

Traphaco 
The way of green health



2019

ANNUAL REPORT

| |
|--|
| 3Ps : Position, Person, Performance |
| BoS : Board of Supervisors |
| FS : Financial statements |
| CBEI : Consumer Brand Emotion Index |
| BI : Business Intelligence |
| JSC : Joint Stock Company |
| QA : Quality Assurance |
| AGM / GAS : Annual General Meeting of Shareholders / General Assembly of Shareholders |
| DMS : Distribution Management System |
| ERP : Enterprise Resource Management |
| ETC : Ethical |
| GACP-WHO : Good agricultural and collection practice, recommended by the World Health Organization |
| GMP-WHO : Good manufacturing practice, recommended by the World Health Organization |
| GMP-EU : Good manufacturing practice, according to European standards |
| GRI G4 : 4 th Generation Global Reporting Initiative |
| BoD : Board of Directors |
| ICOR : Incremental Capital Output Ratio |
| ISO : International Standardization Organization |
| IT : Information technology |
| KPI : Key Performance Indicator |
| R&D : Research and Development |
| OTC : Over-the-counter |
| QM : Quality Management |
| SCIC : State Capital Investment Corporation |
| SDGs : United Nations Sustainable Development Goals |
| SWOT : Strengths - Weaknesses - Opportunities - Challenges |
| RBEI : Retailer Brand Emotion Index |
| CEO : Chief Executive Officer |
| Ltd. : Limited |
| VSDGs : Vietnam Sustainable Development Goals |
| WEF : World Economic Forum |
| WIPO : World Intellectual Property Organization |



TRAPHACO - MASTER THE FUTURE WITH PHARMA TRENDS 4.0

In the current era, digital technology has impacted and changed rapidly the world businesses, along with the habits of consumers, ranging from the way they access information and news, how they make the decision and review products to which channels of purchases they preferred. Therefore, the scale of data and data analysis methods for business activities become the advantage of enterprises.

With the growing pharmaceutical industry, automation, robotization of production processes in a closed environment and limiting the intervention of human being are hot trends in developed countries; they are also the **"technology of the future"** that Vietnam's pharmaceutical industry can't afford to be margined.

In recent years, Traphaco has actively invested in modern pharmaceutical technology in international standards, using robots in production to create a leading advantage of Pharma 4.0 in Vietnam. Besides, Traphaco constantly increases the sustainable green value chain thanks to the application of information technology to manage plantations and sales activities. We have already applied ERP in enterprise management; analyze and exploit customer data nationwide, understand local market needs, assess the capacity of each agent and pharmacy through the BI (Business Intelligence) system to optimize sales results, minimize inventories, rotate capital sources most effectively.

Up to now, Traphaco has gradually succeeded in integrating "4.0 - manner" throughout the enterprise, first by preparing 4.0 thinking for all business activities, then by boldly investing in personnel and facilities, by building processes systematically linking production - distribution - promotion and online sales. They are all accompanied by the determination in fostering Traphaco Culture in a new phase. Traphaco's members are *honest, courageous, initiative, connected, creative, responsible*. Traphaco will surely conquer the goal of 2020 and beyond. This is the huge advantage for Traphaco to develop sustainably, successfully **master the future**.

HIGHLIGHTS

OF ANNUAL REPORT 2019



Integrating 17 sustainable development goals of the world (SDGs) and Vietnam (VSDG) into Traphaco's activities.



4th Consecutive Year of Applying ASEAN Governance Scorecard



Sustainability Report by GRI Standards



A set of criteria for evaluating and rating Vietnam's sustainable business



REPORT ON THE DIGITAL PLATFORM

Access the website:
www.traphaco.com.vn/ir
or scan the QR Code



Download the annual report application at:



IOS: Enter the keyword "Traphaco-IR"



Android: Enter the keyword "Traphaco-IR"



The Procedures under ISO Standards



Independent Auditing and Financial Statements



Enterprise Resource Management System

Contents

of the 2019
Annual Report

PHARMA 4.0

1 OVERVIEW OF TRAPHACO

- 08 Vision - Mission - Core Values
- 10 Message from the Chairwoman
- 14 Message from the CEO
- 20 Overview of TRAPHACO
- 22 Establishment & development process
- 24 Highlights in 2019
- 28 Typical awards over the years
- 30 Governance Model, Organizational apparatus
- 34 Organizational chart
- 36 Traphaco's subsidiaries
- 38 Introduction of the Board of Directors
- 40 Introduction of the Executive Board
- 42 Introduction of the Board of Supervisors.
- 45 SWOT Analysis
- 46 Sustainable development goals

2 PRODUCTION AND BUSINESS RESULTS OF 2019

- 50 Catch up on the trend of Pharma 4.0
- 52 Typical products
- 56 Report and assessment of the Executive Board
- 74 Overview of Vietnam's pharmaceutical industry
- 78 Production and business plans in 2020
- 84 Operation reports of Subsidiaries

3 CORPORATE GOVERNANCE

- 104 Overview of Corporate governance
- 108 Legal regulations of Corporate governance
- 110 Activities of the Board of Directors
- 115 Orientations of BoD activities in 2020
- 116 Operation review of the Company and the Executive Board
- 118 Activities of sub-committees under the Board of Directors
- 121 Stock information and Investor Relations (IR)
- 124 Report of the Board of Supervisors
- 129 Risk Management Report
- 137 Analysis based on
Asean Corporate Governance Scorecard
- 154 Transaction and remuneration
- 157 Assessment of Corporate Governance in 2019

4 SUSTAINABLE DEVELOPMENT REPORT

- 161 Overview of Sustainable Development Report
- 162 Sustainable development model of Traphaco
- 163 Strategic Orientation for Sustainable Development
- 166 Action Plan in 2020
- 168 Economic growth
- 172 Social investment
- 192 Environmental protection

5 THE CONSOLIDATED FINANCIAL STATEMENT

- 208 Report of the Executive Board
- 210 Report of the Independent Auditor
- 212 The consolidated balance sheet
- 214 The Report on the consolidated business performance
- 215 The Report on the consolidated cash flow
- 217 Consolidated Financial Statements

VISION - MISSION CORE VALUES



Green
PHARMACEUTICALS



THE PHARMACEUTICALS ARE PRODUCED BASED ON A GREEN SUPPLY CHAIN FROM CLEAN MATERIALS TO CLEAN PRODUCTION TECHNOLOGY WITH AN ENVIRONMENT-FRIENDLY DISTRIBUTION SYSTEM AND SERVICES.



MESSAGE FROM THE CHAIRWOMAN



Persisting in targeted goals and be creative in applying solutions, the Executive Board and staff have overcome the competition pressure, the unfamiliarity of advanced management tools and limitations of the current Corporate Culture.



Net revenue from sale of goods and services

1,710
BILLION VND



Consolidated profit after tax

170.6
BILLION VND

Dear shareholders, clients, investors, and colleagues,

The year 2019 has passed, Traphaco's flow has experienced another turn. Sales results had a slight reduce compared to the same period last year - a result we are not satisfied. From the lessons learned last year, 2019 was chosen as the year of "Business Administration" with the message "Professional Management - Cost Optimization - Values Resonance - Targets Completion". Five (05) management solutions were implemented: Concretizing strategic goals into KPI targets and deploying throughout the Company; Taking KPI as a measure of labor productivity; Innovating marketing activities, exploiting digital technology; Setting cost limits to increase business efficiency; Developing ETC channel as a strategic goal.

Persisting in targeted goals and be creative in applying solutions, the Executive Board and staff have overcome the competition pressure, the unfamiliarity of advanced management tools and limitations of the current Corporate Culture. The business results of the last 6 months have shown the positive side of management solutions. We have also entered a new phase of building **Traphaco Culture** - the foundation for the long-term development of corporate values. With these achievements, the Company continues to receive many great titles such as: *National Quality Gold Award, First-class Labor Medal* and one of the first 6 enterprises in Vietnam to achieve the *Global Gender Equality Certificate EDGE*,...

Along with the implementation of economic targets, we have actively accumulated values that underpinned the Company's development in the following years: Completing modern technology production lines; Actively conducting R&D activities and technology cooperation with foreign countries; Continuing to deploy ERP throughout the Company. In addition to managing the distribution system with DMS software, we have implemented business analysis BI (*). This helps improve the quality of the distribution system, stabilize product prices, confirm the level of Traphaco's products, ensure the interests and trust of customers, balance production and markets, optimize the Company's resources.

In spite of difficult business conditions, the Board of Directors still takes care of developing resources (especially human resources, training and developing staff), operating public companies according to OECD standards, being transparent in information disclosure, persistent sustainable development on the opportunity of the 4.0 technology era.

(*) BI (Business Intelligence): Business intelligence are applications and technologies that help transform business data into action.

MESSAGE FROM THE CHAIRWOMAN

Ladies and Gentlemen,

Traphaco has prepared conditions to take advantage of the Industrial Revolution 4.0 to create a development platform. The Company chooses 2020 as the year of developing Traphaco's Culture in a new phase with 6 core values.



The company continues to deploy 05 management solutions. The ERP system will be completed and the capacity of risk management will be strengthened. Scientific and technological cooperation will be encouraged. Investment and governmental incentives for Traphaco Hung Yen Co., Ltd. - Science and Technology Enterprise will be best exploited. The value chain from medicinal herbs plantations continues to be maintained with dominant products in the drug bidding policy. Traphaco will have more products (both traditional and western medicines) to implement the ETC channel development strategy as well as keep the distribution advantage on the OTC channel. Continue to take advantage of digital technology to best communicate to customers, optimize costs, increase labor productivity based on the application of professional KPI tools; work with responsible, creative, courageous and confident manner, actively enhance internal communication for the purpose of business development. We will all create new, faster, stronger flows in line with the trend of Pharma 4.0. On the basis of Traphaco Culture

In the new stage, together with effective management solutions, we will accomplish the production and business goals in 2020: *Consolidated after tax of VND 2,000 billion, consolidated after tax profit of VND 180 billion (up 18%).*

At this time, we are facing the extremely difficult challenge of the global Covid-19 epidemic. As a pharmaceutical enterprise, Traphaco has actively prepared on the basis of value chains, domestic exploitation and diversified markets, thus stabilizing production and business activities and actively preventing and controlling epidemics. On behalf of the Board of Directors, I would like to applaud the spirit of initiative, creativity, sharing ethics and social responsibility of the Leadership and all employees who have contributed to the community, contributing to the results. Viet Nam takes pride in preventing and fighting against epidemics and raising the country's health status in the international arena.



Ladies and Gentlemen,

2020 - the end of the 2016-2021 term, with the preparation of resources, as well as the values of Traphaco maintained and strengthened, we have confidence that business performance in 2020 will be brilliant, contributing to the achievement of the term's objectives. 2020 will be the year of establishing **Traphaco Culture in a new period**. That culture will perfect each and every Traphaco member and make them better suited to the requirements of Pharma 4.0 trend. Traphaco will have a solid foundation to develop the company not only in 2020 but also in the following years. The consensus leadership, the wise direction of the Board of Directors, the drastic and effective management of the Board of Management, the determination of innovation of all employees will be the motivation for us to continue developing.

Traphaco always appreciates your valuable comments, and treasures your kind companion on the path of sustainable development – *a green health path* pioneering in green products creation, to protect human health, for a general peace and prosperity.

Thank you!

MSc. **Vu Thi Thuan**
Chairwoman

MESSAGE FROM CEO



2019 with Traphaco was a year that continues to be challenging. We had faced fierce competition, the pursuit of competitors, from the media arena to the shelves of customers. Counterfeit goods and pirated goods of Traphaco's key products have caused significant pressure on our distribution system.

These difficulties required Traphaco to have a consensus on goals with flexible directions and solutions to meet the market's needs, turning them into a motivation to overcome difficulties. The Company selected 2019 as the year of "Corporate Governance", focused on implementing 05 major solutions in accordance with strategic objectives, building a foundation to create growth opportunities for the period of 2020 - 2025, including:

- **First:** Strategic goals has been implemented since the beginning of the year, transformed into KPI of parts, creating an urgent pace to implement from the beginning of the year;
- **Second:** Marketing activities are focused and renewed including communication activities at the point of sale (stickers, displays, etc.), promoting online marketing, PR focusing on women, successful implementation of point-earning program attracting more than 27,000 customers to participate, directing customers in accordance with the general orientation of the Company;
- **Third:** Matching KPIs with 3Ps salary for the sales system; Prescribing the method of calculating salaries submitted to sale-representatives, delivery staff, and provincial officers in association with KPIs and the turnover of the whole region;
- **Fourth:** The company has set a cost limit and enacted it from Q2/2019, optimizing costs for all areas of work. All activities in the enterprise are strictly controlled, eliminating excess and ineffective costs;
- **Fifth:** Promotion of hospital sales. In January 2019, the Company established a Hospital Sales Department. In October 2019, the Company officially appointed Deputy CEO to be responsible for the development of the ETC channel, and making the plan for ETC channel development in the period of 2020-2022.



Consolidated profit after
tax reached

100.4%

COMPARED TO THE PLAN

In addition, the Company has built new growth-drivers for the next period including increasing exploitation of imported products, and improving the capacity of two factories (traditional and western medicine), especially the lines of eye drops, nose drops, solutions, and western medicine pills through the expansion of the new product portfolio by technology transfer (Daewoong) and enhancing the Company's research and development capacity.

Consolidated revenue is estimated at VND 1,710.4 billion (92.5% of plan), combined profit of VND 170.6 billion (100% plan). Although the company did not meet its revenue plan, the Company achieved its profit plan thanks to efforts in managing expenses.

With these achieved results, the Company continues to receive many titles and major awards such as the National Quality Gold Award, Traphaco Hung Yen Co., Ltd. is recognized as a Science and Technology Enterprise with preferential policies, First-Class Labor Medal for Trade Union of Traphaco Company, etc.. This is an honor and a proud milestone on the occasion of the 47th anniversary of the Company's Traditional Day.



MESSAGE FROM CEO

Building Traphaco Culture in a new phase

Entering 2020, we will continue to face challenges and difficulties, a dangerous pandemic that changes everyone's spending and living habits. However, on the basis of the established foundation, in 2020, the Company continues to promote 5 major solutions and anticipate new opportunities.

With the OTC system, the Company applies information technology to enhance the management of customers' data; assess the customer's true ability to sell; strengthen the role of the pharmacist and provincial manager. Increasing Traphaco's product volume on the shelves of each customer through the application of information technology and BI analysis. Promoting online consultancy through call centers and Digital platforms.

Focus on boosting ETC market. According to the Circular No. 15/2019/TT-BYT on bidding for drugs, many Traphaco's drug products are classified into Group 1 of Eastern medicines. Circular 15 has opened up significant growth opportunities for products using medicinal GACP - the key products of Traphaco.

Boosting research and development, register the list of products deployed in production, ensure a sufficient number of products to meet market's demands. The company uses technology to deploy products, puts products by technology transfer into production, expands the OTC and ETC product portfolio with "breakthrough" products, making good use of the extensive distribution system and strong brand of Traphaco.

Strengthening corporate governance activities, well implement cost management. Building cost limits and good governance, ensuring the completion of plans, benefits for employees, interests of shareholders and investors.

The company makes strategic changes, developing new western products. The company designs a plan to develop western medicine in the period of 2020-2025 with specific goals and measures. Gradually increase the percentage of sales. Western medicine in the revenue structure. The company gathers the necessary resources to continue receiving technology transfer from Daewoong to increase the product portfolio and research-production capacity. Strengthen the importing and exclusive distribution.

The year 2020 was chosen to be the year of building Traphaco Culture with a new message: *Honest and Courage - Initiative and Connect - Responsibly Creative - Innovative brings Success.* To conquer challenging goals, Traphaco people must be prepared with a new mind and a new spirit in Traphaco Culture in a new period. Traphaco's culture in the new period will be a guideline to gather, connect and unify Traphaco's people regarding the will, goals, ways and attitudes in the work, so that the work of each individual and department will be a specific but coherent reflection of the common goals.

To successfully build a corporate culture in the new period, the Company expects the management team to set good examples in

realizing and spreading 6 core values to levels below: *Honest - Courage - Initiative - Connect - Innovative - Responsible* of Traphaco people, by following 6 standard behaviors:

- Sharing vision, culture, strategy
- Establishing an effective working environment, uniting the team
- Supporting employees;
- Best exercising;
- Setting good examples;
- Be sincere and open-minded

5 MAJOR SOLUTIONS, COMBINED WITH TRAPHACO CULTURE IN THE NEW PERIOD, WILL CREATE BREAKTHROUGH NOT ONLY FOR 2020 BUT FOR THE YEARS COMING. THIS IS THE FOUNDATION FOR THE COMPANY TO PERSIST WITH ITS VISION TO 2025: TRAPHACO IS THE NUMBER 1 PHARMACEUTICAL COMPANY IN VIETNAM ON THE GROWTH RATE OF REVENUE AND PROFIT.

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- 24 Highlights in 2019
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- 30 Governance Model, Organizational apparatus
- 34 Organizationall chart
- 36 Traphaco's subsidiaries
- 38 Introduction of the Board of Directors
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Unclog GREATER FLOWS

With the goal of sustainable development, Traphaco always adheres to the strategic direction of “Green Health Path” on the strength of the No.1 pharmaceutical brand in Vietnam. At the same time, we expand western medicine production based on the 4.0 technology platform, try our best to meet the market demand as well as diversify products on the widespread, IT-applied distribution channel to enrich Traphaco's values and core competencies.

OVERVIEW OF TRAPHACO

Traphaco JSC was established on 28th November 1972. Over 47 years of establishment and development Traphaco has become:

THE NO. 1 PHARMACEUTICAL BRAND IN VIETNAM



05

The planting/harvesting zones of medicinal plants meet GACP-WHO standards



03

Factories meet GPs-WHO standards



Headquarters:
75 Yen Ninh, Ba Dinh, Hanoi

Office in
Hoang Liet factory



01

Medicine
extracting factory



27,000+

Contracted-pharmacies
nationwide

04

Subsidiary

28

Branches
nationwide

BUSINESS AREA



BUSINESS ACTIVITIES

- Producing and trading pharmaceuticals, chemicals and medical supplies;
- Purchasing, cultivating and processing medicine;
- Preparing prescribed medication;
- Consulting on pharmaceuticals and cosmetics manufacturing;
- Importing and exporting medicine-manufacturing raw materials, auxiliary materials, medicines;
- Manufacturing and trading cosmetics;
- Manufacturing and trading food;
- Consultancy on scientific services, technology transfer in the medical and pharmaceutical field;
- Manufacturing, trading alcohol, beer, beverage (not including bar business);
- Importing and exporting the Company's trading products.

THE ESTABLISHMENT AND DEVELOPMENT HISTORY



For more than 47 years of establishment and development, Traphaco has consistently pursued the sustainable development path, the “Green Health Path”. At the same time, maintaining the Traphaco name to be the most famous brand in Vietnam's pharmaceutical industry with the best quality of product and service.

- 1972**
Establishing the production team belonging to the Railway Medical Service.
- 1994**
The Transportation Pharmaceutical and Medical Materials Company (TRAPHACO).
- 1998**
The first northern GMP pharmaceutical factory in Phu Thung
- 1999**
Annual General Meeting of founding shareholders, Traphaco became one of the pioneering pharmaceutical enterprises in equitization.

- 2001**
Changing name to Traphaco JSC, with the purpose of performing multi-lines business, suitable with the new economic trend.
- 2002**
Establishing Traphaco Sapa Two-Member Limited Liability Company, Lao Cai.
- 2004**
Inaugurating and putting Hoang Liet Pharmaceutical Factory - Hoang Mai - Hanoi into operation.
- 2006**
Establishing Traphaco High Technology Joint Stock Company (Traphaco CNC); Inaugurating the Factory of Traditional Medicine in Van Lam - Hung Yen meeting GMP-WHO standards.
- 2008**
On 26th November, 2008, TRA's stock code was officially traded on Ho Chi Minh City Stock Exchange (HOSE) with the charter capital of VND 80 billion.
- 2009**
Launching Traphaco Sapa One-Member Limited Liability Company in Lao Cai, Traphaco owned 100% capital.

2010
Celebrating 10 years of equitization. Receiving the title of Labor Hero.

2012
On the 40th anniversary of the Company's traditional day, Traphaco was awarded the First-class Labor Medal.

2014
Introducing the new OTC sales policy based on the principle of mutual benefit; Application of information technology in administration of the distribution system.

2015
Starting the construction of Vietnam Pharmaceutical Factory in Vietnam with a total estimated value of VND 500 billion.

