

**BUSINESS PERFORMANCE REPORT AND ASSESSMENT OF THE  
BOARD OF DIRECTORS IN 2022 AND 2018 - 2022 TERM  
OBJECTIVES AND PLAN FOR 2023 AND 2023-2027 TERM**  
-----**I. BOARD OF DIRECTORS' ASSESSMENT ON BUSINESS PERFORMANCE  
2022****1. Pharmaceutical industry in 2022 - Opportunities and challenges  
OPPORTUNITIES**

Thanks to drastic efforts and directions of the Government to prevent and control the Covid-19 pandemic, at the beginning of March 2022, Vietnam was officially opened and returned to the new normal, bringing life to almost stable condition. With the fast and timely transition to safe and flexible adaptation, Vietnam's economy has achieved positive results. For the first time, the size of the economy surpassed the USD 400 billion mark, reaching USD 409 billion. GDP per capita in 2022 was USD 4,110, an increase of USD 393 compared to 2021.

All economic sectors and fields have grown well, including the pharmaceutical industry. According to a survey by Vietnam Report, nearly 90% of pharmaceutical manufacturing, distribution and trading enterprises have increased revenue. In particular, many enterprises, especially the top ones in the industry, have impressive growth and exceed the set plan. 2022 also recorded the growth of retail pharmacy (OTC) revenue, contributed by the robust development of modern pharmacy chains, and the decline of the hospital drug procurement channel (ETC), disturbing the revenue structure of the industry, which has been in favor of ETC for many years.

Another bright spot of Vietnam's pharmaceutical industry is the positive changes in investment in the high-quality product manufacturing. According to a survey by Vietnam Report, 57.1% of businesses are focusing on upgrading and investing in international standard manufacturing plants, the remaining 42.9% choose to build laboratories for the needs of drug research and enhancement of technology transfer for raw materials production (purchase of patents, inventions, cooperation, etc.). In particular, up to 85.7% of enterprises in the industry increased their spending on research and development in the past year.

**CHALLENGES**

However, 2022 was a year of many fluctuations in world geopolitics, along with signs of a new emerging recession in many major economies. This also has a negative impact on Vietnam's economy, especially when the country ranked 5th out of 35 Asian countries in terms of economic openness. The impact on Vietnam's pharmaceutical industry is also inevitable.



In particular, the over-dependence on import, in which 80-90% of pharmaceutical materials were imported, increased the risks of exchange rate and supply disruption. However, for businesses that actively stockpile raw materials and finished products to meet the market, they possess certain advantages.

In addition, businesses with good distribution channels and customer connections will gain a highly competitive edge over their competitors, meanwhile, for those which were late or neglected these activities, they will lose the opportunity to increase sales and lose market shares.

In addition, in 2022, there was also a phenomenon of enterprises in the industry rushing to invest and build EU-GMP certified factory lines. This is supposed to meet the bidding requirements for first class drugs but is also expected to create tough competition in the medium term.

## **2. Evaluation of the implementation results of the resolutions of the General Meeting of Shareholders**

<b>NO.</b>	<b>DESCRIPTION</b>	<b>IMPLEMENTATION PROGRESS</b>
<b>1</b>	<b>Production and business targets in 2022:</b>	<b>Business performance in 2022:</b>
	<ul style="list-style-type: none"> <li>Total net revenue and income: VND 1,450 billion</li> </ul>	<ul style="list-style-type: none"> <li>Total net revenue and income: VND 1,668.2 billion, achieving 115.1% of the 2022 plan, up by 29.2% compared to 2021.</li> </ul>
	<ul style="list-style-type: none"> <li>Profit before tax: VND 275 billion</li> </ul>	<ul style="list-style-type: none"> <li>Profit before tax: VND 291.4 billion, achieving 106.0% of the 2022 plan, up by 22.0% compared to the previous year.</li> </ul>
<b>2</b>	Authorize the Board of Directors to select 01 (one) out of 05 (five) independent audit firms for 2022 financial year	Approve the Board of Management to sign the contract of audit service No. 8441/PwC-HCMC/HĐ/2022 dated June 16, 2022 with PwC (Vietnam) Limited.
<b>3</b>	<b>Profit distribution plan 2021:</b>	<b>The company has:</b>
	<ul style="list-style-type: none"> <li>Paid 15% dividend/Charter capital in cash, equivalent to VND 100 billion or 51.1% of distributed profit after tax</li> </ul>	<ul style="list-style-type: none"> <li>Paid cash dividends to shareholders on June 24, 2022.</li> </ul>
	<ul style="list-style-type: none"> <li>Distributed from Investment and Development Fund: VND 72.3 billion, equal to 36.9% of distributed profit after tax</li> </ul>	<ul style="list-style-type: none"> <li>Set aside funds according to the Resolution of the General Meeting of the Shareholders.</li> </ul>



