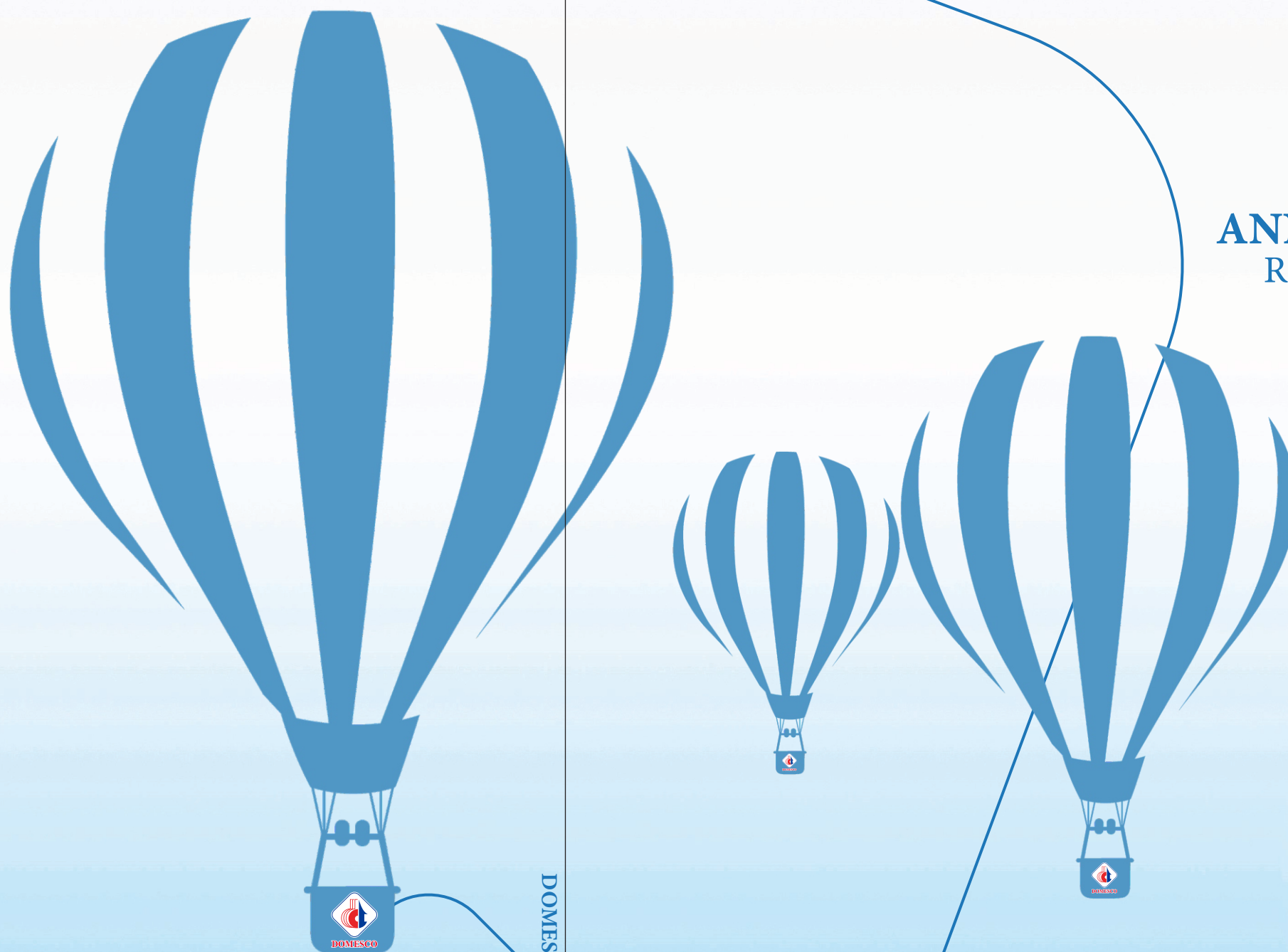




**DOMESCO**  
For Quality Of Life

# ANNUAL REPORT | 2016



DOMESCO ANNUAL REPORT OF 2016

## DOMESCO MEDICAL IMPORT EXPORT JOINT STOCK CORPORATION

*Headquarter:*

No. 66 - National Highway 30 - My Phu Ward - Cao Lanh City - Dong Thap Province

Telephone: 84.67. 3852278 - 3859370 Fax: 84.67. 3851270

Email : [domesco@domesco.com](mailto:domesco@domesco.com); [vpcty@domesco.com](mailto:vpcty@domesco.com)

Website: [www.domesco.com](http://www.domesco.com)

*Representative office:*

37 Thanh Thai street - Ward 14 - District 10 - Ho Chi Minh City

Telephone: 84.8. 38655287 - 38654185 Fax: 84.8. 38650447

**DOMESCO** *Dom*  
For Quality Of Life



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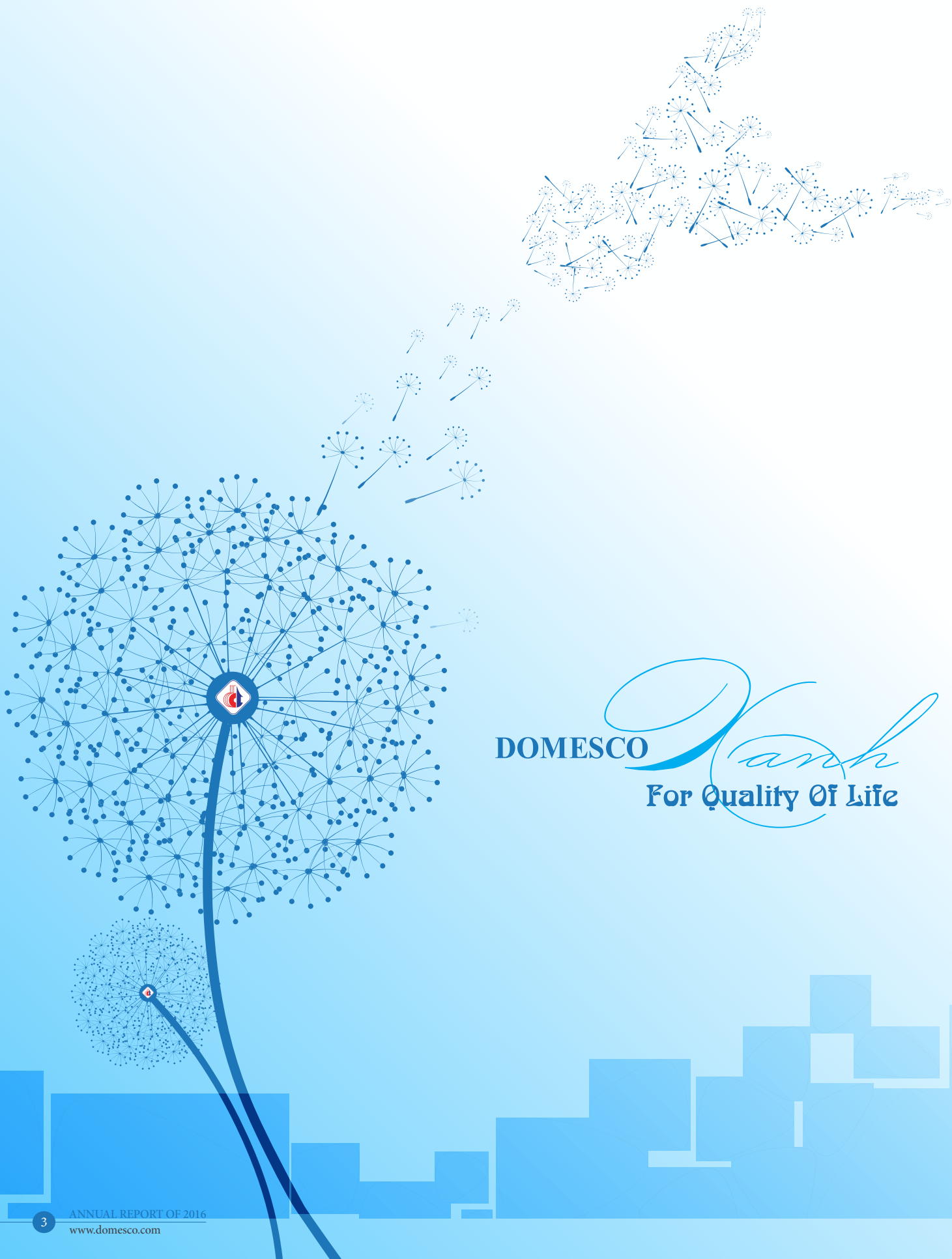
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## CHAIRMAN LETTER



*Dear Shareholders, customers,*

In 2016, it continues to be a challenging year for the Vietnamese pharmaceutical industry in general and DOMESCO Medical Import Export Joint Stock Corporation in particular. Although the Government and Ministry of Health have issued many policies to support and encourage domestic pharmaceutical enterprises, the pharmaceutical industry has not really become a key economic-technical industry of the country, the growth rate of domestically produced medicines is still lower than that of imported medicines, domestic enterprises have not been able to self-control their sources of raw materials and pharmaceutical materials for production.

In that general background, the production and business of DOMESCO also suffered a lot disadvantages from the general situation of the industry: fierce competition on both retail channels (OTC) and the treatment system (ETC) this also affects the company's revenue growth. However, with the right direction of the Board of Management, the flexible management of the Executive Board, the support of shareholders including two major shareholders: SCIC and Abbott Pharmaceutical Group (USA) - through CFR International SPA and especially the continuous efforts and strive of nearly 1,300 DOMESCO employees, DOMESCO Company has achieved encouraging results in 2016:

- + Revenue reached VND1,289.29 billion, up 4.5% over the same period.
- + Ratio of manufactured products accounted for 89%. Revenue of manufactured goods increased 12% over the same period, the highest growth ever.
- + Profit after tax reached VND168.64 billion, up 19.1% over the same period
- + Income of employees increased 14.89% over the same period
- + Continue to be the leading enterprise in provincial budget distribution and implement good social activities in locality.
- + Completing the capital increase and completing the unrestricted ownership ratio for foreign investors helped DOMESCO's shares to be more liquid and attractive in the eyes of corporate and individual investors.

The results of 2016 will be the foundation and motive for DOMESCO to continue to be a strong and sustainable enterprise in the future. On behalf of the Board of Management, I would like to send sincerely thanks to DOMESCO employees for their dedication to DOMESCO's success as today. Sincerely thank customers, shareholders, partners always trust and accompany

the company. We sincerely thank relevant departments for their support, always create favorable conditions and accompany DOMESCO throughout its operation.

In 2017, it continue to have many challenges, but this is also a chance for DOMESCO to overcome the difficulties, strive to complete the business objectives:

- + Net revenue and profit after tax grow by 10% compared to 2016.
- + Continue to maintain position in the group of 3 leading domestic pharmaceutical companies in Vietnam. Maximize internal resources, strengthen cooperation from partners, strategic shareholders to improve operational efficiency, bring benefits to shareholders, ensure employee welfare, and contribute to the socio-economic development of the province.

From the year 2017, the foundation of Domesco's activities is the combination of talent, intelligence, creative ability of human resources of DOMESCO and **application of advanced, modern production technology**. Utilizing the achievements of the 4th Industrial Revolution, DOMESCO will focus on promoting **information technology application** in business management; at the same time, it will concentrate on **research and development of new products combined with modern production technologies franchising** to continue to be the leading enterprises in the pharmaceutical production in Vietnam with hi-tech products.

In addition, in the background of significant in science, production technology in general and pharmaceutical industry in particular is happening very quickly, Vietnamese pharmaceutical enterprises have been in the process of seeking strategic partners which are the major pharmaceutical companies in the world. With the advantage of foreign strategic shareholders (Abbott), DOMESCO will evaluate and rebuild its strategy and business development plan in the new period.

