

DRAFT

STATEMENT 2024 ANNUAL GENERAL MEETING

re: the operating performance in 2023, activities of the Board of Directors in 2023 and the operating plan in 2024

To: GENERAL ASSEMBLY OF SHAREHOLDERS OF TRAPHACO JOINT STOCK COMPANY

The Board of Directors (BOD) reports to the General Assembly of Shareholders (GAS) on the results of production and business activities in 2023 and the specific plan for 2024 as follows:

PART 1: RESULTS OF PRODUCTION AND BUSINESS ACTIVITIES IN 2023

I. Overview of the pharmaceutical industry and production and business results in 2023

1. Overview of the pharmaceutical industry in 2023

- 2023 is a year of many difficulties and challenges for the Vietnamese economy after Covid-19. The economy grew slowly, income decreased, leading to weak purchasing power, people tended to check up and get drugs through insurance, and limited their purchases. Sales channels to hospitals and clinics have grown well, which has created favorable conditions for pharmaceutical companies to have a large proportion of sales through ETC. However, because Traphaco has a low proportion of ETC channel revenue (less than 10%), it rarely benefits from ETC channel growth.

- Demand for drugs on the OTC channel was low, especially for supplements and traditional medicine products. This adversely affected Traphaco.

2. Production and business results in 2023

(consolidated report)

No	Targets	Plan 2023	Result in 2023	Ratio compared to plan	Growth compared to 2022
first	Net revenue from sales and service	2,600	2,330	90%	-3%
1.1	<i>Revenue from parent company</i>	2,249	2,069	92%	-5%

	- OTC revenue	2,043	1,850	90.58%	-8%
	- ETC revenue	206	218.6	106%	+24%
1.2	Revenue from subsidiaries	239	196.7	82.3%	-ten%
	- Daklak Pharmacy	220	178.5	81.1%	-13%
	- Traphaco CNC	12	11.09	92.4%	+58%
	- TraphacoSapa	7	7.1	101.4%	+1.4%
1.3	Adjustments	112	64.21	57.26%	
2	Consolidated profit (after tax)	326	285	87.42%	-3%
3	Employees income of parent company compared to 2021	+5%	-16.4%		-16.4%
4	Number of new products launched into manufacture and marketed (in which pharmaceutical drugs ≥ 4)	12	13	+8.3%	+18%
5	Sales of new products launched into the market from 2021	190	170	117%	
6	Number of registration and announcement				

Proportion of sales by segments :

Unit: billion VND

	Traditional medicine	Non-traditional medicine	Total
OTC channel	1,383 (52.93%)	1,012 (38.73%)	2,395 (91.66%)
ETC channel	178.8 (6.84%)	39.2 (1.50%)	218 (8.34%)
Total	(59.77%)	(40.23%)	2,613 (100%)

- Traphaco's OTC channel revenue accounted for over 90% of the company's revenue while the OTC channel's plan completion rate was low (90%) due to many disadvantages in the OTC market, along with rising gold prices leading to losses of revenue from the gold point accumulation program for OTC system customers were larger than planned.
- The ETC channel completion exceeded target about 6%, but the proportion of the ETC channel only accounted for less than 10% of the company's revenue, so it could not compensate for the decrease in the OTC channel.

Reasons for not achieving revenue:

- Objective reasons came from the market situation, especially the difficult OTC market.

- The rate of customers converting points to gold was high, therefore the revenue deduction was large.
- Subjective reason: sales programs did not convey to customers the Company's values. Customers have not yet felt the full benefits from Traphaco sales.

Reasons for not achieving profit targets:

- Revenue did not meet plan.
- Budget planning activities have several positive achievements, however, some costs have not really been effective.

3. Financial targets

No.	Financial indicators	Unit	2023	2022	2021
1.	ROS	%	12.41	12.23	12.24
2.	ROE	%	19.88	22.17	15.75
3.	ROA	%	14.48	16.66	21.68
4.	Asset turnover	Time	1.08	1.32	1.27
5.	Inventory turnover	Time	2.23	2.45	5.14
6.	Short-term solvency	Time	2.41	2.81	2.49
7.	Inventory/working capital ratio	%	52.24	60.57	58.44
8.	Ability to pay interest	Time	92.54	339.70	61.87
9.	Liabilities/Equity	%	42,63	31.56	37.63
10.	Average days of receivables	Day	31.93	25.94	26.98

II. Major activities of the Company in 2023

In 2023, the Executive Board implements the Resolution of the General Assembly of Shareholders dated April 14, 2023 and the directions of the Board of Directors:

