Consult on the effective management of cost in the operation of the Business Unit.
- » Consult to improve the efficiency of finance and accounting functions.
- » In 2015, the Company has focused on reviewing and completing the regulatory system / internal processes of company, helps the Company Board of Directors manage standards and effectiveness. Some regulations / procedures adopted by the BOD in 2015:
  - » To amend and supplement the financial management regulations of the Hau Giang Pharmaceutical JSC.
  - » Regulation on the procurement and repair of assets of Hau Giang Pharmaceutical JSC.
  - » Regulation on the use of remuneration and bonus fund of the Board of Directors, Supervisory Board of DHG Pharma.
  - » And other regulations under the jurisdiction the Chief Executive Officer.
- » In 2016, the company continue to improve the regulation / internal processes in order to improve governance and effective management of DHG Pharma. Ensure unity, enhance the compliance of the Company.



## Spreading Enthusiasm

PROMOTING IDENTITY

### SUSTAINABLE DEVELOPMENT REPORT

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# OVERVIEW OF THE SUSTAINABLE DEVELOPMENT REPORT



AS A COMPANY OPERATING IN THE PHARMACEUTICAL SECTOR, WITH DIRECT IMPACT ON THE HEALTH OF MILLIONS OF CONSUMERS LOCALLY AND ABROAD, CREATING JOBS FOR NEARLY 3,000 WORKERS INVOLVED IN PRODUCTION AND OPERATION OF THE BUSINESS, DHG HAS DETERMINED THAT IT CAN ONLY SUCCESSFULLY ACHIEVE SUSTAINABLE DEVELOPMENT WHEN COMBINING BOTH ECONOMIC GROWTH AND HAVING RESPONSIBILITIES TOWARDS SOCIETY, COMMUNITIES AND ENVIRONMENT. AT THE SAME TIME, DHG MUST ENSURE THE BALANCE OF INTERESTS BETWEEN STAKEHOLDERS IN REGARD TO THE OPERATIONS OF THE COMPANY AT PRESENT AND IN THE FUTURE TO IMPLEMENT LONG-TERM SUSTAINABLE DEVELOPMENT STRATEGIES OF DHG.

## Content of the Sustainable Development Report

The Sustainable Development Report of Hau Giang Pharma is an annual report to review and evaluate the implementation principles of sustainable development at Parent company and subsidiaries. The content of the report demonstrates the approaches of Hau Giang Pharma for issues of sustainable development. During the past year, even though the market conditions were unfavorable, Hau Giang Pharma has always been active in evaluating, determining core issues related to the sustainable development while to holding regular meetings and extraordinary depending on the level of work to meet and discuss with the stakeholders in order to meet the needs of stakeholders in a most efficient way. Therefore, in the content of the report this year DHG focus on presentation of important issues affecting the nature of the industry, the issues that the stakeholders are most interested in.

## Scope of the report

The information and data in the updated report for the fiscal year 2015 of the DHG start on 01/01/2015 and ends on 12/31/2015. The report on the activities of labor safety, social and environment has been compiled from the main activities at the parent company and the subsidiaries. The report reflects the results of operations in 2015, also present the directions and objectives in the coming years with regard to sustainable development of DHG.

## Methods of defining report content

DHG's approach to the sustainable development issues comes from sustainable growth objectives of the Company's long term target associated with social development and environmental protection, thereby positively contributing for the overall development of the society. The issues related to sustainable development goals continue to be considered and reviewed in relation to current activities, identify the key issues from which to review, improve as well as presented more clearly in the contents of sustainable development report 2016.

## Scope and limitation of report

The report is created in Vietnam, in the the pharmaceutical industry sectors, for the operation of the Hau Giang Pharmaceutical (DHG Pharma), its subsidiaries and associated companies.

## Contact

DHG is working hard to meet the expectations of the stakeholders for information transparency, sustainable growth in the business, demonstrating the responsibility of businesses to the community. Thus, we are looking forward to receiving comments. All comments, questions relating to sustainable development	issues, please send to:	Ms. Le Thi Hong Nhung (hongnhung@dhgpharma.com.vn) Designated information disclosure person Head of IR Department
	Website: <a href="http://www.dhgpharma.com.vn">www.dhgpharma.com.vn</a> (the Contact section)	
	Phone: 07103 891 433 (242) att. the Investor Relations Department	Ms. Duong Kim Loan (duongloan@dhgpharma.com.vn) Associate IR Department

## THE SUSTAINABLE RELATIONSHIP WITH STAKEHOLDERS

### CUSTOMERS, CONSUMERS



QUALITY,  
SAFETY,  
EFFECTIVE

*The company is committed to provide our customers with products and services promptly through an extensive distribution system.*

**ALL ACTIVITIES OF ALL MEMBERS OF THE COMPANY MUST AIMS TO BUILD CONFIDENCE, LONG-TERM EMOTIONAL ATTACHMENT BETWEEN THE COMPANY AND CUSTOMERS, FOR THE SUSTAINABLE DEVELOPMENT OF THE COMPANY.**

"Highest commitment to quality, safety and efficiency" is the core values of the company's to consumers about products and services and also the mission that all employees of the company shall work toward to.

The company is committed to provide our customers with products and services promptly through an extensive distribution system.

Never deceive customers, consumers on the quality and safety of products as well as the truthfulness of the advertisements, promotions.

Supports reasonable prices policies, healthy competition, complies with legal regulations in the domestic and foreign market. Ensuring the principle of mutual benefit, the price justifies the value of products and services.

Keep the competition healthy. No solicit, share business information of customers with their competitors.



*Medical care and distributing medicines for the poor of DHG Pharma*

### BE RESPONSIBLE WITH PRODUCTS PROVIDED TO CUSTOMERS, CONSUMERS .

Detect and promptly notify to the competent authority and educate customers to identify counterfeit and pirated goods. Product information, usage, benefits and side effects must be clearly specified on the prescription label.

Perform bioequivalence test to prove DHG products are equivalent to the original brand-name drug.

Dedication products with high scientific and technical content, linking the application value of scientific research into practice, the application of biotechnology in the preparation and development of products of natural origin.

In addition to compliance with standards in the manufacture, storage, distribution of products, the Company always strictly abide by the regulations of the Ministry of Health, Vietnam Drug Administration, Department of Food Hygiene and Safety, local department of health.

Handling products questions and complaints through a hotline (mostly feedback), and through the sales staff of the Company (primarily pharmacies, hospitals, doctors feedback).

Handling of low quality product: Following the test results, if batches of unqualified drugs prescribed were shipped but not yet distributed, DHG Pharma will follow control procedures for unqualified products. If the batch has been delivered, DHG Pharma must comply with product recall procedures.



# THE SUSTAINABLE RELATIONSHIP WITH STAKEHOLDERS (continued)



DHG's IR department meeting with investors

HONEST,  
TRANSPARENT,  
ACCURATE

## WITH SHAREHOLDERS AND INVESTORS

**DHG PHARMA IS COMMITTED IN BUILDING RELATIONSHIPS WITH SHAREHOLDERS AND INVESTORS BASED ON HONESTY, FAIRNESS AND BENEFITS FOR ALL SHAREHOLDERS AND INVESTORS.**

DHG Pharma is committed in building relationships with shareholders and investors based on honesty, fairness and benefits for all shareholders and investors.

As a listed company, DHG personnel will not provide, disclose, or use of insider information to advise / buying and selling securities for themselves or for others, not to create artificial demand and supply .

Disclosure of information is done with transparency, accuracy, truthfulness, completeness, clarity and timeliness: not only it is the responsibility of the Company to the shareholders, the investor, but also the responsibility of the Company for sustainable development growth.

The exchange, transparent disclosure of information must also be fair, to ensure equal investment opportunities for all investors.

Maintain effective communication channel for shareholders and investors, such as the company website, annual report, IR newsletter, direct meetings, email, phone, publications and other activities of the Investors Relations department.

Never disclose confidential information of investors, shareholders with anyone for any reason, unless otherwise required by law or owner of the information.



2015 year-end employees review conference

## WITH EMPLOYEES

**DHG IS WHERE EMPLOYEES WITH POTENTIAL CAN DEVELOP THEIR CAREER AND RECEIVE APPROPRIATE COMPENSATION FOR THEIR CONTRIBUTION. DHG IS THE PLACE WITH WORK-LIFE BALANCE.**

For DHG, employees are valuable assets. Following “take responsibility, cooperation and compensation as direction for action”. DHG focuses substantial investment for the human factor. Besides remuneration with attractive salary, the Company is always working to create an environment of solidarity, competition, and high learning curve for employees to promote creativity, dynamism and contribute effectively to the business results of the company.

DHG is where employees with potential can develop their career and receive appropriate compensation for their contribution. DHG is the place with work-life balance

The company is committed to ensure full benefits and the legitimate rights of workers under the provisions of the labor law and other regulations of the State.

The Company does not use child labor, illegal labor. Working and resting properly.

Respect individual rights of workers, respect for religious preference but not superstitious.



## THE SUSTAINABLE RELATIONSHIP WITH STAKEHOLDERS (continued)

### WITH COMPETITORS

**BESIDES THE COMPETITION,  
COMPASSION WITH  
COMPETITORS IS THE WAY  
OF DHG EMPLOYEES.**

Expose and work with competitors on a learning perspective, fair and healthy competition.

Never engage in activities to undermine competitors.

Never collude with one or more competitors for the purpose of bringing down the other competitors.

Never produce and distribute counterfeit products of competitors.

Never speak ill of anyone, and do not make false statements about the products of competitors.

Never take advantage of relationships with customers to induce them to have unfair attitude and behavior to competitors.

Collect, share and use information about competitors in the mass media, annual reports, websites of competitors, public speeches and other publications. Also indicate the source of information to use, absolutely never collect competitors information by illegal or unethical mean.

### WITH SUPPLIERS

**DHG OBEY THE LAW  
REGARDING TRANSACTION  
WITH SUPPLIERS AND  
FOLLOW THE PRINCIPLES:**

The Company ensure fair and transparent competition between suppliers, considering base on the objective benefits that the supplier bring to the Company on the basis of mutual prosperity.

Not too rely on economies of scale to mistreat suppliers, not having arrogance and attitude problem, making providers wait too long.



Meeting partners at Japan

Never use personal position to ask for "commission", gift from suppliers for personal gain.

Never disclose confidential information of supplier to their competitors.



Mr. Pham Quang Nghi former City Secretary of Hanoi and city leader of Can Tho visited DHG

### WITH THE GOVERNMENT, STATE AGENCIES

Do not perform illegal acts to censor information beneficial to the company or individual.

Do not commit acts of bribery to gain privileges and special benefits from the government, state agencies.

Fulfill tax obligations and contributions local budgets as required. Can utilize tax incentives policies of the State but absolutely cannot commit tax evasion.

### WITH MEDIA

Today, the media have a strong influence on many aspects. Establishing relationships with the media is essential in helping to lift the image, improve DHG brand, reach out increasingly closer to consumers. That relationship must be built on the principles of equality, information accurate, complete, clear and legal.

The company has assigned a person in charge of communication and disclosure, other individuals can not contact with representatives of the media to answer questions related to the Company.



NattoEnzym media activities

# RESPONSIBILITIES WITH THE ENVIRONMENT

DEMAND FOR RAW  
MATERIALS IN 2015 DHG

4,337

TONS OF MATERIAL + ADJUVANT

## RESOURCE AND MATERIAL MANAGEMENT

**DEMAND FOR RAW MATERIALS IN 2015 DHG** 4337 tons of material + adjuvant, 766 million empty capsules of various kinds, 939 tons of aluminum + PVC + film + membrane graft types, 51.5 million boxes, cartons, pads and 112.6 million kinds of labels, label bins, paper manuals and bags of all kinds.

The materials use norms and register for wastage reduction targets, reduce inappropriate products each year. Specifically: 2015, reducing product loss in production of 2.2% compared to 2014. Reduced shrinkage 2.86% of aluminum, PVC 2.75% with a total value effectively worth 2 billion VND.

## ENERGY CONSUMPTION

### USE OF ELECTRICITY FOR PRODUCTION AND ACTIVITIES

2015 total electricity used for production and daily living is 31.9 billion, decreased 1.4% compared to 2014.

Energy intensity per unit of product:

Target	Unit	2014	2015
Output	Mil. unit	4,813	4,156
Actual used	KwH	21,970,000	19,746,658
Intensity	KwH/mil.unit	4,564	4,751

### FUEL GAS FOR BURNING BOILERS

**2014:** 41,470 kg, the total of VND 916,057,410.

**2015:** 27.265 kg, the total amount of VND 387,009,990.

To reduce climate change, the Company has implemented plans to use LED lights instead of fluorescent lamps.

Using lines with clean technology, modern, low energy consumption and low environmental impact.

