

TRAPHACO JSC

No:/2022/TT-ĐHĐCĐ

THE SOCIALIST REPUBLIC OF VIETNAM

Independence - Freedom - Happiness

Hanoi, March , 2022

STATEMENT 2022 ANNUAL GENERAL MEETING

The Board of Supervisors' 2021 Report

To: GENERAL ASSEMBLY OF SHAREHOLDERS

Pursuant to the Enterprise Law No. 68/2014/QH13 by the 13th National Assembly of the Socialist Republic of Vietnam dated 26/11/2014;

Pursuant to the Corporate Charter of TRAPHACO JSC;

REPORT OF THE BOARD OF SUPERVISORS

MEMBER AND STRUCTURE OF THE BOARD OF SUPERVISORS

No.	Member	Title	Number of shares	Notes
1	Nguyen Thi Luong Thanh	Head	0	Elected to the new term on March 31, 2021
2	Nguyen Thanh Hoa	Commissioner	0	Elected to the new term on March 31, 2021
3	Kwon Ki Bum	Commissioner	0	Elected to the new term on March 31, 2021
4	Mr. Duong Duc Hung			Dismissed on March 31, 2021

MEETINGS OF THE BOARD OF SUPERVISORS

In 2021, Board of Supervisors Board held 04 regular meetings and attended all meetings of the Board of Directors. The main sessions of BoS are as follows:

Meeting	Participants	Content
Session 1: Feb 2021	3/3	<ul style="list-style-type: none"> - Analyzing and evaluating contracts, transactions with related parties in 2021, submitting to the AGM. - Review and evaluate the compliance with the law, resolutions of the General Meeting of Shareholders and the Board of Directors, and the implementation of KPIs by the Board of Management.
Session 2: April 2021	3/3	<ul style="list-style-type: none"> - Assign tasks to BoS members. - Review and assess the compliance with the law, resolutions of the General Meeting of Shareholders and the Board of Directors
Session 3: August 2021	3/3	<ul style="list-style-type: none"> - Assess and verify the semi-annual financial statements for 2021.
Session 4: Dec 2021	3/3	<ul style="list-style-type: none"> - Evaluate the 2022 Plan.

THE RESULTS OF MONITORING THE IMPLEMENTATION OF 2021 AGM'S RESOLUTION

- The Company has achieved consolidated revenue in 2021 of VND 2,160 billion, reaching 102.8% of the 2021 plan, increasing by 13.2% compared to 2020; consolidated profit after tax is VND 265 billion, exceeding 10.4% of the plan in 2021, increasing by 22% compared to 2020. The average income of employees of the parent company in 2021 increases by 17% compared to 2020.
- The Company has selected KPMG Tax and Consulting Co., Ltd. as the consultant for the Business Restructuring Project, promulgated the macro organizational model in November 2021, and the micro organizational model in January 2022.
- The Company has completed setting up funds as regulated; ensured the state budget contribution in accordance with the law.
- The Company (already completed) paid the dividend of 2020 in January and May 2021.
- The Company has paid remuneration of 2021 to the members of BoD and BoS as approved by the AGM.
- The contracts between Traphaco and Traphaco High-Tech Company and Traphaco Hung Yen Company Limited (contract with related parties, with great value) has been signed and implemented under the Resolution of the General Meeting.
- The Company has selected Ernst & Young Vietnam as the auditor for 2021

financial statements.

THE RESULT OF MONITORING ON THE BOARD OF DIRECTORS, THE BOARD OF MANAGEMENT

The Board of Directors have 7 members; In 2021, the Board of Directors held 17 meetings, 6 in-persons and 11 by written documents, according to the Company's Charter. The Board of Supervisors assess the year-round performance of the BoD as in line with legal regulations, the Company's Charter and the Regulations on corporate governance of the Company, towards the direction of advanced governance norms by OECD; following all activities, strategic development of the Company with effectiveness and high responsibility.

Board members attended all the Board meetings and actively participated in consulting the Board of Management to implement the Company's major solutions: assign KPIs according to strategic objectives, implement the business restructuring project, promulgate the delegation of authority, test the separation of herbal vs non-herbal activities, etc.

The sub-committees under the Board of Directors organize meetings in accordance with the Board of Directors' operation regulations, advise the Board of Directors on the budget of the financial plan, technology-transfer, innovation for improvement of factories' operation, internal regulations of the Company...

In 2021, the Board of Management proactively and actively in directing and operating, flexibly adapting to the situation of isolation and lockdown because of the Covid epidemic, bringing production and business results that exceed the plan.

The Board of Directors, the Board of Management made reports and information disclosures as prescribed by law.

Board of Supervisors agreed with the report of the Board of Directors submitted to the 2022 AGM.