- Deployed the separation of traditional medicine and non-traditional medicine services across the entire business system.
- Piloted the implementation of non-cash payments with OTC partners and customers, conducted evaluation and adjustments to deploy throughout the OTC system in the near future.
- Deployed 5 quickwins according to the digital transformation plan including: Digital office applications, Customer interaction portal (Zalo OA), Integrating non-cash payment solutions, Applying room management information system experience and quality (LIMS), Online training application (E-learning) has initially come into stable operation, creating convenience in coordinating work between departments in the company, increasing productivity and efficiency.
- Conducted scientific seminars combined with factory visits, invited scientists and doctors to present at seminars. The results were highly appreciated by pharmacy

owners, customers and partners, increasing awareness of Traphaco's modern medicine products.

- Promoted cooperation, put products on the priority list of pharmacy chains such as: Long Chau, Pharmacy, Trung Son,... Recorded good growth in sales at the above chains.
- Carried out communication and sales activities on online channels, e-commerce platforms and thuocsi.vn partners.
- Sales of new products launched to the market in 2023: reached 43 billion/plan of 36 billion (120% of plan).
- Deployed and evaluated the Hoang Liet factory layout plan to increase the company's operational efficiency.
- Strengthened technology transfer activities: promoted communication activities, introduce the treatment advantages of technology transfer products to more than 600 large customers in the OTC channel and more than 100 customers in the ETC channel. Screened and selected 10 products for technology transfer phase 3 with Daewoong, products with different preparation techniques and competitive technological advantages in the specialized treatment drug market. Accepted production and processing with 02 partners who are large pharmaceutical distribution companies in Vietnam.

Some major awards the Company achieved in 2023

Top 25 Leading Brands 2023 for Personal & Industrial Consumer Goods - Forbes VN voted: Honor ceremony on October 17

Outstanding Enterprises for Workers 2023: October 29

Human Act Prize: December 11, 2023

Top 10 Sustainable Development Enterprises CSI: December 13, 2023

Honor Award for the Development of Vietnamese Medicinal Materials: December 21, 2023

Chairman of the Trade Union of Traphaco Joint Stock Company received the 2023 Vietnamese Women's Award on November 27, 2023

III. Operation results of subsidiaries

1. Traphaco Hung Yen Company Limited

- Granted GMP health protection food (April 2023). Completed GMP-WHO re-evaluation and certification (August 2023)
- Successfully deployed 6 new products to the market, contributing 23.1 billion VND in revenue, exceeding new product revenue plan by 220%.
- Received delivery of 07 additional production processes from Traphaco. By the end of 2023, processes of 47/57 products being produced at the company have been delivered.
- Improved 03 production processes which improved productivity and saved costs.

- Completed the inspection of taxes and amounts payable to the budget until the end of 2022 according to decision No.101/QD-TTT dated June 5, 2023 of the Hung Yen Provincial Inspectorate.
- Coordinated to organize seminars on technology transfer products to help increase product recognition in the market.
- Deployed 360-degree assessment for managers and office staff.

Business results in 2023

No.	Targets	2023			
		Plan 2023	Result 2023	Compared to plan	Growth compared to 2021
1	Net revenue (billion VND)	368	395	+7%	+12%
2	Profit after tax (billion VND)	39	45	+15%	+18%

General assessment: Traphaco Hung Yen Co., Ltd. operates very effectively and exceeds all set targets.

2. Traphaco High Technology Joint Stock Company

- Revenue in 2023 reached 514.8 billion VND ~ 84.1% of the year plan, Profit after tax in 2023 reached 39.5 billion VND ~ 84% of the year plan. In 2023, the economy was difficult, from mid-2023 the cost of raw materials, especially medicinal materials, increased. Traphaco CNC has saved costs but could not compensate for the decrease in revenue and increase in raw material prices, but still ensured profit margin would reach the yearly plan of 7.67% of revenue.
- New product registration and research have been focuses. Ensured the validity of the registration number/announcement number of the product did not affect production (2 medicinal products renewed, 10 medicinal products submitted for change or extension, 20 price declarations accepted). In 2023, Traphaco CNC had 18 registration/announcement, reaching 163.6% of the 2023 plan (11 registration/announcement). By December 31, 2023, Traphaco CNC owns 76 registration numbers/announcement (26 registration numbers and 50 announcement numbers). Revenue from newly launched products in 2023 reached 10.4 billion VND.
- Developed the yellow chrysanthemum growing area in Luong Tai village, Van Lam, Hung Yen to achieve GACP yellow chrysanthemum certification.
- Converted manual sugar coating technology to automatic sugar coating: 100% of sugar coated pellet products on automatic sugar coating machines met quality standards, product quality has improved, helping to improve the working environment (reducing dust, heat, noise)

Business results in 2023

No.	Targets	2023			
		Plan 2023	Result 2023	Compared to plan	Growth compared to 2022
1	Net revenue (billion VND)	612	514.8	-15.9 %	-11.8%
2	Profit after tax (billion VND)	47	39.5	-16%	-12.2%

General assessment: Traphaco High Technology Joint Stock Company did not complete the set targets.