Building awareness of saving electricity, turn off lights, fans, air conditioning when not in use or when leaving the room.

Each year, the Company sign contracted implement productivity-saving 10% of electricity consumption.

## WATER CONSUMPTION

### SUPPLY

DHG's water sources is the clean water source of water supply and sewerage company in Can Tho City and Hau Giang Province, for the purpose of production (use RO water, distilled water for eye drops, defense birth machinery factory) and lifestyle (cooking, washing, cleaning, watering plants).

### VOLUME AND INTENSITY OF WATER CONSUMPTION

In 2015 total amount of water used for production and daily living was 2.13 billion, decreased 4.91% compared to 2014.

Water intensity per unit of product:

Target	Unit	2014	2015
Output	Mil. units	4,831	4,156
Water usage	m³/year	3,003,792	268,023
Intensity	m³/mil. units	63	64
Total wastewater	m³/year	NI	79,872
% wastewater recycle	%	NI	20%

### WASTEWATER REUSE AND RECYCLE

- » Faced with saltwater intrusion, drought occurred across the country, the water shortages for normal living and for production is a big concern for social community interest. Water resources currently is extremely valuable. DHG realize this early and had prepared for the recovery and reuse of wastewater after treatment to meet the prescribed standards. Thus, when constructing the wastewater treatment system, the Company also built the reservoirs of treated water to reuse, as well as using river water for irrigation instead of tap water.
- » In 2015, the company performed recovery methods: transfer water to the dust handling and cooling towers to save and use water resources efficiently. The total volume of wastewater: 256 m³ / day, of which 20% is recycled.

### MEASURES TO SAVE WATER

- » Currently, to use efficiency and save water, DHG has conducted standardized piping, installation of the new design water meters for all water using units. There are monthly statistics tracking to remind switching on/o , using water for the right purpose and educate on cost reduction awareness.
- » The company is on track to assign norms in each unit using standardized equipment lines on each factory. The company has also begun to utilized treated wastewater according to prescribed standards which is then used for irrigation and sanitation, pending the approval of relevant authorities. In 2016, if the use of water for irrigation and sanitation purposes is approved, the total wastewater reuse will reach over 20% of the total volume of wastewater.
- » The following years, the company plans to further streamline the scientific production, increased production lot sizes, continuous production to reduce the cleaning time, reduce domestic energy consumption, reduce waste water sanitation, labor productivity growth leads to reduction of electrical energy consumption / unit produced. At the same time, implementation of efficient water use through the design of a complete water supply system, to ensure water does not leak, easy to control and easy to repair in case of incidents.

## COMPLIANCE LAWS REGARDING ENVIRONMENTAL PROTECTION

The company complied with the provisions of environmental legislation and follow the guidance of the management bodies of local environment. Currently, control of environmental compliance is being implemented by the Environment and Safety Committee of the Company.

Collecting and processing 118 tonnes of hazardous waste, down 61 tonnes compared to 2014, with the cost of processing is 827 million. The results of monitoring of environmental parameters are achieved in accordance with current standards. The total cost of implementing environmental protection is about 916 million.

TOTAL WATER CONSUMPTION

268,023

M³/ WATER





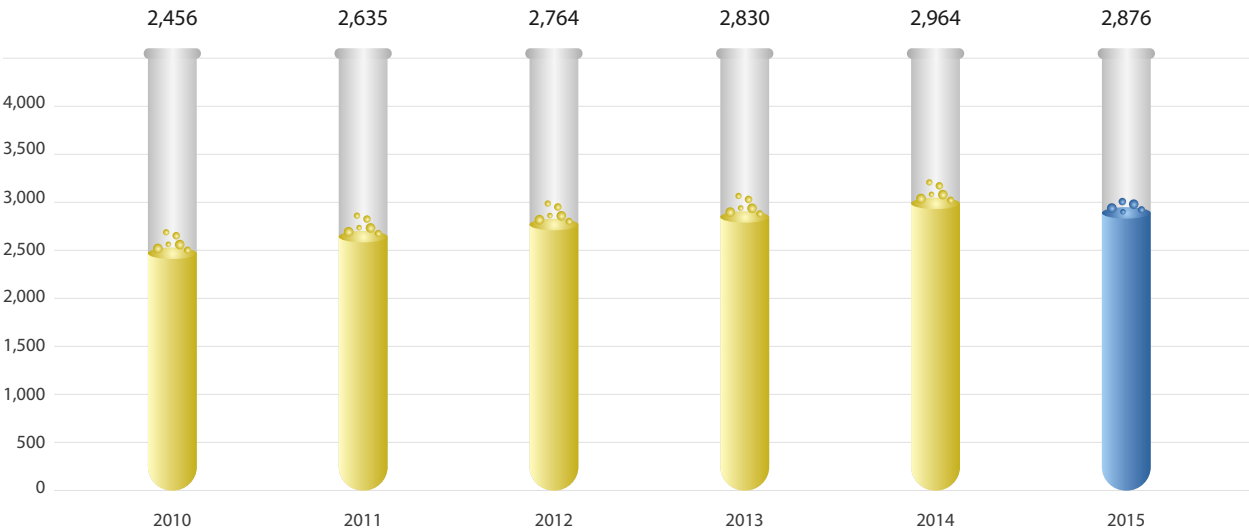
# POLICY

## RELATED TO EMPLOYEES

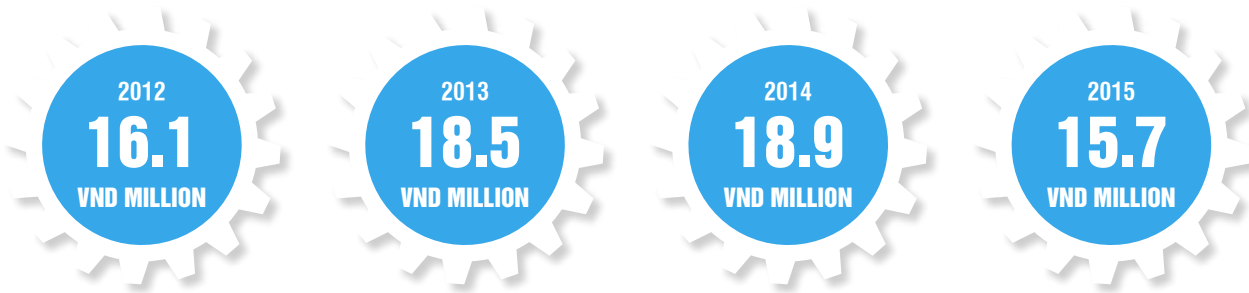
### Number of employees

- » The number of personnel of DHG grow with the size and growth of the company over the years. However, growth in the number of personnel has slowed down in recent years due to the increase in focus of DHG in quality personnel.
- » Personnel structure by gender remained relatively stable over the years.
- » Personnel structure by functionality has moved substantially to Sales department because the Company implemented restructuring projects to a effective professional sales network.

### NUMBER OF EMPLOYEES

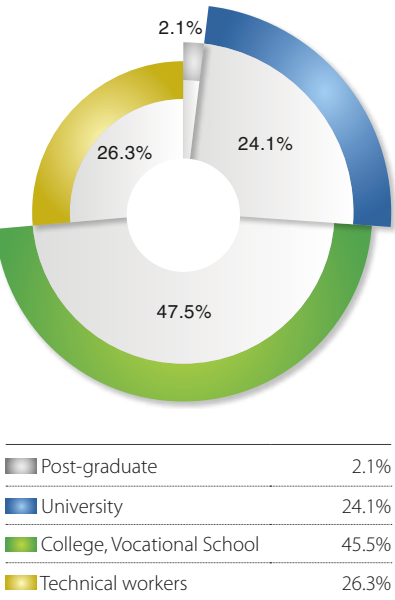


### Income of employees

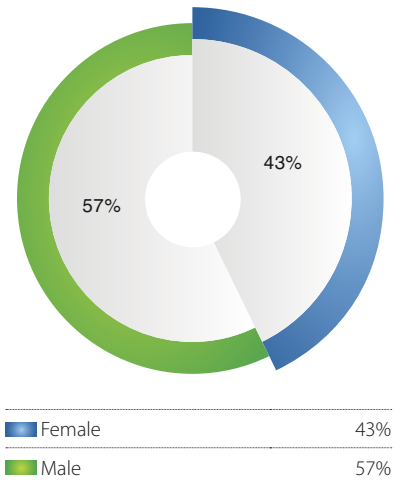


**In which:**  
 Production department: VND 8.8 million;  
 Back Office: VND 13.7 million;  
 Sales department: 21.8 million.

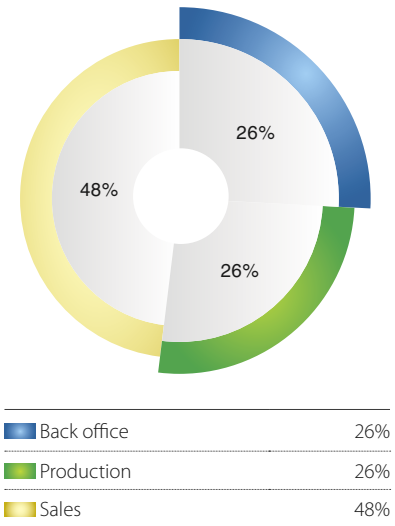
### 2015 Human Resources structure by educational level



### 2015 Human Resources structure by gender



### 2015 Human Resources structure by functionality



### Policy for employees

- » Good implementation of democratic regulations, the collective bargaining agreement in the company. All the plans and program activities are approved by the Board of Directors with consent of all staff.
- » Organize communication channel in the workplace first 6 months of 2015 with the following contents:
  - » CEO reports on the results of operations and business production in the first 06 months of 2015.
  - » The implementation of the collective bargaining agreement in 2015 on remuneration policies.
  - » Explain the purpose and significance of the evaluation and grading of staff under the classification A, B, C, D of the first 6 months of 2015 the Company's staff.
- » Answering the proposed content of the employee-level meeting.
- » The labor protection initiatives are fully implemented, Labour Protection Council plan and organize learning, safety training for company employees annually. There is toxicity compensation policy in place for employees to work in environmental conditions in direct contact with the chemicals, materials, opened products...
  - » In response to the national week of labor safety and hygiene, the green movement - clean - beautiful.
  - » Perform environmental parameters measuring to ensure good working conditions for employees.
  - » Staff annual salary is raised according to salary policies and
- » regulations, depending on the complexity of the tasks performed to have corresponding salary. In 2015 the average income of workers is 15,763,892 VND / person / month.
- » Support for staff loans - borrow when needed (repair, build a house, buy household items or difficult economic times for 166 cases, with a total amount of 5.9 billion); difficulty allowances, family visits for 472 employees sickness cases, in the amount of 472,282 million VND; Wedding gifts for 75 cases in the amount of 37,495 million.
- » Poor Patients Fund support for employees and their families (wife / husband / son, grandparents) when having surgery and hospital stay, terminally ill and long-term treatment for 156 cases, at the total amount of 1.2 billion in aid.
- » From Welfare Fund Company:



## POLICY

## RELATED TO EMPLOYEES (continued)

- In addition to support 142 cases of Companies house rental at low costs, the company also subsidize for employees to rent houses outside at VND200,000 / month / person. In order to facilitate the work of the employees, the Company Day Care Center take good care of employee's children age of 5 months - 36 months of age.
- » With the desire to educate and inspire the spirit of hospitality for staff to always remember the grace of birth parents, the company has organized the Vu Lan celebration to more than 1,000 parents participating, with a total cost of 580.158 million VND
  - » Organized ceremony and rewarded 55 children of employees with outstanding achievements and newly graduated in the academic year 2014-2015, totaling 66.1 million.
  - » Meeting of retired employees at the end of the year to appreciate the contribution of the previous generation. It also is an opportunity for retired employees to network, sharing, visiting each together. At the same time, established the retired employees association to be a connecting entity between the Company and ex-employees to keep in touch, take good care and provide support when needed.
  - » With the desire to create an airy, clean and spacious gathering place, relaxing after fatigue working hours for employees, the company has renovated the cafeteria, with repair costs of 150 million and used the deposit to amortize monthly for the repair costs.
  - » Organized the "good at public duties, excel at home" receiving good response from union members, with 100% annual participation.
  - » Invite psychologist to talked about the topic "I become smaller when my child grow up" and seminar "Fashion and style in the workplace", in order to help women to have more knowledge in parenting and be in control of family happiness ... Support cultural family, birth control.
  - » Organize Family Festival Day (28/6) to facilitate useful playground for employees and their families. Through the contest "family member understand each other" to improve the relationship between family members.
  - » Organized periodic health examinations for 1,072 employees and 190 work medical checkups. Improve the quality of diagnosis and treatment on-the-spot 2.940 cases.



