
No: 01/2020/TTHĐQT-ĐHĐCĐ

Hanoi, March , 2020

STATEMENT 2020 ANNUAL GENERAL MEETING

Re: Production and business results of 2019 and the Plan of 2020

To: GENERAL ASSEMBLY OF SHAREHOLDERS

The Board of Directors would like to report to the General Assembly of Shareholders of 2020 the Results of production and business in 2019 and the Plan of 2020 as follows:

PART 1: PRODUCTION AND BUSINESS RESULTS 2019

I. Production and business results of 2019: (According to the consolidated report)

No.	Indicator	Plan of 2019	Results in 2019	The ratio compared to planned	The ratio compared to 2018
		<i>billion VND</i>	<i>billion VND</i>	%	%
1	Net revenue from sales and services	1,850	1,710	92%	95%
1.1	<i>Manufactured goods:</i>	<i>1,560</i>	<i>1,410</i>	90%	96%
1.2	<i>Consigned Export-Import goods and services, other products:</i>	60	73.5	122.5%	75.8%
1.3	<i>Revenue from subsidiaries</i>	230	228	99%	100%
2	Consolidated profit after tax	170	170.6	100%	100%

- The main reason for failing to meet the revenue target:
 - + The OTC channel was growing slowly, according to the IMS report, increased by 2%, while this channel accounted for 92% of the company's revenue.
 - + Drug procurement circular was slow to be issued compared to expectation, the time of application is expected to be at the end of 2019, thus the company could not take advantage of the ETC channel.
 - + At the end of 2018, the Company increased the price of Cebraton products, customers bought a large amount of products, thus affecting the sales of key products in 2019.
- In 2019, the Company has strengthened its cost management, reduced inefficient and wasteful expenses to ensure the completion of the annual profit plan.

II. The major activities of the Company in 2019

1. *Break-down/specify the annual plan objectives into goals of Departments, Committees and divisions:*

- The Company has developed the Implementation Plan for the Company and for each department. On the basis of the agreed plan, assigned KPI and evaluated the degree of completion, linked to the salary payment according to the approved plan, and KPI results.
- Achievements: The activities of the company's departments are in the right direction, the coordination between the departments has been improved and operates more effectively.
- The Company has continuous and comprehensive training activities on product understanding (monthly, all regions) to drive sales activities into the right direction.
- Thus, monthly KPI assessment shows that the Company's activities closely follow the strategic objectives.
- Although some financial indicators have not been satisfied yet, the Company has followed the right direction, focusing on the following contents:
 - + Changing the way of assigning KPIs, linking KPI with employee benefits
 - + Innovate sales policy
 - + Boost sales into the treatment system
 - + Enhance marketing activities
 - + Cost optimization

2. *Enhance marketing activities*

- Implementing the point-earning program & integrating sales activities: The point-accumulating program which combines promotions and customer care has been welcomed and satisfies customers ... Increasing opportunities for different products, especially products that are not advertised such as Modern medicines, contributing to business performance. The sales of point-accumulating products increased 14% over the same period in 2018. Many products have higher growth rates than the company's average.
- The point-earning program has achieved the following important accomplishment: easy to implement, point-accumulation tiers can be flexibly changed; can introduce several types of products to the customer at once, increase the chances of getting the products on the shelves of drugstores. Point-earning program combined with assigned KPI; sale-reps would be more interested in actively recommending products instead of just taking orders.
- Enhance brand recognition at point of sale: Enhance brand image recognition of Traphaco brand and product brand in pharmacies. Change pharmacy's sales habits. Facilitates the cohesion of sales and customers. The pharmacy maintains a constant purchasing volume.
- Creative media catching up with Digital 4.0: Customer personalization – Change of awareness – Keeping Top of mind position of the main product . Proactively and actively organize internal communication activities on message of the year, company tradition day, and general issues in the company such as livestream on closed-circuit technology eye drops, and promoting sales.
- Product management & New product development: New products in the concentric product group with high sales and good growth: Antot Thymo (14 billion, + 75%); Tottri NC (20 billion; 50%); Boganic kid (6 billion; 30%); Boganic Lippi (8 billion); Create promising products and potential product groups: Dibetalic (58 billion), Antot group (61

billion). New products 3 years (from July 2017 - 2019): Sales: VND 99.3 bn/Plan of 95 bn ~ 105%