2010

2019

Receiving the First-class Labor Medal for the Company Union

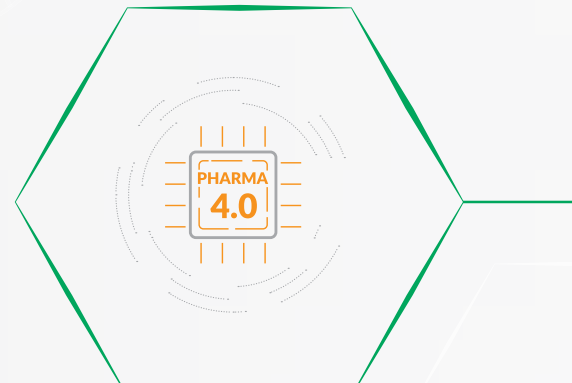
Also on this occasion, Traphaco was pleased to receive the Vietnam Sustainable Business Awards (CSI) in 2019, Top 10 Best Listed Companies, Top 5 Best Corporate Governance Companies and Top 5 Best Sustainability Development Reports in 2019.

Continuing to be voted as a Vietnamese Sustainable Enterprise is not only a pride for Traphaco but also spreading the meaning and motivation for the Vietnamese business community to develop in a sustainable manner, from which images and products of Vietnamese enterprises can compete in the international market and become the national brand and the pride for every Vietnamese people.

2016
The 2016-2020 General Meeting of Shareholders, Traphaco built the Company's Strategy in the phase of 2017-2020.

2017
Announcing the Sustainable Development Strategy for the 2017-2020 period. Inaugurating the most modern western medicine manufacturing factory in Vietnam. Celebrating the 45th anniversary of the Company's traditional day.

2018
The Company are constantly awarded many prestigious honors and awards: National Quality Gold Award, Asia-Pacific Quality Award, Top 10 Corporate Social Responsibility, Top 10 Vietnamese Brand Products typical for Boganic,...



HIGHLIGHTS IN 2019



1.

TRAPHACO UNION RECEIVES THE FIRST-CLASS LABOR MEDAL

With the achievements greatly contributing to the development of the business, the Trade Union of Traphaco Joint Stock Company was honored to receive the First-Class Labor Medal in the celebration of the Company's Traditional Day – November 28th.



2.

TRAPHACO HONORED TO RECEIVE NATIONAL GOLD QUALITY AWARD IN 2018

On June 23, 2019, Traphaco Joint Stock Company was honored to receive the Gold Award of National Quality Award 2018 - Big Business group; this was also its third time in a row (2012, 2015, 2018).



3.

TRAPHACO ACHIEVED THE CERTIFICATE OF GLOBAL GENDER EQUALITY EDGE

On August 9, 2019, Traphaco was honored to receive the Global Gender Equality certificate and became a new member of VBCWE (Vietnam Business Network to support the development of women's power). The certificate was issued by the prestigious EDGE Certified Foundation (Switzerland), which is currently the leading business standard for gender equality recognized in 50 prosperous countries worldwide.



4.

TRAPHACO HUNG YEN HAS BEEN

CERTIFIED "SCIENCE AND TECHNOLOGY ENTERPRISES"

On October 10, 2019, Traphaco Hung Yen Co., Ltd was honored to be certified as "Science and Technology Enterprise" by the Department of Science and Technology of Hung Yen Province in accordance with Decree 13/2019 / ND-CP of the Government, for its successful application of domestic scientific research results and technology transfer from abroad in the field of Pharmaceuticals.



5.

TRAPHACO CONTINUES TO BE A VIETNAMESE SUSTAINABLE ENTERPRISE (CSI) 2019

On the evening of November 26, 2019, the Vietnam Business Council for Sustainable Development - VBCSD held a ceremony to announce Sustainable Enterprises in Vietnam in 2019. Traphaco passed nearly 500 business records, continuing to be voted as a Sustainable Enterprise in Vietnam 2019. In the coming time, Traphaco's strong development motivation is its technological strength and the pioneering position in the trend of Pharma 4.0 - the application of 4.0 Technology in manufacturing and trading of Pharmaceuticals.



6.

TECHNOLOGY TRANSFER PROJECT BETWEEN TRAPHACO AND DAEWOONG PHARMACEUTICAL COMPANY, KOREA

On March 5, 2019, the kick-off ceremony of the technology transfer project between Traphaco and Daewoong Pharmaceutical Company, Korea took place. The project aims at the growth target of Traphaco and the globalization goal of Daewoong. Traphaco has prepared the best conditions to receive technology transfer for 08 products, quickly put it into operation.



7.

TRAPHACO FOR THE 3 TIME CONTINUING THE TOP 10 ANNUAL REPORT AND SUSTAINABLE DEVELOPMENT REPORT

On November 27, 2019, in Ho Chi Minh City, Traphaco Joint Stock Company was honored to be awarded the Top 10 Award for Excellent Annual Report and Outstanding Sustainable Development Report. Traphaco is also the first Vietnamese pharmaceutical enterprise to have a Standard International Sustainable Development certified by GRI.



8.

ESTABLISHMENT OF THE HOSPITAL SALES DIVISION

On January 2, 2019, the Hospital Sales Department was established with responsibilities of promoting hospital sales, developing strategies, policies and deploying sales into the treatment system; At the same time promoting the Company's products on the list of local insurance payment.



9.

APPOINT 01 DEPUTY CEO IN CHARGE OF ETC

On October 1, 2019, the Board of Directors officially appointed Mr. Kim Dong Hyu as Deputy CEO, directly managing and operating the Hospital Sales Department and Business Development Unit. Mr. Kim used to be the Chief Representative of Daewoong Pharmaceutical Group (Korea) in Vietnam.



10.

TRAPHACO LAUNCHES NEW ZEALAND IMPORTED MILK PRODUCTS

On October 7, 2019, Traphaco JSC held a Launching Ceremony of New Zealand Gold milk product line which is imported from New Zealand and be exclusively distributed in Vietnam market by Traphaco JSC. New Zealand Gold milk is of pure origin, closed chain process, very suitable for mothers and children in Vietnam.



TYPICAL AWARDS OVER THE YEARS

After many years of participating in the award, Traphaco has increasingly improved its quality management system; The enterprise has applied more digital management systems, gradually becoming a 4.0 Pharmaceutical Business



FOR 4 TIMES
(2012, 2014, 2016, 2018)

NATIONAL BRAND

VIETNAM VALUE

STATE LEVEL



Labor Hero
(2010)



First-Class Labor Medal
(2012)



First-Class Labor Medal for
Company Union (2019)

ON SCIENTIFIC RESEARCH AND APPLICATION OF INTELLECTUAL PROPERTY SOLUTIONS



WIPO Awards
(2010)



Asia Pacific International
Quality Award
(2013)



National Quality
Golden Award
(2012, 2015, 2018)

ON BRANDING



Top 10 Vietnam
Golden Stars
(2013, 2018)



TOP 10 most prestigious
pharmaceutical companies
in Vietnam (2016, 2017)



Top 40 Most Valuable
Company Brand in Vietnam
(2016, 2017)



Top 50 leading brands
(2019)



Top 10 outstanding
Vietnamese brand products
(2015, 2017)



ON SOCIAL RESPONSIBILITIES



Top 10 Typical Vietnam
Golden Star Enterprise for
Social Responsibility
(2011, 2013, 2015)

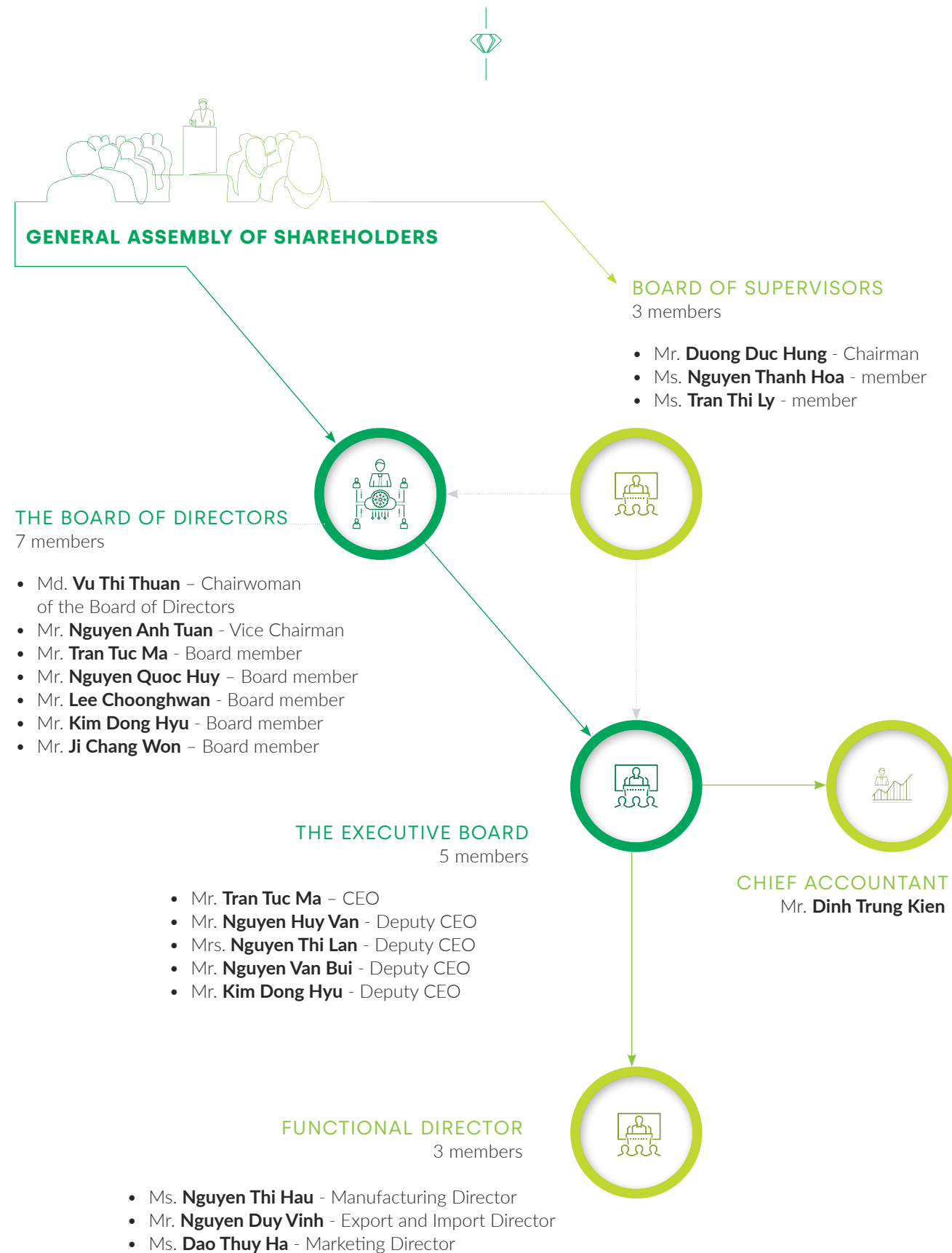


Top 10
Vietnam's Most Sustainable
Enterprise (Top 10 CSI)
(2016, 2017, 2018)

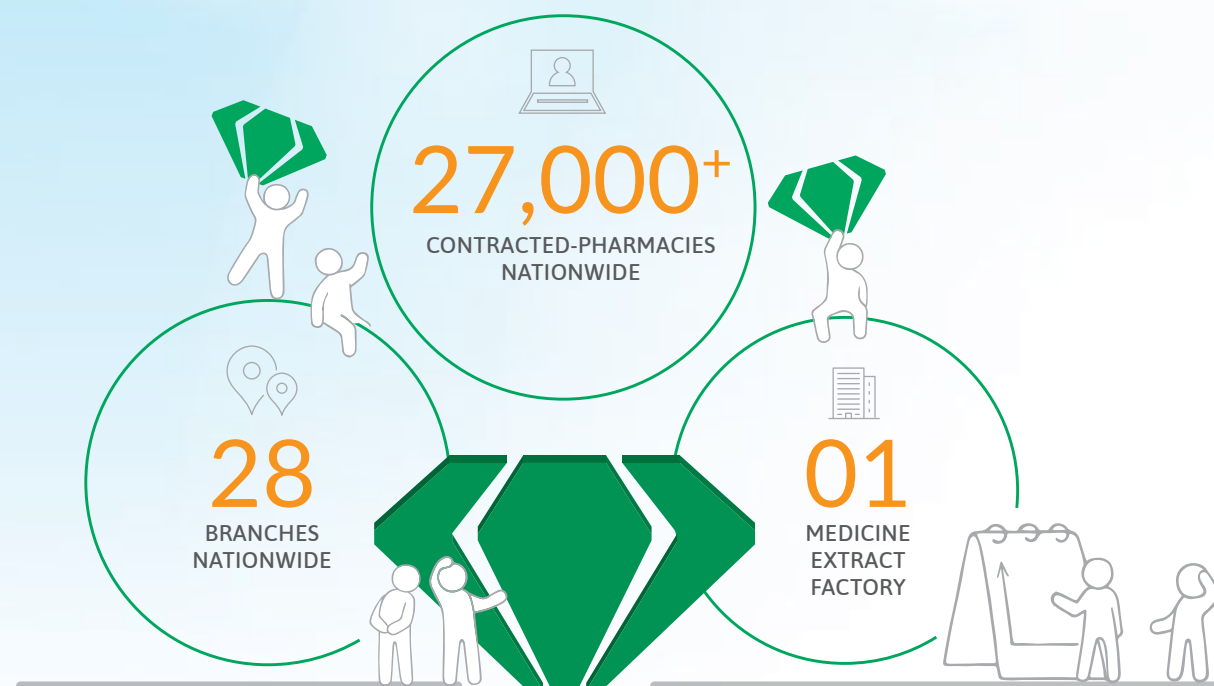


Enterprise for Labors
(2016, 2017, 2018)

GOVERNANCE MODEL ORGANIZATIONAL APPARATUS



DISTRIBUTION SYSTEM



BRANCHES

- | | | |
|------------------------|----------------------------|------------------------|
| 1. Thai Nguyen branch; | 11. Nghe An branch; | 21. Binh Thuan branch; |
| 2. Yen Bai branch; | 12. Branch in Central; | 22. Dong Nai branch; |
| 3. Bac Giang branch; | 13. Gia Lai branch; | 23. Binh Duong branch; |
| 4. Quang Ninh branch; | 14. Quang Ngai branch; | 24. Kien Giang branch; |
| 5. Hai Duong branch; | 15. Khanh Hoa branch; | 25. Long An branch; |
| 6. Hai Phong branch; | 16. Thua Thien Hue branch; | 26. Binh Dinh branch; |
| 7. Hung Yen branch; | 17. Ho Chi Minh branch; | 27. Vung Tau branch; |
| 8. Nam Dinh branch; | 18. Tien Giang branch; | 28. Vinh Phuc branch. |
| 9. Thanh Hoa branch; | 19. Vinh Long branch; | |
| 10. Phu Tho branch; | 20. Can Tho branch; | |



HOANG LIET FACTORY

Function

- Manufacturing Cosmetics - Supplements.

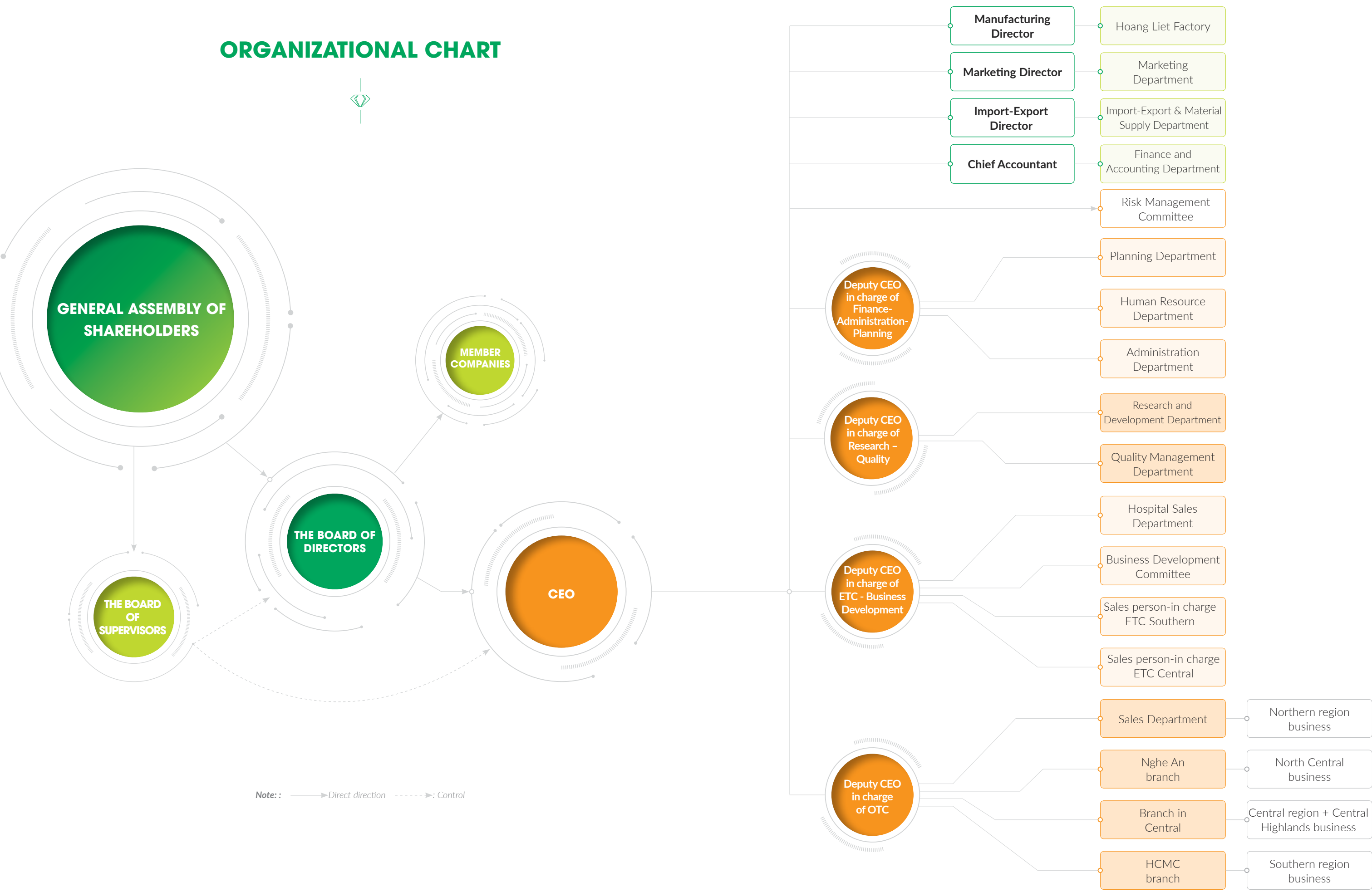
MEDICATION TRADING LOCATIONS in HA NOI

- **Traphaco's Product Introduction Center**
74 Ngo Quyen, Quang Trung, Ha Dong, Hanoi.
- **Counter No. 207**
2nd Floor, Hapu Pharmaceutical and Medical Equipment Distribution Center,
No. 1 Nguyen Huy Tuong, Thanh Xuan, Hanoi.
- **Traphaco's Long Bien Product Distribution Center**
No. 295, Thanh An Road, Thuong Thanh Ward,
Long Bien District, Ha Noi.

TRAPHACO'S SUBSIDIARIES

- 1 **TraphacoSapa one-member Limited Company**
(100% owned).
- 2 **Traphaco Hung Yen Limited Company**
(100% owned).
- 3 **Dak Lak Pharmaceutical & Medical Materials Joint Stock Company**
(58% equity).
- 4 **Traphaco High Technology Joint Stock Company**
(51% equity).

ORGANIZATIONAL CHART



TRAPHACO'S SUBSIDIARIES



TRAPHACO SAPA CO., LTD.

HEADQUARTER

Group 9, Sapa Town, Sapa District, Lao Cai Province.

CHARTER CAPITAL

VND **25,000,000,000**

MAIN FUNCTIONS

Toll-manufacturing raw materials, input medicine, GACP research practice of Traphaco. At the same time, it is the center for developing the medicinal plantation zones to supply raw materials for Traphaco.