Employee sharing their personal stories at the Marketing Training session of DHG Pharma

## Training for employees

- » More than 500 production staff were trained to improve in skill. In addition to the annual training plan of each unit of the company, the functional units are also involved in training skills courses on demand as needed.
- » Participated in the campaign "Learn and follow the example of Ho Chi Minh".
- » Organized the trainings for 67 union officials, to enhance organizational skills.
- » Encouraged staff members to participate in legal contests: Planning of consultation for the draft amendment of the Criminal Code (No. 400 / KH-LDLĐ).
- » Promote innovations in the workplace finished at 12/2015 for employees to participate, there were 655 improvement ideas, of which 269 ideas are feasible, innovative studies of 36 new products in 2015, put into production: 36 products. Improvements to adjust production processes: 12 products.
- » Total hours of training for deputy managers, key officials and employees is 69.22 hours (63.98 hours per / person / year). The company's average is 59.5 hours / person.
- » Trained Sales staff with a total of 66.96 hours of training hours (average 55.5 hours / person / year). Training new employees for a total of 23.94 hours of training hours (average 272 hours / person).
- » Organized first aid training - labor safety and hygiene for 103 employees.

MORE THAN  
**500**  
PRODUCTION STAFF  
were trained to improve  
in skill

**69.22**  
HOURS  
Total hours of training  
for deputy managers, key  
officials and employees



DHG Pharma organized mid-autumn festival for children of employees



## REPORT ON THE SOCIAL RESPONSIBILITIES



The walking ceremony "Can Tho healthcare sector toward health facility", in celebration of 61 years of Vietnam Doctor Day

- » The Company operated efficiently, contributed substantially to the local budgets. In 2015, DHG Pharma contributed a total of 356.6 billion, up 9.1% compared to 2014. Of which, contribution to the budget for Can Tho City was 258 billion.
- » Provide jobs, take good care of nearly 3,000 local workers.
- » Sponsored 12 episodes of "every home Doctor" on VTV Can Tho, 18 episodes of "Health and Lifestyle" on Hau Giang Television, 10 episodes of "Listen to your body" on Ha Noi television, 10 episodes "For the future lives" on HTV ... DHG has helped people across the country to equip with more knowledge on preventive and treatment of diseases, health protection for their families.
- » Actively participated in mass movement launched by local authorities, organized friendly tournament, arts cultural exchange within and outside of the industry. Create useful and healthy playground for workers and nurture relationships between DHG employees and local agencies.
- » In the spirit of solidarity, employees have contributed 118.82 million into the charitable funds "golden hearts", the "piggy bank for poor patients" with a total amount of 1.9 billion.
- » Established the blood donors club with over 500 members willing to donate blood stored at Can Tho hematology center. During the year, 165 people participated in blood donation with 211 units of blood.



DHG Pharma awarded funding costs for poor patients undergoing cardiac surgery in the Can Tho city

### IN 2015, DHG HAS CONTRIBUTED **6 BILLION** TO THE FOLLOWING COMMUNITY ACTIVITIES:

One of the annual activities of DHG volunteers associated with the health care program for people is "free medical care provided" (KBPTMP). In 2015, the Company has successfully held 138 programs for 58,790 people in cities across the country and 2 programs in Cambodia.

Launch the campaign for staff to donate 1 day salaries to "Gac Ma - Truong Sa Monument" and "Building clinics in Truong Sa" in the amount of VND 267,000,000. 1 day salary donation for "Day for the Poor" in the amount of VND 558,463,000.

Local trade union organized monthly visit and offer each elder people a nutritious meal at the seniors Center, Binh Thuy district; weekly cooking nutritious food for the children at the center for orphaned of Can Tho City. In addition, the union also organized visits and give gifts for Tet Holiday at these 2 center in the amount of VND 70,960,000.

Visited and provided support for 4 case of disadvantaged, at VND 5,000,000 per person. Victims of natural disasters are floods in Quang Ninh in the amount of 200 million.

Together with the Labor Union of Can Tho City, visited soldiers newly enrolled in the Regiment 303 and Can Tho police training center, give 1 Television to each facility worth VND 10,000,000 for soldiers to update on news and relax after hours of strenuous training.

Donated 100 gifts worth VND200,000 each for poor students in remote areas following the distribution plan of the Labor Federation of Can Tho City.

Donated 60 gifts to the poor family's grandchildren in An Hoa Ward for Mid-Autumn Festival occasion, in the amount of VND 6,000,000.





## Enhancing technology FOR FLEXIBLE SUPPLY



### FINANCIAL REPORTS

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## AUDITED SEPARATE FINANCIAL STATEMENT IN 2015

Please view via the link

<http://www.dhgpharma.com.vn/en/investor-relations-2/financial-report-2/1704-dhg-pharma-audited-financial-statements-of-2015>

## AUDITED CONSOLIDATED FINANCIAL STATEMENT IN 2015

Please view via the link

<http://www.dhgpharma.com.vn/en/investor-relations-2/financial-report-2/1704-dhg-pharma-audited-financial-statements-of-2015>CORPORATE  
INFORMATION

<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 21st amendment dated 29 October 2015 was issued by the Planning and Investment Department of Can Tho City.	
<b>Board of Management</b>	Mr <b>Hoang Nguyen Hoc</b>	Chairman
	Mr <b>Le Dinh Buu Tri</b>	Vice Chairman
	Mdm <b>Pham Thi Viet Nga</b>	Member
	Mr <b>Doan Dinh Duy Khuong</b>	Member
	Ms <b>Dang Pham Minh Loan</b>	Member
	Mr <b>Tran Chi Liem</b>	Member
	Mr <b>Shuhei Tabata</b>	Member
<b>Board of Directors</b>	Mdm <b>Pham Thi Viet Nga</b>	General Director
	Mr <b>Le Chanh Dao</b>	Deputy General Director
	Mr <b>Doan Dinh Duy Khuong</b>	Deputy General Director
	Ms <b>Nguyen Ngoc Diep</b>	Deputy General Director
<b>Supervisory Board</b>	Mr <b>Tran Quoc Hung</b>	Head of the Board
	Ms <b>Nguyen Phuong Thao</b>	Member
	Mr <b>Dinh Duc Minh</b>	Member
<b>Legal representative</b>	Mdm <b>Pham Thi Viet Nga</b>	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 2015 and of 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 and its subsidiaries will continue in business.

The Board of Directors is responsible for ensuring that proper accounting records are kept 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 comply with the basis of accounting set out in Note 2 to the consolidated financial statements. The Board of Directors is 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 189 to 229 which give a true and fair view of the consolidated financial position of the Group as at 31 December 2015 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 in SR Vietnam.

On behalf of the Board of Directors



**Le Chanh Dao**  
Deputy General Director  
Authorised signatory

Can Tho City, SR Vietnam  
12 March 2016

AUDITOR'S  
REPORT



INDEPENDENT AUDITOR'S REPORT 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 2015 and approved by the Board of Directors on 12 March 2016. These consolidated financial statements comprise the consolidated balance sheet as at 31 December 2015, the consolidated income statement and the consolidated cash flow statement for the year then ended and explanatory notes to these consolidated financial statements including significant accounting policies, as set out on pages 189 to 229.

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 control 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 2015, 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 consolidated financial statements.

For and on behalf of  
PricewaterhouseCoopers (Vietnam) Limited



**Quach Thanh Chau**  
Audit Practising Licence No. 0875-2013-006-1  
Authorised signatory

**Pham Thi Xuan Mai**  
Audit Practising Licence No. 1771-2013-006-1

Audit report number: HCM5051  
Ho Chi Minh City, 12 March 2016

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.

## CONSOLIDATED BALANCE SHEET

Form B 01 - DN/HN

			As at 31 December	
Code	ASSETS	Note	2015 VND	2014 VNđ
<b>100</b>	<b>CURRENT ASSETS</b>		<b>2,221,373,030,144</b>	<b>2,386,250,376,004</b>
<b>110</b>	<b>Cash and cash equivalents</b>	<b>3</b>	<b>420,712,811,918</b>	<b>498,291,764,030</b>
111	Cash		89,510,544,052	108,745,132,437
112	Cash equivalents		331,202,267,866	389,546,631,593
<b>120</b>	<b>Short-term financial investments</b>	<b>4(a)</b>	<b>507,605,100,000</b>	<b>258,816,666,667</b>
123	Held-to-maturity investments		507,605,100,000	258,816,666,667
<b>130</b>	<b>Short-term receivables</b>		<b>644,064,122,343</b>	<b>844,549,297,268</b>
131	Short-term trade accounts receivable	5	570,830,701,600	760,722,312,361
132	Short-term prepayments to suppliers		23,308,107,672	45,230,064,069
135	Short-term lending		37,688,828,113	29,504,940,731
136	Other short-term receivables	6	23,223,854,477	16,797,425,759
137	Provision for doubtful debts – short term	7	(10,987,369,519)	(7,705,445,652)
<b>140</b>	<b>Inventories</b>	<b>8</b>	<b>639,320,555,977</b>	<b>780,703,611,464</b>
141	Inventories		642,331,928,161	786,123,041,332
149	Provision for decline in value of inventories		(3,011,372,184)	(5,419,429,868)
<b>150</b>	<b>Other current assets</b>		<b>9,670,439,906</b>	<b>3,889,036,575</b>
151	Short-term prepaid expenses	11(a)	3,968,455,036	1,029,267,451
152	Value Added Tax to be reclaimed		4,327,687,627	1,767,528,950
153	Tax and other receivables from the State Budget		1,374,297,243	874,613,071
155	Other current assets		-	217,627,103
<b>200</b>	<b>LONG-TERM ASSETS</b>		<b>1,141,825,629,796</b>	<b>1,096,467,924,049</b>
<b>210</b>	<b>Long-term receivables</b>		<b>-</b>	<b>808,355,513</b>
216	Other long-term receivables		-	808,355,513
<b>220</b>	<b>Fixed assets</b>		<b>1,067,774,140,547</b>	<b>913,680,911,988</b>
221	Tangible fixed assets	9(a)	811,356,338,576	733,663,998,483
222	Cost		1,252,111,595,162	1,090,746,573,280
223	Accumulated depreciation		(440,755,256,586)	(357,082,574,797)
227	Intangible fixed assets	9(b)	256,417,801,971	180,016,913,505
228	Cost		273,969,773,238	193,368,549,477
229	Accumulated amortisation		(17,551,971,267)	(13,351,635,972)
<b>240</b>	<b>Long-term assets in progress</b>		<b>15,722,551,016</b>	<b>50,132,540,095</b>
242	Construction in progress	10	15,722,551,016	50,132,540,095
<b>250</b>	<b>Long-term financial investments</b>	<b>4(b)</b>	<b>15,932,055,542</b>	<b>16,842,443,714</b>
252	Investments in associates		4,523,885,342	5,434,273,514
253	Investments in other entities		27,908,170,200	27,908,170,200
254	Provision for long-term financial investments		(16,500,000,000)	(16,500,000,000)
<b>260</b>	<b>Other long-term assets</b>		<b>42,396,882,691</b>	<b>115,003,672,739</b>
261	Long-term prepaid expenses	11(b)	28,312,322,417	100,946,118,907
262	Deferred income tax assets	12	14,084,560,274	14,017,983,554
268	Other long-term assets		-	39,570,278
<b>270</b>	<b>TOTAL ASSETS</b>		<b>3,363,198,659,940</b>	<b>3,482,718,300,053</b>

The notes on pages 193 to 229 are an integral part of these consolidated financial statements



CONSOLIDATED  
BALANCE SHEETB (continued)

Form B 01 - DN/HN

			As at 31 December	
Code	RESOURCES	Note	2015 VND	2014 VND
300	LIABILITIES		841,962,632,700	1,189,092,829,107
310	Short-term liabilities		779,632,287,905	1,119,689,495,134
311	Short-term trade accounts payable	13	224,957,469,694	261,374,420,147
312	Short-term advances from customers		7,079,129,950	912,804,381
313	Tax and other payables to the State Budget	14	13,343,506,157	103,311,154,783
314	Payable to employees		128,045,082,047	208,304,993,114
315	Short-term accrued expenses	15	21,683,931,132	266,009,951,113
318	Short-term unearned revenue	16	7,747,880,222	-
319	Other short-term payables	17	15,300,462,313	36,083,180,507
320	Short-term borrowings	18	270,711,206,737	176,707,408,762
322	Bonus and welfare funds	19	90,763,619,653	66,985,582,327
330	Long-term liabilities		62,330,344,795	69,403,333,973
342	Provision for long term liabilities	21	31,323,948,748	28,843,956,033
343	Science and technology development funds	20	31,006,396,047	40,559,377,940
400	OWNERS' EQUITY		2,521,236,027,240	2,293,625,470,946
410	Capital and reserves		2,521,236,027,240	2,293,625,470,946
411	Owners' capital	22, 23	871,643,300,000	871,643,300,000
415	Treasury shares	22, 23	(16,121,030,000)	(455,850,000)
418	Investment and development fund	23	1,039,479,185,578	782,076,482,219
	Financial reserve fund	23	-	67,063,774,920
421	Undistributed earnings	23	605,911,345,691	556,467,354,916
421a	- Undistributed post-tax profits of the previous years		164,434,562,794	37,484,990,418
421b	- Undistributed post-tax profits of the current year		441,476,782,897	518,982,364,498
429	Non-controlling interests	24	20,323,225,971	16,830,408,891
440	TOTAL RESOURCES		3,363,198,659,940	3,482,718,300,053