NO.	DESCRIPTION	IMPLEMENTATION PROGRESS
	<ul style="list-style-type: none"> <li>Distributed from Bonus and Welfare Fund: VND 23.5 billion, equal to 12.0% of distributed profit after tax</li> </ul>	
4	Remuneration and operating expenses of the Board of Directors, Supervisory Board in 2022: 2% of profit before tax and before are paid to the Board of Directors and Supervisory Board	The Company has distributed remuneration and operation of the Board of Directors and the Supervisory Board in 2022 according to the approval of the General Meeting of Shareholders, with a total amount of nearly VND 5.95 billion.

### **3. Revenue and profit in 2022 achieved high growth and exceeded the target set by the General Meeting of Shareholders**

For the first time in the last 5 years, the Company recorded revenue exceeding 5.1%, profit exceeding 6% of the plan assigned by the General Meeting of Shareholders. Especially, thanks to the excellent leverage of the key product portfolio, including many new products from EU-GMP plants, the gross profit margin has improved very well in the condition of increasing input costs. In particular, gross profit margin in 2022 was 42.4%, increasing by 3.9% compared to 2021.

Total production in 2022 amounted to 1.11 billion units, increasing by 29.2% compared to 2021.

### **4. Evaluation of the performance of the General Director and the Executive Board**

In 2022, the Board of Directors supervised the activities of the Board of Management in implementing the Resolutions of the General Meeting of Shareholders and the Resolutions of the Board of Directors. The Board of Directors highly appreciates and acknowledges that the General Director and the Executive Board have made several outstanding improvements and flexible changes in management, so that the Company could achieve many comprehensive achievements in production, marketing, business activities, and all other aspects, improving Imexpharm's position in the market, becoming the leading pharmaceutical manufacturer in Vietnam according to European standards.

In particular, the Executive Board also focused on building Imexpharm's culture with rich identity in a working environment of Professionalism - Efficiency - Discipline, honored in the Top 50 Vietnamese Attractive Employers. With its financial capacity, business efficiency, and media reputation, Imexpharm successfully maintained the position in Top 10 pharmaceutical companies in Vietnam in 2022, and Top 50 best listed companies.

The Board of Directors assessed that the General Director and the Executive Board had successfully completed the tasks of management and administration of the Company in 2022 in accordance with the Company's Charter, and as well as complied with the provisions of the law in production activities.



## II. ACTIVITIES OF THE BOARD OF DIRECTORS & SUBCOMMITTEES IN 2022

### 1. Members of the Board of Directors, Board of Directors meetings in 2022 and Resolutions

The General Meeting of Shareholders for the 2018-2022 term elected the Board of Directors including 8 members. However, the General Meeting of Shareholders in 2020 approved the resignation of Mr. Vo Huu Tuan. On April 25, 2022, the 2022 General Meeting of Shareholders also approved the dismissal of Mr. Tran Anh Tuan from the Board of Directors according to his resignation letter.

Therefore, in 2022, the Board of Directors of Imexpharm had 6 members left, including 2 non-executive members and no independent BOD members.

In 2022, the Board of Directors of Imexpharm conducted 4 regular meetings and 5 ad hoc meetings via email. These meetings of the Board of Directors complied with the Company's Charter, Internal Governance Regulations, and the Regulations on the operation of the BOD. Members of the BOD have duly attended the meetings, active discussed, and performed voting, with details as follows:

NO.	BOARD MEMBER	NUMBER OF BOD MEETINGS ATTENDED	ATTENDANCE RATE	REASON FOR ABSENCE
1	Mr. Nguyen Quoc Dinh	9	100%	
2	Ms. Tran Thi Dao	9	100%	
3	Mr. Ngo Minh Tuan	9	100%	
4	Mr. Le Van Nha Phuong	9	100%	
5	Ms. Han Thi Khanh Vinh	8	89%	Engaged with another business duty, authorized the Chairman of BOD to attend and vote
6	Mr. Truong Minh Hung	9	100%	
7	Mr. Tran Anh Tuan	2	100%	Dismissed from April 25, 2022