Once again, thank you, best wishes to the shareholders, customers and look forward to receiving your cooperation and support in the coming time.

**CHAIRMAN**

(Signed)

**NGUYEN CHI THANH**



## OVERALL INFORMATION

Business name: **DOMESCO MEDICAL IMPORT EXPORT JOINT STOCK CORPORATION**

Certificate of enterprise registration No.:1400460395

Chartered capital: 347,274,650,000 dong

Address: No. 66 - National highway 30 - My Phu Ward - Cao Lanh City - Dong Thap Province

Telephone: 84.67.3852 278 – 84.67.3859 370

Fax: 84.67.3851 270

Website: [www.domesco.com](http://www.domesco.com)

Stock code: DMC



1

## VISION

To become a strong, reputable company in the pharmaceutical manufacturing industry and provide quality products to the community.

## BUSINESS PHILOSOPHY

- People are the foundation for sustainable development;
- Bring high quality products and added value to customers.
- Always promote creativity, solidarity and collective strength;
- Take legal profits - business ethics as a target for all activities of the company;
- Share success with the community.

3

## FOR CUSTOMERS

- Welcome customers with a friendly smile, courteous attitude, respectful, polite;
- Professional, enthusiastic, honest manner to create trust in service to customers;
- Always listen to customer insights, customer psychology to better serve customers;
- Share difficulties and advantages with customers to co-operate, long-term development.

4

## FOR WORK

- Patience, diligence, creativity, progress to improve professionalism;
- Have responsibility, high self-awareness, straightforward recognition of mistakes when making mistakes to correct;
- Always take the initiative in work, ensure working time, have specific work plans
- Dedication, effort, dare to face challenges;
- Compliance with labor discipline, company rules and business ethics.
- Ensure the interests of the company.

5

## FOR COLLEAGUES

- Respect, cooperation, sharing difficulties in the work;
- Unite and work on the basis of respect for company interests;
- Straightforward, honest and promote the spirit of team work.





## ESTABLISHMENT AND DEVELOPMENT

### Establishment and development

- 1980-2000** Formerly, it was a state-owned enterprise, transformed into DOMESCO in 1989.
- In 2001** The company received the certificate of quality management system ISO 9001:2000 and pioneered the introduction of domestically manufactured medicines into the export market.
- 2001-2010** Officially converted into DOMESCO Medical Import Export Joint Stock Corporation. In 2004, DMC was listed on the stock exchange of Vietnam, Ho Chi Minh City Stock Exchange (HOSE) in 2006.
- In 2010** DOMESCO is the pioneer in the implementation of bioequivalence assessment for manufactured products by the Company.
- In 2011** TCFR International Spa Group - Chile is a leading pharmaceutical corporation in Chile and South America became a strategic shareholder and accompanied with DOMESCO in the development of production, research and development of products, transfer advanced production technology, training skills for managers. Also in 2011, DOMESCO was honored as the best listed Company with Investors relation surveyed by Vietstock.
- In 2014** The chartered capital of the Company increased from VND 178,093,360,000 to VND 267,137,970,000 (1.5 times increased). The Company has upgraded, improved and increased the capacity of two Nonbeta lactam and Cephalosporin factories. Expanding the export market, in 2014, in addition to exports to countries in Southeast Asia, the company has exported to some of South America's new markets.
- In 2015** It can be said that this is a very successful year in the radical restructuring of production and business activities on the basis of key areas; focus on produced products base on profit optimization, resulting in a profit margin increased from 8.9% to 11.5%. Strategic Shareholder CFR International SPA participated in consulting, production, sales and supply chain management. Overcoming overcapacity in production, rising labor productivity, and improved worker's incomes.
- In 2016** The chartered capital of the Company is increased by 30% from the issuance of bonus shares to existing shareholders, the total chartered capital to the end of 2016 is VND347,274,650,000. The year of 2016 closes with many improvements in manufacturing and improving the quality of human resources. The profit maximization across all operations of the company continues to be implemented, resulting in profit after tax reached 13.1% and this is also the highest result ever.

## Outstanding ACHIEVEMENTS

In parallel with the achievements in manufacturing and business, DOMESCO continues to carry out social work contributing to the community. These contributions are recognized by various governmental agencies through various forms of commendation from the Ministry/Industry/Local authority as follows:

- 01 Ministry of Industry and Trade: Announced as one of thirteen pharmaceutical and medical equipment enterprises to be named "Prestigious Exporter of 2015".**
- 02 Vietnam Association of High Quality Enterprises recognized for 18 consecutive years to be certified "Vietnam High Quality Goods" (1999 - 2016).**
- 03 DOMESCO is ranked 284/500 in the VNR500 rankings (Top 500 biggest enterprises in Vietnam in 2016) and ranked 7th among enterprises in manufacturing, trading of medicines, chemicals, pharmaceuticals and medical equipment.**
- 04 Branding and public opinion newspaper: Certificate of top 20 brands sustainable development; certified Dogarlic products reached high quality product of Vietnam.**
- 05 Vietnam Chamber of Commerce and Industry - VCCI: Honored "Enterprise for Workers", praising the good care of spiritual and material life for workers; It is one of nine pharmaceutical enterprises to receive the title of "Sustainable Enterprise in 2016".**
- 06 Ministry of Public Security: Certificate of merit for outstanding achievement in the movement of people to protect national security in 2016.**
- 07 Ministry of Finance: Certificate of merit for good performance of tax declaration and payment in 2015**
- 08 Vietnam Confederation of Labor Union: Certificate of Merit for excellent performance in labor emulation movement and building strong labor union in 2015; Emulation flags for green, clean, beautiful movement, ensuring occupational safety and health.**
- 09 People's Committee of Dong Thap Province: Certificate of Merit for outstanding accomplishment in 2016; Certificate of Merit for many contributions to the Child Protection Fund 1996-2016; Social security work in 2015; The movement "All people unite to build cultural life" in the period of 2011-2015; Emulation flag on achievement in the emulation movement in 2015.**
- 10 Federation of Labor Union: Certificate of merit for excellence in emulation movement in phase I of 2016; Certificate of Merit for outstanding achievement in the campaign to contribute to "Warm roof of Labor Union" Fund in 2016.**



# GENERAL INFORMATION (cont)

## Business lines AND LOCATIONS

### Business lines

- ☼ Manufacturing - trading in pharmaceutical products, dietary and supplement, herbal products.
- ☼ Import and export of pharmaceutical products, laboratory chemicals, vaccines, human bio-products, pharmaceutical packaging, packaging, raw materials, foodstuffs and dietary and supplement.
- ☼ Providing drug storage services in accordance with GSP - Goods Storage Practice (Goods preservation practices according to World Health Organization regulations).

### Business locations

- Headquarter: No. 66, National Highway 30, My Phu Ward, Cao Lanh City, Dong Thap Province.
- Representative office: No. 37, Thanh Thai, Ward 14, District 10, Ho Chi Minh City.
- Distribution channel includes 12 branches all the country.
- Export market: Myanmar, Laos, Hongkong, Philippines, Taiwan, Japan, Macau, Cambodia, Nigeria, Peru and Venezuela



## Distribution system



**HAI DUONG BRANCH**  
Lot 61.52, Zone 10, Hai Tan Ward, Hai Duong City, Hai Duong Province  
Telephone: (84.320) 3.86 35 85 Fax: (84.280) 3.656.128  
Email: [haiduong@domesco.com](mailto:haiduong@domesco.com)



**THAI NGUYEN BRANCH**  
47 Hung Vuong, Group 14, Trung Vuong Ward, Thai Nguyen City, Thai Nguyen Province  
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Email: [thainguyen@domesco.com](mailto:thainguyen@domesco.com)



**HEADQUARTER**  
CÔNG TY CỔ PHẦN XUẤT NHẬP KHẨU Y TẾ  
**DOMESCO**  
No. 66 - National Highway 30 - My Phu Ward - Cao Lanh City - Dong Thap Province  
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Email: [domesco@domesc.com](mailto:domesco@domesc.com)



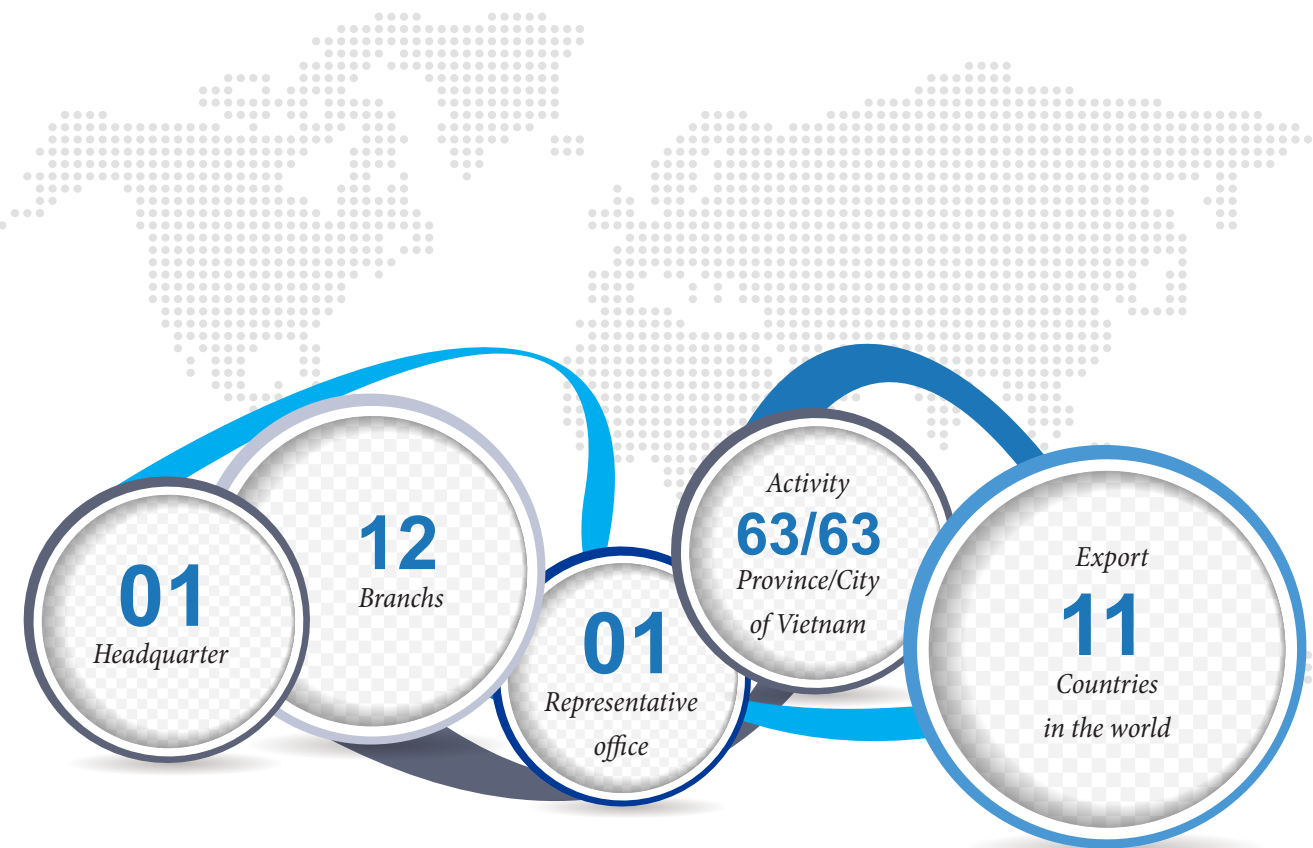
**REPRESENTATIVE OFFICE**  
No. 37 - Thanh Thai - Ward 14 - District 10 - Ho Chi Minh City  
Telephone: (84.8) - 3.865 4185 - 3.865 5287 - 3.865 2599 - 3.864 9030  
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**CHI NHANH CÔNG TY CỔ PHẦN XUẤT NHẬP KHẨU Y TẾ**  
**DOMESCO - HÀ NỘI**  
PHẠM VI KINH DOANH: BÁN BUỒN THUỐC THÀNH PHẨM BẢO QUẢN Ở ĐIỀU KIỆN THƯỜNG  
GIẤY CNDĐKKDT: 01-0043/HNO-ĐKKDD  
ĐC: 23 - 24 N7A Khu đô thị Trung Hòa Nhân Chính, P. Nhân Chính, Q. Thanh Xuân, TP. Hà Nội  
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**HANOI BRANCH**  
23N7A, Trung Hoa Nhân Chính Urban Area, Nhân Chính Ward, Thanh Xuan District, Hanoi City  
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# GENERAL INFORMATION (cont)