Ngo Thi Hong Dao  
Preparer

Dang Pham Huyen Nhung  
Chief Accountant

Le Chanh Dao  
Deputy General Director  
Authorised signatory  
12 March 2016



The notes on pages 193 to 229 are an integral part of these consolidated financial statements

CONSOLIDATED  
INCOME STATEMENT

Form B 02 - DN/HN

		Year ended 31 December		
Code		Note	2015 VND	2014 VND
01	Sales		4,151,727,486,719	3,958,709,910,419
02	Less deductions		(543,967,663,522)	(46,191,765,944)
10	Net sales	27(a)	3,607,759,823,197	3,912,518,144,475
11	Cost of sales	28	(2,194,892,134,426)	(1,781,997,126,034)
20	Gross profit		1,412,867,688,771	2,130,521,018,441
21	Financial income	27(b)	34,338,648,064	37,139,877,819
22	Financial expenses	29	(89,481,890,058)	(67,340,673,729)
23	Including: interest expenses		(8,730,565,082)	(4,838,876,750)
24	Share of losses in associates	4(b)	(910,388,172)	-
25	Selling expenses	30	(457,613,535,495)	(1,098,587,377,918)
26	General and administration expenses	31	(262,310,172,518)	(312,775,808,459)
30	Operating profit		636,890,350,592	688,957,036,154
31	Other income		84,857,448,081	36,844,503,038
32	Other expenses		(20,438,693,513)	(3,864,380,978)
40	Net other income	32	64,418,754,568	32,980,122,060
50	Net accounting profit before tax		701,309,105,160	721,937,158,214
51	Business income tax - current	34	(108,690,466,892)	(193,926,063,163)
52	Business income tax - deferred	34	66,576,717	5,760,983,976
60	Net profit after tax		592,685,214,985	533,772,079,027
	Attributable to:			
61	Owners of the parent company		588,701,003,222	533,272,781,144
62	Non-controlling interests	24	3,984,211,763	499,297,883
70	Basic earnings per share	35	5,748	5,169
71	Diluted earnings per share	35	5,748	5,169

Ngo Thi Hong Dao  
Preparer

Dang Pham Huyen Nhung  
Chief Accountant

Le Chanh Dao  
Deputy General Director  
Authorised signatory  
12 March 2016



The notes on pages 193 to 229 are an integral part of these consolidated financial statements

CONSOLIDATED  
CASH FLOW STATEMENT (Indirect method)

Form B 03 - DN/HN

		Year ended 31 December	
Code	Note	2015 VND	2014 VND
CASH FLOWS FROM OPERATING ACTIVITIES			
01	Net profit before tax	701,309,105,160	721,937,158,214
	Adjustments for:		
02	Depreciation and amortisation	89,670,281,622	79,709,426,586
03	Provisions	3,353,858,898	(770,413,164)
05	(Gains)/losses from disposal of fixed assets	(2,618,121,272)	134,124,144
05	Interest and dividend income	(30,674,059,705)	(35,180,994,085)
05	Share of losses in associates	910,388,172	-
05	Profits from disposal of investments	-	(95,680,000)
06	Interest expenses	8,730,565,082	4,838,876,750
08	Operating profit before changes in working capital	770,682,017,957	770,572,498,445
09	Decrease/(increase) in receivables	198,827,310,535	(169,149,296,989)
10	Decrease/(increase) in inventories	144,415,717,547	(23,716,256,909)
11	(Decrease)/increase in payables	(373,682,424,489)	22,752,783,625
12	Decrease/(increase) in prepaid expenses	1,032,635,996	(27,875,657,824)
14	Interest paid	(9,256,860,798)	(3,957,414,700)
15	Business income tax paid	(191,641,456,763)	(149,100,796,888)
17	Other payments on operating activities	(65,181,968,703)	(118,221,104,830)
20	Net cash inflows from operating activities	475,194,971,282	301,304,753,930
CASH FLOWS FROM INVESTING ACTIVITIES			
21	Purchases of fixed assets and other long-term assets	(163,832,312,819)	(255,151,975,150)
22	Proceeds from disposals of fixed assets and other long-term assets	16,233,594,513	2,092,971,399
23	Loans granted and term deposits at bank	(828,615,931,107)	(458,479,381,955)
24	Collection of loans granted and term deposits at bank	577,394,465,462	340,157,774,557
26	Proceeds from divestment in other entities	-	4,018,560,000
27	Dividends and interest received	29,488,742,582	32,974,690,379
30	Net cash outflows from investing activities	(369,331,441,369)	(334,387,360,770)
CASH FLOWS FROM FINANCING ACTIVITIES			
32	Payments for share repurchases	(15,665,180,000)	-
33	Proceeds from borrowings	1,222,254,694,302	1,376,817,787,033
34	Repayments of borrowings	(1,128,250,896,327)	(1,327,141,456,830)
36	Dividends paid	(261,781,100,000)	(131,588,800,000)
40	Net cash outflows from financing activities	(183,442,482,025)	(81,912,469,797)
50	Net decrease in cash and cash equivalents	(77,578,952,112)	(114,995,076,637)
60	Cash and cash equivalents at beginning of year	498,291,764,030	613,286,840,667
70	Cash and cash equivalents at end of year	420,712,811,918	498,291,764,030

Significant non-cash transactions for the year ended 31 December 2015 are presented in Note 38.

Ngo Thi Hong Dao  
Preparer

Dang Pham Huyen Nhung  
Chief Accountant

Le Chanh Dao  
Deputy General Director  
Authorised signatory  
12 March 2016



NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS  
for the year ended 31 december 2015

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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/QĐ-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 charter 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. The Company was granted the 20th amended Business Registration Certificate dated 6 May 2015 for the increase in share capital and the 21st amended Business Registration Certificate dated 29 October 2015 for supplementing the business scope of manufacturing and selling bottled pure water.

The principal activities of the Company and its subsidiaries are to produce and trade in pharmaceutical products and providing domestic travelling services.

The normal business cycle of the Company and its subsidiaries is within 12 months.

As at 31 December 2015, the Group had 2,877 employees (as at 31 December 2014: 2,964 employees).

The consolidated financial statements for the year ended 31 December 2015 comprise of the financial statements of the Company and its subsidiaries (together the "Group") and the Group's interest in associates as listed below:

			% of ownership and voting right	
Name	Principal activities	Business Registration Certificate	2015	2014
<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%
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%

**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS (continued)**  
for the year ended 31 december 2015

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## 1 GENERAL INFORMATION (continued)

Name	Principal activities	Business Registration Certificate	% Ownership and voting rights	
			2015	2014
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	S 1300917335 do S K ho ch và Đ u t t nh B n Tre c p ngày 5 tháng 10 năm 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>Associate:</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%

## 1 GENERAL INFORMATION (continued)

(\*) On 08 June 2015, the Board of Management of the Company issued the Decision No.023/2015/QĐ.HDQT to dissolve DHG Nature One Member Limited Company. As at 31 December 2015, 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 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 Significant changes in accounting policies

On 22 December 2014, the Ministry of Finance issued Circular No. 200/2014/TT-BTC ("Circular 200") – Providing guidance on Corporate Accounting System replacing Decision No. 15/2006/QĐ-BTC dated 20 March 2006 ("Decision 15") and Circular No. 244/2009/TT-BTC dated 31 December 2009. Circular 200 applied for the fiscal year beginning on 1 January 2015.

Also on 22 December 2014, the Ministry of Finance issued Circular No. 202/2014/TT-BTC ("Circular 202") - Guiding on the preparation and presentation of consolidated financial statements. Circular 202 replaced the previous guidance on preparation and presentation of consolidated financial statements provided in part XIII of Circular 161/2007/TT-BTC dated 31 December 2007. Circular 202 applied for the fiscal year beginning on 1 January 2015.

Major changes in accounting policies which are presented in the notes of significant accounting policies are as follows:

- Basis of consolidation – gains or losses incurred from partial acquisitions or disposals that do not result in a loss or gain of control are recorded directly in undistributed earnings under equity. Non-controlling interests are now reclassified as part of equity – Note 2.4
- Transactions arising in foreign currencies and revaluation of monetary assets and liabilities denominated in foreign currencies - Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are respectively translated at the buying and selling exchange rates at the balance sheet date of the bank where the Group regularly trades. Foreign currencies deposited in bank at the balance sheet date are translated at the buying exchange rate of the bank where the Group opens the foreign currency accounts - Note 2.6.
- Provision for dismantling and restoration costs – In accordance with Circular 200, since 1 January 2015, the Group is required to provide for dismantling and restoration costs of the Group's leased premises or land - Note 2.19
- Revenue recognition – Revenue is recognised based on principle of "substance over form" and allocated to each sales obligation. In case that the Group gives promotional goods to customers associated with customers' purchase, the Group allocates total consideration received for goods sold and for promotional goods. Cost of promotional goods is recognised as cost of sales in the income statement. Circular 200 also regulates accounting policies for customer loyalty programs - Note 2.25 and 2.27



## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.2 Significant changes in accounting policies (continued)

- Financial reserve fund – Since 2015, the financial reserve fund was no longer used. The remaining balance of this fund was transferred to the investment and development fund - Note 2.23
- Basic earnings per share – profits or loss attributable to the ordinary shareholders of the Company is now determined after deducting amounts appropriated to bonus and welfare funds – Note 35

The Group applied prospectively changes in accounting policies according to Article 127 of Circular 200 and Circular 202 for the financial year beginning on 1 January 2015, therefore information in the consolidated financial statements is not comparable.

Certain comparative figures have been reclassified to conform with the current year’s presentation under Circular 200 and Circular 202. The details of such reclassifications were disclosed in Note 41.

### 2.3 Fiscal year

The Group’s fiscal year is from 1 January to 31 December.

### 2.4 Basis of consolidation

In 2015, the Company prepared its consolidated financial statements in accordance with Circular 202/2014/TT-BTC - Guiding on the preparation and presentation of consolidated financial statements.

#### *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 non-controlling 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.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.4 Basis of consolidation (continued)

#### *Non-controlling transactions and interests*

The Group applies a policy of treating transactions with non-controlling interests as transactions with parties external to the Group.

Non-controlling interests (NCI) are measured at their proportionate share of the acquiree’s identifiable net assets at date of acquisition.

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners. The difference between the change in the Group’s share of net assets of the subsidiary and any consideration paid or received is recorded directly in the undistributed earnings under equity.

#### *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.

### 2.5 Use of estimates

The preparation of the consolidated 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.6 Currency

The consolidated financial statements are measured and presented in Vietnamese Dong (VND).

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 respectively translated at the buying and selling exchange rates at the balance sheet date of the bank where the Group regularly trades. Foreign currencies deposited in bank at the balance sheet date are translated at the buying exchange rate of the bank where the Group opens the foreign currency accounts. Foreign exchange differences arising from these translations are recognised in the income statement.

## 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) Held-to-maturity investments

Held-to-maturity investments are investments that the Board of Directors of the Company has the positive intention or ability to hold until maturity.

Held-to-maturity investments comprise term deposits at bank for interest earning. These term deposits are accounted for at cost less provision for diminution in value of investments.

Provision for diminution in value of held-to-maturity investments is made when there is certain evidence that a part or whole of these held-to-maturity investments is uncollectible.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

## 2.10 Investments (continued)

Investments in associates are accounted for using the equity method of accounting in the consolidated financial statements (Note 2.4).

(c) Long-term investments in other entities

Long-term investments in other entities represent the Group's investments in equity instruments of the entities over which the Group has no control, joint control, or significant influence. These investments are initially recorded at cost. Provision for diminution in value of these investments is made when the entities make losses, except for loss that was anticipated in their business plan before the date of investment.

## 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 using the straight-line method, to write off the cost of the assets over their estimated useful lives or over the term of the project whichever is shorter. The estimated useful lives of the assets are as follows:

Building and structures	3 – 25 years
Machinery and equipment	3 – 20 years
Motor vehicles	3 – 10 years
Office equipment	3 – 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.12 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 already put to use. Prepaid expenses are recorded at historical cost and allocated to expenses using the straight line method over the allocation period.