During the year, the BOD adopted in total 11 significant Resolutions for the Executive Board to implement. The main approved contents include:

- Finalization of the shareholder list to convene the 2022 Annual General Meeting;
- Proposal of wages in 2022 of the General Director;
- Proposal of credit limit report in 2022 of the General Director;
- Finalization of the list of shareholders and implementation of the prescribed procedures to pay dividends in 2021;
- Distribution from the Investment and Development Fund to offset bad debts and operating expenses;

- Appointment of Ms. Han Thi Khanh Vinh – Member of the Board of Directors as the Head of the Internal Audit and Risk Management Subcommittee to replace Mr. Tran Anh Tuan;
- Appointment of Mr. Ngo Minh Tuan - Member of the Board of Directors, Deputy General Director as the Head of the Human Resources, Salary and Bonus Subcommittee to replace Mr. Tran Anh Tuan;
- Amendment of the Regulations on information disclosure on the stock market.;
- Selection of PwC (Vietnam) Limited as the Company’s independent auditor for the financial year 2022;
- Establishment of Research and Development Department in Binh Duong under Production Division 2 - Imexpharm Corporation;
- Appointment of representatives to participate in management at Dong Thap Muoi Medical Research and Conservation Development JSC. (Mephydica): (1) Mr. Nguyen Quoc Dinh to be a member of the Board of Directors; (2) Mr. Nguyen Van Hoang to be a member of the Supervisory Board;
- Approval to the tender offer of SK Investment Vina III Pte. Ltd.;
- Selection of the date of August 01 every year as the traditional day to celebrate the establishment of Imexpharm Corporation.

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## 2. Activities of Subcommittees under the Board of Directors

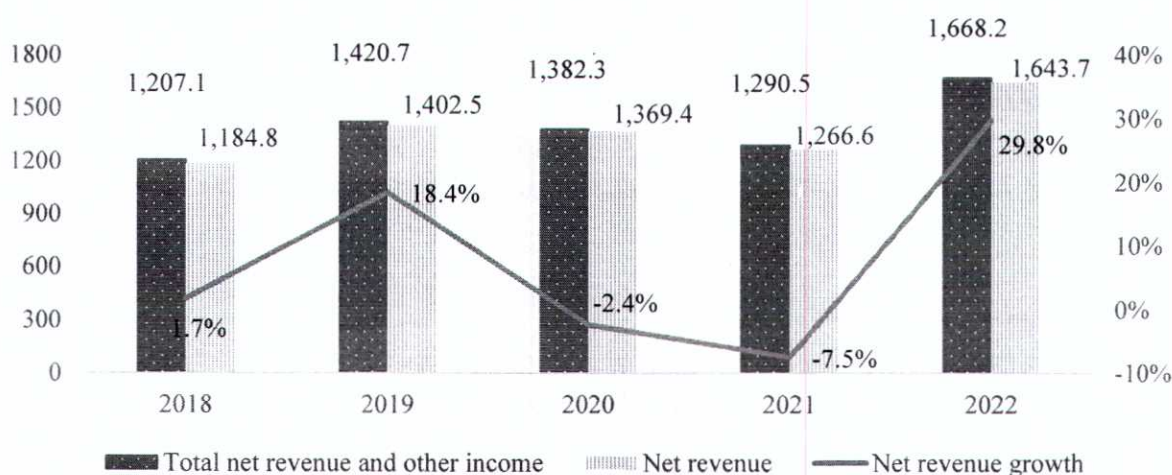
In 2022, the subcommittees under the Board of Directors operated actively with the following meetings:

NO.	SUBCOMMITTEE	MEETING DATE	DISCUSSION CONTENTS
1	<b>Internal Audit and Risk Management Subcommittee</b>	12/5/2022	<ul style="list-style-type: none"> <li>- Proposal to the Board of Directors for electing Ms. Han Thi Khanh Vinh as the new Head of the Sub-Committee to replace Mr. Tran Anh Tuan who has resigned.</li> <li>- Evaluation of operational and financial performance of Imexpharm in the first quarter of 2022, and some recommendations of the Supervisory Board.</li> <li>- Report on the sales branch management in the first 4 months of 2022 of the Internal Audit Unit.</li> <li>- Technology learning to facilitate customers in payment and limit the use of cash.</li> <li>- Update on regulations related to Internal Audit .</li> </ul>
		10/1/2023	<ul style="list-style-type: none"> <li>- Evaluation of operational and financial performance of Imexpharm in 2022, and some recommendations of the Supervisory Board.</li> <li>- Report on the sales branch management in 2022 of the Internal Audit Unit.</li> <li>- Internal Audit and Risk Management Plan in 2023</li> <li>- Financial and resource plan for Internal Audit in 2023.</li> </ul>
2	<b>Human Resources, Salary and Bonus Subcommittee</b>	13/5/2022	<ul style="list-style-type: none"> <li>- Proposal to the Board of Directors to appoint Mr. Ngo Minh Tuan as the Head of the Human Resources, Salary and Bonus Subcommittee to replace Mr. Tran Anh Tuan after resignation.</li> <li>- Plan of the sports program and seminar to celebrate the 45th anniversary of Imexpharm's establishment.</li> </ul>