TRAPHACO HIGH TECH JSC (TRAPHACO CNC)

HEADQUARTER

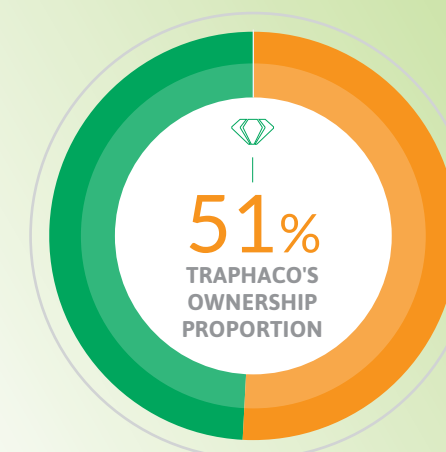
Tan Quang Commune, Van Lam District, Hung Yen Province

CHARTER CAPITAL

VND **113,643,250,000**

MAIN FUNCTIONS

Toll-manufacturing products and finished products of Traphaco.



TRAPHACO HUNG YEN CO., LTD.

HEADQUARTER

Tan Quang Commune, Van Lam District, Hung Yen Province

CHARTER CAPITAL

VND **250,000,000,000**

MAIN FUNCTIONS

Manufacturing drugs, pharmaceuticals.



DAKLAK PHARMACEUTICAL - MEDICAL MATERIALS JSC (BAMEPHARM)

HEADQUARTER

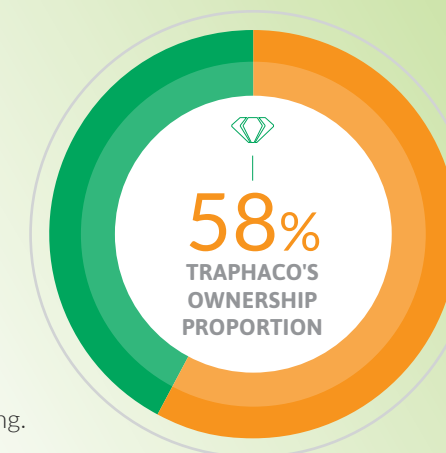
9A Hung Vuong Street, Buon Ma Thuot City, Daklak Province

CHARTER CAPITAL

VND **19,415,880,000**

MAIN FUNCTIONS

Specializing in distribution of pharmaceutical products - medical supplies in 02 provinces of Daklak and Dak Nong.



INTRODUCTION OF THE BOARD OF DIRECTORS



Md. VU THI THUAN

Chairwoman of the Board of Directors

| | | |
|-----------------------------|---------------------------|-------------------------------------|
| Date of birth 25/01/1956 | Nationality Vietnamese | Qualification Master of Pharmacy |
|-----------------------------|---------------------------|-------------------------------------|

Employment Background:

01/1980 - 01/1982 : Technical Staff, the Railway Medicine-manufacturing Workshop.
01/1982 - 04/1989 : Sub-Workshop Forewoman, Deputy Head of the Railway Medicine-manufacturing Workshop.
05/1989 - 10/1993 : Deputy Director, Chairwoman of the Trade Union, the Railway Medicine Factory.
10/1993 - 01/2000 : Deputy Director, Chairwoman of the Trade Union, the Transportation Pharmaceutical and Medical Supplies Company, under Ministry of Transportation.
01/2000 - 03/2003 : Chief Executive Officer, Deputy Chairwoman of the Board of Directors, the Transportation Pharmaceutical and Medical Supplies Company, under Ministry of Transportation (Traphaco JSC).
04/2003 - 05/2010 : Secretary of the Party Executive Committee, Chairwoman of the Board of Directors, CEO at Traphaco JSC.
05/2010 - 04/2011 : Chairwoman of the Board of Directors, CEO at Traphaco JSC.
04/2011 to present : Chairwoman of the Board of Directors at Traphaco JSC.

Positions assigned at other organizations: BoD Member of Traphaco High Technology JSC.



Mr. NGUYEN ANH TUAN

Deputy Chairman of the Board of Directors

| | | |
|----------------------------|---------------------------|--|
| Date of birth 27/6/1978 | Nationality Vietnamese | Qualification Bachelor of External Economics, Master of International Business Law |
|----------------------------|---------------------------|--|

Employment Background:

08/2006 - 08/2015 : Deputy Administration Manager at SCIC.
09/2015 to present : Head of No. 3 Investment Capital Management Board, now No. 3 Investment Board, SCIC.
04/2016 to present : Deputy Chairman of the Board of Directors at Traphaco JSC.

Positions assigned at other organizations:

BoD member of Tien Phong Plastic JSC.
BoD member of Vietnam National Fisheries Corporation.



Mr. TRAN TUC MA

Director

| | | |
|----------------------------|---------------------------|-------------------------------------|
| Date of birth 17/6/1965 | Nationality Vietnamese | Qualification Master of Pharmacy |
|----------------------------|---------------------------|-------------------------------------|

Employment Background:

03/1990 - 8/1992 : Staff at Experimental Institute - Ministry of Health.
09/1992 - 12/1993 : Staff at Sales Division - Hanoi Railway Pharmaceutical Company.
01/1994 - 04/1997 : Staff at Sales Department, Traphaco JSC.
05/1997 - 10/2000 : Deputy Head of Quality Control Department, Traphaco JSC.
11/2000 - 02/2003 : Head of Sales Department, Traphaco JSC.
03/2003 - 12/2004 : Chairman of the Board of Supervisors, Sales Manager of Traphaco JSC.
01/2005 - 03/2006 : BoD member, Deputy Director in charge of Sales, Traphaco JSC.
04/2006 - 05/2010 : Board member, Deputy CEO in charge of Sales, Traphaco JSC.
05/2010 - 03/2011 : Secretary of the Party Executive Committee, Board Member, Deputy CEO in charge of Sales, Traphaco JSC.
03/2011 - 03/2016 : Secretary of the Party Executive Committee, Deputy Chairman of BoD, CEO at Traphaco JSC.
04/2016 to present : Secretary of Party Executive Committee, BoD member, CEO at Traphaco JSC.

Positions assigned at other organizations:

BoD Member of Traphaco High Technology JSC.
Chairman of the Board of Directors at Traphaco Hung Yen Co. Ltd.



Mr. NGUYEN QUOC HUY

Director

| | | |
|-----------------------------|---------------------------|---|
| Date of birth 24/12/1967 | Nationality Vietnamese | Qualification Bachelor of Accounting & Business Administration |
|-----------------------------|---------------------------|---|

Employment Background:

1992 - 2006 : Vietnam Auditing Company.
2006 - 2010 : Board member, Chairman of the Board of Supervisors, SCIC.
2011 - 2019 : Deputy CEO at SCIC (concurrently as a member of the BoD and Chairman of the BoD at:
Bao Viet Group, Gemadept JSC, Vinaconex, Vietnam Construction Investment and Trade Corporation, Thai Nguyen Iron and Steel JSC, Vietnam Electronics and Informatics JSC).
04/2018 to present : Deputy CEO at SCIC, Board member at Traphaco JSC.

Positions assigned at other organizations: Chairman of Vietnam National Fisheries Corporation.



Mr. LEE CHOONGHWAN

Director

| | | |
|-----------------------------|-----------------------|---------------------------|
| Date of birth 22/01/1978 | Nationality Korean | Qualification Bachelor |
|-----------------------------|-----------------------|---------------------------|

Employment Background:

2003 - 2004 : Analyst, M&A Division - ISU Holdings.
2005 - 2007 : Manager, New Enterprise Development Division - ISU Holdings.
2007 - 2009 : Senior Manager, Global IB Center - Mirae Asset Securities.
2010 - 2014 : Head of Investment - Securities Division, Mirae Asset & MAS HK.
2015 - 2016 : Head of China Business Development - Global Investment, Mirae Asset.
2017 - 07/2018 : Fund Manager, Mirae Asset Capital
07/2018 to present : Board member of Traphaco JSC

Positions assigned at other organizations: No.



Mr. KIM DONG HYU

Director

| | | |
|-----------------------------|-----------------------|--|
| Date of birth 25/12/1981 | Nationality Korean | Qualification Bachelor in Biotechnology |
|-----------------------------|-----------------------|--|

Employment Background:

12/2008 - 03/2013 : Team Leader of Finance and Planning - Daewoong Pharmaceutical Corporation.
04/2013 - 03/2015 : Team Leader of Business Development - Daewoong Pharmaceutical Corporation.
04/2015 - 06/2016 : Team Leader of Planning - Marketing - Daewoong Pharmaceutical Corporation.
07/2016 - 07/2018 : Representative of Daewoong Pharmaceuticals - Vietnam Office
07/2018 to present : Board member of Traphaco JSC.
10/2019 to present : Deputy CEO in charge of ETC & Business Development at Traphaco JSC.

Positions assigned at other organizations: No.



Mr. JI CHANG WON

Director

| | | |
|-----------------------------|-----------------------|-------------------------|
| Date of birth 07/01/1964 | Nationality Korean | Qualification Doctor |
|-----------------------------|-----------------------|-------------------------|

Employment Background:

02/1987 - 09/1993 : Head of Quality Control Department, Saehan Pharmaceutical Company;
10/1993 - 03/1994 : Head of Quality Control Department, LG Pharmaceutical Company;
04/1994 - 08/2004 : Plant Manager, Saehan Pharmaceutical Company;
01/2005 - 07/2007 : Manufacturing Manager, Schering Co., Ltd. ;
07/2007 - 12/2010 : Plant Manager, Choongwae Synyak Pharmaceutical Corporation;
01/2011 - 12/2011 : Head of Manufacturing and Quality Office, JW Pharmaceutical Corporation;
12/2011 - 04/2016 : Chief Operating Officer, Janssen Vaccine;
04/2016 to present : Chief Operating Officer, Daewoong Pharmaceutical Corporation;
09/2019 to present : Board member, Traphaco JSC

Positions assigned at other organizations: No.

INTRODUCTION OF THE EXECUTIVE BOARD



Mr. TRAN TUC MA

CEO

| Date of birth 17/6/1965 | Nationality Vietnamese | Qualification Master of Pharmacy |
|----------------------------|---------------------------|-------------------------------------|
|----------------------------|---------------------------|-------------------------------------|

Employment Background:

03/1990 - 08/1992 : Staff at Experimental Institute - Ministry of Health.
09/1992 - 12/1993 : Staff at Sales Division - Hanoi Railway Pharmaceutical Company.
01/1994 - 04/1997 : Staff at Sales Department, Traphaco JSC.
05/1997 - 10/2000 : Deputy Head of Quality Control Department, Traphaco JSC.
11/2000 - 02/2003 : Head of Sales Department, Traphaco JSC.
03/2003 - 12/2004 : Chairman of the Board of Supervisors, Sales Manager of Traphaco JSC.
01/2005 - 03/2006 : BoD member, Deputy Director in charge of Sales, Traphaco JSC.
04/2006 - 05/2010 : Board member, Deputy CEO in charge of Sales, Traphaco JSC.
05/2010 - 03/2011 : Secretary of the Party Executive Committee, Board Member, Deputy CEO in charge of Sales, Traphaco JSC.
03/2011 - 03/2016 : Secretary of the Party Executive Committee, Deputy Chairman of BoD, CEO at Traphaco JSC.
04/2016 to present : Secretary of Party Executive Committee, Member of the Board of Directors, CEO at Traphaco JSC.



Ms. NGUYEN THI LAN

Deputy CEO

| Date of birth 08/01/1967 | Nationality Vietnamese | Qualification Bachelor of Pharmacy |
|-----------------------------|---------------------------|---------------------------------------|
|-----------------------------|---------------------------|---------------------------------------|

Employment Background:

01/1993 - 01/1994 : Forewoman of Salve Sub-Workshop, Railway Pharmacy Company (RAPHACO).
02/1994 - 11/2001 : Forewoman of the Pill Sub-Workshop, Staff of the Technical Department, Forewoman of the Western medicine Sub-Workshop, Deputy Head of Planning Sales Department, the Transportation Pharmaceutical and Medical Materials Company (Traphaco).
11/2001 - 03/2011 : Head of Planning - Supply - Sales Department, Head of Planning Department, Traphaco JSC.
04/2011 - 03/2014 : Board member, Head of Planning Department, Traphaco JSC.
09/2014 to present : Deputy CEO, Traphaco JSC.



Mr. NGUYEN HUY VAN

Deputy CEO

| Date of birth 10/03/1967 | Nationality Vietnamese | Qualification Master of Pharmacy |
|-----------------------------|---------------------------|-------------------------------------|
|-----------------------------|---------------------------|-------------------------------------|

Employment Background:

01/06/1994 - 30/06/1995 : Staff of Sales Division.
01/07/1995 - 09/07/1996 : Deputy Head of Marketing Department.
10/07/1996 - 12/1999 : Head of R&D Department.
01/2000 - 12/2004 : Head of R&D Department, Board member, Traphaco JSC.
01/2005 - 03/2006 : Deputy Director of R&D, Board member, Traphaco JSC.
04/2006 - 03/2011 : Deputy CEO, Board member, Traphaco JSC.
04/2011 - 04/2015 : Deputy CEO, Traphaco JSC.
05/2015 to present : Vice Secretary of the Party Executive Committee; Deputy CEO at Traphaco JSC.



Mr. NGUYEN VAN BUI

Deputy CEO

| Date of birth 16/10/1963 | Nationality Vietnamese | Qualification Bachelor of Pharmacy |
|-----------------------------|---------------------------|---------------------------------------|
|-----------------------------|---------------------------|---------------------------------------|

Employment Background:

03/1988 - 12/1996 : Bachelor of Pharmacy, Hai Hung Tuberculosis Hospital.
01/1997 - 12/1997 : Bachelor of Pharmacy, Hung Yen Social Diseases Prevention Center
01/2001 - 12/2004 : Director, Huu Nghi Pharmaceutical Co., Ltd.
12/2003 - 05/2004 : Staff of R&D Division, Traphaco JSC.
06/2004 - 12/2007 : Staff of Sales Department, Traphaco JSC.
01/2008 - 06/2008 : Staff of Marketing Department, Traphaco JSC.
07/2008 - 04/2011 : Deputy Head of Marketing Department, Traphaco JSC.
05/2011 - 07/2013 : Head of Sales Department, Traphaco JSC..
08/2013 - 01/2017 : Sales Director
02/2017 - 12/2019 : Deputy CEO in charge of Sales, Traphaco JSC.
1/2020 to present : Deputy CEO in charge of OTC, Traphaco JSC.



Mr. KIM DONG HYU

Deputy CEO

| Date of birth 25/12/1981 | Nationality Korean | Qualification Bachelor in Biotechnology |
|-----------------------------|-----------------------|--|
|-----------------------------|-----------------------|--|

Employment Background:

12/2008 - 03/2013 : Team Leader of Finance and Planning - Daewoong Pharmaceutical Corporation.
04/2013 - 03/2015 : Team Leader of Business Development - Daewoong Pharmaceutical Corporation.
04/2015 - 06/2016 : Team Leader of Planning - Marketing - Daewoong Pharmaceutical Corporation.
07/2016 - 7/2018 : Representative of Daewoong Pharmaceuticals - Vietnam Office
7/2018 to present : Board member of Traphaco JSC
10/2019 to present : Deputy CEO in charge of ETC & Business Development at Traphaco JSC.



Mr. DINH TRUNG KIEN

Chief accountant

| Date of birth 1973 | Nationality Vietnamese | Qualification Bachelor of Economics, Master of Business Administration |
|-----------------------|---------------------------|--|
|-----------------------|---------------------------|--|

Employment Background:

12/1994 - 01/2005 : Staff of Finance and Accounting Division of Traphaco JSC.
01/2005 - 12/2007 : Deputy Head of Finance and Accounting Division of Traphaco JSC.
01/2008 to present : January 2008-now Chief accountant, Head of Finance and Accounting Division of Traphaco JSC.

INTRODUCTION OF THE BOARD OF SUPERVISORS



Mr. Duong Duc Hung

Chairman of the Supervisory Board

| | | |
|-----------------------------|---------------------------|--|
| Date of birth 16/12/1980 | Nationality Vietnamese | Qualification Master of Business Administration |
|-----------------------------|---------------------------|--|

Employment Background:

- 4/2003 - 3/2013 : Receivables monitoring accountant, Sales Division of Traphaco JSC.
- 4/2013 - 8/2013 : Accountant, Financial and Accounting Division of Traphaco JSC.
- 8/2013 - 3/2016 : Head of Risk Management Committee of Traphaco JSC.
- 4/2016 to present : Head of Risk Management Committee of Traphaco JSC. Chairman of the Supervisory Board.



Ms. Nguyen Thanh Hoa

Member of Board of Supervisors

| | | |
|-----------------------------|---------------------------|---|
| Date of birth 10/12/1983 | Nationality Vietnamese | Qualification Bachelor of Accounting, Master of Business Administration. |
|-----------------------------|---------------------------|---|

Employment Background:

- 6/2006 - 8/2006 : Accounting Officer at Vietnam Airlines Corporation - Labor Export Center.
- 10/2006 - 5/2007 : Accounting Officer at Bank for Investment and Development of Vietnam - BIDV Hanoi Branch.
- 6/2007 - 6/2012 : Officer at Financial and Accounting Department, State Capital Investment Corporation.
- 6/2012 - 4/2016 : Officer at Risk Management Department, State Capital Investment Corporation.
- 4/2016 to present : Member of Board of Supervisors of Traphaco JSC.



Ms. TRAN THI LY

Member of Board of Supervisors

| | | |
|-----------------------------|---------------------------|---|
| Date of birth 07/05/1989 | Nationality Vietnamese | Qualification: Bachelor of Economics and Public Administration, Finance – Banking and Human Resource Management |
|-----------------------------|---------------------------|---|

Employment Background:

- 6/2012 - 10/2013 : Assistant to Sales Director of CP Vietnam Corporation - Charoen Pokphand Group.
- 11/2013 - 11/2016 : Business Assistant of Vietnam Prosperity Banking and Finance Company.
- 12/2016 - 12/2017 : Human Resource Manager NPC VINA Co., Ltd.
- 1/2017 - 7/2018 : Director of Human Resources, Representative Office in HCMC Daewoong Pharmaceutical Group.
- 7/2018 to present : Member of Board of Supervisors of Traphaco JSC.

THE NO. 1 OF TRADITIONAL MEDICINES IN THE PHARMACEUTICAL INDUSTRY

LAUNCHED THE LARGEST AND MODERNEST PHARMACEUTICAL FACTORY IN VIETNAM - OFFICIAL JOINING THE FIELD OF WESTERN MEDICINES ON THE BASIS OF BALANCED RESOURCES, SYNCHRONIZED SYSTEM, INTEGRATED COMMUNITY VALUATION, GAINING COMPETITIVE ADVANTAGE BASED ON CORE CAPABILITY.





DEVELOPMENT STRATEGIES

In 2019, Traphaco has completed many tasks to prepare for future development. Plan long-term strategies, specify each short-term development stage, assess objectively, frankly and in detail each achieved or uncompleted strategic target from which to make quick and flexible adjustment for next steps sustainable development strategy for the next step. They are what Traphaco is applying in the sustainable development strategy for the period 2017-2020.



SWOT ANALYSIS



STRENGTHS

S

- Prestigious brand name, trusted and loved by customers;
- Strong, wide, deep, modern and professional distribution system;
- Visionary and enthusiasm leaders by generations
- Good, high quality, popular products
- Sound and stable financial foundation;
- Dedicated and highly-qualified staff;
- Advanced technology, governance based on information technology (IT);
- Reputable and profitable key products.

WEAKNESSES

W

- The strategy for developing key product lines is not clear;
- The ownership rate of employees is still low;
- The system is bulky, and there is poor coordination among parts/units - not good enough to turn into unified strength.
- The process of deploying new products is still slow, not meeting the needs;
- Accessibility to technology, foreign language and integration knowledge is still weak;
- Managers lacked aspirations, unwilling to change, and preferred stability.
- Chain management: The system of collecting and processing feedbacks from customers and consumers has not been effective, failed to create products and services that best meet the needs of the market;
- Untapped facilities (green value chain, system of 4 factories).

OPPORTUNITIES

O

- Consumers tend to prefer green-health, environment-friendly products of natural origins.
- More and more opportunities are being created by partnership in distribution, which gives the companies dominating advantages to master the distribution system.
- Growth opportunities are abundant because the market volumes remain high.
- The population is large and aging; environmental pollution and morbidity are increasing; the budget for medicines and functional foods is swelling.
- The growth rate of the industry is high, averaging approximately 14.6%/year; the role and position of the domestic pharmaceutical enterprises are improving.
- The domestic resources of medicinal herbs can be developed.
- Information technology can be applied to all areas to create a high efficiency.