3. Focus on the ETC market:

- In 10/2019, a Circular on bidding for new drugs was issued, under which herbal products with GACP certification for raw materials were included in group 1.
- The company is recognized as GACP-certified for ginkgo raw materials, therefore, products for cerebral blood circulation improvement and Cebraton are included in the first group of traditional medicine along with Boganic and ampelop. This is a great growth opportunity for the Company because the key products are in Group 1 and the Company holds a monopoly on GACP.
- The company has established a Hospital sales department, adding 01 Deputy General Director Kim Dong Hyu in charge of ETC.
- Up until now, the Company has separated the ETC and OTC business systems including management staffs, employees and lump-sum expenses for each segment.
- ETC revenue in 2019 increased slightly compared to 2018, after years of continuous decline.

4. Change the method of assigning/allocating and applying KPI to calculate the salary for the sales bloc

- The application of KPI to calculate salaries, in addition to revenue targets, there are also other indicators (coverage, attendance, number of customers got maximum SKU ...), which help drive employees and customers behaviors orientation following the Company's orientation, increase efficiency and benefits as well as sustainable development.
- Using a common measure for all regions, provinces, and employees which is tailored for each area will help guiding the company to unify all the tasks for office and sub-departments, supervisors and employees; thus create clarity, transparency and ensure fairness across all regions, from which we can evaluate the sale-reps' capability on sales skills, and task performance.

5. Regulations on cost norms

- From Q2/2019, the Company has set the norms for key operating expenses.
- The process of developing and implementing cost norms helps identifying and eliminating wasted and ineffective costs; at the same time applying measures to manage the implementation of the assigned norms.
- In order to meet the requirement of reducing the price of input materials, the Company has made a competitive quotation with the materials with large demand over VND 10 billion/year.
- The cost norms have shown positive initial results, reduced costs, helped to ensure consolidated profit targets.

6. Dividend:

- Paying 10% of the dividend in 2018 according to the Resolution of the General Meeting of Shareholders No. 10/2019/NQ-DHDCD dated March 28, 2019 in the second quarter of 2019. Dividend payout ratio for 2018 was 30%.
- In implementing the Resolution No. 10/2019/NQ-DHDCD dated March 28th 2019, Traphaco advanced the dividend of 20% in January 2020.

7. Income and interests of employees

- The average income of employees equaled to 2018, but still reached a good level compared to the market.
- The Company ensures appropriate benefits for employees, encourages employees to work dutifully and contribute to the Company.

8. *Technology transfer:*

- In 2019, Traphaco has received the transfer of 07 products from Daewoong. The company has submitted a product registration file, expected to have registration number in Q3/2019. The products are expected to be distributed to the market from 2021.
- This is a new and positive direction to diversify the Company's product portfolio, especially modern medicine, strengthening and enhancing technology capacity, promoting TRAPHACO's distribution strengths.

9. *Import-distribution activities:*

- In 2019, the Company actively negotiates with partners, major pharmaceutical companies in the world to bring imported products into the distribution system, diversifying the Company's product portfolio.
- In 2019, the Company has initially cooperated in distributing Gomzat and Loxmen products of Daewoong with good results.
- The company negotiated and signed a number of distribution contracts with the companies JW, CKD, Euvipharm ...
- It is expected that revenue from imported distribution goods will grow from 2020 and have a breakthrough in the period of 2021-2022.

10. *Quality Control & Production management*

- The handover of the production process in Traphaco Hung Yen and other companies met the requirements.
- Registration work: Ensure the continuous validity of registration numbers/publication numbers to best serve production and sale activities, even if there is a lot of changes in the contents of the register due to new regulations.
- Scientific research projects (clinical – bio-equivalent) are behind schedule, need to actively exchange and speed up research progress.