NO.	SUBCOMMITTEE	MEETING DATE	DISCUSSION CONTENTS
			- Discussion on the pension program for employees.
3	Strategy Subcommittee	September 09, 2022	<ul style="list-style-type: none"> <li>- Five-year business plan for 2023-2027 period.</li> <li>- Marketing plan for 2023-2027 period.</li> <li>- Human Resource Development Plan for 2023-2027 period.</li> <li>- Direction of the General Director on the 5-year plan.</li> <li>- R&amp;D plan for 2023-2027 period.</li> <li>- Financial and investment plan for 2023-2027 period.</li> </ul>

### III. ASSESSMENT OF BOD ON BUSINESS PERFORMANCE IN 2018-2022 TERM

#### 1. Revenue in 2018-2022 term



Imexpharm has experienced an extremely challenging and volatile term of 2018-2022, especially in the period of 2020-2021. EU-GMP factories have had many activities. Particularly, Betalactam Hi-Tech Factory (IMP3) was preparing to increase operating capacity mainly based on ETC channel. Vinh Loc High-tech Antibiotic Factory (IMP2) also developed a plan to put it into operation in 2019. Binh Duong High-Tech Plant (IMP4) planned to be approved and put into operation in 2020. However, since the Covid-19 pandemic has caused unrest and disruption in the market and material supply, especially the ETC market, and limited the travel of experts from Europe, the plans for operation, approval and re-approval of factories have been prolonged unexpectedly. That also impacted greatly on the revenue and profit growth targets of the term, causing many disadvantages to the Company, while increasing the operating costs of factories.

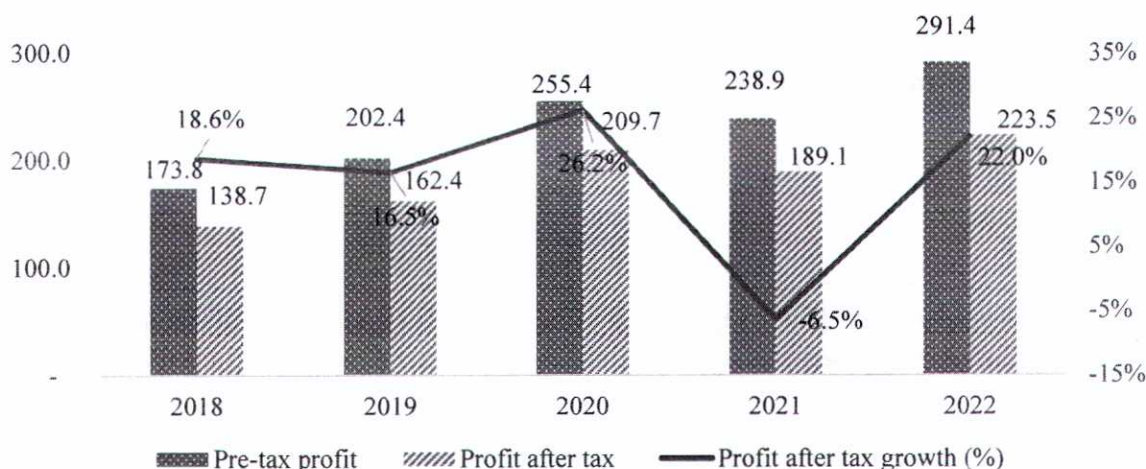
However, thanks to its preparedness to take full advantage of opportunities when the market recovers, Imexpharm had a successful 2022, with net revenue growth of 29.8%, which is the highest growth rate since Imexpharm listed in 2006 up to now. In particular,



the reason for the company's revenue growth was mainly due to the increase in the output of Imexpharm branded products.