01



**CHI NHÁNH VINH**  
CÔNG TY CỔ PHẦN XUẤT NHẬP KHẨU Y TẾ  
**DOMESCO**  
PHẠM VI KINH DOANH: BÁN BUÔN THUỐC CHỮA BỆNH VÀ DƯỢC PHÉP LƯU HÀNH  
GIẤY CNDĐKKDT: 00003/NA-ĐKKDD  
ĐC: Lô 20/21 Khu biệt thự Bắc Nguyễn Sĩ Sách, P. Hà Huy Tập, TP. Vinh, T. Nghệ An  
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**VINH BRANCH**  
Lot 20-21, Nguyen Sy Sach North Villa Area, Ha Huy Tap Ward, Vinh City, Nghe An Province  
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**CHI NHÁNH ĐÀ NẴNG** - CÔNG TY CỔ PHẦN XUẤT NHẬP KHẨU Y TẾ  
**DOMESCO**  
PHẠM VI KINH DOANH: BÁN BUÔN THUỐC CHỮA BỆNH GIẤY CNDĐKKDT:  
ĐC: 50/71/1 Thái Tông, P. Thanh Khê Tây, Q. Thanh Khê, TP. Đà Nẵng. ĐT: 84.511.224812 - 3760.789 - Fax: 84.511.3760790 - Email: danang@domesco.com - Website: www.domesco.com

**DANANG BRANCH**  
77 Ly Thai Tong street, Thanh Khe Tay Ward, Thanh Khe District, Da Nang City.  
Telephone: (84.236) - 2.244.812 - 2.244.810 - 3.760.789 Fax: (84.236) - 3.760.790  
Email: danang@domesco.com



**CHI NHÁNH TÂY NGUYÊN** - CÔNG TY CỔ PHẦN XUẤT NHẬP KHẨU Y TẾ  
**DOMESCO**  
PHẠM VI KINH DOANH: BÁN BUÔN THUỐC THÀNH PHẨM GIẤY CNDĐKKDT: 00101/ĐP-SĐGP  
ĐC: 29 Đường A1 - Khu Vành Đai Trong - Xã Vĩnh Hiệp - TP. Nha Trang Email: taynguyen@domesco.com  
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**TAY NGUYEN BRANCH**  
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Email: taynguyen@domesco.com



**CHI NHÁNH MIỀN ĐÔNG**  
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PHẠM VI KINH DOANH: BÁN BUÔN THUỐC THÀNH PHẨM GIẤY CNDĐKKDT:  
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Email: tphcm@domesco.com

## Distribution



**CÔNG TY CỔ PHẦN XUẤT NHẬP KHẨU Y TẾ**  
**DOMESCO**  
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ĐT: 84.67.220231 - 221023 - Fax: 84.67.387574 Website: www.domesco.com

**DONG THAP BRANCH**  
32 Le Anh Xuan street, Ward 2, Cao Lanh City, Dong Thap Province  
Telephone: (84-67) - 8.53.54.55 - 3.852.686 Fax: (84-67) - 3.875761  
Email: dongthap@domesco.com



**CÔNG TY CỔ PHẦN XUẤT NHẬP KHẨU Y TẾ DOMESCO**  
**CHI NHÁNH CÀ MAU**  
PHẠM VI KINH DOANH: BÁN BUÔN THUỐC THÀNH PHẨM GIẤY CNDĐKKDT:  
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**CAMAU BRANCH**  
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**CÔNG TY CỔ PHẦN XUẤT NHẬP KHẨU Y TẾ DOMESCO**  
**CHI NHÁNH AN GIANG**  
PHẠM VI KINH DOANH: BÁN BUÔN THUỐC THÀNH PHẨM GIẤY CNDĐKKDT: 00101/ĐP-SĐGP  
ĐC: 791A Hà Hoàng Hồ, Phường Đông Xuyên, TP. Long Xuyên, AG. FAX: 076 3959148

**AN GIANG BRANCH**  
791A Ha Hoang Ho street, Dong Xuyen Ward, Long Xuyen City, An Giang  
Telephone: (84.076. 3959.147 - 3959.149 Fax: (84.076. 3959.148  
Email: angiang@domesco.com

## system



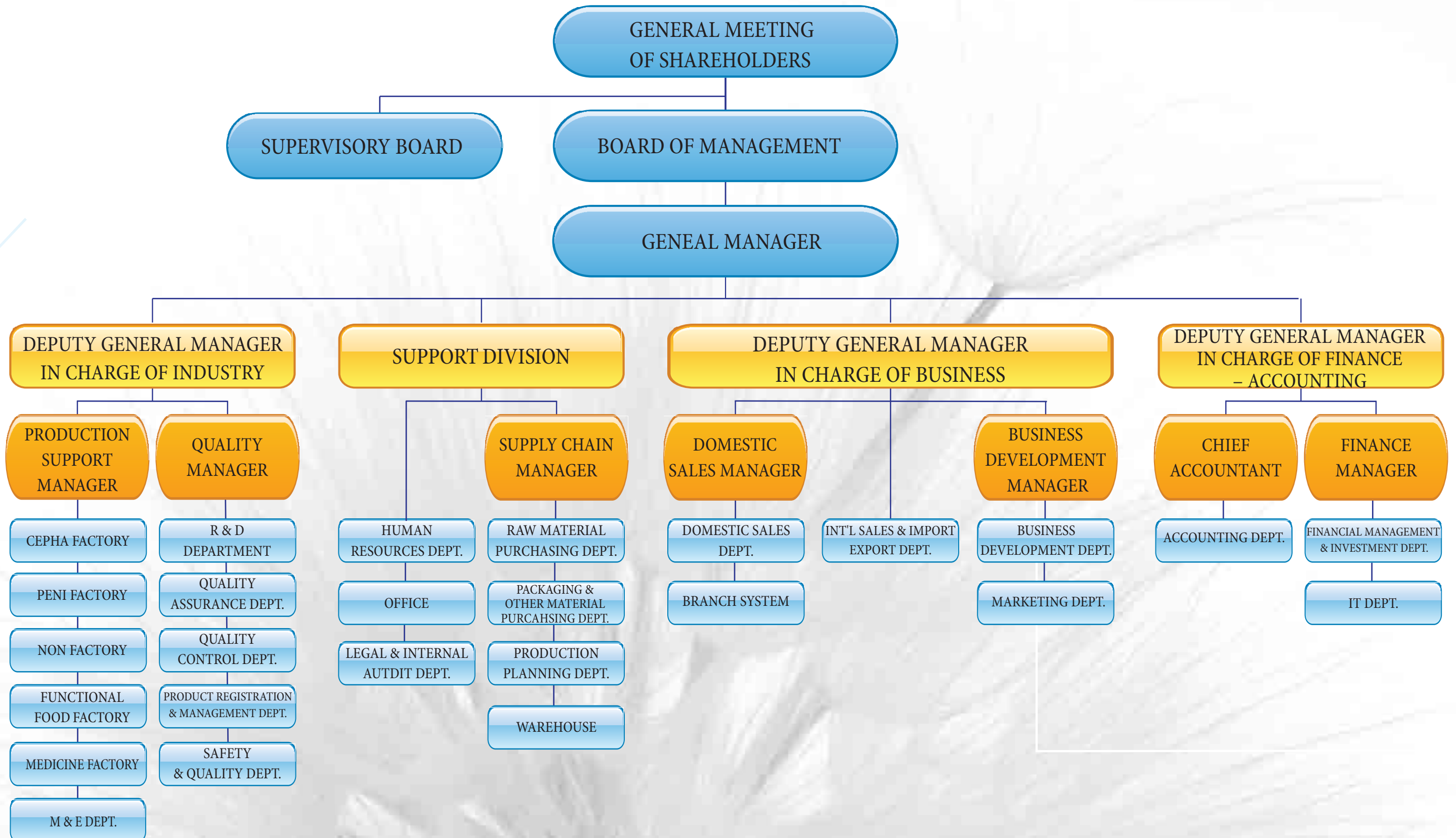
**CHI NHÁNH CẦN THƠ**  
CÔNG TY CỔ PHẦN XUẤT NHẬP KHẨU Y TẾ  
**DOMESCO**  
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Email: cantho@domesco.com



# 01 GENERAL INFORMATION (cont)

## Information on models of governance, business organization and management





# GENERAL INFORMATION (cont)

## 06 OUTSTANDING ACHIEVEMENTS OF THE 2016 STRATEGY



## RISKS

### Business environment risks

- ★ The system of legal documents guiding matters related to production and business activities of enterprises is regularly promulgated, amended or supplemented by functional agencies. This requires the legal department need to update and provide timely guidance to ensure all activities of the company in accordance with current law.
- ★ The pharmaceutical industry is subject to strict management of the sale price by the Vietnam Drug Administration and relevant authorities. Selling drugs to the hospital system must comply with the Ministry of Health's procurement regulations. Meanwhile, input materials for drug production are mostly imported, prices are influenced due to many factors in which the exchange rate is also a high risk factor. Input materials fluctuate continuously, the costs of business activities increase almost all the changes in the trend of increasing, affecting the production costs and profits of the company.
- ★ At present, the Ministry of Health has been prioritized policies domestic pharmaceutical industry. However, depending on the implementation of the legal documents of relevant departments, it has not really brought for companies. DOMESCO in particular and Vietnam pharmaceutical companies in general have been facing the possibility of losing market share due to the intensive increase in price competition on both ETC and OTC channels. In order to expand and maintain market share, the company must invest more in sales and branding

### Financial risks

- ★ In parallel with boosting sales, the potential risk of doubtful debt and bad debt is likely to increase.
- ★ At present, more than 90% of raw materials have to be imported, this dependence has made domestic pharmaceutical companies and DOMESCO suffered from many risks of exchange rate, quality, input price fluctuation due to influence of importing countries, ... Result in cost increase
- ★ Financial risk relates to the effectiveness of sales policies, incentive programs, customer service, etc... This requires strictly control of production costs, business, financial costs at all stages to ensure the achievement of profit plan.

### Sustainable development risk

- ★ The production is impacted by surrounding environment. Environmental protection is the responsibility and obligation of manufacturing enterprise. The investment in waste treatment systems, environmental impact assessment, pollution control and occupational disease prevention, creating favorable and safe working environment for employees requires the company to continuously invest in upgrading related systems which causes to huge costs.



# OPERATION PERFORMANCE IN 2016

## 2.1 Business performance



Domestic pharmaceutical industry is facing many difficulties due to an increase in the market share of imported products. With the right strategic direction of the Board of Management, the drastic and creative management of the Executive Board and the efforts of the collective efforts of 1,300 employees, DOMESCO has achieved the impressive success as a milestone in the process of establishment and development of the Company.