THREATS

T

- The development strategy of the industry is expected to face plenty of changes; the state regulations applied to the industry have not been encouraging for pioneers.
- The market is full of chaotic competition caused by small-sized companies who pursue a chasing strategy (especially in the market for traditional medicines).
- Customers in each target group are more demanding.
- Counterfeit goods and pirated goods are rampant, we haven't had effective measures to prevent;
- Competition in the pharmaceutical industry is more and more fiercing;
- The market of raw materials is dependent on foreign ones, mostly on the Chinese market.
- Trends in Pharma 4.0, and the challenge of ensuring job-takers are correspondingly competent to his/her job requirements, take time to handle.

SUSTAINABLE DEVELOPMENT GOALS



Based on the specific content of the 17 United Nations Sustainable Development Goals, Traphaco has selected and integrated sustainable development goals in its strategic orientation for sustainable development for the 2017-2020 period:



EFFICIENT AND SUSTAINABLE GROWTH



OBJECTIVE 1 (SD8)

Promoting sustainable, effective and long-term economic growth; Creating jobs and increasing productivity for everyone



OBJECTIVE 2 (SD12)

Ensuring responsible consumption and production.



OBJECTIVE 3 (SD9)

Building up solid infrastructure, promoting open and sustainable industrialization and encouraging innovation

Optimizing the capacity and effectiveness of corporate governance and the Green Value Chain. Improving business efficiency by business scale and boosting productivity to increase Traphaco's value, making it the leading Green Trademark in Vietnam.

Investing in research and development activities, especially in time-honoured Vietnam's tradition of medicinal herbs, using high quality local medicinal herbs to create modern products to serve domestic demand and overseas market.

Increasing efficiency through investment in the cutting-edge technology of Vietnam's pharmaceutical industry, maximizing the efficiency of resource use, and application of clean and environment-friendly technologies.

Building modern management system based on IT-integrated technology. Establishing the best working environment; ensuring the salary, remuneration, welfare for employees, creating motivation and encouraging creativity.

CONTRIBUTION TO GENERAL DEVELOPMENT OF THE SOCIETY



OBJECTIVE 4 (SD1)

Eliminating poverty in all forms, in all places



OBJECTIVE 5 (SD3)

Ensuring a healthy living condition and improving well-being for all ages.

Pioneering in responding to the campaign of Vietnamese people prioritizing use of: Using Vietnamese raw materials and Vietnamese knowledge for health care;

Transferring techniques and monitoring cultivation and development of medicinal herbs in localities to help increase income and stabilize the life of ethnic people and farmers.

Making medicines more accessible to communities through continuous innovation to improve product quality, labor productivity, costs optimization, and medicines creation to meet the demands of the society.

JOINTLY PROTECT THE ENVIRONMENT



OBJECTIVE 6 (SD13)

Taking action to Respond to Climate Change



OBJECTIVE 7 (SD15)

Protecting, regenerating and encouraging the sustainable use of terrestrial ecosystems, sustainable forest resource management, anti-desertification, soil erosion and biodiversity loss.

Ensuring the conservation of ecosystems, biodiversity, combating desertification, restoring degraded lands and land;

Greening wasteland and bare hills with planting areas meeting GACP - WHO standards;

Minimizing activities that generate waste and pollute the environment, contributing to the improvement of natural environment and human health.

Utilizing energy efficiency through the rational use of energy resources and natural resources.



PRODUCTION AND BUSINESS RESULTS OF 2019

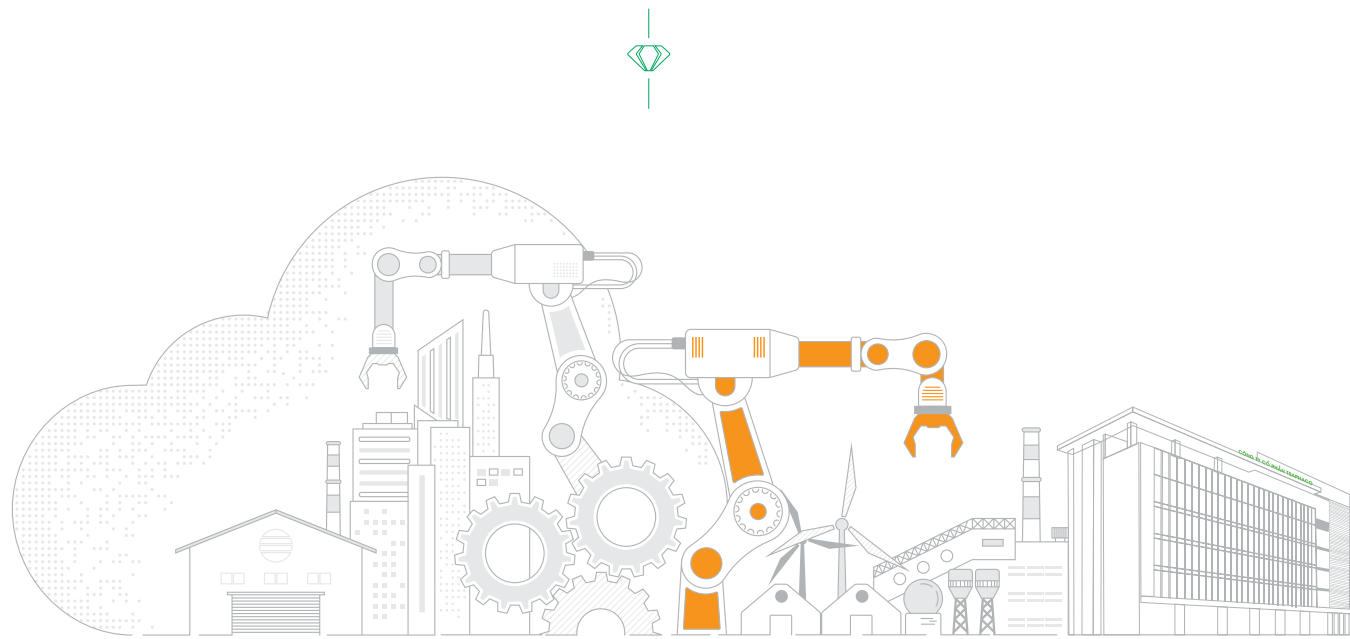
- 50 Catch up on Pharma trends 4.0
- 52 Typical products
- 56 Report and Assessment of the Executive Board
- 74 Overview of Vietnam's Pharmaceutical Industry
- 78 Production and business plans in 2020
- 84 Operation reports of subsidiaries



Explore NEW SPACE

In addition to a solid foundation of traditional medicine, Traphaco concentrates its resources to develop ETC sales channel as a preparation step for the long journey ahead. Looking back to go forward and changing to adapt is the red thread that Traphaco consistently implemented on the sustainable development journey.

ENGAGING IN PHARMA TRENDS 4.0



Deploying the Traphaco Sustainable Development Strategy for the period of 2017-2020, in order to have the world's leading production technology, Traphaco has invested in the latest technologies available to build "smart" western pharmaceutical factory.



Area of modern Pharmaceutical
Factory Traphaco Hung Yen

46,288
M²

MODERN PHARMACEUTICAL TECHNOLOGY

Traphaco's new plant is built on an area of 46,288 m², including 3 workshops and 5 production lines. With the application of information technology to the management and operation, the Plant is synchronized and fully automated for the production line: The most modern sealed eye-nose line in pharmaceuticals industry, the tablet line with automatic and continuous technology equipment system completed by a European-standard robot arm. The lines of solution, syrup with large capacity are completely synchronized and connected automatically. Based on the principle of "No touch, No dust" in production (No human impact therefore no dust generation), the whole line minizes human intervention in production, improving quality.

EXPLOIT THE INTEGRATED PLATFORM

In addition to investing in production technologies, Traphaco focuses on upgrading its corporate governance system through an ERP integration platform since 2017.



The ERP platform allows the company to manage the overall operating process (from planning, ordering, manufacturing and distributing), and to connect parts in a common system. In the near future, the ERP project allows Traphaco to track and digitize most tasks to address common challenges in the pharmaceutical industry: manage products' expiration dates, trace the flow of products along the supply chain, update prices for different sales channels, forecast demand, etc. This is an inevitable trend instead of using discrete management software as before.

OPTIMIZING DISTRIBUTION ACTIVITIES

Traphaco is the first pharmaceutical company in Vietnam applying DMS solution in distribution system management.

In 2014, Traphaco was the first pharmaceutical company in Vietnam applying DMS solution in distribution system management. DMS system allows exploitation in many aspects: Expanding the number of points of sale, closely monitoring customers' selling situation (sell-out), timely capturing inventory at each point of sale to balance the inventory of the whole supply chain, monitoring order

data agency's real delivery to fully exploit the market potential, executing trade support programs (showcase, accumulate points, ...) for customers in an optimal way, measuring the performance, etc.,.



Currently, Traphaco is using DMS effectively in managing more than 27,000 pharmacy customers, becoming a distribution partner for many international corporations and pharmaceutical companies such as Kobayashi (Japan), Natural. Factors - Factors Group (Canada), Westland - Pure Nutrition (Newzealand), ...

TYPICAL PRODUCTS



Want to improve cerebral blood circulation, there was

HOAT HUYET DUONG NAO

Traphaco

VIETNAMESE MEDICINE
Star
POLYSCIAS FRUTICOSA,
GACP-WHO STANDARD
RESOURCES

được tin dùng
Hơn 20 Năm

HOAT HUYET DUONG NAO is a neurological tonic made from 100% herbal herbs from results of in-depth research by French and Vietnamese physicians. The product is produced with 3 dosage forms. Sugar-coated tablets, film-coated tablets and soft capsules.



LIVER TONIC

BOGANIC®

20 YEARS
OF PROTECTION FOR VIETNAMESE'S LIVER



With 20 years of trust and leading position in the market of hepatobiliary drugs, Boganic enhances detoxification and liver protection in the following cases: Hepatitis, impaired liver function due to excessive drinking of alcohol, unsafe food, drugs, chemicals.

Boganic is the only liver tonic to use 100% safe ingredients that meet GACP-WHO standards (certificated by Ministry of Health).

Boganic was the only representative in the medicine and pharmacy industry to receive the noble title twice: TOP 10 Typical Vietnamese Trademark Product and Service (2015, 2017)



tottri

EFFECTIVE TREATMENT
FOR HAEMORRHOIDS AND
PREVENTION RECRUDESCENCE



Tottri with 100% natural herbal ingredients is formulated under strict standards to ensure safety for patients and has been studied for pharmacological effects at Hanoi University of Pharmacy, so it is very benign and reassuring when using long term use.

Tottri is a traditional herbal medicine in the family of Asst. Prof. Mai Tat To, developed on the basis of: Treating the disease from the root cause. Although the hemorrhoids are raging in the rectum - anus, hemorrhoids come from a weak condition of the spleen. Therefore, besides effective medicines to help stop bleeding, relieve pain, fight inflammation, constrict hemorrhoids; Tottri also works with the tonic to treat the root of the disease, helping to prevent hemorrhoids from recurring.

TYPICAL PRODUCTS



EYE-DROPS BY ABSOLUTELY

4.0
PHARMA

CLOSED ASEPTIC
TECHNOLOGY

Traphaco eye drops are manufactured in absolutely-closed aseptic technology, the most advanced technology available at present. The vial is blown directly from the primary resin, closes the fluid and sealed immediately, ensuring the highest level of sterility, equivalent to intravenous injections in the hospital. Eye-drops line includes: physiological saline, artificial tears, antibiotics, anti-inflammatory.



MOUThWASH T-B

T-B

KEEPING THE MOUTH AND THROAT
ANTISEPTIC, PREVENTING DISEASES
FROM VIRUS

Traphaco's T-B mouthwash products with antiseptic ingredients such as boric acid, NaF, NaCl, zinc sulfate and other active ingredients help quickly disinfect mouth, throat; Preventing respiratory diseases, oral diseases. The product also has T-B kid, which specializes for young children.



BRAIN TONIC

Cebatron®

*New generation of cerebral blood
circulation improvement*

Cebatron Tonic, inherits the golden formula of the former Hoat huyet duong nao, with modern soft capsule formulation, taking quick effect in treating brain anemia whose symptoms include: headache, insomnia, dizziness, memory loss, stress, etc.,.



COUGH SYRUP

METHORPHAN®

Reduce cough - Get rid of phlegm - Anti allergy - Reduce spasms

The range of products includes Western Methorphan (syrup and tablet form) and 100% Methorphan Ivy from ivy. The effect of ivy is rapid relief of cough, expectorant, and allergy cough. Methorphan Ivy also helps to relax the bronchi and prevent airway spasm.



ANTOT

chưa dịch
sang tiếng
anh

Đưỡng chất tự nhiên - cân bằng

Antot IQ với Đạm men bia thủy phân, Lysin, Cholin cung cấp các acid amin giúp phát triển trí não, chiều cao, bổ dưỡng toàn diện. Antot Thymo kết hợp đạm men bia thủy phân và Thymomodulin giúp tăng cường miễn dịch, tăng sức đề kháng trong các bệnh nhiễm khuẩn, cảm cúm.



DIBETALIC®

Anti-inflammatory - Reduces itching - Awesomeness

Ointment Dibetalin has anti-inflammatory, relieves itching, regulates skin diseases such as atopic dermatitis, eczema, hyperkeratosis, psoriasis, seborrheic dermatitis.

REPORT AND ASSESSMENT BY THE EXECUTIVE BOARD



PRODUCTION AND BUSINESS RESULTS OF 2019

2019 with Traphaco was a year that continues to be challenging. We had faced fierce competition, the pursuit of competitors, from the media arena to the shelves of customers.

Consolidated revenue is estimated at VND 1,710.4 billion (92.5% of plan), combined profit of VND 170.6 billion (100% plan). Although the company did not meet its revenue plan, the Company achieved its profit target thanks to efforts in managing expenses.

In 2019, the whole company focused on implementing 05 major solutions in accordance with the strategic goals, building the foundation to create growth opportunities for the period 2020 - 2025.

In 2019, the Company has completed 92% of the targeted plan, in which other revenue segments and subsidiary revenues exceeded and completed the plan, revenue from manufactured goods only reached 90% compared to the plan. With the plan and 96% over the same period in 2018, this is the revenue segment that brings up 82.4% of the Company's Gross Profit.



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

| Target | Plan 2019 (VND Billion) | Implementation 2019 (VND Billion) | Percentage compared to plan (%) | Percentage compared to 2018 (%) |
|--|----------------------------|---|---------------------------------------|---------------------------------------|
| 1 Net revenue from sales and services | 1,850 | 1,710 | 92% | 95% |
| 1.1 Manufactured goods | 1,560 | 1,410 | 90% | 96% |
| 1.2 Consigned Export-Import goods and services, other products | 60 | 72.5 | 120% | 75% |
| 1.3 Revenue from subsidiaries | 230 | 228 | 99% | 100% |
| 2 Consolidated profit after tax | 170 | 170.6 | 100% | 100% |

Although the company did not reach the targeted revenue, the Company achieved the targeted profit due to its efforts in managing the expenses, especially the

input costs related to production and helping to support the production.

The main reason
for failing to meet
the revenue target ➤

- According to the IMS report, the OTC channel was growing slowly, 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 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 HHDN 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.

THE MAJOR ACTIVITIES OF THE COMPANY IN 2019

1. Specify the targets in annual plan into definite 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, KPIs were assigned and evaluations were conducted. The results were 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:

1. Changing the way of assigning KPIs, linking KPI with employee benefits
2. Innovate sales policy
3. Boost sales into the treatment system
4. Enhance marketing activities
5. Cost optimization

THE MAJOR ACTIVITIES OF THE COMPANY IN 2019 (continued)

2. Enhance marketing activities



- **Implementing the point-earning program & integrating sales activities:** The point-earning 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-earning 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 important qualities, namely:** 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 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:** Personalization customers - Changing mindsets Maintaining the Top position of the key product. Proactively and actively organize internal communication activities on Message of the Year, the Company's Tradition Day, and general issues in the company such as livestream on eye drops closed and aseptic technology, and promoting sales.
- **Product management & New product development:** New products in the concentric product group with high sales and good growth: **Antot Thymo** (up 75%), **Tottri cysts** (up 50%), **Boganic kid** (up 30%), **Boganic Lippi**. Create promising products and product groups: Dibetalin, the Antot group.

3. Focus on ETC market



- In Oct 2019, a Circular on bidding for new drugs was issued, under which traditional herbal products with GACP certification for raw materials were included in group 1.
- The company is recognized with GACP-certified products of 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 CEO Kim Dong Hyu in charge of ETC.
- So far, the Company has separated the ETC and OTC business systems regarding management staffs, employees and lump-sum expenses for each segment.

4. Change the method of allocating and applying KPI to calculate the salary for the Sales Department

- 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 follow the Company's orientation, increase efficiency and benefits as well as sustainable development.

- Using a common measure for all regions, provinces, and employees with tailored details for each area will help guiding the company to unify all the tasks for offices 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, specifically as follows:
- 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, reducing the costs, helping to ensure consolidated profit targets.

THE MAJOR ACTIVITIES OF THE COMPANY IN 2019 (continued)

6. Dividend

- Paying 10% of the dividend in 2018 according to the AGM Resolution No. 10/2019/NQ-DHĐCĐ dated March 28, 2019 in the second quarter of 2019. Dividend payout ratio for 2018 was 30%.
- Implementing the AGM Resolution No. 10/2019/NQ-DHĐCĐ dated March 28, 2019, Traphaco: 20% dividend 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 dedicatedly to the Company.



8. R&D and the development of new products

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

9. Technology transfer

- In 2019, Traphaco has received the transfer of 07 products from Daewoong. The company has submitted a product registration file, expected to be granted the 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.



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 requirements due to new regulations.
- Scientific research projects (clinical – bio-equivalent) are behind schedule, need to actively exchange and speed up research progress.

11. Importing and Distributing



- 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, Euviphar...
- It is expected that revenue from imported distribution goods will grow from 2020 and have a breakthrough in the period of 2021-2022.

THE MAJOR ACTIVITIES OF THE COMPANY IN 2019 (continued)

12. Activities of subsidiaries



13. Major awards that the Company achieved in 2019

National Quality Golden Award



CSI Sustainable Business Awards



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 Employees.



Top 10 Best Annual Report



Top 5 Best Sustainability Report



Top 5 Best Corporate Governance Companies



Top 50 leading Vietnamese brands



GENERAL ASSESSMENTS

- 1 The year 2019 was full of work and pressure for Traphaco. The company has made every effort to complete the target of consolidated profit.
- 2 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.
- 3 The Executive Board made efforts in steering the Company in the right direction. The CEO has made important decisions on the 5 major directions, achieved important goals, maintained and upheld fundamental values of the Company's development in the future.

APPRAISAL OF FINANCIAL RESULTS

REVENUE

Net revenue structure

| Target revenue | 2017 (VND) | 2018 (VND) | 2019 (VND) |
|---|--------------------------|--------------------------|--------------------------|
| Manufactured Goods | 1,492,149,512,428 | 1,471,871,881,626 | 1,408,780,753,841 |
| Consignment Imports Goods + Exploited Goods | 149,970,609,704 | 97,441,698,040 | 73,451,982,051 |
| Revenue from subsidiaries | 228,321,734,795 | 229,036,086,626 | 228,206,732,530 |
| Total | 1,870,441,856,927 | 1,798,349,646,292 | 1,710,439,468,422 |



Net revenue from sale of goods and services

1,710
VND BILLION

- Revenue from manufactured goods reached VND 1,409 billion, accounted for 82.36% of total sales in the year and reached 90.31% compared to the yearly plan. The main reason for failing to meet the plan:
- Sales policy is quite complicated in calculating the discount rate, so customers don't really support it;
- In the first year of implementing the points-earning program, instead of promotions, customers have not seen the benefits when participating in;
- The pharmaceutical market in 2019 is strongly competitive by domestic pharmaceutical companies and large pharmaceutical corporations investing in Vietnam.



The revenue of consigned and exploited imports reached 122.42% compared to the original plan because in the year the Company initially started trading NZG dairy products in Q4/2019. The Company also established a business development unit to locate sources bringing high economic efficiency in business, initially operating effectively.

Consolidated revenue from subsidiaries was stable compared to 2018, and equal to 99.22% of the plan.

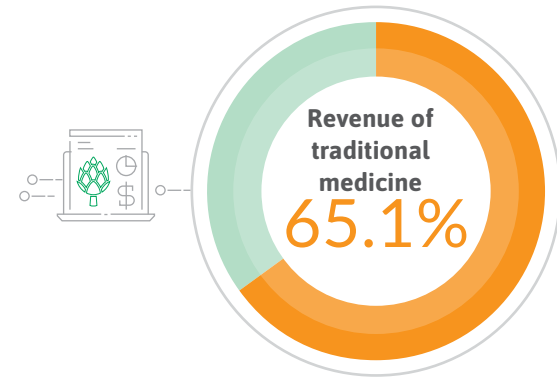
Overall, the system's revenue in 2019 decreased by 4.8% compared to 2018 and reached 92.5% of the plan.