3. Traphaco Sapa Company Limited

- Completed the inspection of the 2022 operational financial statements conducted by the Sapa Town Tax Department.
- Completed the audit of the 2022 operational financial statements conducted by Ernst & Young Vietnam Co., Ltd. - Hanoi Branch.
- Completed and submitted the Application to participate in the Precious Medicinal Materials project in Sapa town.
- Completed the UEBT re-certification: July 1, 2022, new certification from UEBT (Global Alliance for Ethical Trade Biology: recognizing the values of sharing community benefits, preserving biodiversity, and actively conserve medicinal plant genetic resources).
- Completed the purchase and proficiently applying the HPLC machine, mastering the quantitative tests of active ingredients in Artichoke extract, Cordyceps, and Cordyceps sinensis.
- Completed ISO periodic audits.

Business results in 2023

No.	Targets	2023			
		Plan 2023	Result 2023	Compared to plan	Growth compared to 2022
1	Net revenue (billion VND)	75	76.3	102%	+2%
2	Profit after tax (billion VND)	3.85	4,013	104%	+18%

General assessment: Traphaco Sapa completed the targets.

4. Daklak Pharmaceutical & Medical Equipment Joint Stock Company

Competition between manufacturers and distributors in the area has been becoming more fierce, competition between traditional pharmacies and Long Chau, An Khang, Pharma City chains was also tense, greatly affecting business operations revenue of the company. OTC revenue has decreased, ETC revenue has grown but was not enough to

compensate for the lack of revenue of the OTC channel. Bamepharm has proactively exploited the group of processed and imported products to ensure the business performance.

- Focused on negotiating and completing procedures for extending the land lease period.
- Exploited bidding packages in Dak Nong.
- Maintained and stabilized the direct retail system.
- Put into business a new product under the company's brand.
- Effective exploitation of processed and imported products.

Business results in 2023

No.	Targets	2023			
		Plan 2023	Result 2023	Compared to	Growth compared to 2022
1	Net revenue (billion VND)	280	237.5	84.8%	-8.7%
2	Profit after tax (billion VND)	6.58	5.62	85.4%	-11%

General assessment: Daklak Pharmaceutical & Medical Equipment Joint Stock Company did not complete the targets.

PART 2: ACTIVITIES OF THE BOARD OF DIRECTORS IN 2023

In 2023, the Board of Directors has focused its work on the functions, tasks, and powers of the collective and individual members, complying with the Enterprise Law, Securities Law, Company Charter and current laws. Board of Directors meetings have been organized and conducted in accordance with the provisions of the Internal Regulations on Corporate Governance. Minutes, resolutions, and decisions of the Board of Directors are based on the consensus of the members, and archived in accordance with regulations.

1. Activities of the Board of Directors in 2023

- In 2023, the Board of Directors conducted a total of 19 meetings, 4 in person and 15 in writing, and issued 30 Resolutions and Decisions to resolve issues within the functions and authority of the Board of Directors.
- All meetings of the Board of Directors were accompanied with the Board of Supervisors to exchange, discuss and create high consensus in the strategies, business orientation, and direction of the Board of Directors to the Executive Board.

Meeting attendance rate

Status	Member of the Board of Directors	Number of Board of Directors meetings attended	Meeting attendance rate
1.	Chung Ji Kwang	19/19	100%
2.	Nguyen Phu Khanh	19/19	100%
3.	Tran Tuc Ma	19/19	100%
4.	Dao Thuy Ha	19/19	100%
5.	Kim Dong Hyu	19/19	100%
6.	Lee Tae Yon	19/19	100%
7.	Dinh Quang Hoa	11/11	100%
8.	Nguyen Anh Tuan	8/8	100%

Resolutions of the Board of Directors issued in 2023

The Board of Directors has approved 30 Resolutions and Decisions on the following issues:

- Executive management: 15 Resolutions and Decisions
- Human resources management: 10 Resolutions and Decisions
- Organizational administration: 01 Resolution and Decision
- Governance (serving the interests) of shareholders: 04 Resolutions and Decisions