### \* Net revenue

Consolidated net revenue in 2016 grew 4.5% over the same period last year, of which:

- **Manufacturing:** increased up 12% over the same period, this is the highest growth ever and this growth is higher than the general growth of 10.5% of the market. The company continues to implement a restructuring strategy to increase the proportion of manufactured and processing goods.

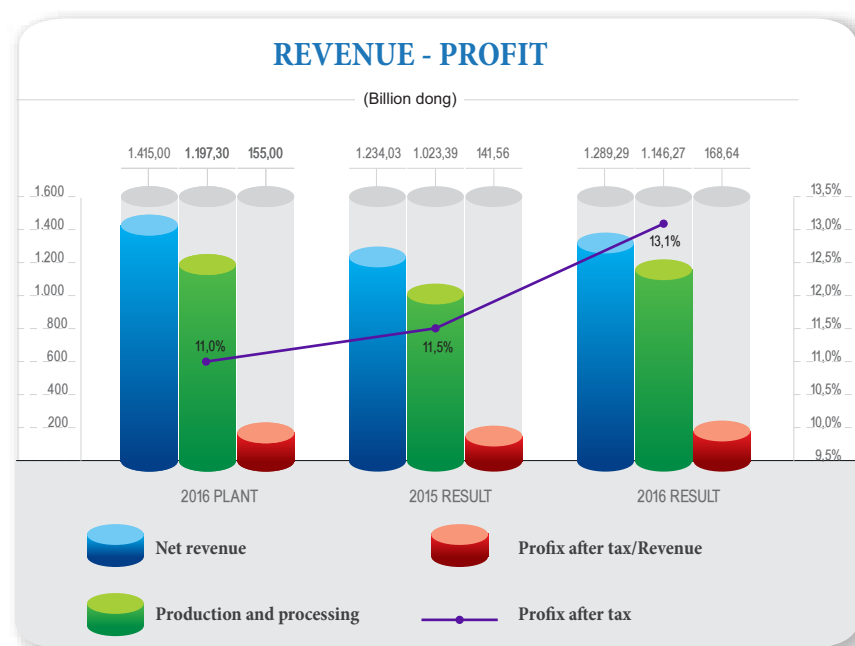
- **Trading goods:** negative growth of 32.4% over the same period, the cause of this decline is due to: Company adjusted and supplemented business lines, not limited to shareholding percentage of foreign investors at DOMESCO resulted in limited distribution of products from third parties under the current regulations.

### \* Cost of goods sold/net revenue

The ratio of COG/net revenue improved significantly by 61.3%, lower than the plan by 5.2% and 5.5% over the same period. The gross profit margin improved from 33.2% in 2015 to 38.7% in 2016. This is the reason for profit after tax in 2016 exceeded the target.

### \* Profit

Consolidated profit after tax exceeded 8.8% of the plan and growth at 19.1% over the same period; ROS increased from 11.5% to 13.1%.



## 2.2 ORGANIZATION AND HUMAN RESOURCES

### \* Introduction of Executive Board

01	Ms. LUONG THI HUONG GIANG - Member of BOM cum General Manager	Number of shares owned:	0 share	Ratio: 0%
02	Mr. NGUYEN VAN HOA - Member of BOM cum Deputy General Manager	Number of shares represented for SCIC:	4.219.063 shares	Ratio: 12,15%
		Number of shares owned:	0 share	Ratio: 0%
03	Ms. PHAMNGOCTUYEN - Chief Accountant	Number of shares owned:	34.234 shares	Ratio: 0,1%

### \* Human resources management

- Restructure the apparatus in a streamlined direction, focus on importance to training to improve the quality of human resources, create added value for employees, make a difference and increase competition with enterprises of the same industry.

- Update and improve internal rules and regulations of the company to comply with the current legal regulations are always concerned by the Company, through which to have the forecast and strategy in line to reduce the risk to the Company.

- Implement personnel reserve in management positions, focus on training and development skills for all employees to increase the quality and efficiency of work. Professional training is provided for the successor personnel.

- Implement labor management policies; maintain a harmonious relationship between company and employees.

## 2.3 INVESTMENT, PROJECT IMPLEMENTATION

### \* Investment in production and business

- Complete the investment items, renovate the works to put into use for production and business activities: Center for biology research for research, production projects by bio technology, upgrade and renovate the auxiliary systems for pharmaceutical factories, expand and upgrade the warehouse system. . .

- Invest more equipment for production, testing to expand and increase production capacity; Upgrading the distribution system, adding transport means to serve the business to shorten customer service time and expand the coverage, increasing the presence of DOMESCO throughout the provinces in the whole country.

### \* Subsidiaries, affiliated companies

In accordance with Resolution 28/NQ-HDQT dated December 19, 2016 on the dissolution of DOMENOL One-Member Limited Liability Company due to low investment efficiency and in line with the company's strategy of focusing on key industries as production and business of pharmaceutical products of the Company.



# 02 OPERATION PERFORMANCE IN 2016 (cont)

## 2.4 FINANCIAL STATUS

### \* Financial status

Unit: billion dong

Targets	Year 2015	Year 2016	% variation
Net revenue	1.234,03	1.289,29	4,48%
Sales of manufactured goods	1.023,39	1.146,27	12,01%
Cost of goods sold	824,27	790,59	-4,09%
Profit from business	183,66	210,04	14,36%
Profit before tax	183,21	209,90	14,56%
Profit after tax	141,56	168,64	19,13%

As discussed in detail in Section 2.1, the results achieved in line with the business strategy of the Board of Management for the period of 2014-2018 have helped the net revenue, especially high production turnover, contribute to the increase the profit after tax in 2016 reached 168.64 billion, up 19.13% or 27.08 billion dong compared with the same period in 2015.

### \* Key financial indicators

Indicators	Unit	Year 2015	Year 2016	Increased/ decreased	Ratio
<b>1. Solvency index</b>					
+ Current ratio		3,72	4,22	0,5	13,58%
+ Quick ratio		2,28	2,60	0,32	14,09%
<b>2. Indicator on capital structure</b>					
+ Debt Ratio/Total Assets	%	19,71%	18,48%	-1,23%	-6,24%
+ Debt/Equity ratio	%	24,54%	22,67%	-1,87%	-7,62%
<b>3. Performance index</b>					
+ Inventory rotation		2,8	2,5	-0,3	-10,71%
+ Net revenue/Total assets		1,25	1,19	-0,06	-4,80%
<b>4. Indicator of profitability</b>					
+ Profit after tax/Net revenue (ROS)	%	11,47%	13,08%	1,61%	14,04%
+ Profit after tax/Equity (ROE)	%	17,84%	19,09%	1,25%	7,01%
+ Profit after tax/Total assets (ROA)	%	14,33%	15,56%	1,23%	8,58%
+ Profit from business/Net revenue	%	14,88%	16,29%	1,41%	9,48%

- The management of debt and receivables, the deferred repayment of debts and the payables to help the working capital ratio significantly improved quarterly. This is the result of good cash flow management. The liquidity indicators show high liquidity and manage the liabilities payable in favor of the Company.

- Capital structure indicators: The Company gradually tends to self-funded, no bank loans from the end of 2014 to now.

- Most of the profit margin ratios are higher than the same period last year, especially the net profit margin on net sales increased significantly by 2.6 points %. The average per capita income is stable, higher than the GDP growth although the chartered capital increases by 30% compared to 2015.

- The financial highlight in 2016 is to pay 30% dividend for existing shareholders, increasing chartered capital from 267.1 billion dong to 347.3 billion dong.

## 2.5 SHAREHOLDER STRUCTURE, CHANGE OWNER'S INVESTMENT CAPITAL

### \* Shares

Type of shares	01/01/2016	31/12/2016
- Number of ordinary shares in circulation	26.713.797	34.727.465
- Preferred shares	0	0
- Treasury shares	0	0

### \* Shareholder structure

The shareholder structure according to the list of the last registration date on March 29, 2017 provided by the Vietnam Securities Depository - Ho Chi Minh City Branch has the following data:

(According to the number of shares currently circulated after the increase of charter capital)

Shareholders	Number of shareholders	Number of ownership	Ratio
- Domestic individual	1.509	1.970.405	5,67%
- Domestic institution	41	12.121.466	34,90%
- Foreign individual	162	254.995	0,73%
- Foreign institution	37	20.380.599	58,69%
<b>Total</b>	<b>1.749</b>	<b>34.727.465</b>	<b>100%</b>

### \* Change of ownership ratio of major shareholders

#### ↳ Transactions of major shareholders

No.	The person performing the transaction	Number of shares owned at the beginning of the period		Number of shares owned at the end of the period		Reasons for increase or decrease (purchase, sale, conversion, bonus ...)
1	CFR INTERNATIONAL SPA	12.271.530	45,94%	17.949.800	51,69%	Receive bonus shares, buy more shares
2	State Capital Investment Corporation (SCIC)	9.272.667	34,71%	12.054.467	34,71%	Receive bonus shares



# 02 OPERATION PERFORMANCE IN 2016 (cont)

## List of major shareholders owning 5% or more shares

No.	Shareholders	Country	Ownership	Ratio
1	State Capital Investment Corporation (SCIC)	Vietnam	12.054.467	34,71%
2	CFR International SPA	Chile	17.949.800	51,69%

### \* Change in owner's equity

- The implementation of the plan to issue bonus shares to increase share capital from owners' equity has been approved at the Annual General Meeting of Shareholders 2016 dated April 23, 2016 with the number of shares proposed to be issued: 8,014,139 shares, distribution ratio: 10:3. The result of raising the number of shares in circulation from 26,713,797 shares to 34,727,465 shares.

- The dividend payout ratio in 2016 is expected to be submitted to the General Meeting of Shareholders in 2017 by 20% in cash which increase by 5% as stated in the Annual General Meeting of Shareholders on April 23, 2016

## 2.6 REPORT ON THE ENVIRONMENTAL AND SOCIAL IMPACT OF THE COMPANY

Developing together with environmental protection, sustainable development is the goal that DOMESCO has been implementing for many years. The company has issued many policies that bind the responsibility of the business to the community, always putting the interests of consumers and the environment on the top, watching the customer satisfaction and protecting the environment is the goal to be carried out. The practical activities that the company has undertaken include:

### \* Energy saving

- Although it is not on the list of key energy consumption, DOMESCO maintains the application of energy management and supervise energy systems to develop cost-effective solutions. The main source of energy is electricity, supplied from the national grid. Power consumption is closely monitored and evaluated, and all areas are equipped with electricity meters and daily monitoring. In 2016 the direct electricity consumption for the manufacturing factories is about 4,079,937 KWh, indirect consumption for supporting activities is about 1,846,794 KWh.

- Due to the specificity of the pharmaceutical industry, the largest amount of power consumption is in central air conditioning systems. Since 2014, the company has replaced new equipment to increase safety and save energy. Only with such solutions, annual savings for the company billions of energy costs.

### \* Water consumption

- The company is using two sources of water: water supplied by the city and underground water (well water). The use of natural resources is closely monitored. The company emphasizes and requires all staff to save water and natural resources through the regulations and procedures applied in the Company. The use of natural resources such as water, gasoline is under strict standards also contribute to increase savings in the staff.

- Water reuse is always highly appreciated and reviewed.

- All waste water generated is treated in accordance with QCVN40:2011/BTNMT Source A before being discharged into the external environment.

### \* Compliance with the law on environmental protection

- "Living and Working under the Law" is the leading implementation motto at DOMESCO. In the pharmaceutical industry in general, non-compliance with environmental protection legislation can bring about serious risks such as environmental pollution or cross-contamination.

- DOMESCO always complies with the regulations on environment - occupational safety - fire prevention and fighting in all relevant indicators such as gas, waste water, solid waste, hazardous waste ... All waste is processed in accordance with Vietnamese standards before being discharged into the environment.