Revenue by Sales Channel

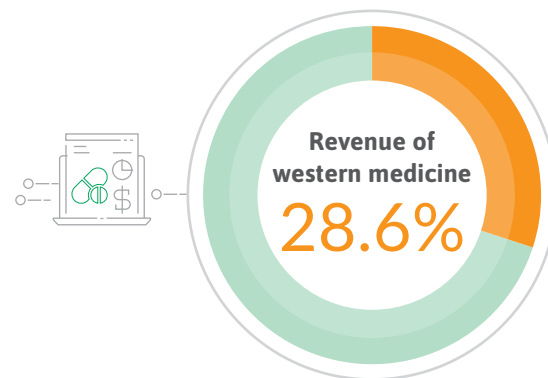
In 2019, sales of manufactured goods and exclusive distribution goods from the OTC market accounted for 89.8% of total sales revenue.

ETC revenue accounted for 10.2% of total sales and increased by 5.79% compared to the same period in 2018, reflecting Traphaco's orientation while establishing a hospital sales department in 2019 and a plan for business growth. revenue of ETC sales channel in the following years.

Revenue from Modern - Traditional medicine



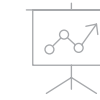
Revenue of traditional medicine accounted for 65.1% of total sales and this is the product group giving Traphaco enormous advantages, when it is rated by AC Nielsen Market Research Company as the highest brand health in Vietnam's pharmaceutical industry. In addition, the self-control of pharmaceutical materials meeting WHO-GACP standard gives Traphaco an advantage in the traditional medicine market with great reliability and reputation with consumers in the context of poor quality domestic pharmaceutical materials. This is also a products group of high profit and accounting for 73.5% of the total gross profit of the Company.



Revenue from modern medicines accounted for 28.6% of total sales, mainly from Methorphan, Sodium, Dibetalic, Tobramycin. These products have positive prospects due to the tendency of using respiratory and optical medicines in hospitals. According to Euromonitor, the average growth of cough and respiratory medicines is expected to reach 5.6 - 7.8% and eye drops will reach 11 - 11.2% per year from 2019 to 2023. Especially in 2019, the Company launched the first 4.0 closed and totally aseptic technology in production of eye drops, so it was well received by the market with a growth of 35.5% in 2019 compared to the same period in 2018.



GROSS PROFIT



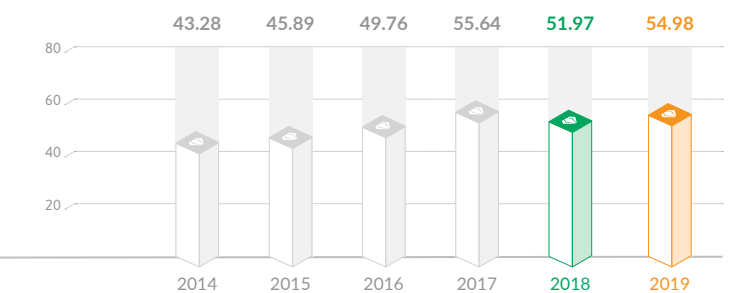
In 2019,
the Company's gross profit is reached

940.4 BILLION VND

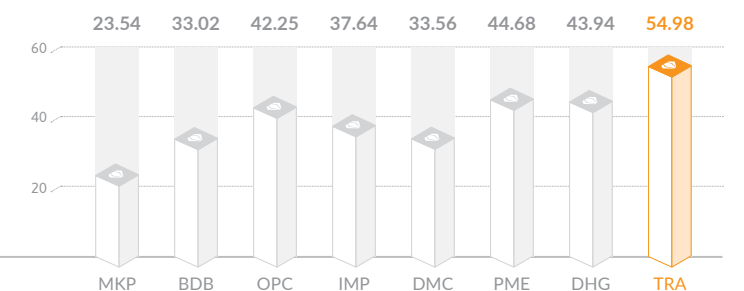
with gross profit margin of 54.98% and 3% higher than 2018.

In 2019, Traphaco is still the enterprise with the highest profit margin compared to other listed companies in the same industry. Because in 2018, promotion costs were added to the cost of goods sold, and 2019 it was moved to the accumulation program. In addition, the management of input costs such as labor costs, material norms, prices of input materials is well and effectively managed by Traphaco

Gross profit margin of Traphaco (%)



Gross profit margin (%)



COST

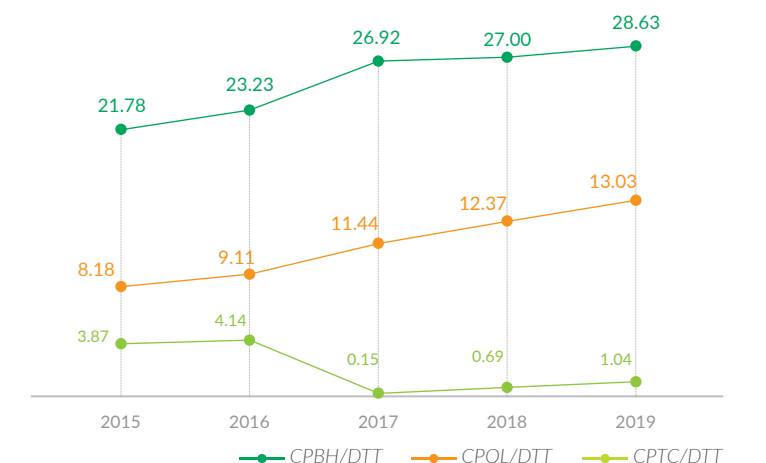
The ratio of selling expenses/Net sales in 2019 was 28.63%, increased by 1.63% compared to 2018 and higher than recent years, the main reason was due to 2019 conversion of the promotion program into point-earning program.

| TRA's cost structure | 2015 | 2016 | 2017 | 2018 | 2019 |
|--------------------------------|--------|--------|--------|--------|--------|
| Selling Expenses/Net revenue | 21.70% | 23.22% | 26.92% | 27.00% | 28.63% |
| Operating Expenses/Net revenue | 8.15% | 9.11% | 11.44% | 12.37% | 13.03% |
| Financial expenses/Net revenue | 3.87% | 4.14% | 0.15% | 0.69% | 1.04% |

The ratio of operating expenses to net revenue was 13.03%, up 0.66% over the same period in 2018, the increase in expenses in 2019 was mainly due to the cost of technology transfer.

The ratio of financial expenses to net revenue increased 0.35% compared to the same period in 2018 and accounted for 1.04% in 2019, the increase mainly was from the payment for medium and short-term interests for the investment in Traphaco Hung Yen Co., Ltd. and Traphaco Sapa Co., Ltd.

Cấu trúc chi phí (%)



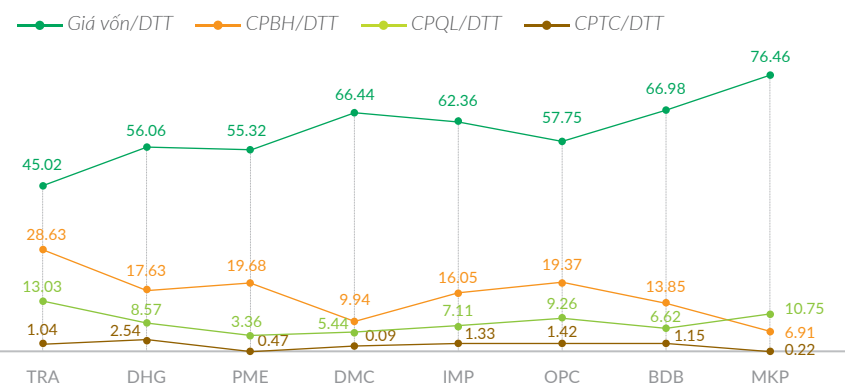
REPORT AND ASSESSMENT BY THE EXECUTIVE BOARD

Cost structure of Traphaco compared to other listed companies in the same industry

| | TRA | DHG | PME | DMC | IMP | OPC | BDB | MKP |
|------------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| COGS/Net Revenue | 45.02% | 56.06% | 55.32% | 66.44% | 62.36% | 57.75% | 66.98% | 76.46% |
| Selling Expenses/ Net revenue | 28.63% | 17.63% | 19.68% | 9.94% | 16.05% | 19.37% | 13.85% | 6.91% |
| Operating Expenses/ Net revenue | 13.03% | 8.57% | 3.36% | 5.44% | 7.11% | 9.26% | 6.62% | 10.75% |
| Financial expenses/ Net revenue | 1.04% | 2.54% | 0.47% | 0.09% | 1.33% | 1.42% | 1.15% | 0.22% |
| Total | 87.72% | 84.79% | 78.82% | 81.91% | 86.86% | 87.81% | 88.61% | 94.33% |

The total cost of goods sold (COGS), selling expenses, operating expenses and financial expenses of Traphaco ranked fourth compared to comparable pharmaceutical companies and lower than OPC, DBM, and MKP. TRA needs to have reasonable policies to better manage expenses, especially selling expenses.

Cost structure of Traphaco compared to other listed companies in the same industry (%)

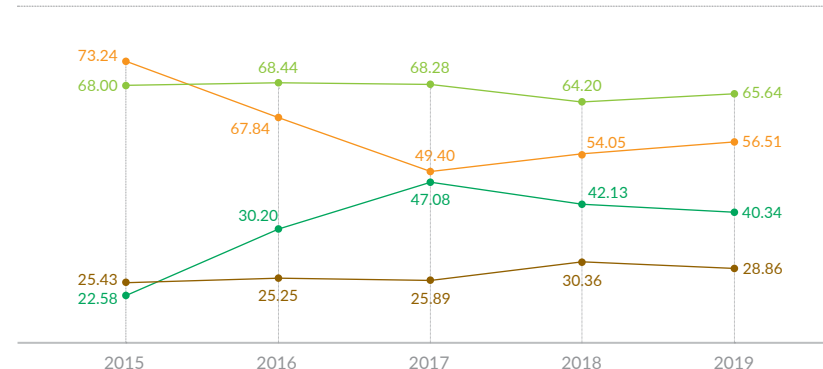


STRUCTURE OF ASSETS - CAPITAL SOURCES

| No Indicator | 2015 | 2016 | 2017 | 2018 | 2019 |
|--------------------------|-------|-------|-------|-------|-------|
| Asset Structure | | | | | |
| Total assets | 22.58 | 30.20 | 47.08 | 42.13 | 40.34 |
| Total assets | 73.24 | 67.84 | 49.40 | 54.05 | 56.51 |
| Capital structure | | | | | |
| Liabilities/Total assets | 25.43 | 25.25 | 25.89 | 30.36 | 28.86 |
| Equity/Total assets | 68.00 | 68.44 | 68.28 | 64.20 | 65.64 |

The structure of fixed assets on total assets is 40.34%. Traphaco has high fixed asset structure compared to other pharmaceutical companies in the industry, because the Company had long-term goals when making investments, building the first 4.0 pharmaceutical factory in Vietnam with modern technology transfer line and the pharmaceutical extracting factory of GMP standard in Sapa - Lao Cai medicinal plant area.

STRUCTURE OF ASSETS - CAPITAL SOURCES (%)



Fixed assets / Total Assets Current assets / Total Liabilities / Total capital Equity/Total assets

The current assets structure over the total assets in 2019 increased by 2.46% compared to 2018, because the Company actively handled the inventory at the end of the year to ensure in-stocks goods for 2020 when the Lunar New Year came early in January. Meanwhile, accounts receivable and other short-term assets were kept a stable level, showing that the Company's sales - cash collection policy has been improved and the management of receivables in recent years is quite good, no bad debts arising.

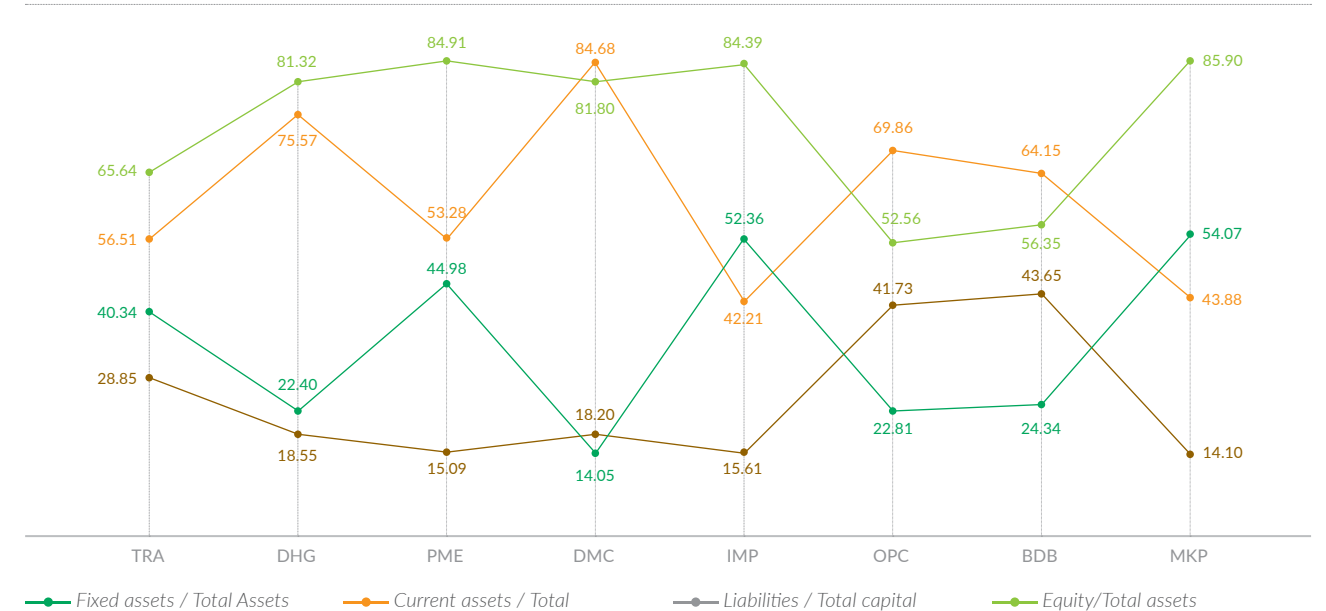
Liabilities and owner's equity over total capital decreased slightly over the same period in 2018, in which the structure of owner's equity over total capital reached 65.64%, reflecting the company's financial structure transparent and sustainable.



Comparison with listed pharmaceutical companies:

| | TRA | DHG | PME | DMC | IMP | OPC | BDB | MKP |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|
| Asset Structure | | | | | | | | |
| Total assets | 40.34% | 22.40% | 44.98% | 14.05% | 52.36% | 22.81% | 24.34% | 54.07% |
| Total assets | 56.51% | 75.57% | 53.28% | 84.68% | 42.21% | 69.86% | 64.15% | 43.88% |
| Capital structure | | | | | | | | |
| Liabilities/Total assets | 28.85% | 18.55% | 15.09% | 18.20% | 15.61% | 41.73% | 43.65% | 14.10% |
| Equity/Total assets | 65.64% | 81.32% | 84.91% | 81.80% | 84.39% | 52.56% | 56.35% | 85.90% |

Asset structure - capital sources compared to listed companies (%)



Traphaco is a unit with a fixed asset structure on a high level of total assets compared to other pharmaceutical companies in the industry, long-term investment policies of the Company such as building factories, equipment, new factories, etc., all meet GMP standards with high capacity to fulfil business plans in the coming years.



REPORT AND ASSESSMENT BY THE EXECUTIVE BOARD

Operation efficiency

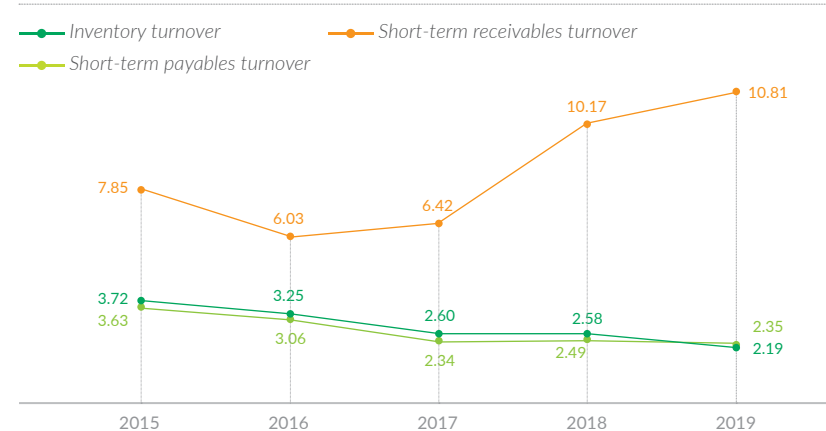
| | 2015 | 2016 | 2017 | 2018 | 2019 |
|-------------------------------------|------|------|------|-------|-------|
| HTK rotation (%) | 3.72 | 3.25 | 2.60 | 2.58 | 2.19 |
| Short-term receivables turnover (%) | 7.85 | 6.03 | 6.42 | 10.17 | 10.81 |
| Short-term payables turnover (%) | 3.63 | 3.06 | 2.34 | 2.49 | 2.35 |

The inventory turnover has been stable in recent years because the Company has proactively planned its production and business activities, and reserved inventories appropriately. Inventory turnover in 2019 decreased slightly compared to 2018 because the Company took the initiative in stocking goods to ensure there was no shortage of goods in Q1/2020.

The turnover of short-term receivables increased gradually over the years, showing that the Company's policy of sales - cash collection was effective, the Company has well managed customer debts, minimized bad debts, and has the funding for the Company's production and business activities.

Payables turnover has been stable in recent years when the Company has managed customer debts, ensuring timely payment of debts under the signed economic contracts.

Efficiency of operation (%)



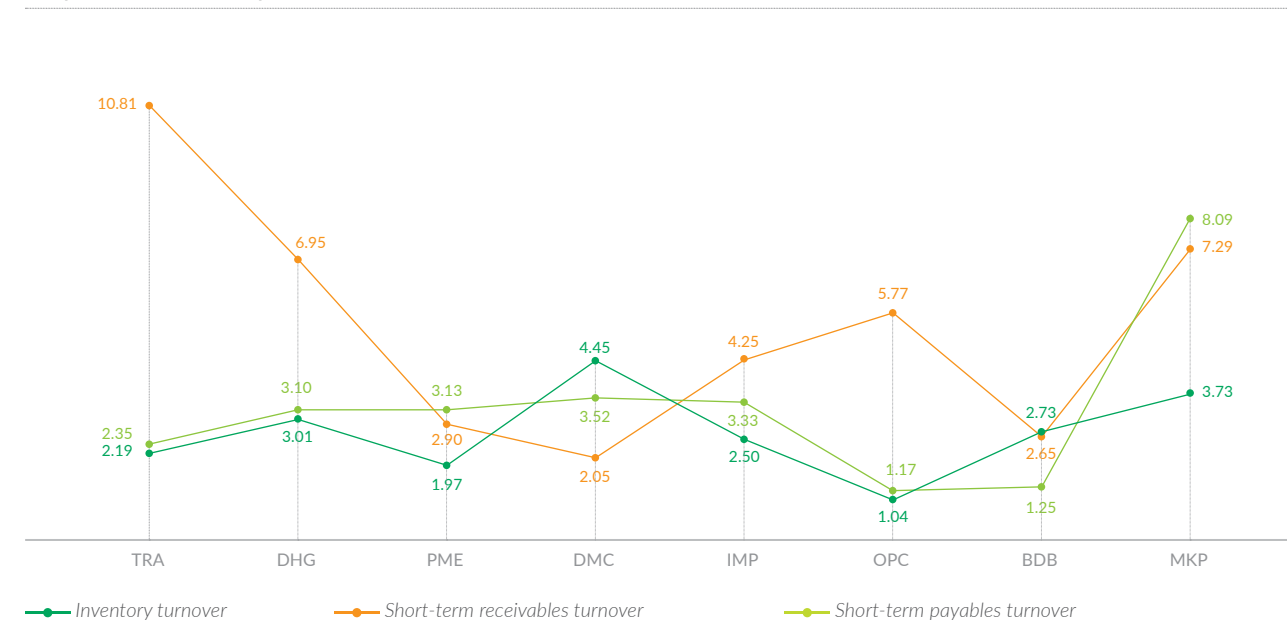
Turnover of inventory and short-term payables are among the average group of pharmaceutical companies, which demonstrate that the regulation and management of inventories and liabilities at Traphaco are reasonable. These indicators have been stable in recent years, showing that the Company's implementation and management are in the right direction of strategy.