THE RESULTS OF MONITORING THE OPERATIONS AND FINANCES OF THE COMPANY

THE COMPANY'S CONSOLIDATED BUSINESS RESULTS

Key indicators

No.	Targets in Resolution	Plan of 2021	Results in 2021	The ratio compared to planned	Compared to 2020
		VND billion	VND billion	(%)	(+ %)
1	Net revenue from sales and services	2,100	2,160	102.8	13.2
	- Manufactured goods:	1,695	1,755	103.5	9.9
	- Consigned Export-Import goods and services, other products	155	161.5	104.1	50
	- Revenue from subsidiaries	210	243.4	115.9	18.8
2	Net profit from business operation		331.7		
	Consolidated profit (after tax)	240	265	110.4	22.3
		(VND million)	(VND million)		
3	Average income of employees	23,4	26,1	111.5	17.04
4	Contribution to the state budget	VND 111,506,818,757			

Achieved targets:

- Consolidated revenue grew by 13.2% compared to 2020, which is an impressive growth rate considering that 2021 is a year heavily affected by the Covid-19 pandemic, the distribution system has proven its advantage, full and timely delivery, no broken supply chain, supported by customers. Consolidated profit reached 265 billion, exceeding 10.4% of the plan (240 billion), an increase of 22.3% compared to 2020. Parent company profit reached 206 billion, exceeding 10.75% of the plan (186 billion), an increase of 27.24% compared to 2020 due to the Company actively making and implementing business plans, annual budgets, managing spending norms, negotiating with suppliers to get reasonable input prices and focusing on key products with good profit margins. The growth in revenue and profit of the Company is high among pharmaceutical companies listed on the stock market.

- Average income of employees increased by 17% compared to 2021.
- Implement the experimental steps of the Business Restructuring Project with the expectation that a new organizational model and improved and more appropriate governance method will create a resonance of resources and values, promote Traphaco to develop strongly.
- Research new products (self-produced products) that are abundant and exceed the target; The number of registrations/publication exceeded the target, the revenue of new products exceeded the plan. The Green Plan project creates GACP medicinal herbs, traceable to the origin, without breaking the value chain because of the epidemic.
- Technology transfer products with new ways of doing things have made good progress, completed and submitted registration documents quickly.

Unfulfilled targets

- ETC revenue achieved 88.75% of the plan (142/160 billion). The reason is due to the lockdown and isolation policies because of the Covid-19 epidemic and the impact of the epidemic: purchasing power decreased, people did not go to hospitals, hospitals stopped bidding plans.

APPRAISAL OF 2021 FINANCIAL STATEMENTS

the Board of Supervisors has reviewed, verified and agreed with the 2021 consolidated financial statements and separate financial statements of the Company audited by Ernst & Young Việt Nam. The financial statements ended on Dec 31, 2021, the biannually and quarterly financial statements were clear and reasonable in all major aspects, including the financial status, business results and cash flows of the Company.

The Company has complied with the requirements of accounting standards, accounting regulations and current rules of financial, accounting and taxation management. The 2021 financial statements are promptly and correctly prepared.

EVALUATION ON THE COORDINATION OF THE BOARD OF SUPERVISORS, THE BOARD OF DIRECTORS, THE BOARD OF MANAGEMENT AND SHAREHOLDERS

The Board of Directors and the Board of Management have close cooperation, facilitating the Board of Supervisors to fulfill the assigned tasks, providing sufficient information on the situation of production and business activities and the financial position of the Company, minutes of meeting of the Board of Directors and other information upon request.

The Board of Supervisors, the Board of Directors and the Board of Management closely cooperate to promptly solve the problems in the process of inspection and examination by the Board of Supervisors.

Periodically, the Board of Supervisors has reported and submitted written proposals to the Board of Directors and the Board of Management. The recommendations by the Board of Supervisors are all noted and implemented.

In 2021, there is no request from the General Assembly of Shareholders, shareholder group or individual shareholder under Clause 2, Article 115 of the Law on Enterprises to the Board of Supervisors on the examination of single specific issue in management, operations of the Company.

RECOMMENDATIONS

The Board of Supervisors recommends the following points for 2022:

- The Company finds solutions to improve the quality of modern medicines, diversify products according to the actual needs of hospital-based medicines to participate in bidding for high-class drugs...
- The Company focuses on improving governance at subsidiaries and branches.
- The Company cooperates with partners to deploy technical support for the effective production of new products.
- Evaluate the effectiveness of testing the organizational model and decentralization to perfect it accordingly.

**B.O BOARD OF SUPERVISORS
HEAD**

(signed)

Ms. Nguyen Thi Luong Thanh