### \* Policies relating to employees



#### NUMBER OF EMPLOYEES, AVERAGE SALARY FOR EMPLOYEES



- » Number of employees: 1,299 persons.
- » Average salary for employees: 10,500,000dong

#### LABOR POLICY TO ENSURE THE HEALTH, SAFETY AND WELFARE OF EMPLOYEES

- » To well implement the salary and bonus regimes, prioritize the budget to solve the regimes and interests for employees, and participate fully in the compulsory insurance categories: social insurance, medical insurance and unemployment insurance. Maintaining benefits such as: 24-hour accident insurance for 100% of employees, life insurance, health insurance, etc. Health care for employees is also taken care of, every year, annual health checkup for employees are regularly held at health institutions. Maintaining activities to improve the spiritual life of employees through visits, giving gifts in special occasions, sickness ...; maintaining activities of canteen for employees, workers, facilitate for employees, especially shift workers; organizing team building activities, giving gifts on birthday; organizing annual visits and sightseeing tours; These policies are highly appreciated by the employees. This increases the close relationship between employees and employer.



#### TRAINING TO EMPLOYEES

- » Training hours in 2016: 20,185hours.
- » Average hours of training according to employee classification: Manager: 26 hours/ person; Staff: 17 hours/person.
- » Continuously develop skills and training programs to support the development of employees.
- » Training for research and production activities:
  - + Modeling and analysis of new analytical instruments on GC-MS, HPLC and ICP-OES; method of statistical data in processing and analysis.
  - + Biosafety for laboratories, microbiology laboratories and other intensive programs.
  - + Confirm the value of using the test method in microbiological analysis.
  - + Pharmaceutical industry.
  - + GMP WHO and lean production.
  - + GMP PICs.
  - + Incidents in production and remedies; the system of processes and regulations related to the production process; manual recording, updating batch production records, process control.
  - + Application of gas chromatography in the testing of raw materials and finished products.
  - + Maintenance, repair equipment and measures to overcome the problem of production equipment, auxiliary equipment.
  - + Supervisor.
  - + GDP, GSP.
  - + Labor safety in operation of equipment which has strict requirements.
- » Training for business purpose:
  - \* Professional presentation skills.
  - \* Comprehensive skills, analysis and reporting.
  - \* Network Administration MCSA 2012.
  - \* KPIs and Startup Leadership.
  - \* Change management and risk forecasting.
  - \* Inventory control.
  - \* Discussion and negotiation.
  - \* ISO 9001:2015 version.
  - \* Communication skills.
  - \* Teamwork skills.
  - \* Middle management skills.



# OPERATION PERFORMANCE IN 2016 (cont)

## ★ Report on accountability to local communities

### ↪ Social work

The staff of DOMESCO always mind of the necessity of activities "Drink water, remember the source - source of gratitude" in accordance with traditional culture of Vietnam.

Following this tradition, in 2016, the company continued to sponsor provincial sports and cultural activities such as sponsoring the DOMESCO bicycle racing team; continue contributing and financing local social activities and neighborhoods such as building houses of gratitude; serving heroic Vietnamese mothers, revolutionary families with over 900 million VND; funding of Labor Union Roof fund; gratitude Fund; coordinate with the medical examination and treatment entities to distribute 2,340 drugs in localities such as Thap Muoi, Lai Vung, Thanh Binh, An Giang, Prey Veng province - Cambodia; give more than 1,000 insurance cards to nearly poor households; In collaboration with the Dong Thap Red Cross organized

humanitarian blood donation; donate scholarships to the Nguyen Sinh Sac Study Encouragement Fund through the program "Bright example of learning".

In the spirit of "mutual sympathy", the entity of company's Labor Union has launched a movement of raising pigs with the theme "Sharing love" from union groups, the total amount collected in 2016 is VND 346,657,000. This amount has been used to support disadvantaged workers; At the same time, during the year, the labor union members built 07 houses named "DOMESCO warm homes", valued at VND 50 million/house. In addition, the Company also has many policies for children of workers and employees such as organizing Mid-Autumn Festival, supporting tuition fees for the 21 students who have the spirit of hard work; to reward high-achievers and workers in learning; Reward and commend 05 students admitted to universities with the amount of more than 104 million.



Visit heroic Vietnam Mother



Summing up the pig raising program



The "Bright example of learning" program



The program provides health insurance cards for nearly poor people



Free medicine program



Enjoy the full moon for children



# REPORT AND EVALUATION BY THE EXECUTIVE BOARD

## 3.1 EVALUATION OF BUSINESS RESULTS

Consolidated net revenue in 2016 is VND1,289.29 billion, fulfilling 91.1% of the target set by the General Meeting of Shareholders and achieving a growth rate of 4.5% over the same period. The objective reason is due to the influence of the general market situation for domestic pharmaceutical companies. In addition, the Executive Board has actively restructured its products, accepted lower revenue growth, and focused more on business efficiency.

Unit: billion dong

Targets	2016 plan	2016 implementation	2015 implementation	Comparison	
				Plan	Same period
<b>Net revenue</b>	<b>1.415,00</b>	<b>1.289,29</b>	<b>1.234,03</b>	<b>91,1%</b>	<b>104,5%</b>
Production & Processing goods	1.197,30	1.146,27	1.023,39	95,7%	112,0%
% Production & Processing revenue / Net revenue	84,6%	88,9%	82,9%	4,3%	6,0%
<b>Cost price</b>	<b>940,91</b>	<b>790,59</b>	<b>824,27</b>	<b>84,0%</b>	<b>95,9%</b>
% cost price/net revenue	66,5%	61,3%	66,8%	-5,2%	-5,5%
<b>Gross revenue</b>	<b>474,09</b>	<b>498,71</b>	<b>409,76</b>	<b>105,2%</b>	<b>121,7%</b>
% Gross revenue/Net revenue	33,5%	38,7%	33,2%	5,2%	5,5%
<b>Profit after tax</b>	<b>155,00</b>	<b>168,64</b>	<b>141,56</b>	<b>108,8%</b>	<b>119,1%</b>
Profit after tax/Net Revenue	11,0%	13,1%	11,5%	2,1%	1,6%

(Source: Auditted consolidated financial statement)

### 3.1.1 CONSOLIDATE, DEVELOP MARKET SHARE, AND EXPAND DISTRIBUTION SYSTEM

The Company has developed a business strategy focusing on key products, which are the strength of DOMESCO such as cardiovascular, diabetes, biological equivalents; valuable products and high rate of return. The proactive approach to stimulating demand, effective marketing activities have contributed to the success of maintaining its position, developing market share and DOMESCO brand in the market.

With a sales network of 12 branches reaching the GDP standard and the GSP warehouse system, DOMESCO is active in expanding its distribution network to all provinces and cities nationwide, successfully implementing the goal of "Maintain ETC channel - develop OTC channel". The revenue on both ETC and OTC channels has increased by 29.4% and 4.7% over the same period. The number of customers in 2016 has increased by 4.2% over the same period.

### 3.1.2 INTEGRATED QUALITY SYSTEM OPERATIONS - PRODUCTION MANAGEMENT

#### ❖ Integrated quality system operations

In 2016, the Quality Control Department is re-certified to ISO/IEC 17025. Every year, the Company participates in the interlaboratory testing program conducted by Hochiminh City's Institute of Testing. The result shows it meets 100% of requirements.

Product quality management is closely monitored from raw materials, input packaging - production - output to distribution. DOMESCO also continues to maintain 100% validation of certifications ensuring proper operating systems to meet ISO - GPs requirements. Besides, the Company always well complies with the regulations on environmental protection, labor safety, fire and explosion prevention and fighting; maintain environmental monitoring according to current regulations.

#### ❖ Production management

Maintain a streamlined production model; implement solutions to maximize production capacity, minimize costs, improve productivity, quality, efficiency and competitiveness, meet 100% of business needs. In addition, in order to overcome overload at all stages of the production process, the Company undertakes to improve and standardize production processes to improve product quality; improve product batch size to match equipment capacity, increase productivity and output. Maintain advanced GMP training, thoroughly apply 5M, 5S method ... in production to improve labor productivity and production quality.

### 3.1.3 RESEARCH AND PRODUCT MANAGEMENT ACTIVITIES

As of December 31, 2016, DOMESCO is licensed by the Ministry of Health to manufacture and distribute 307 products nationwide. In the past year, the company has launched production and marketing of 06 new products in the cardiovascular, digestive, musculoskeletal... etc, contributing to the overall revenue growth of the whole company. The total number of products achieving biological equivalence as of December 31, 2016 is 21 products, of which the Ministry of Health announced 17 products. This is an advantage for DOMESCO in maintaining sales on the ETC channel.

### 3.1.4 CONTROL ACTIVITY AND RISK MANAGEMENT

#### ❖ Risk management in business operations

DOMESCO always focuses on enhancing professionalism, improving the quality of services for customers through training on products, skills for Sales rep, and implementation of customer care activities, investment on potential customers with the goal of growing sales of OTC channel. To minimize the risk in business, the Executive Board issued regulations on management of sales chain - debt, using online management technology solutions to improve the efficiency of management activities and sales monitoring.

#### ❖ Risk management in production

To manage the risks in production, DOMESCO has established a standardized system of norms of raw materials, materials, packaging and materials; evaluate the capacity and selection of suppliers of raw materials, accessories, prestigious packaging, stable quality at reasonable prices; plan the supply with the best price to strictly control the cost of production, reduce production costs. At the same time, closely supervise the production process, follow the process of maintenance of the machinery system to minimize production problems, ensure product quality.

#### ❖ Risk management in financial activities

The Executive Board has standardized and applied uniformly throughout the Company procedures, regulations on financial activities, accounting, business, production, investment, etc. Costs throughout the system help control all costs incurred for the entire operation of the Company; perform periodical business audits at branches for compliance with sales policies, business ethics, merchandise management, debt recovery, etc. The Company has successfully implemented debt management. Through the specific and strict regulations on debt limits and debt terms for each customer; cash flow is better managed and continuously improved; limiting the risk of bad debts, reducing bad debt and liquidity risk. Continuous updating to track the fluctuation of the USD exchange rate and interest rate to fully meet the demand for foreign currencies for production and business activities.



## REPORT AND EVALUATION BY THE EXECUTIVE BOARD (cont)

### 3.2 FINANCIAL STATUS

#### 3.2.1 ASSETS STATUS

Indicators	Year 2015	Year 2016	Increased /decreased	Ratio
- Total assets (billion dong)	988,02	1083,99	95,97	9,71%
- Debt ratio/Total assets (%)	19,71%	18,48%	-1,23%	-6,24%
- Net revenue/Total assets (x)	1,25	1,19	-0,06	-4,80%
- Profit after tax/Total assets (%)	14,33%	15,56%	1,23%	8,58%

Total assets in 2016 increased by 9.71% over the same period, mainly from cash and cash equivalents of VND72.2 billion and an increase of VND43 billion in inventories for products are running out of registration numbers. In addition, the Company's asset utilization efficiency has improved with ROA in 2016 rising from 14.33% to 15.56%, debt-to-asset ratio is also improved in decrease to 18,48%.

#### 3.2.2 DEBT AND PAYABLES SITUATION

In the year 2016 DOMESCO did not generate any loans, the total short term payables as of December 31, 2016 decreased by 12.79% compared to 2015, the current payment ratio and quick payment of DOMESCO is very good when increased by 13.44% and 14.01%, respectively.