Comparison with listed pharmaceutical companies:

| | TRA | DHG | PME | DMC | IMP | OPC | BDB | MKP |
|-------------------------------------|-------|------|------|------|------|------|------|------|
| HTK rotation (%) | 2.19 | 3.01 | 1.97 | 4.45 | 2.50 | 1.04 | 2.73 | 3.73 |
| Short-term receivables turnover (%) | 10.81 | 6.95 | 2.90 | 2.05 | 4.25 | 5.77 | 2.65 | 7.29 |
| Short-term payables turnover (%) | 2.35 | 3.10 | 3.13 | 3.52 | 3.33 | 1.17 | 1.25 | 8.09 |

Compared to other companies in the industry, TRA ranked the first among short-term receivables turnover of 10.81, while DHG only reached 6.95 rounds and DMC has the lowest index and only reached 2.05 rounds. This clearly proves the efficiency in the policy of managing receivables at TRA.

Comparison with listed companies (%)



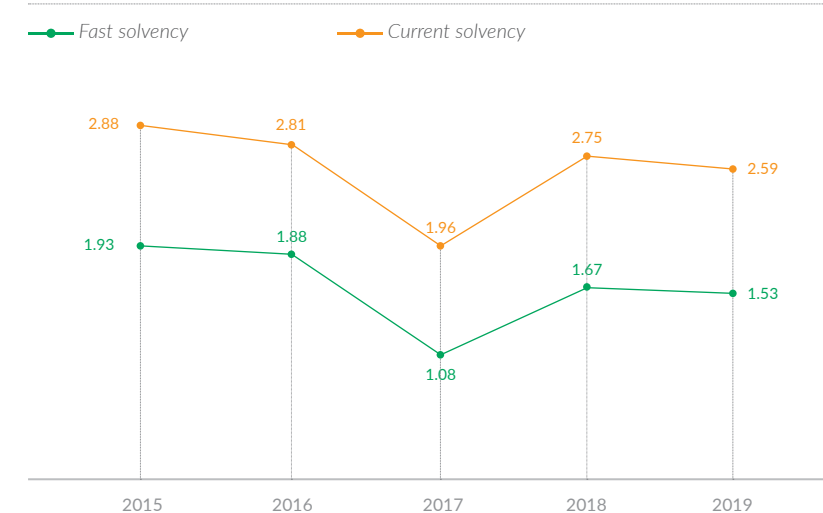
Solvency (%)

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|------------------|------|------|------|------|------|
| Fast solvency | 1.93 | 1.88 | 1.08 | 1.67 | 1.52 |
| Current solvency | 2.88 | 2.81 | 1.96 | 2.75 | 2.59 |

The company's fast solvency reached 1.52 and only decreased by 0.14 times compared to the same period, showing the ability to pay short-term debts immediately, ensure capital for debts, maintain the payment term in accordance with the contract and payment schedules signed with customers.

Current solvency maintained at a reasonable level, proving that the Company has strong and stable finance. The Company is capable of paying short-term debts, proving that the Company has used its current assets effectively and managed its working capital well.

Solvency (%)





REPORT AND ASSESSMENT BY THE EXECUTIVE BOARD



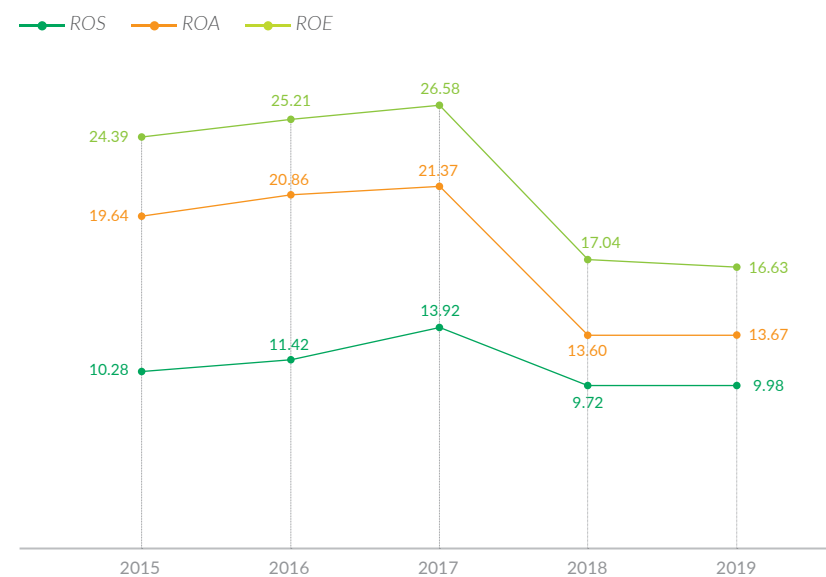
Margin

| | 2015 | 2016 | 2017 | 2018 | 2019 |
|-----|--------|--------|--------|--------|--------|
| ROS | 10.28% | 11.42% | 13.92% | 9.72% | 9.97% |
| ROA | 19.64% | 20.86% | 21.37% | 13.60% | 13.67% |
| ROE | 24.39% | 25.21% | 26.58% | 17.04% | 16.63% |

The ROS and ROA index fluctuated and increased slightly in 2019, demonstrating the efficiency in cost management and this index will gradually be improved in the following years as the revenue and profit from groups of new products grow. These are also positive signs when focusing lines of goods with high economic efficiency.

The ROE ratio decreased with a very small proportion compared to 2018, proving the stable business operations, but the Company still needs appropriate business policies to raise the ROE in the next few years.

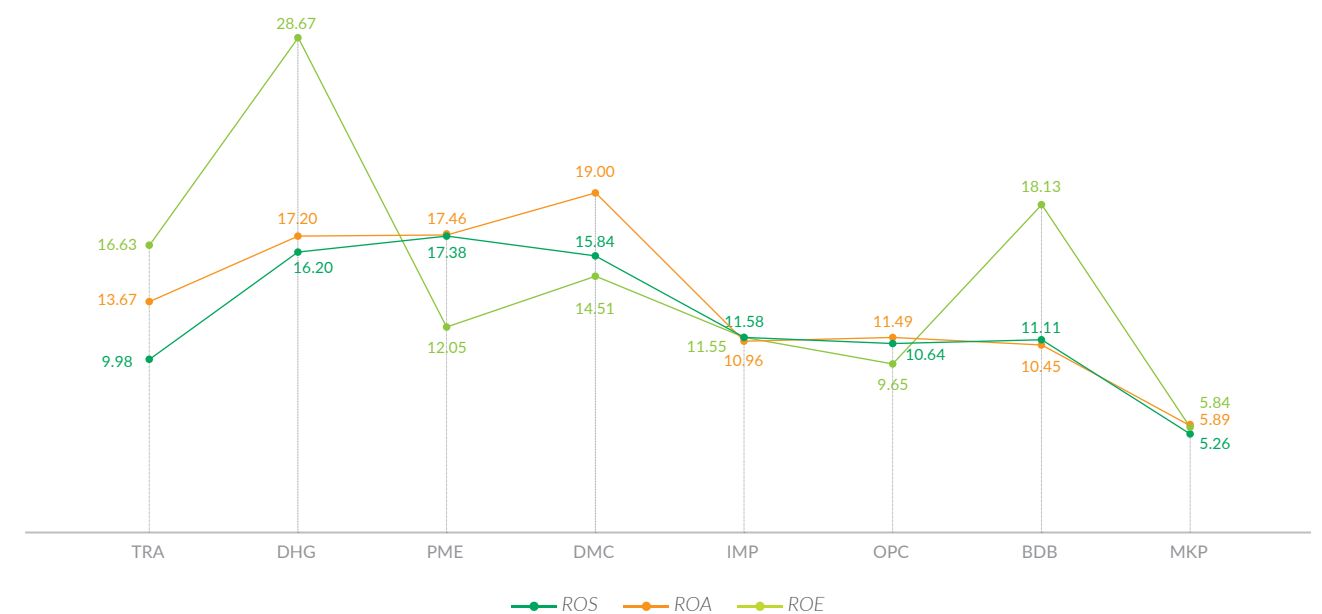
Efficiency of operation (%)



Compare profit margins with listed pharmaceutical companies

| | TRA | DHG | PME | DMC | IMP | OPC | BDB | MKP |
|-----|--------|--------|--------|--------|--------|--------|--------|-------|
| ROS | 9.97% | 16.20% | 17.38% | 15.84% | 11.58% | 10.64% | 11.11% | 5.26% |
| ROA | 13.67% | 17.20% | 17.46% | 19.00% | 10.96% | 11.49% | 10.45% | 5.89% |
| ROE | 16.63% | 28.67% | 12.05% | 14.51% | 11.55% | 9.65% | 18.13% | 5.84% |

Profitability ratio compared to listed companies (%)



In general, the ROS and ROA of TRA are on the average level in the industry, the ROE is second to DHG, compared to other listed pharmaceutical companies.



Traphaco believes its business policies will be realized by specific targets, affirming its position as a leading pharmaceutical company in Vietnam.

OVERVIEW OF VIETNAM PHARMACEUTICAL SECTOR



VIETNAM PHARMACEUTICAL INDUSTRY WILL HAVE GROW RATE AT 2 DIGITS BY 2020

DOMESTIC PHARMACEUTICAL INDUSTRY HAS GROWN STRONGLY

According to BMI Research, in 2018, the market size of Vietnam's pharmaceutical industry was valued at USD 5.9 billion, up 11.5% compared to the previous year. As of May 16, 2019, Vietnam has about 180 pharmaceutical manufacturing enterprises and 224 domestic

manufacturing facilities that meet GMP standards (good manufacturing practices). Domestic pharmaceutical companies mainly produce simple dosage forms, functional foods, and generic drugs (pharmaceuticals without valid patent monopoly period).

Regarding the market share of drug distribution, ETC channel accounts for about 70% of the drug market, only the remaining 30% is for retail pharmacies (OTC channel), while the whole country has about 57,000 pharmacies and drugstores.

The development of the ETC channel is due to:

First: With the Government's policy on health insurance, the proportion of people participating in health insurance is increasing, leading to larger spending on medicines in this area;

Second: The growing private hospital sector has contributed to the increase in medication in the treatment sector;

Third: Increasing health awareness results in a larger number of people coming to the hospital to have regular check-ups.

POTENTIAL OF GROWTH

Despite the difficulties in production and technology, the young but rapid-aging population structure, along with environmental pollution and the growing concern of over 97 million people on health issues, are the drivers for the continuous growth of the pharmaceutical industry. Within the next 5 years, Vietnam's pharmaceutical industry is expected to continue to be among the 20 countries with the strongest and most stable growth in the world.

IBM forecasts the size of Vietnam's pharmaceutical market will reach USD 7.7 billion by 2021, and reach USD 16.1 billion by 2026, with a compound growth rate of 11% in VND. Market research firm IMS Health also forecasts that per capita pharmaceutical spending in Vietnam will increase to USD 50 / person / year by 2020.

In addition, many large pharmaceutical manufacturers are upgrading their factories, promising to create new developments for domestic pharmaceutical products and improving the competitiveness against imported products.

According to the Drug Administration of Vietnam (Ministry of Health), from now to 2021, the pharmaceutical industry will grow by about 10.6%, per capita spending on medicines at 14% of total income. Although Vietnam is classified as an emerging pharmaceutical industry, the population is entering an aging stage, the proportion of the population aged 65 and over is expected to reach 21% by 2050, which means the higher need for healthcare. Along with that, health is always one of the two top concerns of Vietnamese people.



PHARMACEUTICAL ENTERPRISES CONTROL THE DOMESTIC MARKET

Currently in Vietnam, people are spending more on healthcare and prefer to use domestic medicine to foreign ones, especially at the hospital pharmaceutical channel. Pharmaceutical enterprises therefore have begun to increase investment in production.

The drug factory meets GMP-WHO

198
FACTORIES

Domestic medicine is bioequivalent to original brand-name drug, patent drug

652
PRODUCTS

The Expanded Vaccination Program Vietnamese enterprises have also produced

12/13
TYPES OF VACCINES

According to Nielsen Vietnam Market Research Company, from 2017 onwards, Vietnamese pharmaceutical enterprises had not been proactive in the domestic market due to high competition from imported pharmaceuticals. Meanwhile, the production of drugs depends too much on imported raw materials (up to 90%) due to underdeveloped supporting industries.

Mr. **Vu Tuan Cuong** - Director of Pharmaceutical Management Department, Ministry of Health said that Vietnam's pharmaceutical enterprises now meet 50% of the demand for prevention and treatment in the country.

And Vietnamese enterprises have also produced 12/13 types of vaccines in the expanded immunization program. Currently, there are 198 factories producing medicines up to GMP-WHO standards; 11 factories have invested and met the standards of advanced countries such as the EU, the United States, Japan, etc. Domestic-made drugs fully meet 27 pharmacological effects groups classified by WHO. There are 652 domestic drugs that have bioequivalence compared to the original brand-name drug or an invention drug. By 2020, the pharmaceutical industry sets targets: the proportion of domestically produced drugs will account for 22% at the central level, 50% at the provincial level and 75% at the district level.

OVERVIEW OF VIETNAM PHARMACEUTICAL SECTOR



EXPAND OTC CHANNEL DIRECTLY THROUGH DRUGSTORES

Although the current channel of distribution through hospitals is dominant, businesses are gradually switching from ETC channel to OTC channel because of new regulations on selecting winning drugs in hospital-drug bidding: reasonable price. The development of OTC channel will help businesses consolidate their position, ensure competitiveness in the market and limit the influence from policies and regulations in healthcare sector.



PHARMACEUTICAL RETAIL CHAIN

The pharmaceutical retail industry is being dominated by individual, non-branded pharmacies, but with the potential growth at double-digit, it has attracted many domestic but non-pharmaceutical investors such as Mobile World, FPT. Retail, Nguyen Kim, etc., to involve. The development of GPP drugstore chain will be the trend of the future, because increasing living standards will lead to changes in consumption habits of some customers. They will visit reliable and standard drugstores for advice and drug purchase. However, the expansion of store chain will face many difficulties and challenges due to fragmented markets, old consumer habits of the majority and especially, the price competition with smaller stores where counterfeits or pirated products are sold.



INFORMATION TECHNOLOGY IN THE ONLINE PHARMACEUTICAL MARKET

With the development of information technology, especially in the context of the current 4.0 revolution, Vietnam's pharmaceutical market has witnessed the presence of online pharmacy chains and healthcare applications on digital platforms. The online pharmaceutical business market has great potential to develop with huge opportunities for online pharmaceutical businesses to develop the practice of consultancy and online trade.



M&A IN PHARMACEUTICAL SECTOR REMAINS BUSTLING

The pharmaceutical industry has high growth potential, while many businesses are in the process of restructuring and state-capital divesting, along with the policy of prioritizing and supporting domestic products, that have attracted much attention, especially from foreign investors. According to experts in the pharmaceutical industry, the M&A trend in the pharmaceutical industry promises to be more exciting in the future. The implementation of M&A helps Vietnamese businesses not only improve their corporate governance skills but also expand their market share, look for opportunities in new areas, develop distribution networks ...



DEVELOPING NATURAL ORIGINAL PRODUCTS, FUNCTIONAL FOODS AND COSMETICS

In line with the income growth in the majority of urban population is their awareness of appearance, health, natural products, functional foods and pharmaceuticals. It will continue to develop and will soon account for a large proportion of Vietnam's Pharmaceutical sales in the next 5-10 years, similar to developed countries, which will account for 50-60% of the total OTC market.



PRODUCTION AND BUSINESS PLANS IN 2020

5 BIG SOLUTIONS



TRAPHACO CULTURE IN A NEW PHASE WILL CREATE BREAKTHROUGH NOT ONLY FOR 2020, BUT ALSO FOR YEARS TO COME. THIS IS THE FOUNDATION FOR THE COMPANY TO PERSIST WITH ITS VISION TO 2025: **TRAPHACO IS THE NUMBER 1 PHARMACEUTICAL ENTERPRISE OF VIETNAM IN THE GROWTH RATE OF REVENUE AND PROFIT.** *CEO Tran Tuc Ma*

The 2020 message of the year is **"BUILDING TRAPHACO CULTURE IN A NEW PHASE"**, with the slogan **"Honest and Courage – Initiative and Connect – Creative with Responsible – Innovative brings Success"**.

TRAPHACO'S CULTURE IS UNIFIED FROM

- Mission;
- Vision;
- 6 Core value;
- 6 traits of cultures;
- 6 manager's behaviors;
- 6 ultimate cultural principles.

The Board of Directors of the Company chose 2020 as the year *"Building Traphaco Culture in a new phase"* with the goal that all employees and collaborators understand the Company's culture to unify their thinking and behaviors aimed at the common goal. Synchronize operating principles; Handle problems in all activities of the Company. In addition, the components of the Company's Culture are closely

linked, creating overall strength, including: The tangible structure of the business (Model and organizational structure; disclosure of identity and values such as strategy, goals, corporate philosophy), along with the Common Concepts (beliefs, awareness, thinking, behaviors and sentiments). Traphaco Culture builds a spirit of solidarity, joining hands to overcome difficulties and challenges.



THE ULTIMATE CULTURAL PRINCIPLES

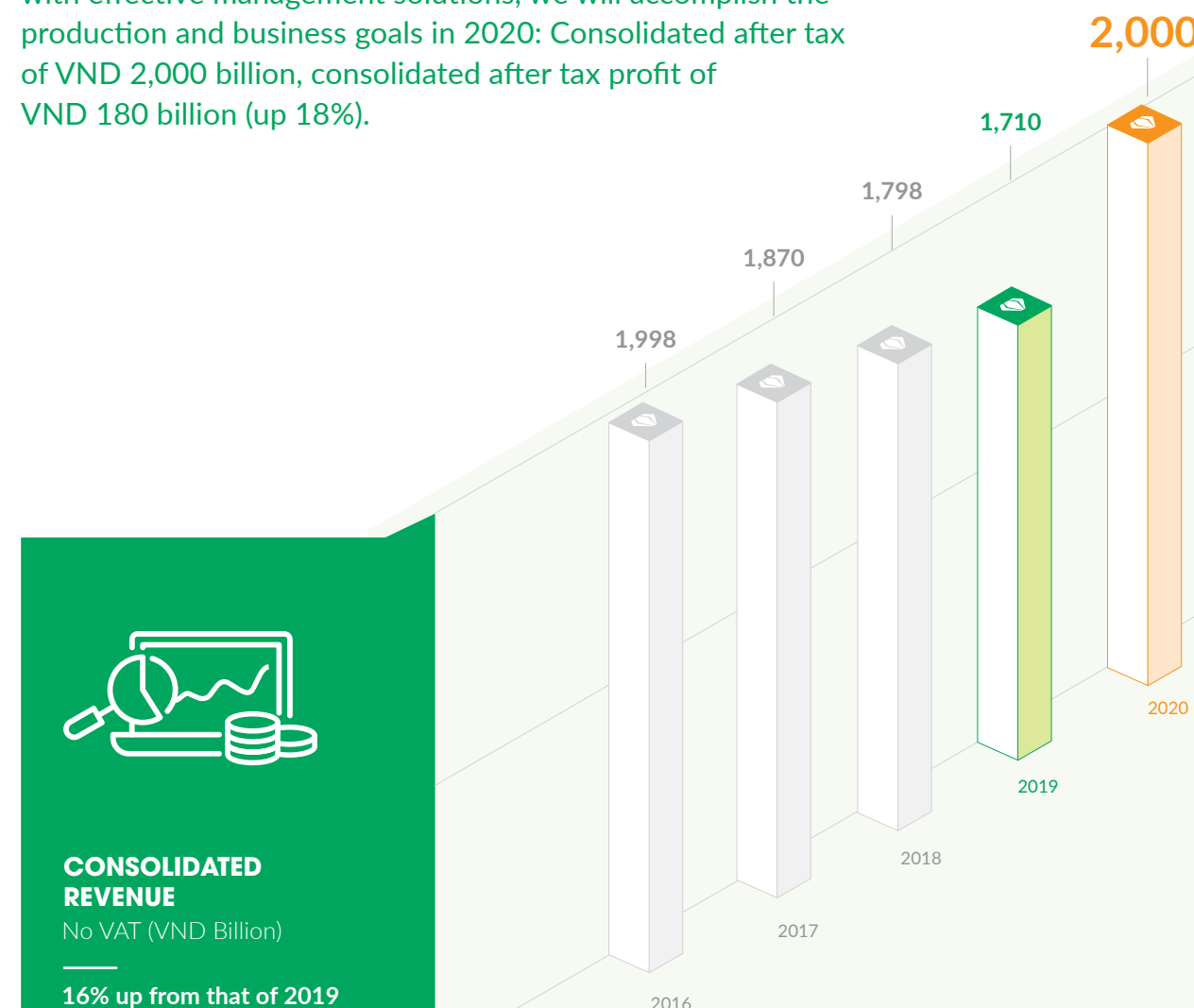
| HONEST | COURAGE | INITIATIVE | CONNECT | CREATIVE | RESPONSIBLE |
|---|--|--------------------------------------|------------------|------------------|---------------------------------|
| STRICTLY FOLLOW THE RULES WITHOUT REMINDING | BE WILLING TO EMBRACE CHANGES AND CHALLENGES | BE ACTIVE TO CONNECT AND TAKE ACTION | TO WORK TOGETHER | TO FIND SOLUTION | I AM THE REASON, SO IS SOLUTION |

To conquer new challenging goals, Traphaco people must have a new mind and a new spirit following Traphaco's cultural principles. The ultimate culture will be the foundation and guideline to gather, connect and unify Traphaco's people on the will, goals, manner and attitude at work, to the work of each individual and departments, which are well-reflected the common goals.