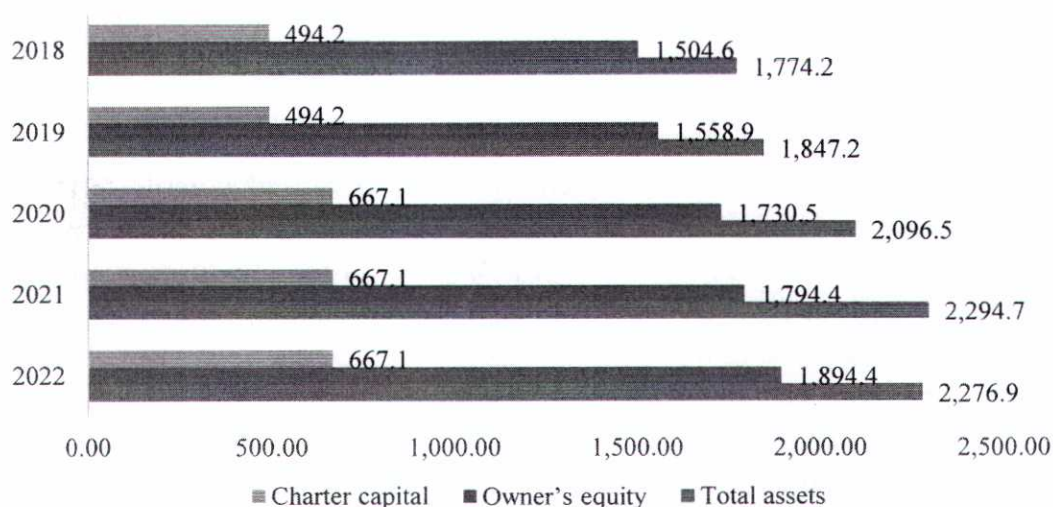
As a result, the compound average growth rate (CAGR) of total net revenue and other incomes during the term reached 8.4%, and the CAGR of net revenue reached 8.5%. This is a remarkable average growth rate in an uncertain and challenging term, but still much lower than the target of 15%-20% set by the Board of Directors at the beginning of the term.

## 2. Profit in 2018-2022 term



The CAGR of pre-tax profit in the 2018-2022 term was 13.8%, lower than the term growth target of 15-17%, with the profit after tax of 12.7%. Profit growth was higher than that of revenue, thanks to solutions to increase cost efficiency and develop a portfolio of high-value key products during the term.

## 3. Total assets - Owner's equity



Total assets, owner's equity, and charter capital witnessed stable growth in the past term, with the CAGR of total assets, owner's equity, and charter capital reaching 6.4%, 5.9%, 7.8%, respectively.

During the term, share issuance has increased charter capital to 35% in 2020, including payment of 10% stock dividend/charter capital, bonus share issuance at the rate of 20% of the total number of outstanding shares, and a 5% ESOP program for employees.



#### **IV. ACHIEVEMENTS AND LIMITATIONS IN GOVERNANCE IN 2022 AND 2018 - 2022 TERM**

##### **1. Major achievements in corporate governance in the 2018-2022 term**

- CAGR of net revenue, pre-tax profit, profit after tax was 8.5%, 13.8%, 12.7%, respectively. This is quite a positive growth rate of an extremely volatile term due to the pandemic.

- The term 2018-2022 was the investment period for EU-GMP factories. Experiencing countless challenges as the approval process for the IMP4 factory was prolonged due to the Covid-19, by the end of the term, Imexpharm was able to proudly become the leading Pharmaceutical Manufacturer in Vietnam according to European Standards, with 4 EU-GMP factories possessing 11 lines.

- In 2020, SK Group (South Korea) invested in Imexpharm. Up to now, SK has become the largest shareholder holding 64.8% of the Company's shares, participating in the Board of Directors and contributing to the development of the Company's growth strategies.

- Thanks to the transparent governance towards sustainable development, in 2020, while domestic pharmaceutical enterprises were facing hardship due to the disruption of raw materials import, Imexpharm successfully accessed to a loan of USD 8 million from the Asian Development Bank (ADB) to stockpile production materials, thereby facilitating the adequate supply of drugs to the community to support the treatment of Covid-19.

- Imexpharm always strives to maintain a high dividend policy for shareholders, with the total value of cash dividends paid to shareholders from profits from 2018 to 2022 (expected) of VND 448.2 billion, equal to 51.1% of profit after tax to be distributed to shareholders.

- Imexpharm's transparent, standard and sustainable governance has also been recognized by the market over the past 5 years with many prestigious awards.