### 3.3 IMPROVEMENTS IN ORGANIZATIONAL STRUCTURE, POLICY, MANAGEMENT

Last year, DOMESCO restructured its apparatus towards professional and simple, focusing on training to improve the quality of human resources and increase competition with other enterprises in the same industry. Perform back up solution in human resources, employee development training, especially human resources. The updating and finalization of internal regulations of the company in accordance with the current law is always concerned by the company, thereby forecasting the risks from changes in laws and policies for warnings in prevention, implement the policies of labor management; maintain a harmonious relationship between company and employee.

DOMESCO also pays attention to investing and upgrading the information equipment system, internal network to ensure the system operation smoothly with high level of security.

### 3.4 FUTURE DEVELOPMENT PLAN

Continuing to promote the effective implementation of economic solutions as well as efforts to reform the legal and investment environment, Vietnam's economy in 2017 is expected to prosper. Improvement in business environment, many important reform policies implemented when the Enterprise Law, Investment Law came into life; low inflation contributes to stable production costs, ... will contribute to stable operation of enterprises.

In 2017, it will be a promising year for DOMESCO when there is investment, technical cooperation as well as business strategy of SCIC and Abbott investors (via CFR shareholder). With the results achieved in 2016 and the forecast for growth in 2017, the Executive Board continues to follow the orientation and direction of the Board of Management as mentioned in Section 4.3.

### 3.5 EVALUATION REPORT RELATED TO ENVIRONMENTAL AND SOCIAL RESPONSIBILITY

#### 3.5.1 EVALUATION RELATED TO ENVIRONMENTAL INDICATORS

DOMESCO always strictly complies with regulations on environmental protection. All projects are prepared for evaluation on environment impact and post evaluation before implementation and when changes occur. The chemicals and the release of hazardous chemicals are also strictly regulated, all of which are developed and implemented in response to and preventive measures. Risk management is also highly concerned, and annual risk and rehearsal evaluations are conducted annually through the identification of environmental aspects and the assessment of the state of emergency. Organize several annual rehearsals including: first aid training, fire fighting drills, chemical incident maneuvers, electrical incidents maneuvers.

The waste treatment systems of the company are closely monitored and operated continuously. The emission standards, wastewater is monitored periodically and always meet regulations. All solid wastes and hazardous wastes, the Company performs contracts with specialized entities to ensure that 100% of generated wastes are treated and not left in stock. Water consumption, energy and other natural resources are monitored, supervised and evaluated regularly to promptly correct problems and provide improved solutions.

To fully equip fire prevention and fighting facilities, to work out fire prevention and fighting plans, to set up fire alarm systems in areas in offices and factories. Periodically combining the company's fire prevention and fighting forces together with the professional fire fighting force to organize training and awareness on fire prevention and fighting for officials and workers.

"Green - Clean - Nice - Ensuring occupational safety and health" is always concerned by Leaders and Steering Committee of Labor Union. The company regularly organizes propaganda about environmental protection, occupational safety and health. Conditions and working environment of workers are constantly improved. Employees are provided with periodic training on occupational safety and health and all of them strictly abide by the regulations the company has issued.

#### 3.5.2 EVALUATION RELATED TO EMPLOYEE ISSUES

In 2016, the Company maintains and develops many welfare policies for employees in the direction of diversification of contents and forms. Maintaining the "Team building" program has made important contributions to building a strong and close connection between employees, between employees and management in the department, creating a harmonious work environment in spirit. Collaborate, support, and connect to promote all activities of the Company.

Other policies to ensure welfare for workers, especially female workers, are also maintained such as the purchase of exceptional care insurance for managers and life insurance for managers and loyalty employees. Seniority, gifts on International Women's Day 8/3 and Vietnamese Women's Day on 20/10. Bonus for employees on the establishment of the company on 19/05, support annual travel costs for workers with labor achievements from advanced upward. In addition, the company also held Mid-Autumn Festival fun for children who are children of staffs, rewarding children with good academic performance, organizing awards and awards for students passing the entrance exam of college and university.

The company has built mid-shift canteen for workers, maintenance of collective housing for remote workers who have shelter. The Executive Board of the Labor Union shall coordinate with the Executive Board to organize a dialogue between the employees and the employer in the formulation of collective labor agreement. Collect 100% staff opinions to evaluate internal customer satisfaction. The issues of employees' rights are discussed in a democratic manner and thoroughly resolved, thereby promoting the rights of employees in the Company. This helps gain the employee's loyalty.



## REPORT AND EVALUATION BY THE EXECUTIVE BOARD (cont)

### 3.5.3 EVALUATION INVOLVES THE RESPONSIBILITY OF THE BUSINESS TO THE LOCAL COMMUNITY

#### ❖ For the people around the Company

Every year, the Company collects the opinions of the surrounding people on the issues affecting the environment, the result has no feedback to the Company, creating a friendly and good relationship among the people and Company.

Maintain sharing of knowledge about the environment - fire prevention and fighting for the surrounding people. The Company coordinated the people around in the fire drills, received the support and enthusiastic participation of the households.

#### ❖ For local communities

##### ✓ Responsibility to consumers

Last year, the Company has paid more attention to the sustainable development, all business activities. DOMESCO Medical Import Export Corporation has always put the interests of consumers on the top, satisfaction of the customers is the most important goal which must be fulfilled.

To provide consumers with the best quality products, the Company has focused on the following activities to ensure the interests of consumers:

+ Always provide timely and completely product's information, reasonable care, and awareness of the product to avoid counterfeit goods.

+ Ensure the quality of products is equivalent to imported goods: The Company applies advance equipments and technology to produce substitutes with equivalent effect to meet the Consumers' use of drugs, cost savings and multi-faceted benefits for the users (many products pass the BE test which have the same treatment effect as those invented and produced by the multinational companies).

+ Good relationship with customers: The company's staffs from production - sales to support staff always listen to and receive useful and sincere contributions from each customer by various forms, through various means, various communication channels to understand the expectations of customers, recording opinions on all issues related to product quality - price - service....., create the trustworthy DOMESCO products from the team of treatment doctors to the direct users.

##### ✓ Community-oriented product

Constantly diversify products, research new products to meet the needs along with the convenience and taste of consumers. With the trend of using nutritional products to improve health status is becoming popular, the Company has made research and launched many quality functional food products from natural herbs which were highly accepted by the customers such as Calyptos.





# EVALUATION OF THE BOARD OF MANAGEMENT ON THE OPERATION OF THE COMPANY

## 4.1 EVALUATION OF THE BOARD OF MANAGEMENT ON THE OPERATIONS OF THE COMPANY

### ACHIEVEMENTS

- 1 Successfully restructuring the product portfolios in the direction of gradually moving from low-yield products to higher-margin products. Accepting a decline in revenue growth to focus on quality of product portfolio, resulting in 2016 sales falling but net profit exceeds the plan by 8.8% (equivalent to 13.6 billion).
- 2 Adjusting and supplementing registration of business lines of the Company to ensure the unrestricted share ownership of foreign investors in the Company according to the policy of the Government in Decree No. 60/ND-CP; creating attractiveness, liquidity for shares of DOMESCO, ensuring shareholder's rights.
- 3 Complete the issuance of bonus shares to existing shareholders at the ratio of 10:3, raised the Company's chartered capital from VND 267,137,970,000 to VND 347,274,650,000.
- 4 Take advantage of the support from two investors, SCIC and Abbott (through CFR's shareholders), to promote the Company's production and business activities.
- 5 Restructure of low-efficiency investments such as the dissolution of DOMENOL one-member limited liabilities company, focusing its resources on the company's main business is pharmaceuticals.
- 6 Continue to optimize production capacity with the existing factory system, overcoming the overload of production, the total production output in 2016 will increase 24.4% over the same period.
- 7 Implement good risk management in all aspects of production - business - investment - finance. Closely monitoring of costs, cost structure of products, ...
- 8 Strengthen the role and responsibilities of officers at middle level, arrange appropriate personnel, organize in-depth training courses, and improve the professional capacity of staffs and managers. Implement human resources back up plan at all positions. Well implement the policies of labor management and salary and incentive regimes to motivate the employees.

### PENDING ISSUES

In addition to the outstanding achievements in 2016, there are also some issues that need to be worked out to achieve better results in 2017:

- ☒ Revenue in 2016 is not as expected as the annual shareholders' meeting of 2016 has set out.
- ☒ There are no breakthroughs for the development of pharmaceutical products, biotechnology that DOMESCO has the advantage.
- ☒ There are not many unconventional products with high specificity.

## 4.2 EVALUATION OF BOARD OF MANAGEMENT ON THE OPERATION OF EXECUTIVE BOARD OF THE COMPANY

### PRODUCTION

» Successful restructuring of the products also brought success in restructuring production, synchronously implementing many solutions in production, developing a plan to coordinate proper production, optimize capacity of equipment, increase labor productivity.

» Total production in 2016 increased by 24.4% compared to 2015; improve the production capacity of the factories to meet the business needs in the next 3-5 years.



### BUSINESS

» Continue to consolidate and expand the distribution system reaching GDP standard and GSP warehouse system. The sales network consists of 12 branches covering all provinces and cities nationwide, ensuring full supply of medicine for people's health needs.

» Successfully continue to restructure the product portfolio in the direction of gradually moving from the low-yield product group to the higher-profit group. Focus on developing high-yielding products to ensure long-term sustainable development.

» Growth in sales and volume on both OTC and ETC channels



### COMPLY WITH THE LAWS AND REGULATIONS OF THE COMPANY

» Comply with law and risk management: Standardization, improvement of management procedures, regulations and regulations related to finance and accounting, business, investment, procurement... Legal compliance and risk management in corporate operations.

» Complete the issuance of bonus shares to existing shareholders at the rate of 10:3 (shareholders holding 10 shares will receive bonus of 3 shares) raising charter capital from 267.1 billion to 347.2 billion as directed by the BOM,

» Complete the implementation of unlimited share ownership of foreign investors at DOMESCO in accordance with Resolution No. 01/NQ-ĐHCD-DMC dated April 23, 2017 to create attractiveness, liquidity of Domesco's shares, ensuring shareholders' rights.



### DEVELOP THE BRAND AND PRESTIGE OF DOMESCO ON THE STOCK MARKET

» DMC shares increase liquidity in 2016. The financial investment funds, retail investors pay attention and desire to invest in business activities because they are transparent and sustainable development through each year.



### INVESTMENT

» Restructuring investment: implementing the policy to restructure investment outside the sector, focusing on production and trading of pharmaceuticals. In 2016, performing the Resolution of BOM to dissolve DOMENOL Ltd. Co. After completion of the procedures for dissolution, DOMESCO Company recovered the investment capital, ensuring the interests of shareholders.





# EVALUATION OF THE BOARD OF MANAGEMENT ON THE OPERATION OF THE COMPANY (cont)

## 4.3 PLANS, ORIENTATIONS OF THE BOARD OF MANAGEMENT

### REVENUE - PROFIT TARGETS

Net revenue	1.415 billion dong	growth by 10%
Profit after tax	185 billion dong	growth by 9,8%
Dividend	20% / current chartered capital (2,000 dong/share)	

### BUINESS STRATEGY

#### Business activities

- » Promote DOMESCO brand, product brand to enhance the competitiveness corresponding to the status and quality of products.
- » Consolidate and upgrade the distribution system, maintaining 100% reached GSP-GDP standards. Maximize the available brand advantage, production capacity, finance, human resources to expand the market and develop market share.

#### Research and production activities

- » Research to develop specialized products, launch into the market new products to meet market demand and high growth.
- » Maximize production capacity, increase product value, improve quality, efficiency and competitiveness.
- » Re-evaluate GMP WHO DOMESCO's factory system, towards conversion to GMP PIC/s system.

#### Investment cooperation with the investor, Abbott

- » Support marketing activities and share market information. Support training, training staff, improve working capacity.
- » Business cooperation in research and product development.
- » Support to upgrade and improve the operation of quality management systems, environmental sanitation and occupational health and safety.
- » Upgrade capacity, equipment of factories to ensure production capacity, meet business needs.