11. *R&D and the development of new products:*

- 4 new products are deployed on schedule, meeting the market demand and ordering.
- New product sales grew 12% over the same period in 2018.

12. *Activities of subsidiaries*

12.1 *Traphaco Hung Yen Co., Ltd.*

- Revenue reached VND 292 billion, reaching 94% of the plan, profit after tax reached VND 26 billion, reaching 104% compared to the plan.
- The company quickly received 12 products, of which, 07 products transferred from Daewoong, stably operated new equipment systems.
- The company has been certified as a Science and Technology Enterprise from Oct 10, 2019. Thereby enjoying the 4-year CIT exemption, 50% reduction of 9-year CIT (estimated at VND 20.9 billion) and land rent exemption (VND 4.8 billion).

12.2 *Traphaco High Technology JSC*

- Revenue reached VND 271 billion, equally 77% compared to the plan, after-tax profit reached VND 32 billion, equivalent to 11.8% of revenue.
- The Company successfully organized the Annual General Meeting of Shareholders, maintained stable production and business activities in accordance with the orientation of the Parent Company.

12.3 TraphacoSapa Co., Ltd.

- Revenue was VND 46 billion, which was 90% of target, 95% compared with the same period last year. Profit reached VND 2 billion, equal to 67% of the plan and 107% compared to the same period of 2018.
- The company actively contributes to maintaining the material area that meets GACP standards of Traphaco.

12.4 Daklak Pharmaceuticals & Medical Materials JSC

- Profit reached VND 264 billion, equal to 90% of the plan and to that of the same period of 2018.
- Profit reached VND 7 billion, equal to 100% of the plan and slightly increased compared to the same period of 2018.
- The Company successfully organized the 2019 Annual General Meeting of Shareholders, maintained stable production and business activities in accordance with the orientation of the Parent Company.

13. Major awards that the Company achieved in 2019

- National Quality Golden Award
- Certification of Science and Technology Enterprise for Traphaco Hung Yen Co., Ltd.
- First-Class Labor Medal for Company Union
- Traphaco achieved the certificate of Global Gender Equality EDGE
- Enterprise for workers
- Top 10 Best Annual Report
- Top 5 Sustainability Report
- Top 5 Best Corporate Governance Companies
- CSI Sustainable Business Awards
- Top 50 leading Vietnamese brands

III. Activities of the Board in 2019

1. The Board of Directors convened periodically to evaluate the operation and then issue development strategy for Traphaco

- Pursuant to Enterprise Law and Traphaco Charter, the BoD organizes quarterly meeting, two times per quarter in order to discuss and timely give guidance on the management of business activities. In 2019, the Board of Directors held 08 regular meetings, including 01 meeting for non-executive members only. Meetings of the BoD ensured to comply with the provisions of the Traphaco Charter and Enterprise Law. Board members strictly attended the meetings or authorized other members and voted according to the Company Charter and Regulation on the operation of BoD. Meetings of BoD focus on key matters as followed:

- Supplying concrete guidance to the implementation of the Sustainable Development Strategy for the 2017-2020 period; develop some component strategies; develop Business Plan for the year of 2019 and 2020;
- Supplying concrete guidance to the implementation of business plan and Resolution of the General Shareholders Meeting for the 2016-2020 term, Resolution of the 2019 annual general meeting and extra-general meeting;
- Directing and supervising the deployment of 5 major solutions (innovation activities) of the Company;
- Directing and supervising the growth of imported products and signing distribution contracts with large pharmaceutical companies.
- Supervise, urge negotiation and implementation of technical assistance contracts with Daewoong;
- Evaluate operational efficiency, capacity of distribution system staff;
- Advise the effective and optimal use of the company's assets;
- Strengthening relationship with investors.
- Carrying out activities to celebrate the 47th anniversary of the Company's traditional day;
- Resolutions adopted by the BoD at the meetings become important orientations for the Executive Board to carry out its business tasks effectively.