##### **2. Limitations in governance and solutions for the 2018-2022 term**

- Revenue and profit have not reached the planned targets of the term, mainly due to the Covid-19 pandemic and the global unstable situation. However, the Company acknowledged that its business capacity was not flexible enough to promptly adapt during the period of isolation. This increased costs for the Company and failed to meet the commitment to shareholders about the planned average revenue growth of 15%-20% and profit growth of 15-17%, which were 8.5% and 13.8% in fact, respectively.

- Risk management according to financial management decentralization at sales branches still recorded many violations, which need to be further overcome in the near future to ensure the safe operation of branches.

- Members of the Board of Directors have not yet ensured the structure of independent members according to current regulations.

#### **V. OBJECTIVES AND PLAN OF THE BOD IN 2023 AND 2023-2027 TERM**

The year 2023 is forecasted to be a year of many headwinds as the world economic recession and inflation affect the Vietnamese economy. However, the Government and state management agencies are also making great efforts to revive the economy. After a year of focusing on stability, in 2023, the State Bank of Vietnam plans to shift the strategy to boosting the economy. Banks massively reduced interest rates to stimulate credit demand, the Prime Minister also requested to accelerate disbursement of public investment



capital, with positive forecast on infrastructure improvement, thereby facilitating socio-economic development.

As for the pharmaceutical industry in particular, there have been some bright spots when in early March 2023, the Government consecutively issued Decree 07/ND-CP effective from March 03, 2023 and Decree No. Decision No. 30/NQ-CP with immediate effect to ensure non-interrupted supply of drugs and medical equipment. In addition, the expansion of modern drugstore chains is also a testimony of the OTC recovery in the near future. The universal health insurance coverage and facilitation of the branded and generic drug product line with bottlenecks being gradually removed also signals the potential for the pharmaceutical industry to gain steady growth.

### 1. Production and business targets in 2023

The Board of Directors has agreed with the Board of Management and hereby report to the General Meeting of Shareholders on the business target for 2023 as follows:

NO.	TARGET (BILLION DONG)	2023	2022	GROWTH
1	Net revenue	1,750.0	1,643.7	6.5%
2	Pre-tax profit	350.0	291.4	20.1%

In 2023, Imexpharm plans to achieve VND 1,750 billion of the net revenue, increasing by 6.5% compared to 2022. Profit after tax is expected to reach VND 350 billion, up 20.1% compared to 2022. 2023 is expected to witness another milestone in the stable development of the Company.

### 2. Targets for the term 2023-2027

NO.	INDICATOR (VND BILLION)	2023	2024	2025	2026	2027	CAGR
1	Net revenue	1,750	1,950	2,250	2,650	3,200	16.3%
2	Pre-tax profit	350	390	450	530	640	16.3%

By 2027, net revenue is expected to reach VND 3,200 billion with a CAGR of 16.3%. In addition, the profit target set for 2027 is VND640 billion, with a CAGR of 16.3%.

### 3. Imexpharm governance strategy 2023-2027

For the term of 2023-2027, Imexpharm will focus on the following major strategies:

- Focus on Sales and Marketing development strategies to prioritize growth, better utilize EU-GMP factories and key product portfolios to achieve revenue and profit targets for the term 2023-2027.

- Invest in building a new factory in Quang Khanh Industrial Park - Dong Thap, with a total investment of VND 1,420 billion by 2027, expected to be financed by equity capital, and complemented by public offering of stocks and borrowed capital.

- Build Imexpharm's working environment and culture as a foundation for human development and growth momentum, including:

- Comprehensive human development and sustainable career path at Imexpharm.
- Professionalism - Efficiency - Discipline - Ownership & Accountability in each individual, for the purpose of personal development and family well-being while



accompanying Imexpharm in fulfilling the mission of providing highly effective healthcare solutions for the community.

- In addition, Imexpharm will improve the operating process and strengthen Internal Audit - Risk Management and Compliance functions to meet the Company's bold development needs.

- Implement the roadmap to apply international accounting standards under IFRS.

- Continue to focus on sustainable management and governance, improve activities related to environmental and social performance to deserve the leading position in Vietnam's pharmaceutical industry as recognized by customers, partners and stakeholders.

With preparedness built upon the previous term, the Board of Directors firmly believes that the strategic goals of the next term will achieve many breakthrough progress.

Sincerely,



**ON BEHALF OF THE BOARD OF DIRECTORS  
CHAIRMAN**



  
**NGUYEN QUOC DINH**