PRODUCTION AND BUSINESS PLANS IN 2020

In 2020, Traphaco will have more products (both traditional and Western medicines) to implement the ETC channel development strategy as well as keep the distribution advantage on the OTC channel. Continue to take advantage of digital technology to best communicate to customers, optimize costs, increase labor productivity based on the application of professional KPI tools; working with responsible, creative, courageous and confident manner, actively enhance internal communication for the purpose of business development.

We will all create new, faster, stronger flows in line with the trend of Pharma 4.0. On the basis of the new phase of Traphaco Culture along with effective management solutions, we will accomplish the production and business goals in 2020: Consolidated after tax of VND 2,000 billion, consolidated after tax profit of VND 180 billion (up 18%).



MAJOR INDICATORS



Revenue of the Parent Company increases 24% compared with 2019

1,750
VND BILLION



Revenue from manufactured products (Traphaco & its manufacturing subsidiaries) increases 16% compared to 2019

1,630
VND BILLION



Revenue of imported-distributed and consigned products increases 70% compared to 2019

120
VND BILLION



The combined revenue from the subsidiaries increased by 9% compared to 2019

250
VND BILLION



Consolidated profit (after tax) grows of 9% compared to 2019

180
VND BILLION



Increase in the income of employees at Parent Company's compared to 2019

5%

2020 ACTION PLANS

- 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
- Specify the annual plan targets into goals of Departments, Committees and Divisions;
 - Enhance marketing activities;
 - Focus on the ETC market;
 - Change the method of allocating and applying KPI to calculate the salary for the sales sector;
 - Regulate and apply cost norms.

- 2 Build and execute Traphaco's Culture in a new phase**
- to assess and discover 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 foundation in traditional medicine, as well as market opportunities is necessary.

The Company implemented building Traphaco Culture in a new phase to meet the requirements of the new development process.

The Company carried out the communication so comprehensively that each employee is imbrued with new culture, 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 focuses on developing western medicines to exploit the new factory as a strategic target with specific goals and synchronous solutions in the period of 2020 - 2025.

| Products | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Average growth |
|--|------|------|-------|-------|-------|-------|----------------|
| Revenue from western medicine products (VND billion) | 690 | 900 | 1,050 | 1,240 | 1,450 | 1,700 | 20% |

- 4 Promote imported products**
- In 2020, the Company continues to strengthen the development of distribution 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 technology 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 traditional remedies, making use of the rich medicinal treasure of Vietnam, and constantly improving the quality and production processes and processing types. At the same time, R&D researches on pharmaceutical products, technology transfer products, health food, indigenous products for tourism (Traphaco Sapa).

- 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, prepare the conditions for GMP-EU registration in the new factory.

TraphacoSapa: 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 of capital, strengthen the governance, ensure the operation in the direction of the parent company; achieve the targets of 2020 plan on revenue, profit & dividend; contribute to the value chain of Traphaco.

Daklak Pharmaceuticals & Medical Materials JSC: Through the Representative of capital, 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 revenue, profit & dividend; contribute to the value chain of Traphaco.

OPERATION REPORT ON TRAPHACOSAPA ONE MEMBER CO., LTD



As an important link in the Green Value Chain of Traphaco, TraphacoSapa researches and develops areas of herbal materials, ensures the stability of quantity and quality, manufactures local health products as directed by the parent company. TraphacoSapa has achieved outstanding achievements in business and production activities: Maintain and develop herbal materials certified by GACP-WHO.



Mr. Do Tien Sy
Director



In 2019, to carry out the annual message of the CEO of Traphaco Joint Stock Company which is the year of "Professional management to optimize costs – Resonating values to complete targets", TraphacoSapa has set out specific solutions to continue reduce costs and improve labor productivity, product quality, improve work processes, and meet the market needs through the following specific tasks:

- Maintain the implementation of factory processes following GMP-WHO standards;
- Maintain the implementation of ISO 9001 -2015 processes;
- Maintain the implementation of GMP-WHO TPBVSK procedures.

Thereby, TraphacoSapa strives to complete over 90% of the business plan target in 2019, making a positive contribution to the success of Traphaco in general and the company in particular.

OVERVIEW

TraphacoSapa Co., Ltd. was established on August 7, 2001, formerly known as a joint venture between Traphaco Joint Stock Company and Lao Cai Pharmaceutical and Medical Materials Joint Stock Company. In 2009, this company was changed into TraphacoSapa One-member Ltd., which was 100% funded by Traphaco JSC.,



Vùng trồng dược liệu Actiso nhìn từ trên cao.

BUSINESS ACTIVITIES



Growing spices & medicinal plants;



Cultivate & process herbal materials, agro-forestry products and food; Produce and sell medicines, herbal materials, food; Transfer know-how of planting, processing and producing herbal materials;



Import and export agro-forestry products and chemicals;



Import and export herbal and drug materials;



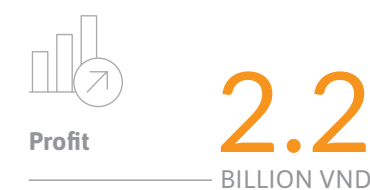
Produce and sell wine, beer, beverages and cosmetics;



Produce, sell, import, export and consign import and export of machines and equipment.

QUALITY GOALS

Revenue and profit



Quality management system

- Operate the quality management system in compliance with ISO 9001: 2015, GMP-WHO, GMP-TPBVSK;
- Comply with the principles of Ethical Bio-Commerce (EBT); Proud to be the only Vietnamese member of the Ethical Biological Trade Union (UEBT);
- Finish the dossier for re-certification of "Good manufacturing practices according to the World Health Organization (GMP-WHO) standards";
- Recertification of GACP-WHO for the Sapa Artichoke plantation;
- Monitor the cultivation land and harvesting of Artichoke, the cultivation land and harvesting of Ampelopsis cantoniensis, ensure 100% compliance with GACP-WHO standards;
- Reduce the proportion of items returned to 0.5% of sales.



Employee

- Average income increases at least 10% compared to 2019.
- 100% employees are satisfied with the company's policies;
- No complaints from employees about issues related to workers' rights and legal provisions.

Environment

- Comply with the provisions of law, no violations;
- Comply with regulations regarding biodiversity conservation, sustainable development and equitable benefit sharing among stakeholders, aiming to meet the standards of the Convention on Biological Diversity.



Scientific research project

Participating in the State-level project "Improving the production process of several health protection products from *Cordyceps militaris*" in Sapa District, Lao Cai Province, signed a contract with the Ministry of Science and Technology in October 2018 and has been carrying out in 2019.



TraphacoSapa has succeeded in perfecting the technological process for producing eight spices and cinnamon hard capsules and Boganic soft capsules with the products manufactured as spray-drying Artichoke paste, Ampelopsis cantoniensis soft paste, and medicinal herbs of all kinds.

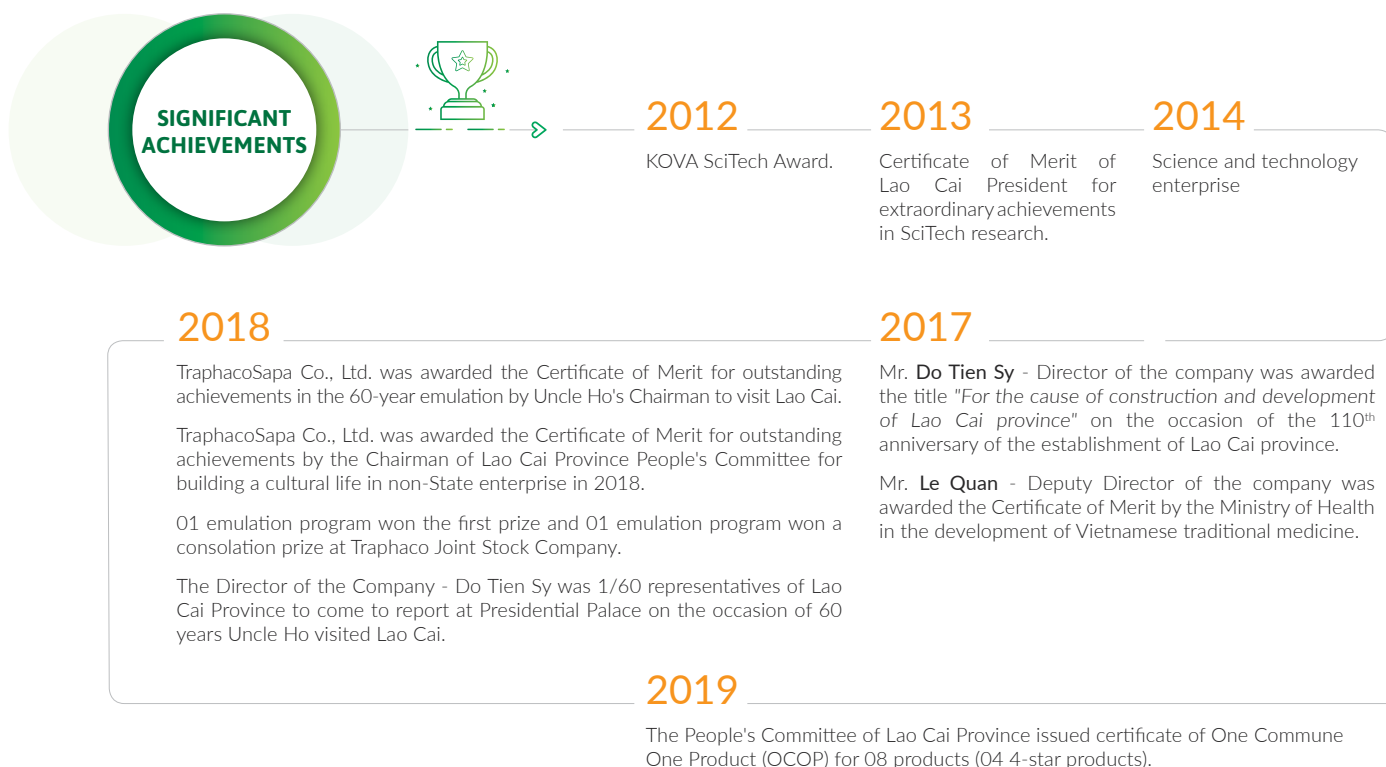
Most notable medicinal herbs

- Artichoke;
- Ampelopsis cantoniensis;
- Angelica sinensis.

THE REPORT ON THE BUSINESS PERFORMANCE OF 2019

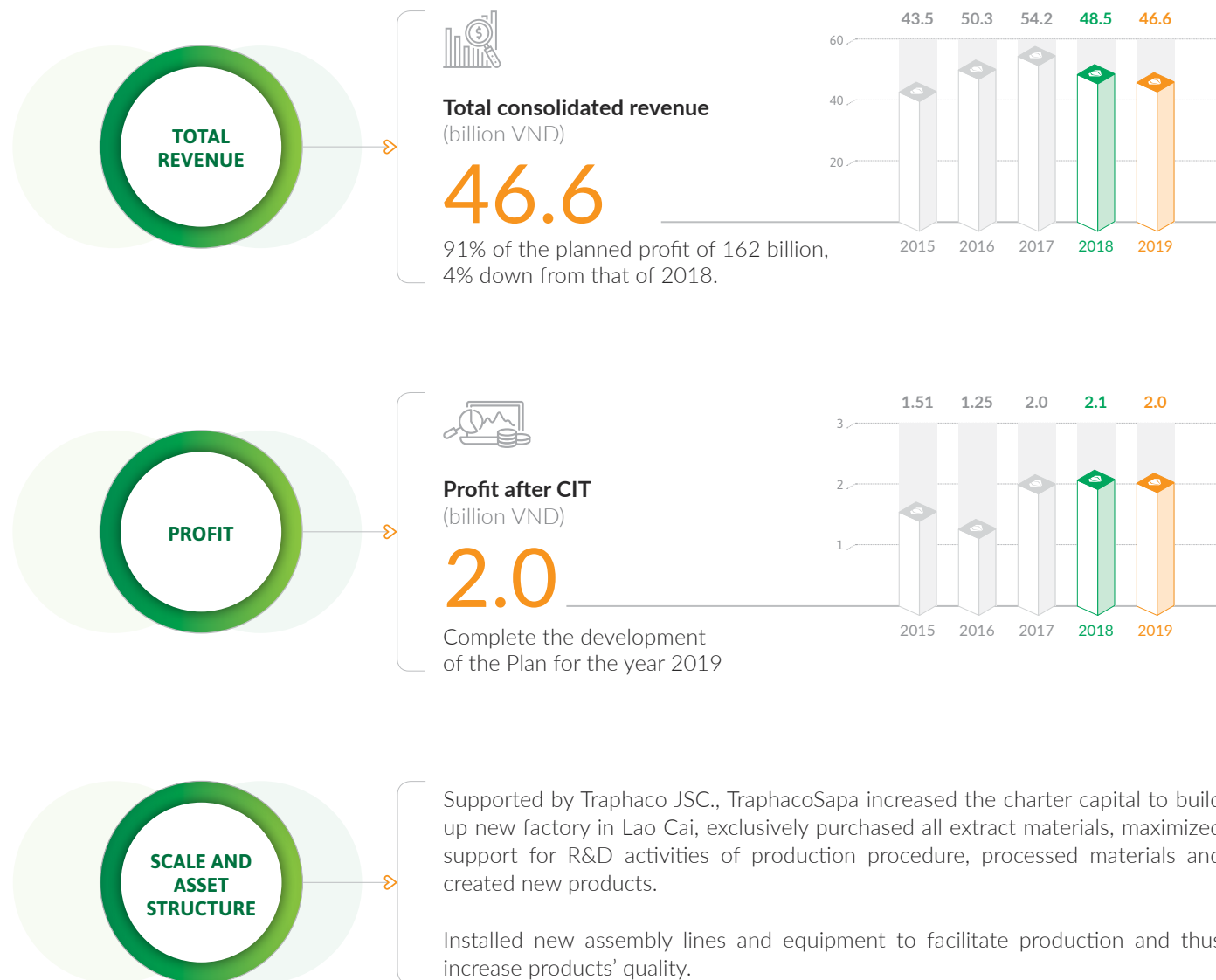
Business results in 2019

| Indicator | unit | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|-------------|------|------|------|------|------|------|------|------|
| Net sales | VND billion | 21.4 | 28.5 | 36.5 | 43.5 | 50.3 | 54.2 | 48.5 | 46.6 |
| Profit before tax | VND billion | 0.75 | 1.53 | 1.6 | 1.74 | 1.44 | 2.4 | 2.2 | 2.1 |
| Profit after tax from business operation | VND billion | 0.71 | 1.43 | 1.5 | 1.51 | 1.25 | 2.0 | 2.1 | 2.0 |
| Total number of employees (As of December 31) | People | 33 | 35 | 38 | 48 | 61 | 63 | 55 | 52 |
| Charter capital | VND billion | 3.35 | 6.7 | 6.7 | 16.8 | 16.8 | 25.0 | 25.0 | 25.0 |
| Profit before tax / Charter capital | % | 22.3 | 22.8 | 23.8 | 10.3 | 8.6 | 9.6 | 8.8 | 8.4 |
| Net income / Charter capital | % | 21.1 | 21.3 | 22.3 | 9.0 | 7.4 | 8.0 | 8.4 | 8.0 |



OPERATION REPORT ON TRAPHACOSAPA ONE MEMBER CO., LTD

Business results in 2019 (continued)



The company's achieved improvements in 2019

- Maintain the implementation of factory procedures following GMP-WHO standards;
- Maintain the implementation of ISO 9001 -2015 procedures;
- Maintain the implementation of GMP-WHO TPBVSK procedures;
- Launch several new products to diversify products portfolio and make more choices for customers, especially those products which have been issued certificates of OCOP by the People's Committee of Lao Cai province.



2020 DIRECTION



In order to achieve these targets, the Company will focus on the following measures:

- | | | |
|---|---|--|
| <p style="text-align: center; color: orange;">1.</p> <p>Building a corporate culture, implementing the message of the year 2020 "Honest and brave, initiative and connect - creative and responsible, innovative brings success".</p> | <p style="text-align: center; color: orange;">2.</p> <p>Optimize the production process to improve product performance and product quality.</p> | <p style="text-align: center; color: orange;">3.</p> <p>Strengthen cost control, maximize savings in production and business processes to reduce production costs.</p> |
| <p style="text-align: center; color: orange;">4.</p> <p>Promote business of local products in order to achieve the 2020 revenue goal:</p> <ul style="list-style-type: none"> • Launch a range of products from research projects on Cordyceps; • Develop a marketing plan for local products, especially OCOP products which have been certified to be effective. | <p style="text-align: center; color: orange;">5.</p> <p>Strengthen the coordination with Traphaco sales team to achieve the revenue target of 2020.</p> | |

ACTIVITIES OF TRAPHACO HUNG YEN CO. LTD.,



GENERAL INTRODUCTION









Mrs. **Pham Thi Thanh Duyen**
Director
Traphaco Hung Yen Co., Ltd.



Traphaco Hung Yen Co., Ltd has been officially came into operation for more than 2 years with 100% equity of Traphaco Joint Stock Company. The company has been invested in large scale in a methodical manner with orientation to be a smart technology 4.0 pharmaceutical factory to perform important tasks as follows: Improve product quality, make a difference and a breakthrough for Traphaco in an increasingly competitive environment.

With the application of 4.0 technology in production management and operation, Traphaco Hung Yen Factory is synchronized and automated for 05/05 production lines. The most notable are the production lines for eye drops and nose drops with a completely closed technology **Blow-Fill-Seal (BFS)**. Eye drop and nose drop products are manufactured at the highest level of sterility, equivalent to infusion preparations. The outstanding feature of this technology is that the dispensing system is programmed on computers, fully automatic, without human intervention in the preparation process. Applying the most modern Blow-Fill-Seal technology, fully closed and fully automated, creating the optimal quality product. **BFS technology** has led the company to become the only world-level synchronized production line in Vietnam until now in terms of eye drop and nose drop manufacturing. Eye drop, nose drop products contribute 30-40% of the Company's total revenue. Because of these outstanding advantages, in 2019, the Company was granted a certificate of Science and Technology Enterprise.