#### Corporate Governance

- » Train high-quality human resources to create competitive advantage, improve product quality and productivity, improve income for workers.
- » Optimize profits, improve operational efficiency through financial indicators, harmonize rights of shareholders and employees.
- » Apply comprehensive administration with integrated quality management system tools and management software ERP, DMS ONE.
- » Develop a risk management system in all company's operations in accordance with the principles in compliance with law and the actual situation; perfect the mechanism of effective inspection and supervision.
- » Strengthen the social activities, enhance the responsibility of the community, pay close attention to the welfare of the employees, build the DOMESCO culture.





## 5.1 BOARD OF MANAGEMENT

## INFORMATION OF BOM MEMBERS

**1. Mr. Nguyen Chi Thanh Chairman of Board of Management****Deputy General Manager of State Capital Investment Corporation (SCIC)**

Number of shares represented for SCIC: 7,835,404 shares Ratio: 22.56%

**2. Mr. Huynh Trung Chanh Member of Board of Management**

Number of shares owned: 0 share Ratio: 0%

**3. Ms. Luong Thi Huong Giang Member of Board of Management cum General Manager**

Number of shares owned: 0 share Ratio: 0%

**4. Mr. Nguyen Van Hoa Member of Board of Management cum Deputy General Manager**

Number of shares represented for SCIC: 4,219,063 shares Ratio: 12.15%

Number of shares owned: 0 share Ratio: 0%

**5. Mr. Sean Philip Shrimpton Member of Board of Management**

Number of shares owned: 0 share Ratio: 0%

**6. Mr. Aamer Mahmud Malik Member of Board of Management**

Number of shares owned: 0 share Ratio: 0%

**7. Mr. Douglas Kuo Member of Board of Management**

Number of shares owned: 0 share Ratio: 0%

## ACTIVITIES OF BOARD OF MANAGEMENT

In 2016, the Board of Management held 08 direct meetings and issued 05 Resolutions of Board of Management in writing to discuss, decide the direction and measures to carry out activities related to production, business, investment in accordance with the current regulations and regulations of the Company and the law, specifically:

No.	Resolution No.	Date	Content
1	02/NQ-HĐQT	14/03/2016	The Board of Management agreed on the closing date and held the annual shareholders' meeting in 2016 on April 23.

No.	Resolution No.	Date	Content
2	03/NQ-HĐQT	14/03/2016	Board of Management agreed to submit to the Annual General Meeting of Shareholders in 2016 to approve the targets of 2016: - Net revenue: 1,415 billion dong. - Profit after tax: 155 billion dong. - Dividends: minimum of 15% current chartered capital.
3	04/NQ-HĐQT	14/03/2016	Credit limit of 2016
4	05/NQ-HĐQT	14/03/2016	- Approved: Performance Report of 2015; Report on the implementation of the Financial Plan for 2015 and the financial plan for 2016; Report on the implementation of BOM's resolution.  - Business plan of DOMENOL.  - Progress of Nonbalalactam Factory in Can Lo Industrial Complex.
5	06/NQ-HĐQT	14/03/2016	Total salary fund plan of 2016.
6	07/NQ-HĐQT	14/03/2016	Agreed to submit to the Annual General Meeting of Shareholders on April 23rd, 2016 on rewarding to the BOM, Supervisory Board, and Executive Board in 2015 has reached and surpassed the profit target of 2015, the amount of 1 VND billion.
7	08/NQ-HĐQT	05/04/2016	Approved all the transactions signed with DOMENOL one-member limited liability company and APT Packing Technology Joint Stock Company (formerly known as Vinh Tuong High-Tech Packaging Joint Stock Company), and also allowed DOMESCO Medical Import Export Joint Stock Company continuing to sign with these two entities in the process of production and business with the mode of mutual benefit. To assign the General Manager of the Company to consider the decision to enter into, execute these transactions and at the same time be responsible to the Board of Management of the Company.
8	09/NQ-HĐQT	05/04/2016	Approved the content: - Draft of amended Charter of the Company - Adjust the business lines of the Company. - Restructure the business of the Company after the adjustment of business lines according to the above content is completed. - Established 2 business locations under the Company: + Pharmaceutical product storage warehouse. + Pharmaceutical extraction factory. <i>Address: Can Lo Industrial Cluster, An Dinh Village, An Binh Commune, Cao Lanh District, Dong Thap Province.</i> → The Board of Management submits to the Annual General Meeting of Shareholders in 2016 to approve the above content.



No.	Resolution No.	Date	Content
9	10/NQ-HĐQT	05/4/2016	Agreed to submit to the Annual General Meeting of Shareholders in 2016 to approve on the content of unlimited share ownership of foreign investors in DOMESCO Medical Import and Export Joint Stock Corporation.
10	11/NQ-HĐQT	07/4/2016	- Dismissed the title as member of Board of Management to Mr. Andrew Hamish Lane and Mr. Alejandro Esteban Weinstein Manieu since April 7, 2016 on resignation. Appointed Mr. Sean Philip Shrimpton and Mr. Aamer Mahmud Malik as replacement members of the Board of Management. - The Board of Management is responsible for submission to the Annual General Meeting of Shareholders of 2016 dated April 23, 2016 to approve on the above appointments.
11	14/NQ-HĐQT	07/4/2016	Approved the report to the Annual General Meeting of Shareholders on April 23, 2016.
12	15/NQ-HĐQT	09/5/2016	Approved on the implementation of the plan to issue shares to increase equity from owners' equity which was approved at the Annual General Meeting of Shareholders in 2016 on April 23, 2016. - Number of shares expected to issue: 8,014,139 shares. - Distribution ratio: 10:3.
13	16/NQ-HĐQT	16/5/2016	The Board of Management decided to pay dividends pf 2015: The list ended on June 01, 2016. Payment on June 17, 2016. The dividend ratio in cash is 20% (equivalent to VND2,000/share).
14	17/NQ-HĐQT	01/6/2016	The Board of Management agreed to choose Ernst & Young Vietnam Limited as a provider of auditing services for fiscal year 2016 of DOMESCO Medical Import Export Joint Stock Corporation.
15	18/NQ-HĐQT	05/8/2016	- Approved on the performance report for the first 6 months of 2016, the business plan for the last 6 months of 2016. - Investment progress of Nonbetalactam Factory in Can Lo Industrial Complex.
16	19/NQ-HĐQT	05/8/2016	- Organization chart of the Company - Financial regulation of the Company - Appointed the manager of the branch under the Company
17	20/NQ-HĐQT	05/8/2016	Distribution of remuneration to the Board of Management and Supervisory Board in 2016.
18	21/NQ-HĐQT	05/8/2016	- Approved on report on the implementation of the Board of Management's Resolution to June 30, 2016. - Merged DOMENOL One-member Limited Liability Company as part of DOMESCO. (Change form of merger into dissolution according to Resolution 28/NQ-HĐQT dated December 19, 2016)

No.	Resolution No.	Date	Content
19	22/NQ-HĐQT	09/8/2016	Approved the content of adjustment, supplementation of registration of the business lines of the Company.
20	24/NQ-HĐQT	24/8/2016	Appointed the Manager of IT Department.
21	25/NQ-HĐQT	24/10/2016	The Board of Management agreed on the contents, time and place of convening Extraordinary General Meeting of Shareholders on December 06, 2016.
22	26/NQ-HĐQT	24/10/2016	The Board of Management agreed to submit to the Extraordinary General Meeting of Shareholders 2016 on increasing the number of Board of Management members from 06 to 07 members to meet the Company's management needs.
23	27/NQ-HĐQT	22/11/2016	The Board of Management unanimously approved the report to extraordinary shareholders' meeting on December 06, 2016.
24	28/NQ-HĐQT	19/12/2016	- Dissolved DOMENOL One member limited liabilities company - Reason for dissolution: To restructure the business of DOMESCO Medical Import Export Joint Stock Corporation..
25	29/NQ-HĐQT	20/12/2016	- Approved all transactions, cooperation contracts with the related organization as Glomed Pharmaceutical Co., Ltd. based on the principles developed under the principle contract between DOMESCO Medical Import Export Corporation and Glomed Pharmaceuticals Limited (attached contract). - Assigned the General Manager of DOMESCO Medical Import Export Joint Stock Corporation, based on the principles set out in this contract, shall consider signing and performing specific transactions and contracts and bear responsibility to the Board of Management.
26	30/NQ-HĐQT	31/12/2016	Adjusted total salary fund in 2016.

### LIST OF MEMBERS OF BOARD OF MANAGEMENT PARTICIPATING IN CORPORATE GOVERNANCE PROGRAMS DURING THE YEAR

Training courses on corporate governance that members of the Board of Management, Supervisory Board members, Executive Board, other managers and Company secretary have joined in.

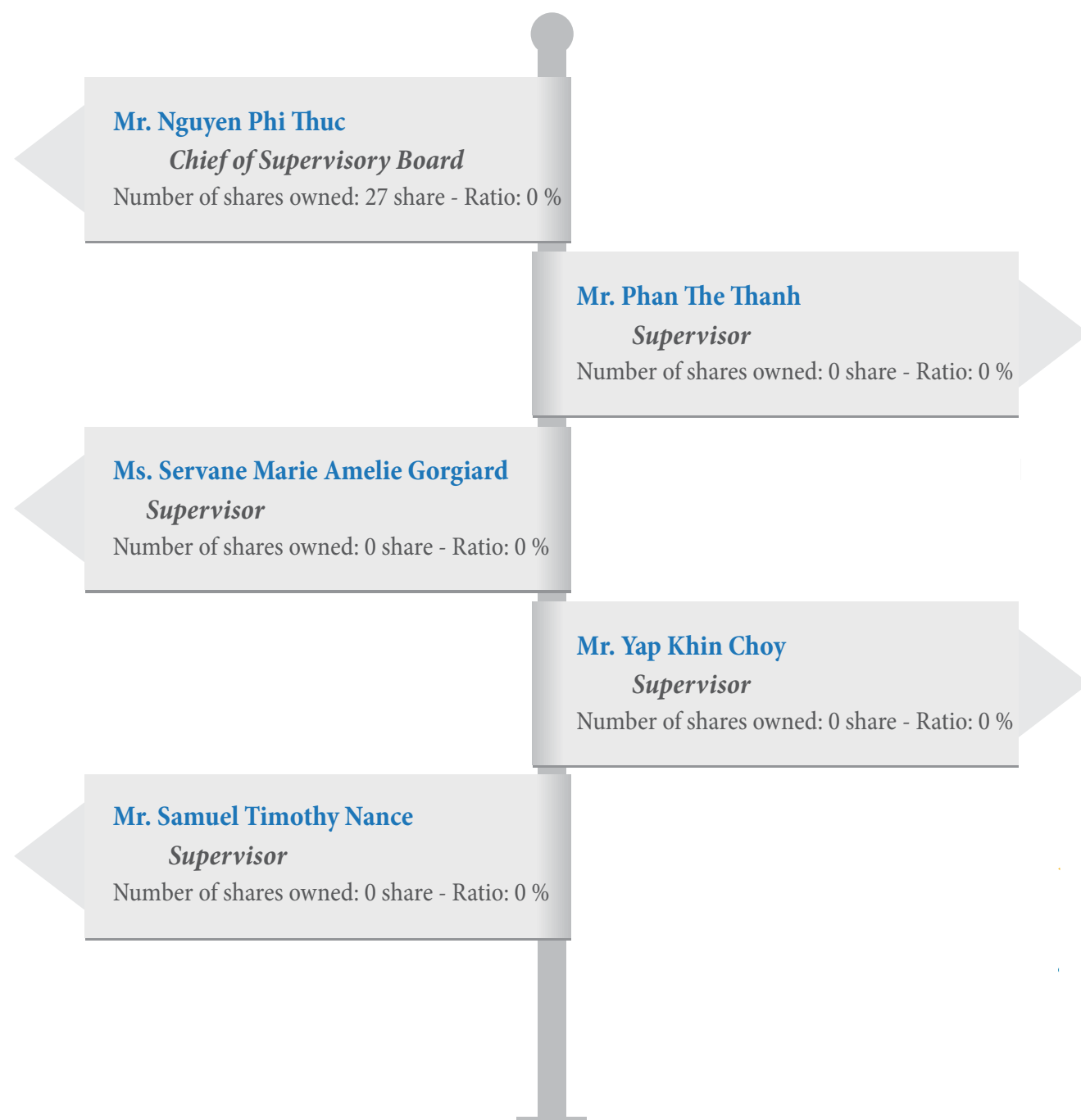
No.	Content	Participants	Note
1	Chief – Staff: Near & Far	BOM, Supervisory Board, Executive Board, officers of Company, Secretaries	The Company invites lecturers for internal training