### 2.13 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 already put to use. Prepaid expenses are recorded at historical cost and allocated to expenses using the straight line method over the allocation period.

### 2.14 Payables

Payables are recognised according to payment schedule, creditor, currency and other factors upon managerial requirements of the Group. Classifications of payables are based on their nature as follows:

- Trade accounts payable are trade payables arising from purchases of goods or services.
- Other payables are non-trade payables not relating to purchases of goods or services.

Payables are classified into long-term or short-term payables on the balance sheet based on remaining period from the balance sheet date to the maturity date.

### 2.15 Accrued expenses

Accrued expenses are payables for goods or services received from the seller or provided to the buyer during the period but the payments have not been made due to lack of invoices or accounting documents, which are recognised as expenses in the income statement.

### 2.16 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.

### 2.17 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.

### 2.18 Provision for severance allowances

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. Pursuant to Law on Social Insurance, effective from 1 January 2009, the Group is required to contribute to an unemployment insurance fund managed by the Vietnam Social Insurance Agency. With the implementation of the unemployment scheme, the Group is no longer required to provide for the service period after 1 January 2009. However, provision for severance allowance as at 31 December 2015 is determined based on the employees' number of years of service at the Group up to 31 December 2008 and their average salary for the six-month period prior to the balance sheet date.

### 2.19 Provision for dismantling and restoration costs

In accordance with Circular 200, since 1 January 2015, the Group is required to provide for dismantling and restoration costs of the Group's leased premises or land. The provision for dismantling and restoration costs is determined based on the estimated dismantling and restoration costs to be incurred at the time of returning the premises or land at the end of the lease term and recognised on a straight-line basis over the period from 1 January 2015 to the time of returning the premises or land.

### 2.20 Unearned revenues

Unearned revenue represents the fair value of goods and services provided to customers for free or at discount in the customer loyalty programs. Unearned revenue is recognised for the portion of obligation that the Group has not yet fulfilled to customers.

### 2.21 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 period, 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### 2.30 Selling expenses

Selling expenses are expenses arising in selling goods and providing services to customers, including publicity expenses, goods display and introduction expenses, advertising expenses, sales commission, warranty expenses (except for construction activities), maintenance charges, costs of packing and transportation.

### 2.31 General and administration expenses

General administration expenses are overhead costs of business including salary expenses for administrative staff (salaries, wages, allowances...); social insurance, health insurance, labor union fees, unemployment insurance for administrative staff; materials, tools and supplies, depreciation of fixed assets used for administrative purposes; land lease, licence tax; provision for bad debts; outside service expenses (electricity, water, telephone, fax, insurance for fire and explosive accidents...); other cash expenses (entertainment expenses, customer conferences...).

### 2.32 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.

### 2.33 Segmental reporting

A segment is a distinct business segment of the Group that provides a single product or service or a group of related products and services (product segment), or provides products and services within a particular economic environment (geographical segment). Each segment is subject to risks and returns that are different from those of others. The basic reportable segment of the Group is product segment.

Segment reporting is prepared and presented in accordance with accounting policies applied to the preparation and presentation of the Group's consolidated financial statements in order to help users of financial statements to understand and evaluate the situation the operations of the Group in a comprehensive way.

## 3 CASH AND CASH EQUIVALENTS

	31.12.2015 VND	31.12.2014 VND
Cash on hand	15,959,146,726	16,321,258,859
Cash at bank	73,551,397,326	92,423,873,578
Cash equivalents (*)	331,202,267,866	389,546,631,593
	420,712,811,918	498,291,764,030

(\*) Cash equivalents included term deposits with an original maturity of 3 months or less.

As at 31 December 2015, the cash equivalents of VND75 billion were used as collateral assets for short-term loans from bank (Note 18).

## 4 FINANCIAL INVESTMENTS

### (a) Held-to-maturity investments

	31.12.2015		31.12.2014	
	Cost VND	Book value VND	Cost VND	Book value VND
Term deposits at bank	507,605,100,000	507,605,100,000	258,816,666,667	258,816,666,667

### (b) Long-term investments in other entities

	31.12.2015		31.12.2014	
	Cost VND	Provision VND	Cost VND	Provision VND
Investments in associates (*)	4,523,885,342	-	5,434,273,514	-
Other long-term investments (**)	27,908,170,200	(16,500,000,000)	27,908,170,200	(16,500,000,000)
	32,432,055,542	(16,500,000,000)	33,342,443,714	(16,500,000,000)

(\*) Percentages of ownership and voting rights in associates are presented in Note 2. Details of investments in associates are as follows:

	31.12.2015 VND	31.12.2014 VND
Vinh Hao Algae Processing Joint Stock Company	4,523,885,342	5,434,273,514

**NOTES TO THE CONSOLIDATED  
FINANCIAL STATEMENTS (continued)**  
for the year ended 31 december 2015

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**4 FINANCIAL INVESTMENTS (continued)**

**(b) Long-term investments in other entities (continued)**

Movements in investments in associates during the year were as follows:

	2015 VND	2014 VND
At 1 January	5,434,273,514	5,434,273,514
Share of losses in associates	(910,388,172)	-
At 31 December	4,523,885,342	5,434,273,514

(\*\*) Details of investments in other entities as at 31 December 2015 and 31 December 2014 are as follows:

	At cost VND
Vinh Tuong High-Tech Packaging Corporation	20,000,000,000
Binh Duong Pharmaceutical & Medical Equipments Joint Stock Company	4,286,800,000
Tra Vinh Pharmaceutical Joint Stock Company	2,575,315,200
Ninh Thuan Pharmaceutical & Medical Equipments Joint Stock Company	796,675,000
Tay Ninh Pharmaceutical Joint Stock Company	221,960,000
Cuu Long Pharmaceutical Joint Stock Company	27,420,000
	27,908,170,200

Provision balance as at 31 December 2015 and 31 December 2014 represents the provision for diminution in value of long-term investments in Vinh Tuong High-Tech Packaging Corporation.

As at 31 December 2015 and 31 December 2014, fair values of long-term investments in other entities were not available as these entities' shares are not publicly traded, except for Cuu Long Pharmaceutical Joint Stock Company whose shares are publicly traded in Ho Chi Minh Security Exchange since 2008. Fair value of the Company's investment in Cuu Long Pharmaceutical Joint Stock Company as at 31 December 2015 and 31 December 2014 was VND63,000,000 and VND93,744,000, respectively.

**5 SHORT-TERM TRADE ACCOUNTS RECEIVABLE**

	31.12.2015 VND	31.12.2014 VND
Trade accounts receivable from third parties	570,830,701,600	760,722,312,361

As at 31 December 2015 and 31 December 2014, there was no single trade receivable accounting for 10% or more of total trade accounts receivable balance.

**6 OTHER RECEIVABLES**

	31.12.2015		31.12.2014	
	Value VND	Provision VND	Value VND	Provision VND
Interest income receivable	6,691,565,280	-	5,506,248,160	-
Prepaid trade discounts	2,091,752,341	-	3,215,704,665	-
Receivables from employees	1,581,592,079	-	2,830,392,453	-
Other receivables	12,858,944,777	-	5,245,080,481	-
	23,223,854,477	-	16,797,425,759	-

**7 DOUBTFUL DEBTS**

	31.12.2015		
	Cost VND	Recoverable amount VND	Provision VND
Total amount of receivables past due or not past due but impaired	263,197,852,081	252,210,482,562	10,987,369,519
	31.12.2014		
	Cost VND	Recoverable amount VND	Provision VND
Total amount of receivables past due or not past due but impaired	346,230,245,742	338,524,800,090	7,705,445,652

As at 31 December 2015 and 31 December 2014, there was no single receivable accounting for 10% or more of total amount of receivables past due or not past due but impaired.

Movements in the provision for doubtful debts during the year were as follows:

	Year ended 31 December	
	2015 VND	2014 VND
Opening balance	7,705,445,652	9,437,307,072
Increase	4,722,120,351	3,105,888,426
Reversal	(141,630,201)	(4,837,749,846)
Write-off	(1,298,566,283)	-
Closing balance	10,987,369,519	7,705,445,652



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8 **INVENTORIES**

	31.12.2015		31.12.2014	
	Cost VND	Provision VND	Cost VND	Provision VND
Goods in transit	62,830,863,204	-	56,439,936,854	-
Raw materials	189,692,016,502	-	263,217,163,928	-
Work in progress	20,039,649,051	-	31,768,962,547	-
Finished goods	272,482,704,120	3,006,691,934	346,304,666,143	5,282,439,430
Merchandises	97,286,695,284	4,680,250	88,392,311,860	136,990,438
	642,331,928,161	3,011,372,184	786,123,041,332	5,419,429,868

Movements in the provision for inventories during the year were as follows:

	Year ended 31 December	
	2015 VND	2014 VND
Opening balance	5,419,429,868	4,457,981,612
Increase	77,701,136	961,448,256
Reversal	(2,485,758,820)	-
Closing balance	3,011,372,184	5,419,429,868

The provision of inventories is made for inventories of which costs are higher than net realisable value.

As at 31 December 2015 and 31 December 2014, the Group did not have any slow moving, damaged or sub-standard inventories.

9 **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 2015	409,107,292,593	450,217,148,519	161,166,902,151	70,255,230,017	<b>1,090,746,573,280</b>
New purchases	824,464,247	15,939,206,298	1,388,181,818	30,909,091	<b>18,182,761,454</b>
Transfers from construction in progress (Note 10)	71,074,263,567	60,042,856,917	15,613,039,046	10,525,491,036	<b>157,255,650,566</b>
Transfers to tools and supplies	-	(873,084,394)	(49,303,900)	-	<b>(922,388,294)</b>
Disposals	(3,979,044,181)	(4,670,607,295)	(2,472,209,639)	(1,277,139,649)	<b>(12,399,000,764)</b>
Decreases	(252,706,001)	(499,295,079)	-	-	<b>(752,001,080)</b>
At 31 December 2015	476,774,270,225	520,156,224,966	175,646,609,476	79,534,490,495	<b>1,252,111,595,162</b>
<b>Accumulated depreciation</b>					
At 1 January 2015	77,399,212,389	161,333,863,172	71,567,636,221	46,781,863,015	<b>357,082,574,797</b>
Charge for the year	25,814,815,012	41,236,736,189	19,005,966,279	8,671,864,701	<b>94,729,382,181</b>
Transfers to tools and supplies	-	(673,167,707)	(36,293,149)	-	<b>(709,460,856)</b>
Disposals	(1,354,231,557)	(4,575,885,066)	(2,472,209,638)	(1,277,139,649)	<b>(9,679,465,910)</b>
Decreases	(168,478,547)	(499,295,079)	-	-	<b>(667,773,626)</b>
At 31 December 2015	101,691,317,297	196,822,251,509	88,065,099,713	54,176,588,067	<b>440,755,256,586</b>
<b>Net book value</b>					
At 1 January 2015	331,708,080,204	288,883,285,347	89,599,265,930	23,473,367,002	<b>733,663,998,483</b>
At 31 December 2015	375,082,952,928	323,333,973,457	87,581,509,763	25,357,902,428	<b>811,356,338,576</b>

Included in tangible fixed assets as at 31 December 2015 were assets costing VND125,814 million (31 December 2014: VND114,317 million) which were fully depreciated but still in active use.

9 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 2015	114,973,064,021	72,388,067,651	6,007,417,805	193,368,549,477
New purchases	-	3,946,635,000	-	3,946,635,000
Transfers from construction in progress (Note 10)	5,697,960,680	9,396,623,533	2,676,085,000	17,770,669,213
Transfers from long-term prepayments (Note 11(b))	-	70,059,964,123	-	70,059,964,123
Disposals	(7,001,874,655)	(4,174,169,920)	-	(11,176,044,575)
At 31 December 2015	113,669,150,046	151,617,120,387	8,683,502,805	273,969,773,238
<b>Accumulated amortisation</b>				
At 1 January 2015	-	8,741,492,753	4,610,143,219	13,351,635,972
Charge for the year	-	2,885,646,102	845,718,294	3,731,364,396
Transfers from long-term prepayments (Note 11(b))	-	723,082,487	-	723,082,487
Disposals	-	(254,111,588)	-	(254,111,588)
At 31 December 2015	-	12,096,109,754	5,455,861,513	17,551,971,267
<b>Net book value</b>				
At 1 January 2015	114,973,064,021	63,646,574,898	1,397,274,586	180,016,913,505
At 31 December 2015	113,669,150,046	139,521,010,633	3,227,641,292	256,417,801,971

Included in tangible fixed assets as at 31 December 2015 were assets costing VND2,917 million (31 December 2014: VND2,917 million) which were fully depreciated but still in active use.