2. Supply concrete guidance on the work of corporate governance and high-ranking personnel

- In 2019, one Board member resigned in June 2019, the Board of Directors reviewed and proposed to hold an Extraordinary General Meeting of Shareholders in September 2019 to promptly add a new member, Mr. Ji Chang Won - Production Director of Daewoong Korea Pharmaceutical Group introduced by the major shareholder Super Delta Pte. Ltd. The current Board of Directors has 03 members representing state capital, 03 members who are foreigners, promoting the leadership strength of advanced business management expertise, modern pharmaceutical technology, weighing by the interests of shareholders and employees. The Board of Directors has 02 members to participate in the management, in which Mr. Kim Dong Hyu - Chief Representative of Daewoong Office in Vietnam was appointed Deputy CEO to promote business growth in hospital sales channel, following the strategic direction. of Traphaco new stage.
- The Board continued to review and improve the system of rules and regulations in order to unify the internal corporate governance mechanisms to boost the effectiveness and efficiency of management across the Company. In 2019, the Board of Directors issued the Regulation on Information Disclosure of Traphaco JSC.

3. Audit financial reports of the Company

- In implementation of Resolution No. 10/2019/NQ-DHDCD dated 28 March 2019 of the 2019 Annual General Meeting of Shareholders on approval of the list of independent auditors and authorize the BODs to select an auditor according to the list approved by the General Meeting of Shareholders to audit and review the 2019 financial statements. Based on the proposal of the CEO of the Company, the Board of Directors has considered and decided to choose Deloitte Vietnam Co., Ltd. as an independent auditor who audits the Company's 2019 financial statements. The Board of Directors directs the publication of

financial statements on time, ensuring information transparency for shareholders and partners.

4. *The Board of Directors supervises, directs the CEO and managers to operate the Company's business*

- Supervise the implementation of business and production plans of the Company.
- Direct the Executive Board to hold the Annual General Meeting of Shareholders in 2019.
- Considering and proposing to organize an Extraordinary General Meeting of Shareholders in September 2019, appointing (assigning tasks) to new Board members and adjusting the Company's business plan,
- Direct, supervise and support the CEO and other managers to implement Resolution of the General Assembly of Shareholders; the BoD's resolutions and decisions.
- Directing and supervising the deployment of 5 major solutions (innovation activities) of the Company: Assign KPIs according to the strategic goals (changing the calculation method of TDV salary, staff of the whole system), innovating marketing activities (accumulation program), optimizing costs, promoting hospital sales channels,
- Building Traphaco Culture in a new phase,
- Direct and urge the development of the Business Plan 2020, ensuring the feasibility,
- Directing the development of the Company's Information Disclosure Regulation.
- Carry out the procedures for paying the remaining dividend of 2018 to shareholders (10% of charter capital) and advance dividend to shareholders for the first time in 2019 (20% of charter capital).
- Disclose information and submit reports according to the current regulations of the State management agencies.
- Investigate the pharmaceutical market and distribution system of the Company (analyze and deploy the application of customer sales limit); Attend important meetings of the Executive Board.
- Visit and grasp the status of subsidiaries .

IV. General assessments

- The year 2019 is full of work and pressure for Traphaco. The company has made every effort to complete the target of consolidated profit.
- In 2019, although the Board of Directors had certain changes in personnel, it successfully completed several roles according to the provisions of law, the Charter of Traphaco JSC, and actively supported the Executive Board to achieve the objectives of the Company.
- The Executive Board made efforts in steering the Company in the right direction. The CEO has build and direct the deployment of 05 major directions, achieved important goals, maintained and built the foundation for the development of the Company in the future.