2. Activities of Subcommittees under the Board of Directors

2.1 Development Policy Subcommittee

- Advised on the 2023 Budget Plan: fixed asset investment, construction, R&D, marketing...
- Evaluated production and business results in the first 6 months of the year, directed the Plan for the last 6 months of 2023,
- Advised on the 2024 Production and Business Plan,
- Supervised, oriented, and consulted with the Board of Directors on projects: digital transformation, non-cash payments, factory expansion, production lines at subsidiaries...
- Reviewed the Development Strategy under new circumstances
- Worked with the Executive Board on Revenue Plan and separation of traditional medicine vs non-traditional medicine, Budget Plan and Investment Plan for 2023, 2024, advised to the Board of Directors.

2.2 Human Resources and Compensation Subcommittee

- Reviewed and advised the Board of Directors to assign quarterly KPIs to the Executive Board,
- Proposed personnel and salaries for personnel appointed by the Board of Directors,
- Oriented and supervised the development of training programs, salary, bonus and remuneration policies of the Company,
- Consulted on senior personnel of the company and member companies and departments within the system,
- Advised the Board of Directors on directions for amending the Salary and Bonus Regulations.

2.3 Audit Subcommittee

- Worked with the auditing company and the Board of Supervisors on issues related to audited financial statements in 2022, semi-annual 2023,
- Directed the Internal Audit Committee to implement the Audit Plan as approved by the Board of Directors.

2.4 Subcommittee on Non-traditional Medicine

- Presided over phase 2 technology transfer cooperation activities with Daewoong,
- Evaluated and proposed solutions to improve the performance of Hung Yen modern medicine factory,
- Supervised, oriented, and consulted with the Board of Directors to split sales representatives.

Internal audit activities

- Checked the implementation of audit recommendations
- Carried out audit events as planned:

Status

Name of the audit

Time

1	Sales process and implementation of OTC business sector	March 6 - April 6, 2023
2	Production costs at Traphaco Sapa Company Limited	May 15 - 19, 2023 July 3 - July 19, 2023
3	Business activities of 3rd party products	August 17 -
4	Customer care and management process and implementation at the OTC business sector	September 17, 2023
5	Decentralization matrix, organizational model and implementation situation	October 25 - November 17, 2023

3 . Activities of independent members of the Board of Directors and evaluation of independent members regarding the activities of the Board of Directors

3.1 Independent members of the Board of Directors fully participated in meetings of the Board of Directors :

- The independent members of the Board of Directors is the Chairman of the Human Resources and Remuneration Subcommittee: consults and makes decisions on senior personnel of the Company and member companies and divisions in the system.
- Worked closely with the Board of Directors on issues related to corporate governance.
- Contributed frankly and objectively to the decisions of the Board of Directors to improve the quality of management decisions.

3.2 Independent members of the Board of Directors also closely follow the activities of the Board of Directors and the Company's business activities, enhancing transparency and fairness in management activities.

3.3 Evaluation of the Board of Directors' activities :

- The Board of Directors complied with the Enterprise Law, Securities Law, Company Charter and current laws. Board of Directors meetings have been organized and conducted in accordance with the provisions of the Internal Regulations on Corporate Governance.
- The Board of Directors fully acknowledged the contributions of independent members of the Board of Directors.
- The Board of Directors has made changes to improve the quality of management decisions based on these contributions.

4. Results of supervision for the General Director, managers and executives of the Company

- Supervised the implementation of the Company's production and business plans,
- Monitored and directed the stabilization of production, business and other activities of the Company,
- Directed the Executive Board to organize the 2023 Annual General Meeting of Shareholders,

- Directed the Executive Board to implement the project: "Company restructuring", sale representatives separation, digital transformation, non-cash payment...
- Directed, supervised and supported the General Director and other managers in implementing the Resolution of the General Assembly of Shareholders; Resolutions and Decisions of the Board of Directors (details listed in Section 5),
- Supervised and ensured information was fully, transparently and promptly disclosed in accordance with regulations of the Stock Exchange and the State Securities Commission.