10 CONSTRUCTION IN PROGRESS

	31.12.2015 VND	31.12.2014 VND
Major projects:		
Beta lactam factory project	7,266,927,272	23,629,137,559
Building effervescent tablets plant	3,061,360,000	-
Building CMT8 finished goods warehouse	3,031,610,782	2,117,741,274
Office building at DHG Pharmaceutical One Member Limited Company	1,124,316,220	876,649,246

Movements in the construction in progress during the year were as follows:

	Year ended 31 December	
	2015 VND	2014 VND
Opening balance	50,132,540,095	281,537,063,873
Purchases	141,702,916,365	231,319,133,808
Transfers to tangible fixed assets (Note 9(a))	(157,255,650,566)	(447,386,996,173)
Transfers to intangible fixed assets (Note 9(b))	(17,770,669,213)	(6,852,020,000)
Transfers to prepayments (Note 11(b))	(674,908,727)	(2,539,950,741)
Transfers to tools and supplies	(411,676,938)	(5,944,690,672)
Closing balance	15,722,551,016	50,132,540,095

11 PREPAID EXPENSES

(a) Short-term prepaid expenses

	31.12.2015 VND	31.12.2014 VND
Operating lease	341,400,000	35,932,348
Others	3,627,055,036	993,335,103
	3,968,455,036	1,029,267,451

Short-term prepayments are allocated within 12 months since the time of prepayment.

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**11 PREPAID EXPENSES (continued)**

**(b) Long-term prepaid expenses**

	31.12.2015 VND	31.12.2014 VND
Prepaid land rental fees	18,179,059,222	88,135,409,821
Tools and supplies	8,771,307,312	12,202,499,643
Leasehold improvements	174,666,020	608,209,443
Others	1,187,289,863	-
	28,312,322,417	100,946,118,907

Long-term prepayments are allocated in a period of more than 12 months since the time of prepayment.

Movements in long-term prepayments during the year were as follows:

	Year ended 31 December	
	2015 VND	2014 VND
Opening balance	100,946,118,907	18,683,501,941
Additions	7,119,628,313	88,825,786,169
Transfers from construction in progress (Note 10)	674,908,727	2,539,950,741
Allocation during the year	(11,091,451,894)	(9,103,119,944)
Transfers to intangible fixed assets (Note 9(b)) (*)	(69,336,881,636)	-
Closing balance	28,312,322,417	100,946,118,907

(\*) Pertains to prepaid land use fee for a land lot allocated by the State with collection of land use fees, for which the land use right certificate has been granted to the Group.

**12 DEFERRED INCOME TAX ASSETS**

The deferred income tax asset mainly arises from deductible temporary differences relating to provisions and unrealised gains on transactions between the Group arising from consolidation.

**13 SHORT-TERM TRADE ACCOUNTS PAYABLE**

	31.12.2015		31.12.2014	
	Value VND	Able-to-pay amount VND	Value VND	Able-to-pay amount VND
Trade accounts payable to third parties	224,957,469,694	224,957,469,694	261,374,420,147	261,374,420,147

**13 SHORT-TERM TRADE ACCOUNTS PAYABLE (continued)**

Details of suppliers accounting for 10% or more of total trade accounts payable balance are as follows:

	31.12.2015 VND	31.12.2014 VND
Mega Lifescience (Viet Nam) Limited company	42,854,138,507	25,430,266,408
Truong Tin Pharmaceutical Limited company	38,175,021,388	55,858,654,121
Nomura Trading Co., Ltd	14,887,670,000	56,978,290,575

Payables that were past due:

	31.12.2015 VND	31.12.2014 VND
Trade payables to third parties	-	27,882,741,125

Details of suppliers accounting for 10% or more of total overdue payable amount are as follows:

	31.12.2015 VND	31.12.2014 VND
Nomura Trading Co., Ltd	-	10,521,019,200
Merck Sharp & Dohme (Asia) Ltd	-	3,781,836,884
Roquette Freres	-	3,554,041,602
Develing Trade B.V.	-	2,861,758,800

**14 TAX AND OTHER PAYABLES TO THE STATE BUDGET**

	31.12.2015 VND	31.12.2014 VND
Value added tax	6,294,283,103	11,422,235,182
Business income tax – current	5,090,580,730	87,380,168,507
Personal income tax	1,958,153,290	4,508,702,955
Others	489,034	48,139
	13,343,506,157	103,311,154,783



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**14 TAX AND OTHER PAYABLES TO THE STATE BUDGET (continued)**

(a) Movements in tax payables to the State Budget during the year were as follows:

	As at 1.1.2015	Payable during the year	Settled during the year	As at 31.12.2015
	VND	VND	VND	VND
Value added tax - Domestic sales	11,422,235,182	72,434,825,277	(77,562,777,356)	6,294,283,103
Import and export duties	-	11,942,476,211	(11,942,476,211)	-
Value added tax - Imports	-	35,641,435,313	(35,641,435,313)	-
Business income tax (*)	87,380,168,507	108,690,466,892	(190,980,054,669)	5,090,580,730
Personal income tax	4,508,702,955	36,256,691,236	(38,807,240,901)	1,958,153,290
Land tax	-	2,069,121,412	(2,069,121,412)	-
Others	48,139	386,135,736	(385,694,841)	489,034
	<b>103,311,154,783</b>	<b>267,421,152,077</b>	<b>(357,388,800,703)</b>	<b>13,343,506,157</b>

(b) Movements in tax receivables from the State Budget during the year were as follows:

	As at 1.1.2015	Receivable during the year	Collected during the year	As at 31.12.2015
	VND	VND	VND	VND
Value added tax - Domestic sales	1,767,528,950	2,560,158,677	-	4,327,687,627
Import and export duties	740,713,926	-	(179,439,515)	561,274,411
Business income tax (*)	-	661,402,094	-	661,402,094
Personal income tax	133,899,145	17,721,593	-	151,620,738
	<b>2,642,142,021</b>	<b>3,239,282,364</b>	<b>(179,439,515)</b>	<b>5,701,984,870</b>

(\*) Total tax settled during the year was VND358,050,202,797, in which the business income tax settled during the year was VND191,641,456,763, in which the surplus amount was VND661,402,094.

**15 SHORT-TERM ACCRUED EXPENSES**

	31.12.2015 VND	31.12.2014 VND
Marketing and customer care expenses	3,196,827,384	7,386,412,520
Seminar expenses	827,636,363	859,859,395
Interest payable	452,141,998	1,381,705,671
Trade discounts, promotions and supports (*)	-	246,880,627,671
Others	17,207,325,387	9,501,345,856
	<b>21,683,931,132</b>	<b>266,009,951,113</b>

(\*) According to Circular 200, since 1 January 2015, accrued expenses for trade discounts, promotions and supports are netted off with trade accounts receivable balance.

**16 SHORT-TERM UNEARNED REVENUE**

	31.12.2015 VND	31.12.2014 VND
Unearned revenue for customer loyalty programs (Note 2.20 and 2.27)	7,747,880,222	-

**17 OTHER PAYABLES**

	31.12.2015 VND	31.12.2014 VND
Trade discounts	3,144,620,676	10,104,760,934
Insurance for employees and union fee	1,102,968,970	1,484,416,312
Dividends payable	-	17,894,000
Other payables	11,052,872,667	24,476,109,261
	<b>15,300,462,313</b>	<b>36,083,180,507</b>

As at 31 December 2015 and 31 December 2014, the Group did not have any other short-term payables past due.

**18 SHORT-TERM BORROWINGS**

	31.12.2015		31.12.2014	
	Value VND	Able-to-pay amount VND	Value VND	Able-to-pay amount VND
Loans from bank (*)	247,000,000,000	247,000,000,000	150,000,000,000	150,000,000,000
Loans from the Group's employees (**)	23,711,206,737	23,711,206,737	26,707,408,762	26,707,408,762
	<b>270,711,206,737</b>	<b>270,711,206,737</b>	<b>176,707,408,762</b>	<b>176,707,408,762</b>

(\*) These loans are secured by term deposits at bank (Note 3) and bear interest at 0.29% to 0.62% per month (31.12.2014: from 0.37% to 0.4% per month).

(\*\*) These loans are unsecured and bear interest at 0.42% to 0.57% per month (31.12.2014: from 0.42% to 0.5% per month).

Movements in the short-term borrowings during the year were as follows:

	As at 01.01.2015	Increase	Decrease	As at 31.12.2015
	VND	VND	VND	VND
Loans from bank	150,000,000,000	1,214,723,265,157	(1,117,723,265,157)	247,000,000,000
Loans from the Group's employees	26,707,408,762	7,531,429,145	(10,527,631,170)	23,711,206,737
	<b>176,707,408,762</b>	<b>1,222,254,694,302</b>	<b>(1,128,250,896,327)</b>	<b>270,711,206,737</b>

As at 31 December 2015 and 31 December 2014, the Group did not have any overdue short-term borrowings.

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## 19 BONUS AND WELFARE FUNDS

The funds of the Company are established through appropriation from retained earnings upon approval of shareholders at the Company's Annual General Meetings ("AGM"). The funds of the subsidiaries are established through appropriation from retained earnings upon approval of the Company's Board of management. 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 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	26,460,470,761	9,987,386,100	30,537,725,466	<b>66,985,582,327</b>
Appropriation to the funds	80,498,552,677	7,129,826,014	-	<b>87,628,378,691</b>
Assets formed from funds	(9,228,221,494)	-	9,228,221,494	-
Depreciation of assets formed from funds	-	-	(4,787,478,780)	<b>(4,787,478,780)</b>
Utilisation	(48,299,034,610)	(10,763,827,975)	-	<b>(59,062,862,585)</b>
Closing balance	49,431,767,334	6,353,384,139	34,978,468,180	<b>90,763,619,653</b>

## 20 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	18,566,450,573	21,992,927,367	<b>40,559,377,940</b>
Increase from Vietnam Business Challenge fund	595,105,000	-	<b>595,105,000</b>
Assets formed from funds	(6,523,203,500)	6,523,203,500	-
Depreciation of assets formed from science and technology development funds	-	(4,002,986,175)	<b>(4,002,986,175)</b>
Disposals of assets formed from science and technology development funds	-	(25,994,600)	<b>(25,994,600)</b>
Utilisation	(6,119,106,118)	-	<b>(6,119,106,118)</b>
Closing balance	6,519,245,955	24,487,150,092	<b>31,006,396,047</b>

## 21 PROVISIONS FOR LONG-TERM LIABILITIES

	31.12.2015 VND	31.12.2014 VND
Provision for severance allowances	26,270,001,050	28,843,956,033
Provision for dismantling and restoration costs of the Group's leased premises or land	5,053,947,698	-
	31,323,948,748	28,843,956,033

## 22 OWNERS' CAPITAL

	31.12.2015		31.12.2014	
	Number of shares	VND	Number of shares	VND
Authorised and issued share capital	87,164,330	871,643,300,000	87,164,330	871,643,300,000
Treasury shares	(222,380)	(16,121,030,000)	(10,130)	(455,850,000)
Ordinary shares currently in circulation	86,941,950	855,522,270,000	87,154,200	871,187,450,000

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:

	2015		2014	
	Number of shares	VND	Number of shares	VND
Opening balance	87,154,200	871,187,450,000	65,366,299	653,308,440,000
Shares repurchased	(212,250)	(15,665,180,000)	-	-
Ordinary shares issued	-	-	21,787,901	217,879,010,000
Closing balance	86,941,950	855,522,270,000	87,154,200	871,187,450,000

## 23 MOVEMENTS IN OWNERS' EQUITY

	Owners' capital	Treasury shares	Investment and development fund	Investment and development fund	Undistributed earnings	Total
	VND	VND	VND	VND	VND	VND
As at 1 January 2014	653,764,290,000	(455,850,000)	701,396,760,268	66,929,751,817	559,730,522,015	<b>1,981,365,474,100</b>
Bonus shares issued	217,879,010,000	-	(217,879,010,000)	-	-	-
Profit for the year	-	-	-	-	533,272,781,144	<b>533,272,781,144</b>
Final dividends declared for the year 2013	-	-	-	-	(130,731,300,000)	<b>(130,731,300,000)</b>
Appropriation to reserves	-	-	298,558,731,951	134,023,103	(298,692,755,054)	-
Appropriation to bonus and welfare fund	-	-	-	-	(90,366,344,160)	<b>(90,366,344,160)</b>
Appropriation to Board of Management bonus fund	-	-	-	-	(16,745,549,029)	<b>(16,745,549,029)</b>
As at 31 December 2014	871,643,300,000	(455,850,000)	782,076,482,219	67,063,774,920	556,467,354,916	<b>2,276,795,062,055</b>
Profit for the year	-	-	-	-	588,701,003,222	<b>588,701,003,222</b>
Dividends declared for the year 2014	-	-	-	-	(261,462,600,000)	<b>(261,462,600,000)</b>
Appropriation to reserves	-	-	190,338,928,439	-	(190,338,928,439)	-
Appropriation to bonus and welfare fund	-	-	-	-	(80,423,657,994)	<b>(80,423,657,994)</b>
Appropriation to bonus fund for Board of Management	-	-	-	-	(7,031,826,014)	<b>(7,031,826,014)</b>
Transfers from financial reserve fund (*)	-	-	67,063,774,920	(67,063,774,920)	-	-
Repurchases of shares	-	(15,665,180,000)	-	-	-	<b>(15,665,180,000)</b>
As at 31 December 2015	871,643,300,000	(16,121,030,000)	1,039,479,185,578	-	605,911,345,691	<b>2,500,912,801,269</b>

(\*) In accordance with Circular 200 and Resolution of the Company's Annual General Meeting no.001/2015/NQ.DHDCD dated 20 April 2015, the Group transferred the remaining balance of the financial reserve fund to the investment and development fund.