PART 2 Production and business plans in 2020

I. Key indicators

No.	Key indicators	Unit	Amount	Growth compared to 2019 (%)
1	Consolidated revenue (<i>without VAT</i>)	billion VND	2,000	16%
1.1	Parent Company's Revenue	billion VND	1,750	24%
	Revenue from production (by Traphaco and Subsidiaries):	billion VND	1,630	16%
	Revenue from distributed products (Natural Factors,...)	billion VND	120	70%
1.2	Revenue from subsidiaries	billion VND	250	9%
2	Consolidated profit (<i>after tax</i>)	billion VND	180	9%
3	Increase in the income of the parent company's employees compared to 2019	%	5%	

II. The main activities of the Company in 2020:

1. Continue to deploy 5 major solutions:

- In 2020, the Company continues to implement 5 major groups of solutions that have been implemented in 2019, building and strengthening growth momentum in the long term, including:
 - + Break-down/specify the annual plan target into goals of Departments, Committees and divisions
 - + Enhance marketing activities
 - + Focus on the ETC market
 - + Change the method of assigning/allocating and applying KPI to calculate the salary for the sales bloc
 - + Regulations on cost norms

2. Building and applying Traphaco Culture in a new phase

- The Company conducted a comprehensive assessment of capacity and discovered internal weaknesses, affecting the sustainable development of the Company. Building a new Traphaco Culture to overcome the aforementioned shortcomings and weaknesses and to take advantage of the strengths of the brand, reputation and strong traditional medicine foundation as well as market opportunities is necessary.
- The Company implemented building Traphaco Culture in a new stage to meet the requirements of the new development process.

- The Company carried out the communication instinctively to each employee, ensuring the implementation of the new culture in each specific action and work, promoting the development of the Company.

3. Development of western medicines:

- The Company has implemented a strategic shift focusing on developing western medicines with specific goals and synchronous solutions in the period of 2020-2025.

Unit: VND billion

Products	2020	2021	2022	2023	2024	2025	Average growth
Revenue of western medicines	690	900	1,050	1,240	1,450	1,700	20%

4. Imported products distributed by Traphaco

- In 2020, the Company continues to strengthen the development of distribution products, enhance the increase of products by negotiating and signing contracts with foreign partners, especially Daewoong.

5. Technology transfer

- In 2020, the Company receives 10-15 new products from Daewoong partner.
- The Company continues to seek and expand strategic partners to receive transfer, diversify products, serve the strategy of developing western medicine products.

6. R&D and the development of new products

- In 2020, the Company will continue to promote its strength in product research and development, focusing on learning the world's scientific achievements and developing ancient remedies, making use of the rich medicinal treasure of Vietnam, and constantly improving the quality and production processes and processing types.

7. Quality management

- In 2020, the Company will continue to sustain the existing policies on quality control to secure the awarded quality certificates on production standards and to provide quality products for the market.

8. HR management

- The Company will continue to sustain the policy of human resources development including the welfare policy, the training policy, and other policies and regimes prescribed by the State.
- The Company continues to direct its policies towards a friendly working environment, and building and developing Traphaco's culture.

9. Strengthening the governance of Subsidiaries

- Traphaco Hung Yen one-member Ltd: Strengthen the governance, improve the efficiency of exploiting the western medicine factory, complete the business plan in 2020.
- TraphacoSapa Co., Ltd. Strengthen the governance, push up the exploitation of the investment project in Lao Cai, effectively uphold the GMP-WHO certification, maintain the development of plantation areas, improve the quality of input materials for Traphaco's

production activities, reach 2020 targets of revenue, profit, contribute to the value chain of Traphaco.

- Traphaco CNC Through the Representative, strengthen the governance, ensure the operation in the direction of the parent company; achieve the targets of 2020 plan on turnover, profit & dividend; contribute to the value chain of Traphaco.
- Daklak Pharmaceuticals & Medical Materials JSC Through the Representative, strengthen the governance, ensure the operation in accordance with the direction of the parent company; improve the performance, achieve the targets of 2020 plan on turnover, profit & dividend; contribute to the value chain of Traphaco.

Respectfully submitted to the GMS for consideration and approval.

Regards.

Recipients:

- *2020 AGM*
- *Members of BoD, BoM, BoS;*
- *Website TRAPHACO;*
- *Archive Admin.*

B/O THE BOARD OF DIRECTORS

Chairwoman

MSc. Vu Thi Thuan