PART 3: PRODUCTION AND BUSINESS PLAN FOR 2024

I. Main indicators

No	Main indicators	Unit	Plan 2024	Growth vs year 2023	
1	Net revenue from sales and service	Billion vnd	2,485	+7%	
1.1	<i>Revenue from company revenue</i>		2,220	+7%	
	- OTC revenue		1,975	+7%	
	- ETC revenue		245	+12%	
1.2	<i>Revenue from subsidiaries</i>		215	+9%	
	- Daklak Pharmacy		195	+9%	
	- Traphaco CNC		12	+8%	
	- TraphacoSapa		8	+13%	
1.3	<i>Revenue and other adjustments</i>		50	-22%	
	- Other revenue and other accounting deductions		30		
	- Financial revenue		20		
2	Consolidated profit (after tax)			303	+6%
3	Employees income of parent company compared to 2022		%		
4	Number of new products launched into manufaction and marketed (<i>in which pharmaceutical drugs ≥ 4</i>)	product			
5	Sales of new products launched into the market from 2021	Billion vnd			
6	Number of registration and annoucement.	Registration/annoucement number			

II. Main tasks

1. 'Maintaining the number 1 position in traditional medicine - Focusing on investment and development beyond traditional medicine'.
2. Strengthen operational capacity of distribution channel:
 - a. OTC channel:
 - ✓ The 2024 sales policy inherits the strengths and overcomes the shortcomings of the 2023 sales policy
 - ✓ Increase the number of SKUs per pharmacy
 - ✓ Increase coverage of key & potential products of each group
 - ✓ Care orientation for the chain system
 - ✓ Online channels promote sales growth

- ✓ Improve the quality of customer management in terms of revenue and legal matters
 - ✓ Ensuring unification of interests of split - non-split customers, wholesale market customers - retail customers
- b. ETC Channel:
- ✓ Diversify forms, optimize revenue
 - ✓ Develop clinic prescription segment
 - ✓ Develop product portfolio through technology transfer products and exploitation products
 - ✓ Develop specialized personnel for ETC channel
 - ✓ Strengthen marketing through conferences and seminars to introduce products to medical staff.
 - ✓ Competitive bidding for advanced pharmaceutical products
- c. Support activities:
- ✓ Increase conferences activities with experts to introduce specialized products to doctors
 - ✓ Increase consulting activities on ZOOM, establish Pharmacy data
 - ✓ Brand development & building: Upgrading the traditional medicine strategy and developing modern medicine
3. Raising the Traphaco brand: class, innovation after 50 years, affirming the position of high quality traditional medicine products, Traphaco's capacity to develop modern medicines.
4. Digital transformation: deploying digitalization of supply chain activities (production management, planning, logistics, distribution), improving customer experience, non-cash payments...
- ✓ Digital projects implemented in 2024:
 - 1) Traceability application
 - 2) Application to support sales representatives
 - 3) Order processing center
 - 4) Payroll HR application
 - 5) Electronic contract solution
 - 6) Knowledge management system
 - 7) Standardize information technology security infrastructure
 - ✓ Enhance exploitation of 5 ongoing quick-wins in 2023:
 - 1) Office no
 - 2) E-learning
 - 3) Zalo OA
 - 4) Non-cash payment
 - 5) LMS lab management
5. Technology transfer:

- ✓ Phase 1 sales target: 18 billion.
 - ✓ The goal of implementing registration - phase 2 production: at least 2 phase-2 technology transfer products have registration numbers and coordinate with Daewoong experts to deploy production successfully, with quality finished products.
6. Quality work:
- ✓ Strong focus on digital transformation with full implementation of subsystems of the overall laboratory operations management software LMS (Waters).
 - ✓ Continue to invest in testing equipment towards automation, freeing up labor that can be performed mechanically to optimize resources.
 - ✓ Invest in human resources for QC activities for R&D to speed up research and development of new products.
7. Risk management:
- ✓ Strengthen the assessment of compliance with legal requirements (especially newly issued legal documents), and assess compliance with the Company's regulations.
 - ✓ Actively comment on legal documents that directly affect the Company's operations, especially legal documents on the pharmaceutical field.
 - ✓ Continue to standardize integration with process digitalization, improving the efficiency of work processes.
8. Human resource management: arrange human resources in accordance with development orientation and technological innovation.
9. Corporate governance: improve the quality of corporate governance according to OECD, ASEAN standards and good corporate governance practices.
10. Find suitable M&A opportunities to create synergistic value.
11. Analyze and properly evaluate Traphaco's potential, bring the stock to its true value, and meet shareholders' expectations.

Respectfully submitted to the General Assembly of Shareholders for consideration and approval.

Best regards./.

Recipients:

- 2024 Annual General Meeting of Shareholders ;
- Board of Directors, Board of Supervisors, Board of Management;
- Employees;
- TRAPHACO website;
- Saved: office of Board of Directors, Office.

**On behalf of BOARD OF
DIRECTORS
CHAIRPERSON**

Chung Ji Kwang