## 24 NON-CONTROLLING INTERESTS

	Year ended 31 December	
	31.12.2015 VND	31.12.2014 VND
Opening balance	16,830,408,891	18,077,447,483
Net profit for the year	3,984,211,763	499,297,883
Appropriation to bonus and welfare fund	(74,894,683)	(643,836,475)
Appropriation to bonus fund for Board of Management	(98,000,000)	(245,000,000)
Dividends paid	(318,500,000)	(857,500,000)
Closing balance	20,323,225,971	16,830,408,891

## 25 DIVIDENDS

In 2015, the Company has declared dividends of 30% in cash for the year 2014, which were paid on 8 May 2015.

## 26 OFF BALANCE SHEETS ITEMS

### (a) Operating lease commitments

Operating lease commitments for the year ended 31 December 2015 are presented in Note 39.

### (b) Foreign currencies

Included in cash and cash equivalents are balances held in gold and foreign currencies as follows:

	31.12.2015	31.12.2014
USD	246,134	336,670
EUR	82,222	16,444
MOP	20	20
NDT	-	3,515
CAD	-	100
A tenth of tael of gold	-	1,507
Tael of gold	-	200



NOTES TO THE CONSOLIDATED  
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**27 REVENUE**

(a) Net sales

	Year ended 31 December	
	2015 VND	2014 VND
<b>Sales</b>		
Sales of finished goods	3,200,964,894,298	3,612,896,747,585
Sales of merchandised goods	930,177,221,786	330,058,698,522
Revenue from services rendered	20,585,370,635	15,754,464,312
	4,151,727,486,719	3,958,709,910,419
<b>Sales deductions</b>		
Trade discounts	(519,034,780,072)	(26,942,479,274)
Sales returns	(24,932,883,450)	(19,249,286,670)
	(543,967,663,522)	(46,191,765,944)
<b>Net sales</b>	<b>3,607,759,823,197</b>	<b>3,912,518,144,475</b>
<b>In which:</b>		
Sales of finished goods	2,671,641,833,422	3,568,648,442,589
Sales of merchandised goods	915,532,619,140	328,115,237,574
Revenue from services rendered	20,585,370,635	15,754,464,312
	<b>3,607,759,823,197</b>	<b>3,912,518,144,475</b>

(b) Financial income

	Year ended 31 December	
	2015 VND	2014 VND
Interest income from deposits at bank	30,383,145,079	34,739,772,617
Realised foreign exchange gains	3,652,204,147	1,696,369,873
Dividend income	290,914,626	441,221,468
Gains on disposal of investments	-	95,680,000
Others	12,384,212	166,833,861
	34,338,648,064	37,139,877,819

**28 COST OF SALES**

	Year ended 31 December	
	2015 VND	2014 VND
Cost of finished goods sold	1,295,091,816,024	1,471,321,790,703
Cost of merchandises sold	885,769,284,426	302,293,190,931
Cost of services rendered	16,439,091,660	7,420,696,144
Provision for decline in value of inventories	(2,408,057,684)	961,448,256
	2,194,892,134,426	1,781,997,126,034

**29 FINANCIAL EXPENSES**

	Year ended 31 December	
	2015 VND	2014 VND
Payment discounts	71,141,260,942	58,724,336,738
Realised foreign exchange losses	9,550,922,190	3,694,771,640
Interest expenses	8,730,565,082	4,838,876,750
Other expenses	59,141,844	82,688,601
	89,481,890,058	67,340,673,729

**30 SELLING EXPENSES**

	Year ended 31 December	
	2015 VND	2014 VND
Staff costs	245,338,504,849	324,877,901,970
Advertising expenses	78,073,169,748	91,743,846,347
Transportation for goods sold	20,498,121,774	16,558,084,954
Seminar expenses	14,667,144,681	103,134,130,636
Depreciation expenses	14,079,620,579	13,689,976,685
Material expenses	11,492,656,910	15,412,133,808
Tools and supplies expenses	5,066,594,906	9,035,110,627
Customer care expenses	3,136,614,689	22,002,839,612
Discount and promotion expenses (*)	-	444,549,320,357
Other expenses	65,261,107,359	57,584,032,922
	457,613,535,495	1,098,587,377,918

(\*) According to Circular 200, from 2015, discount and promotion expenses that are eligible under the discount and promotional programs are recorded in the sales deductions. In case that the Group gives promotional goods to customers associated with customers' purchase, the Group allocates total consideration received for goods sold and for promotional goods. Cost of promotional goods is recognised as cost of sales in the income statement instead of selling expenses as before. In case that promotional goods are given to customers for free and unconditionally, cost of promotional goods is recognised as selling expenses in the income statement.

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**31 GENERAL AND ADMINISTRATION EXPENSES**

	Year ended 31 December	
	2015 VND	2014 VND
Staff costs	179,794,879,767	233,103,477,372
Outside service expenses	22,610,993,699	20,223,776,168
Depreciation expenses	13,932,815,111	12,230,740,025
Provision for dismantling and restoration costs	5,053,947,698	-
Provision for doubtful debts	4,580,490,150	(1,731,861,420)
Tools and supplies expenses	4,430,503,772	7,098,049,584
Fees and duties	904,975,138	856,689,086
Material expenses	822,044,755	854,593,034
Other expenses	30,179,522,428	40,140,344,610
	262,310,172,518	312,775,808,459

**32 OTHER INCOME AND EXPENSES**

	Year ended 31 December	
	2015 VND	2014 VND
<b>Other income</b>		
Commission income	40,192,572,673	28,802,574,580
Proceeds from disposals of fixed assets	16,233,594,513	2,092,971,399
Revenue from provision of rental services	108,000,000	44,183,363
Proceeds from sales of scraps	-	1,588,696,918
Sundry income	28,323,280,895	4,316,076,778
	84,857,448,081	36,844,503,038
<b>Other expenses</b>		
Net book value of fixed assets disposed	13,615,473,241	2,227,095,543
Sundry expenses	6,823,220,272	1,637,285,435
	20,438,693,513	3,864,380,978
<b>Net other income</b>	<b>64,418,754,568</b>	<b>32,980,122,060</b>

**33 COST OF OPERATIONS BY FACTOR**

	Year ended 31 December	
	2015 VND	2014 VND
Raw materials	1,811,744,467,262	1,395,915,401,560
Labour costs	623,895,388,369	748,374,531,574
Depreciation expense	87,048,035,391	70,013,893,370
Outside service expenses	235,580,609,704	727,235,631,094
Other expenses	103,065,724,361	212,409,242,223
	2,861,334,225,087	3,153,948,699,821

**34 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:

	Year ended 31 December	
	2015 VND	2014 VND
Net accounting profit before tax	701,309,105,160	721,937,158,214
Tax calculated at a rate of 22% (2014: 22%)	154,288,003,135	158,826,174,807
Effect of:		
Income not subject to tax	(1,978,633,497)	(97,068,723)
Expenses not deductible for tax purposes	1,548,562,325	47,575,443,187
Under provision in previous years	136,312,591	85,858,209
Tax incentives	(45,370,354,379)	(18,225,328,293)
Business income tax charge	108,623,890,175	188,165,079,187
Charged/(credited) to the income statement:		
Business income tax – current	108,690,466,892	193,926,063,163
Business income tax – deferred (Note 12)	(66,576,717)	(5,760,983,976)
	108,623,890,175	188,165,079,187

The Group's business income tax charge for the year is based on estimated taxable income and is subject to review and possible adjustment 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 22% for the following years. The Company was entitled to BIT exemption from 2005 to 2006 and 50% BIT reduction from 2007 to 2011.

*The Subsidiaries*

Except for DHG Packaging and Printing 1 One Member Limited Company, ST Pharmaceutical One Member Limited Company, Song Hau Pharmaceutical Joint Stock Company, DHG Pharmaceutical One Member Limited Company, HT Pharmaceutical One Member Limited Company and DHG Nature One Member Limited Company which are entitled to tax incentives, other subsidiaries in the Group have an obligation to pay the business income tax at rate of 22% of taxable profits.

*DHG Packaging and Printing 1 One Member Limited Company ("DHG Packaging and Printing 1")*

Pursuant to its Business Registration Certificate, DHG Packaging and Printing 1 has an obligation to pay the BIT at rate of 10% of taxable profits from 2014 to 2028. The company is entitled to the BIT exemption from 2014 to 2017 and a 50% BIT reduction from 2018 to 2026.

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**34 TAXATION (continued)**

*ST Pharmaceutical One Member Limited Company ("ST Pharma")*

Pursuant to its Business Registration Certificate, ST Pharma has an obligation to pay the BIT at rate of 20% of taxable profits from 2009 to 2018 and 22% thereafter. The company is entitled to the BIT exemption from 2009 to 2010 and a 50% BIT reduction 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 BIT at rate of 20% of taxable profits from 2008 to 2017 and 22% thereafter. The company is entitled to BIT exemption from 2008 to 2010 and a 50% BIT reduction from 2011 to 2015.

*DHG Pharmaceutical One Member Limited Company ("DHG One Member Pharma")*

Pursuant to its Business Registration Certificate, DHG One Member Pharma has an obligation to pay the BIT at rate of 10% of taxable profits for 15 years since its operation. The company was entitled to the BIT exemption for 4 years commencing from the first year of making profits and a 50% BIT reduction for the following 9 years. The Company has registered to the tax department of Hau Giang province to apply the above tax incentive effective since the financial year 2015.

*HT Pharmaceutical One Member Limited Company ("HT Pharma")*

Pursuant to its Business Registration Certificate, HT Pharma has an obligation to pay the BIT at rate of 20% of taxable profits from 2008 to 2014 and 22% thereafter. HT Pharma is entitled to a 50% BIT reduction from 2010 to 2015.

*DHG Nature One Member Limited Company ("DHG Nature")*

In accordance with Official Letter No, 2521/CT-TTHT of Tax Authority of Can Tho City dated 27 October 2008, DHG Nature has an obligation to pay the BIT at a rate of 20% of taxable profits generated from the activities of cultivating, processing, and trading drugs; and manufacturing pharmaceutical cosmetics from 2009 to 2018 and of standard tax rate currently regulated at 22% (2014: 22%) on taxable profits generated from other operation activities.

All the above tax incentives are not applicable to other income which is taxed at the standard rate of 22% for the year 2015.

**35 EARNINGS PER SHARE**

**(a) Basic earnings per share**

Basic earnings per share is calculated by dividing the net profit attributable to shareholders after deducting the bonus and welfare funds by the weighted average number of ordinary shares outstanding during the year, excluding ordinary shares repurchased by the Group and held as treasury shares.

	For the year ended	
	31.12.2015	31.12.2014 (**)
Net profit attributable to shareholders (VND)	588,701,003,222	533,272,781,144
Less amount allocated to bonus and welfare funds (VND) (*)	(88,282,851,475)	(82,788,325,832)
	500,418,151,747	450,484,455,312
Weighted average number of ordinary shares in issue (shares)	87,060,370	87,154,200
Basic earnings per share (VND)	5,748	5,169

(\*) Estimated amounts appropriated to bonus and welfare funds for the year 2015 are determined based on the plan for 2015 profit distribution of the Company approved by shareholders at the Company's Annual General Meeting and the plan for 2015 profit distribution of subsidiaries approved by the Company's Board of Management.

(\*\*) Basic earnings per share of the year 2014 were recalculated as per Circular 200 and Circular 202 for comparative purpose as follows:

	For the year ended 31.12.2014		
	As previously reported under Decision 15	Adjustments	As restated under Circular 200 and Circular 202
Net profit attributable to shareholders (VND)	533,272,781,144	(82,788,325,832)	450,484,455,312
Weighted average number of ordinary shares in issue (shares)	87,154,200		87,154,200
Basic earnings per share (VND)	6,119		5,169

**(b) Basic earnings per share**

The Group does not have potentially dilutive ordinary shares.