# COMPANY MANAGEMENT (cont)

## 5.2 SUPERVISORY BOARD

### MEMBERS AND STRUCTURE OF SUPERVISORY BOARD



### ACTIVITIES OF SUPERVISORY BOARD

- 1 Coordinate the Internal Control Department to inspect 12/12 branches' activities, focusing on the following contents: inspecting the implementation of the sale policy, reconcile debts on books and reality, operation of warehouse and profession. The Board of Supervisor found that the inventory of goods is carried out monthly very seriously between three divisions: accounting, operations and warehousing, jointly compare the data on the book, then check on reality. The good management of inventory contributes to promoting the consumption of goods for long-term use, preventing damage to the Company.
- 2 Checking procurement activities of the company: The Executive Board issues the procedure in equipment procurement, assigns implementation, and inspects procurement activities to ensure optimal business efficiency and compliance with the regulations of law.
- 3 Controlling the supply chain: The Executive Board has directed relevant departments to build a reasonable inventory base for packaging, raw materials and finished products . . . to meet production and business needs, ensure the rotation of capital, strictly monitor the expiry date of the product to take measures to handle in time, remedy of damage caused by damaged or expired goods which needs to be destroyed.
- 4 Inspecting operations of material and chemical warehouse; investment in building the pharmaceutical factory, business activities at DOMENOL One Member Limited Liability Company.
- 5 Sharing experience with affiliates about solutions to improve business efficiency of the branch, focusing on the main groups: (1) sales process, (2) business - accounting - warehouse process, (3) cash and cash management in the branch's accounts, (4) debt comparison and debt collection procedures.
- 6 Sharing on how to set up the cost of sales promotion in accordance with Circular 200/2014/TT-BTC.
- 7 Participating in control of invoices and vouchers to ensure the legality, rational and valid according to current law and accounting standards.
- 8 In addition, the Supervisory Board has 01 meeting/quarter, the meeting focused on the following issues:
  - + Evaluate business results and factors affecting the results of operations;
  - + Review financial report and request attention of the Executive Board on financial indicators which have irregular increase/decrease or tend to be unfavorable to the company, propose solutions;
  - + Suggesting the Executive Board to improve governance on several specific activities;
- 9 Summarize the activities of the Supervisory Board in the period; Assign the duties of members of the Supervisory Board to Supervisors who were elected in replacement of the resigned 02 members...



### 5.3 TRANSACTIONS, REMUNERATION AND BENEFIT OF BOARD OF MANAGEMENT, EXECUTIVE BOARD, SUPERVISORY BOARD

#### REMUNERATION, BONUS AND OTHER EXPENSES FOR BOM - SB IN 2016

##### AS FOLLOWS:

Pursuant to Resolution No. 01/NQ-ĐHCD-DMC of the Annual General Meeting of Shareholders on April 23, 2017

FULL NAME	POSITION	TOTAL	NOTE
<b>BOARD OF MANAGEMENT</b>			
Nguyen Chi Thanh	Chairman of BOM	198.000.000	
Alejandro Esteban Weinstein Manieu	Vice Chairman of BOM	48.500.000	Dismissed on April 7, 2016
Huynh Trung Chanh	Member of BOM	350.000.000	
Luong Thi Huong Giang	Member of BOM	280.000.000	
Nguyen Van Hoa	Member of BOM	280.000.000	
Andrew Hamish LANE	Member of BOM	48.500.000	Dismissed on April 7, 2016
Sean Philip Shrimpton	Member of BOM	131.500.000	Appointed on April 7, 2016
Aamer Mamud Malik	Member of BOM	131.500.000	Appointed on April 7, 2016
Douglas Kuo	Member of BOM	12.000.000	Appointed on December 6, 2016
<b>SECRETARY</b>			
Luong Thi Bich Nhung	Secretary of BOM	104.000.000	
<b>SUPERVISORY BOARD</b>			
Nguyen Phi Thuc	Chief	200.000.000	
Phan The Thanh	Supervisor	90.000.000	
Huynh Thi To Quyen	Supervisor	105.000.000	Dismissed Supervisory title from October 20, 2016
Tran Thai Thanh	Supervisor	87.500.000	Dismissed Supervisory title from October 20, 2016
Servane Gorgiard	Supervisor	90.000.000	
Yap Khin Choy	Supervisor	6.000.000	Appointed on December 6, 2016
Samuel Timothy Nance	Supervisor	6.000.000	Appointed on December 6, 2016
<b>Total (VND)</b>		<b>2.168.500.000</b>	

### TRANSACTIONS OF THE INSIDERS AND PERSONS RELATING TO THE PERSONS CONCERNED WITH THE SHARES OF THE LISTED COMPANY

No.	The person performing the transaction	Relationship with internal people	Number of shares owned at the beginning of the period		Number of shares owned at the end of the period		Reasons for increase or decrease (purchase, sale, conversion, bonus ...)
			Number of shares	Ratio	Number of shares	Ratio	
1	Mr. Nguyen Van Hoa	Member of BOM - cum Deputy General Manager	650.000	1,87%	0		Sale
2	Mr. Huynh Trung Chanh	Member of BOM	65.000	0,19%	0		Sale
3	Ms. Pham Ngoc Tuyen	Chief Accountant	34.234	0,10%	34.234	0,10%	Published but not sold
4	Binh Thuan Pharmaceutical & Medical Equipment Corporation	Concerned Company - Mr. Huynh Trung Chanh	10.000	0,037%	0		Sale
5	Ms. Nguyen Thi Dep	Sibling of Mr. Nguyen Van Hoa	3.025	0,01%	6		Sale





## COMPANY MANAGEMENT (cont)

### TRANSACTIONS BETWEEN THE COMPANY AND RELATED PERSONS OF THE COMPANY; OR BETWEEN THE COMPANY WITH MAJOR SHAREHOLDERS, INSIDERS, PERSONS CONCERNED WITH THE INSIDERS

No.	Name of organization	Relationship with the company	No. of Certificate of ownership *, date of issue , place of issue of the owner	Address of the headquarter	Time of transaction with the company	Resolution No. / Decision No. of General Meeting of Shareholders /BOM ...	Number and percentage of shares held after trading	Note
1	CFR International SPA	Big Shareholder	CA5587 05/12/2011	Floor 8 , No 295, Pedro de Valdivia street , Providencia District - Santiago City, Chile		23/NQ -HDQT Dated April 24, 2013	17,949,800 (51.69%)	Cooperation in purchase - sale of raw materials - finished products for business of DOMESCO
2	DOMENOL One member Limited Liabilities Company	Subsidiary /	1401164085 Date of issue : 29/08/2014	Can Lo Industrial Complex, An Dinh Hamlet , An Binh Commune , Cao L anh District , Dong Thap province, Vietnam		08 /NQ -HDQT Date April 05, 2016	0	
3	Glomed Medicine Co., Ltd.	Company concerned	3700754914	35 Tu Do Boulevard , VISIP , An Phu Ward , Thu an An, Binh Duong		29/NQ -HDQT Date : December 20, 2016	0	
4	APT Packaging Technology Corporation	Company concerned	3700811591	99A, group 3A, 5 Cluster , My Phuoc Ward , Ben Cat Town , Binh Duong province		08/NQ -HDQT Date : April 05, 2016	0	

### TRANSACTIONS BETWEEN THE COMPANY AND THE COMPANY IN WHICH THE MEMBER OF THE BOARD OF MANAGEMENT, MEMBER OF THE SUPERVISORY BOARD, THE MANAGER (GENERAL MANAGER) IS A FOUNDING MEMBER OR MEMBER OF THE BOARD OF MNGEMENT, MANAGER (GENERAL MANAGER) WHO HAS OPERATED THE COMPANY FOR THREE (03) YEARS

No.	Name of organization	Relationship with the company	Certificate of ownership No. *, date of issue, place of issue	Address of the headquarter / Contact address	Time of transaction with the company	Resolution No./Decision No. of the General Meeting of Shareholders, BOM... (if any, specify the date of issue)	Number and percentage of shares held after trading	Note
1	Binh Thuan Pharmaceutical & Medical Equipment Corporation	Company concerned with Mr. Huynh Trung Chanh - Member of BOM	3400324879 28/09/2001	192 Nguy en Ho i, Ph u Trinh ward , Phan Thie t City , Binh Thu an province		25/NQ -HDQT Date : November 6, 2015	0	Cooperation in purchase - sale of materials - finished products for business of DOMESCO



The financial statements for 2016 have been audited in accordance with the accounting standards, the Vietnamese accounting system and other relevant laws and are included in the annex of the Annual Report 2016<sup>(1)</sup>.

## EXPLANATION OF FINANCIAL STATEMENTS AND AUDIT REPORT

### ❖ Independent auditing

#### Independent auditing

- ★ Company name: Ernst & Young Vietnam Co., Ltd
- ★ Address: Floor 28, Bitexco Financial Tower, No. 2 Hai Trieu, District 01, Ho Chi Minh City
- ★ Telephone: (+84) 83824 5252 – Fax: (+84) 83824 5250
- ★ Website: [www.ey.com](http://www.ey.com)

#### Independent audit opinion

According to audit report No. 61197154/18590933-HN dated March 28, 2017 of Ernst & Young Vietnam Limited:

“ .....In our opinion, the consolidated financial statements reflect honestly and reasonably, based on the key aspects the consolidated financial position of the Company as at 31 December 2016, as well as its consolidated results of operations and cash flows for the fiscal year ended on the same day, in accordance with Vietnamese Accounting Standards, Vietnamese Accounting System and other legal regulations relating to the preparation and presentation of consolidated financial statements.”

### ❖ Internal audit

The Supervisory Board evaluated the operation of DOMESCO Medical Import Export Joint Stock Corporation as follows:

- *Operation*: The Company's activities are always in compliance with the Company's rules and regulations.
- *Accounting*: The Company has implemented Vietnamese accounting standards, the Vietnamese accounting system and complied with relevant regulations on accounting.
- *Organizational management*: The Company's Executive Board has paid due attention to the living conditions of staff and workers, gradually improved and raised their incomes and welfare systems for the Staff - Employees of the Company.

Cao Lanh City, April 17 2017

GENERAL MANAGER

(Signed)

LUONG THI HUONG GIANG

<sup>(1)</sup> Full audited consolidated financial statements are published at: <http://domesco.com/en/quanhenhadautu/shareholder-notice/financial-report/consolidated-audited-financial-statements-2016-and-profit-explanation/>

Or Ho Chi Minh Stock Exchange:

<http://www.hsx.vn/Modules/Listed/Web/SymbolView/134>