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## 36 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.

During the year, the following transactions were carried out with related parties:

	Year ended 31 December	
	2015 VND	2014 VND
<b>i) Purchases of goods and services</b>		
<b>Associate</b>		
Vinh Hao Algae Processing Joint Stock Company	51,950,000	40,400,000
<b>ii) Dividend declared</b>		
The State Capital Investment Corporation ("SCIC")	113,252,475,000	56,626,237,500
<b>iii) Remuneration of key management</b>		
Gross salaries and other benefits	11,883,263,388	14,238,341,053

## 37 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.

## 37 SEGMENTAL REPORTING (continued)

	Year ended 31 December	
	2015 VND	2014 VND
<b>Net sales</b>		
Pharmaceutical products	2,484,643,264,144	3,348,343,392,825
Functional foods	228,202,528,816	243,885,863,927
Others	894,914,030,237	320,288,887,723
	3,607,759,823,197	3,912,518,144,475
<b>Cost of sales</b>		
Pharmaceutical products	(1,250,950,839,266)	(1,433,876,245,987)
Functional foods	(109,026,213,904)	(108,080,008,504)
Others	(834,915,081,256)	(240,040,871,543)
	(2,194,892,134,426)	(1,781,997,126,034)
<b>Gross profit</b>		
Pharmaceutical products	1,233,692,424,878	1,914,467,146,838
Functional foods	119,176,314,912	135,805,855,423
Others	59,998,948,981	80,248,016,180
	1,412,867,688,771	2,130,521,018,441

## 38 SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

## (a) Non-cash transactions affecting cash flow statement

	Year ended 31 December	
	2015 VND	2014 VND
Appropriation to reserves	277,794,412,447	405,804,648,243
Transfers from construction in progress to tangible fixed assets	157,255,650,566	447,386,996,173
Transfers from construction in progress to intangible fixed assets	17,770,669,213	6,852,020,000
Transfers from construction in progress to tools and supplies	411,676,938	5,944,690,672
Transfers from construction in progress to long-term prepayments	674,908,727	2,539,950,741
Transfers from long-term prepayments to intangible fixed assets	69,336,881,636	-
Transfers from tangible fixed assets to tools and supplies	212,927,438	-
Transfers from financial reserve to investment and development fund	67,063,774,920	-

## (b) Proceeds from borrowings

	2015 VND	2014 VND
Proceeds from borrowings under normal contracts	1,222,254,694,302	1,376,817,787,033

## (c) Repayments of borrowings

	2015 VND	2014 VND
Repayments of borrowings under normal contracts	1,128,250,896,327	1,327,141,456,830

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**39 COMMITMENTS****(a) Capital commitments**

Capital expenditure contracted for at the balance sheet date but not recognised in the consolidated financial statements is as follows:

	31.12.2015 VND	31.12.2014 VND
Approved but not contracted	51,906,098,511	183,740,702,869
Approved and contracted but not implemented	35,194,222,984	112,345,655,928
	87,100,321,495	296,086,358,797

**(b) Operating leases commitments**

The future minimum lease payments under non-cancellable operating leases are as follows:

	2015 VND	2014 VND
Within 1 year	1,854,150,976	2,141,497,932
Between 1 and 5 years	7,416,603,904	8,565,991,728
Over 5 years	43,338,191,348	52,192,466,036
Total minimum payments	52,608,946,228	62,899,955,696

**40 SUBSEQUENT EVENTS**

On 20 January 2016, the Company signed a joint venture contract with two (02) foreign partners on capital contribution to set up a joint venture company conducting healthcare business activities in Vietnam with total investment capital of US\$2,000,000 and total charter capital of US\$1,200,000. The capital contribution ratio of the Company and the two foreign partners will be 51% (equivalent to US\$612,000) and 49% (equivalent to US\$588,000), respectively. At the date of approval of the consolidated financial statements, the Company has not made any capital contribution as the legal procedures for establishing the joint venture company is still in progress.

**41 COMPARATIVE FIGURES**

Certain comparative figures have been reclassified to conform with this year's presentation under Circular 200 and Circular 202:

**Consolidated balance sheet**

		As at 31 December 2014		
Code		As previously reported under Decision 15	Adjustments under Circular 200 and Circular 202	As reclassified under Circular 200 and Circular 202
		VND	VND	VND
<b>130</b>	<b>Short-term receivables</b>	<b>841,466,365,557</b>	<b>3,082,931,711</b>	<b>844,549,297,268</b>
135	Short-term loans receivable	-	29,687,311,136	29,687,311,136
136	Other short-term receivables	43,219,434,779	(26,604,379,425)	16,615,055,354
<b>150</b>	<b>Other current assets</b>	<b>6,971,968,286</b>	<b>(3,082,931,711)</b>	<b>3,889,036,575</b>
155	Other short-term assets	3,300,558,814	(3,082,931,711)	217,627,103
<b>210</b>	<b>Long-term assets</b>	<b>-</b>	<b>808,355,513</b>	<b>808,355,513</b>
216	Other long-term receivables	-	808,355,513	808,355,513
<b>260</b>	<b>Other long-term assets</b>	<b>115,812,028,252</b>	<b>(808,355,513)</b>	<b>115,003,672,739</b>
268	Other long-term assets	847,925,791	(808,355,513)	39,570,278

**Consolidated income statement**

		For the year ended 31 December 2014		
Code		As previously reported under Decision 15	Adjustments under Circular 200 and Circular 202	As reclassified under Circular 200 and Circular 202
		VND	VND	VND
70	Basic earnings per share	6,119	(950)	5,169
71	Diluted earnings per share	6,119	(950)	5,169

The consolidated financial statements were approved by the Board of Directors on 12 March 2016.

  
**Ngo Thi Hong Dao**  
 Preparer

  
**Dang Pham Huyen Nhung**  
 Chief Accountant

  
  
**Le Chanh Dao**  
 Deputy General Director  
 Authorised signatory

## DISTRIBUTION SITES AND REPRESENTATIVE OFFICES

Wholesale distribution system directly under DHG pharma (as at 31/12/2015)

No.	Name	Address	Tel (+84)	Fax (+84)
DISTRIBUTION SUBSIDIARIES				
1.	SH Pharma	82 Le Quy Don, Str, Area 1, W.3, Vi Thanh City, Hau Giang	0711. 3876 409	0711. 3580 432
2.	CM Pharma	5 - 7 Road 14, W. 5, Ca Mau City, Ca Mau	0780 3831 908	0780 3811587
3.	HT Pharma	G08-G09 Huynh Thuc Khang str., W. Vinh Quang, Rach Gia City, Kien Giang	077. 3867 625	077. 3946 344
4.	DT Pharma	14 Nguyen Van Troi str., W. 2, Cao Lanh City, Dong Thap	067. 3854 837	067. 3854 837
5.	ST Pharma	649 Tran Hung Dao str., Cluster 8, W. 3, Soc Trang City, Soc Trang	079. 3625 151	079. 3625 150
6.	A&G Pharma	288 Pham Cu Luong str., Tan Phu cluster, W. My Quy, Long Xuyen City, An Giang	076. 3841 438	076. 3944 664
7.	TG Pharma	463A Nguyen Thi Thap str., W.6, My Tho City, Tien Giang.	073. 6255 177	073. 6255 176
8.	TOT Pharma	13 Cach Mang Thang 8 str., W. An Thoi, Binh Thuy dist., Can Tho City	0710. 6253 579	0710. 6253 539
9.	Bali Pharma	6A Ba Huyen Thanh Quan str., Cluster 2, W. 8, Bac Lieu City, Bac Lieu.	0781. 3822 290	0781. 3956 156
10.	B&T Pharma	34D, Road 3, My Tan quarter, W. 7, Ben Tre City, Ben Tre	075. 381.8529	075.381.8529
11.	VL Pharma	327C/23 Phuoc Nguon A hamlet, Phuoc Hau village, Long Ho Dist., Vinh Long	070.385.3179	070. 3853 179
12.	TVP Pharma	77A Nguyen Dang str., Cluster 1, W. 7, Tra Vinh City, Tra Vinh	074. 3850 950	074. 3850 950



No.	Name	Address	Tel (+84)	Fax (+84)
DISTRIBUTION BRANCHES				
1.	Ha Noi	89 Nguyen Van Troi str., Phuong Liet ward, Thanh Xuan district, Ha Noi	04. 36687 064	04. 36648 272
2.	Hai Phong	01 Lot L6, PG urban area, An Dong, An Duong, Hai Phong City	031. 6270 048	031. 6270 046
3.	Hai Duong	229 Bui Thi Xuan str., Hai Tan Ward, Hai Duong City, Hai Duong	0320. 3550 079	0320. 3550 039
4.	Nam Dinh	123 – 125 Truong Han Sieu str., Hoa Vuong quarter, Nam Dinh city, Nam Dinh	0350. 3677 301	0350. 3682 347
5.	Thai Binh	Lot 243 m2 group 34, Tran Lam ward, Thai Binh City, Thai Binh	036. 3847 231	036. 3641 433
6.	Bac Ninh	39 Ly Dao Thanh str., Ninh Xa Ward, Bac Ninh City, Bac Ninh	0241. 3812 281	0241. 3812 281
7.	Vinh Phuc	189 Phan Chu Trinh str., Khai Quang Ward, Vinh Yen City, Vinh Phuc	0211. 3860 088	0211. 3721 052
8.	Ninh Binh	Resettlement zone of Electric factory, Trung Son str., Bich Dao Ward, Ninh Binh City, Ninh Binh	030. 3896 772	030. 3899 884
9.	Thai Nguyen	97 Group 11, residential zone No. 6, Tuc Duyen Ward, Thai Nguyen City, Thai Nguyen	0280. 3652 299	0280. 3652 209
10.	Thanh Hoa	Lot 461 of Resettlement zone of Dong Tay avenue, Dong Ve Ward, Thanh Hoa City, Thanh Hoa	037. 3853 120	037. 37222 213
11.	Nghe An	No. 06, 146B hamlet, Nguyen Sy Sach str., Hung Phuc Ward, Vinh City, Nghe An	038. 3843 015	038. 3523 363
12.	Hue	Lot A44, Nam Vy Da planning area, Pham Van Dong str., Vy Da Ward, Hue City, Thua Thien Hue.	054. 3813 479	054. 3816 084
13.	Da Nang	Lot 3 – A7, Xo Viet Nghe Tinh str., Khue Trung Ward, Cam Le District, Da Nang City	0511. 2242 406	0511. 6257 008
14.	Quang Ngai	09 Le Thanh Ton str., Quang Ngai City, Quang Ngai	055. 3823 266	055. 3831 357
15.	Binh Dinh	Lot 1, Street 3, Bac Song Ha Thanh Area, Dong Da Ward, Quy Nhon City, Binh Dinh	056. 3793 768	056. 3791 768
16.	Gia Lai	179B CMT8 str., Group 10, Hoa Lu Ward, Pleiku City, Gia Lai	059. 3887 080	059. 3887 080
17.	Dak Lak	23A Cong Quynh str., Tan An Ward, Buon Ma Thuot City, DakLak	0500. 3851 175	0500. 3843 084
18.	Nha Trang	10A Me Linh str., Nha Trang City, Khanh Hoa.	058. 3513 137	058. 3513 217
19.	Binh Thuan	103 Phu Khanh hamlet, Ham My village, Ham Thuan Nam ward, Binh Thuan	062. 222 0 879	062. 3898 050
20.	Dong Nai	P73 – P74 Group 7, Vo Thi Sau str., Thong Nhat Ward, Bien Hoa City, Dong Nai	061. 3825 167	061. 3819 161
21.	Binh Duong	Lot 32 – 33 D11 street, Chanh Nghia Ward, Thu Dau Mot City, Binh Duong.	0650. 3897 316	0650. 3842 351
22.	Vung Tau	49 Le Quy Don str., Phuoc Trung Ward, Ba Ria City, Ba Ria – Vung Tau.	064. 3741 888	064. 3741 968
23.	Tay Ninh	A24 Binh Hoa hamlet, Thai Binh Ward, Tay Ninh City, Tay Ninh	066. 6272 057	066. 6272 075
24.	Ho Chi Minh City	78 No. 10, Binh Hung area, Binh Chanh District, HCM City	08. 3806 8908	08. 3754 5038
REPRESENTATIVE OFFICE				
1.	Ho Chi Minh City	37 Street No. 53, Quarter 2, Tan Quy Dong Residential, Tan Phong Ward, District 7, Hochiminh City	08. 3771 8799	08.3771 8779





# DHG PHARMA

## DHG PHARMACEUTICAL JOINT-STOCK COMPANY

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