BUSINESS ACTIVITIES

| | | |
|---|--|--|
|  Manufacturing pharmaceuticals, pharmaceutical-related chemicals, pharmaceutical materials. |  Production of basic chemicals |  Production of medical equipment and instruments for dentistry, orthopedics, rehabilitation and other medical purposes |
|  Producing non-alcoholic beverages, mineral water |  Distilling, refining and mixing spirits |  Manufacturing cosmetics, soaps, cleansers, polishes and toilet preparations. |



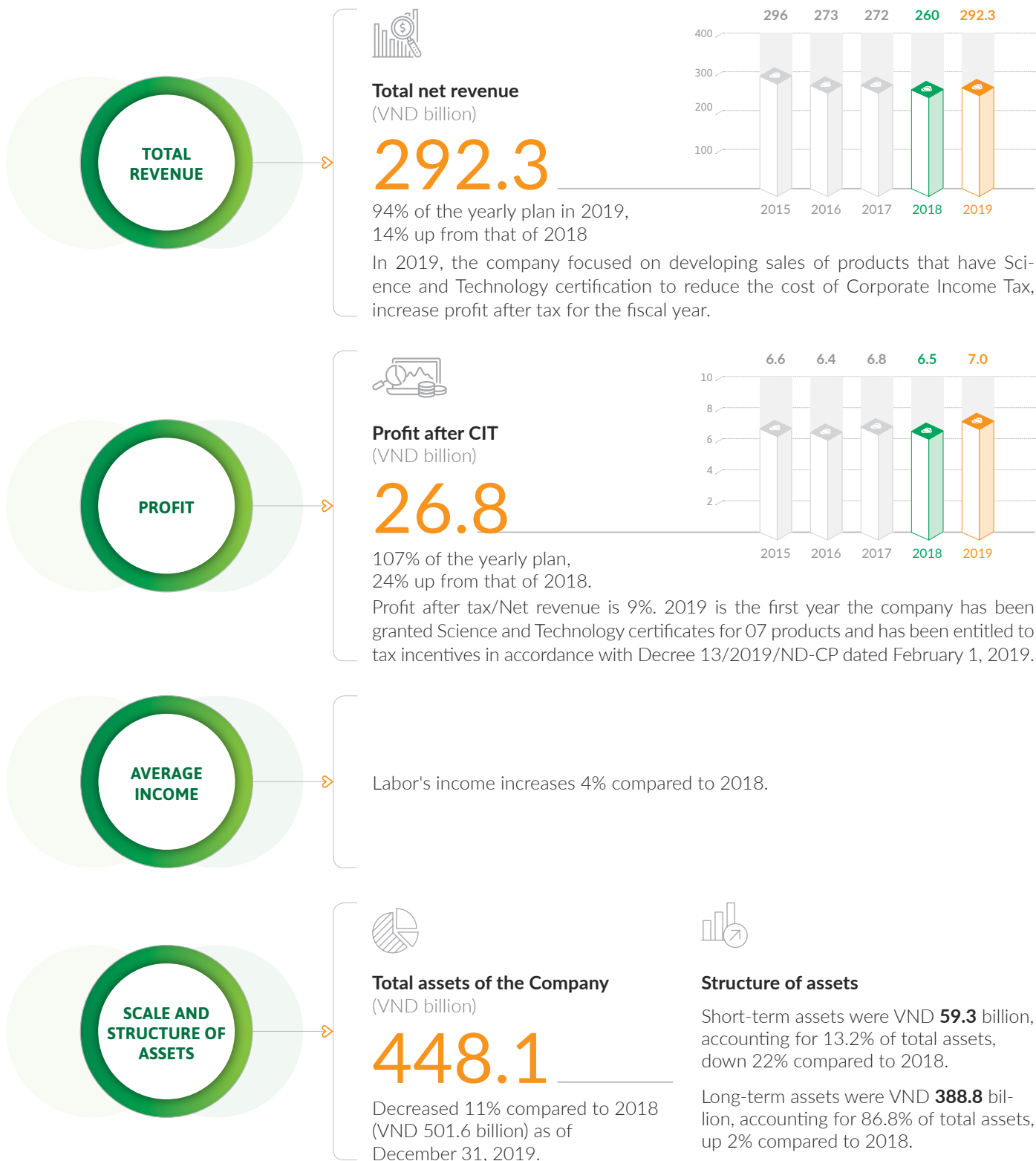
The awards achieved by the company



Certificate of Science and Technology Enterprise

THE REPORT ON THE BUSINESS PERFORMANCE OF 2019

Business results in 2019



The Company maintains the good management of cash flow, well controls the cost limit, increases efficiency in financial - accounting work, ensures compliance with laws and accounting standards.

The company's achieved improvements in 2019

- The company has been certified as a Science and Technology Enterprise, contributing a great deal of values to the company both materially and in reputation. The company enjoys preferential corporate income tax and land tax with a total value of more than 25 billion;
- Received the handover of 12 production processes, of which 05 production processes were handed over from Traphaco Joint Stock Company, 07 production processes were received from Korean partner - Deawoong. Introducing 04 new products to the market Quimodex, Samaca, Trafedin new, Feritonic;
- Deployed ERP system phase 2 on Production - Quality;
- Made improvements and optimized production to increase productivity and save costs.

DIRECTION IN 2020

Production and business plans in 2020



268

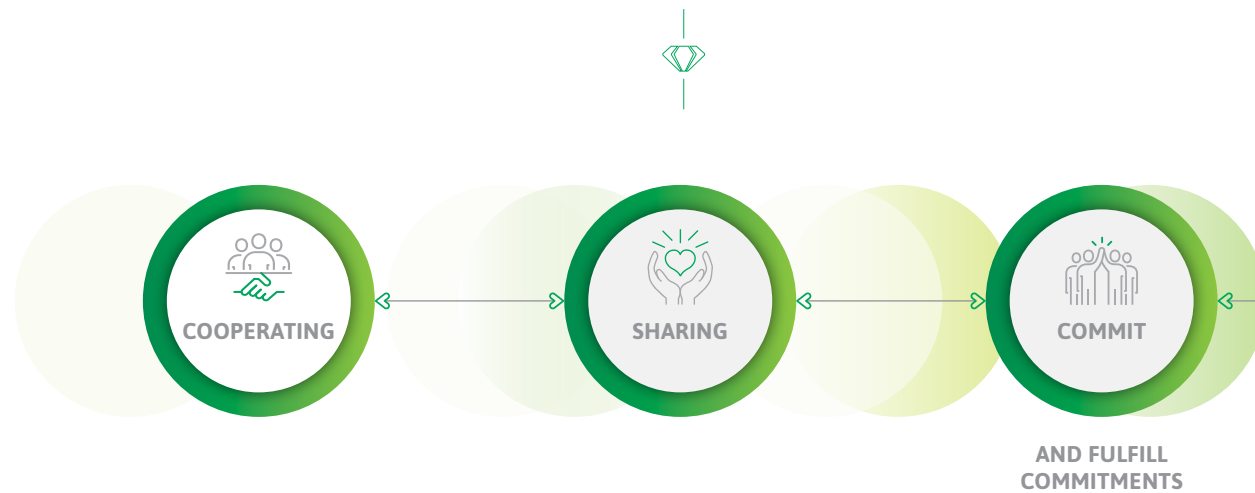
- After-tax profit equals to 13% of revenue
- Average income increases 1% to 5% compared to 2019.
- Fulfilled properly and fully all obligations to the state and complied with laws;
- Officially put into use the ERP of Production - Quality from Quarter 1/2020;
- Successfully get GMP-WHO certification through re-examination in May 2020;
- Received handover of new products of Traphaco and Deawoong - Korean partner as planned.

Solutions

With the general message of 2020:
"Honest and brave - Initiative and connect - Creative and responsible - Innovative brings success",
the solutions of the company are as follows:

- | 1. | 2. | 3. | 4. |
|---|---|--|---|
| Actively build appropriate business management solutions, wisely control resources to increase productivity and ensure revenue and profit as planned. | Connect the internal departments of the company as well as the member companies, the parent company to regulate production and resources. | Be honest with high responsibility in following the company's work processes, regulations, rules, the development orientation of the parent company, and strictly abiding the provisions of the State. | Brave, creative in mastering the process of equipment to synchronously run the production chains. |

ACTIVITIES OF DAK LAK PHARMACEUTICAL & MEDICAL SUPPLIES JSC



With the mission of serving society and customer, Bamepharm always deems it necessary to enhance cooperation and knowledge sharing with the community.



Mr. Phan Thanh Trinh
CEO

Bamepharm's philosophy does not just stop at sales, but every employee of Bamepharm is also a consultant to professionally support customers. Bamepharm is always ready to accompany customers on the path of development and to success. Bamepharm aims to build a team of Bamepharm people who are not only the "warriors" but also the consultants with knowledge and experience to share with the community, with society, and will be an trustworthy consultant of the customer before making the sale of products to them.

All orientations and policies of Bamepharm for nearly a quarter of a century and the way ahead are aimed at one goal: Deliver the best products, serve customers in the most thoughtful and caring manner, at the same time create the best development environment to improve the lives of employees. To do that, Bamepharm needs a sustainable foundation, in which technology, human resources and risk management shall be prioritized. The transformation of Bamepharm has only just begun. Every unit in Bamepharm is in a new revolution to transform and focus on the changing demands of customers.

The past 44 years have been a wonderful journey and we are continuing on the path of transformation, to build an increasingly better Bamepharm and to continue writing the success story. Thank you shareholders, customers, colleagues who have always been supporting Bamepharm. We will continue to step forward, constantly improve our professional capacity as well as investment into people and technology, strive to bring about greater growth and greater value; Continue to do our best, dedicate ourselves with the spirit of "Self-dedication" to progress the mission of "society serving".



GENERAL INTRODUCTION

Dak Lak Pharmaceutical & Medical Materials Joint Stock Company (Bamepharm)

Dak Lak Pharmaceutical & Medical Supplies JSC., came into operation for 42 years with a distribution channel of more than 800 GPP certified outlets which fully covered Dak Lak and Dak Nong from urban to rural and remote areas.

Bamepharm used to be a Government's company. The company is considered the key enterprise of Dak Lak in terms of business and has actively supported local health service in diseases prevention and social welfare.

Current activities: Mainly distributing and selling products (agent) for both domestic and foreign manufacturers.



BUSINESS ACTIVITIES



Production of medicine for treating people, nutritious food products and medicines derived from medicinal materials.



Trading medicines, pharmaceuticals, vaccines-biologicals, chemicals of all kinds and nutritious food products.



Trading optical equipment, medical equipment, dental, hospital equipment.



Providing service of repairing and guaranteeing specialized medical machines and equipment.



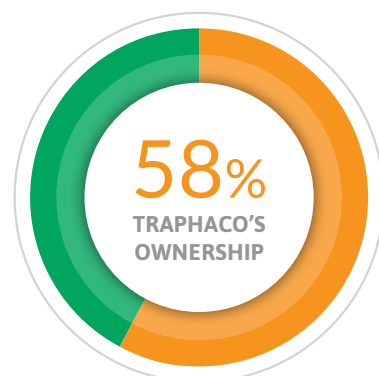
Providing budget accommodation services, commercial activities and services.



Exporting and importing medicines, pharmaceutical materials and medical equipment.



Planting medicinal plants and processing herbal plants.



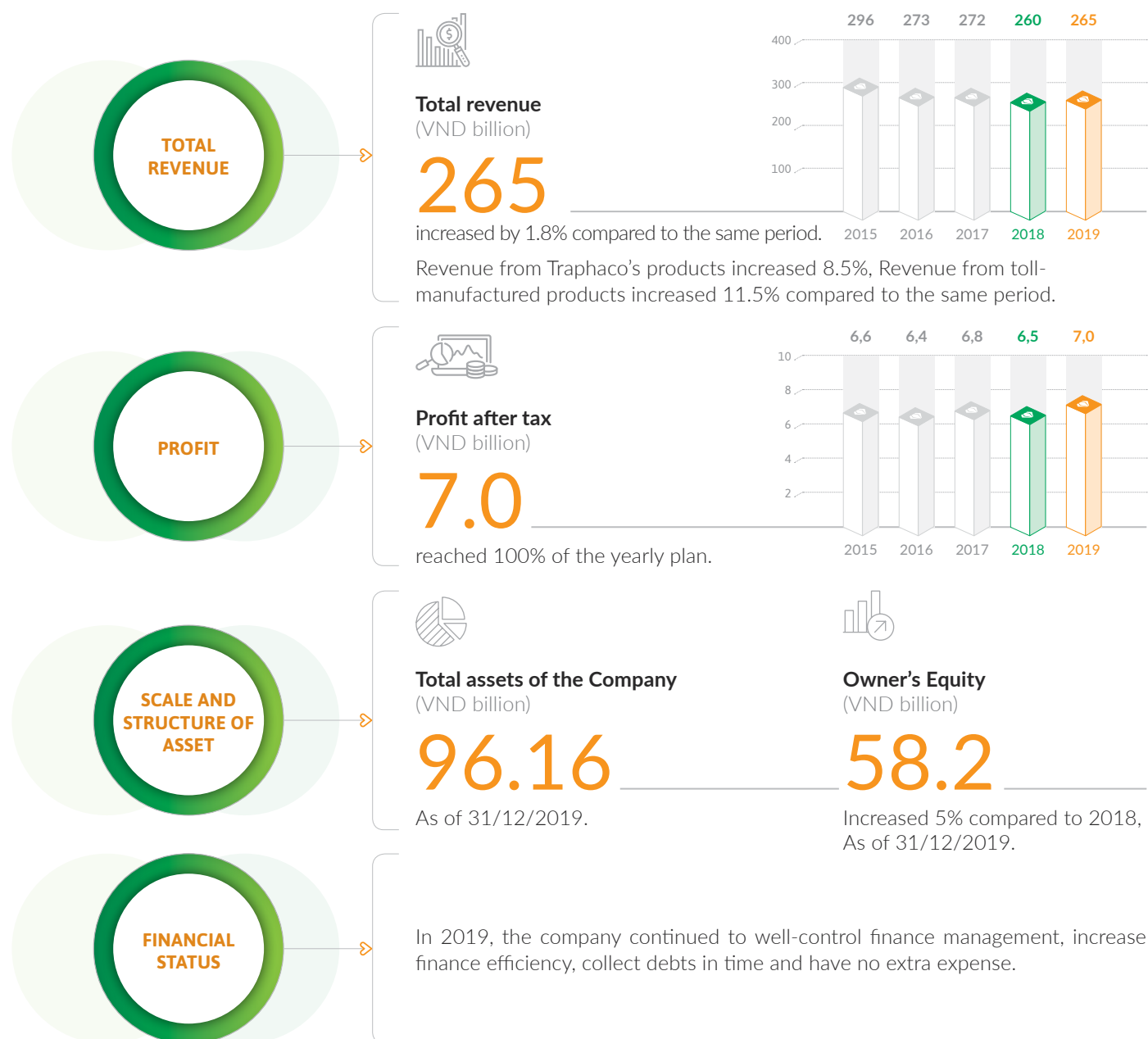


ACTIVITIES OF DAK LAK PHARMACEUTICAL & MEDICAL SUPPLIES JSC

BUSINESS PERFORMANCE OF 2019

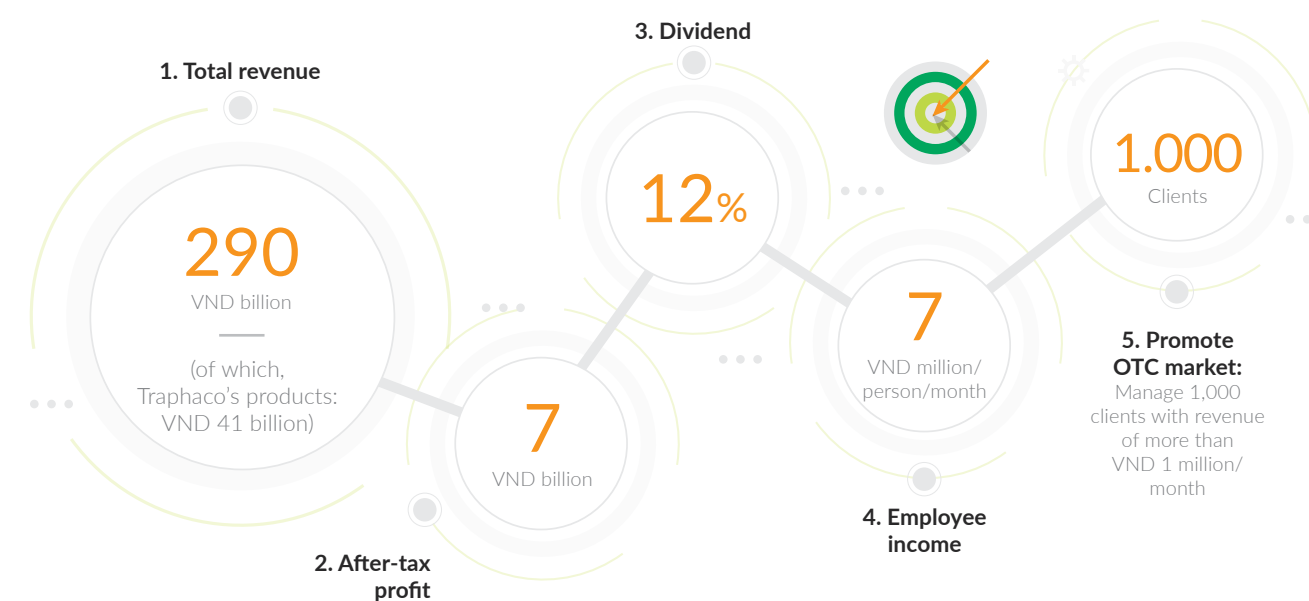
Business results in 2019

In 2019, Bamepharm kept being the top enterprise in terms of distribution channel in Dak Lak and Dak Nong with more than 800 loyal clients.



The company's achieved improvements in 2019

- Enhance competition capacity in the market Stabilize and boost retail sale;
- Continuously Perfect management.



Solutions

- Develop Traphaco's products as key items to optimize the advantage of the distribution channel via pharmacies. Speed up the growth rate of revenue by selecting key products of prestigious companies.
- Build up professional distribution channel, increase service quality, pay attention to delivering correct products in full quantity within 30 hours and clients service.
- Improve bidding capacity, increase market share in ETC channel.
- Research and launch at least 5 products under Bamepharm brand.
- Localize and boost Bamepharm brand.
- Build professional sales representatives.

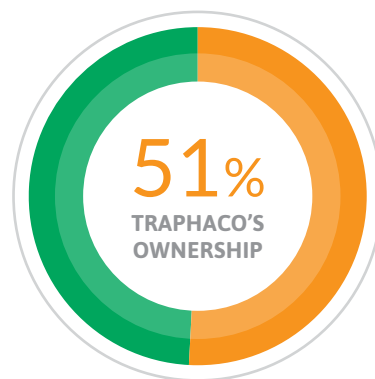
OPERATION REPORT OF TRAPHACO CNC JSC.,



Mrs. **Ma Thi Hien**
Director
Traphaco High Technology JSC.



Traphaco High Tech Joint Stock Company (referred to as Traphaco CNC) was established on June 6, 2006 and officially came into operation on January 1, 2007 to carry out the noble mission: **Bring green health to the community with natural medicine products.**

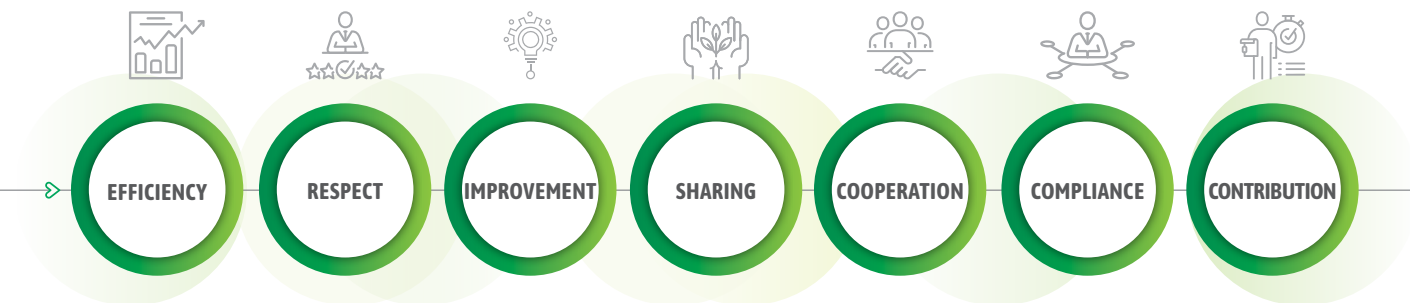


- **Business activities:** Producing and selling herbal medicine, materials, additives, supplement dietary, cosmetics, chemicals, pharmaceutical and medical equipment.

- **Business area:** Domestic.

The company is producing and distributing products for an exclusive client which is Traphaco JSC. (namely Traphaco).

In the future, with the goal of improving quality and being a companion to consumers, Traphaco CNC is committed to continue to be a pioneer in the direction of developing products of natural origin, ensure consumers' health and invest in technology development at the highest level.



OVERVIEW OF TRAPHACO CNC

Thanks to more than 40 years of establishment and development of Traphaco Joint Stock Company, Traphaco CNC has invested in modern and high-tech equipment and machines to implement production and distribution of products. The company was formed on the basis of a pharmaceutical factory project - GMP standard with a total investment up to 130 billion VND on a total area of 31,047 m² in Tan Quang Commune, Van Lam District, Hung Yen Province.

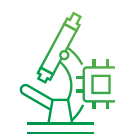
The company also applied the quality management systems ISO 9001: 2008, ISO 14000, 5S and Kaizen to the improvement activities. In September 2009, Traphaco CNC was the first natural pharmaceutical manufacturing and trading enterprise in Vietnam which was granted the GMP - WHO, GSP standards by the Drug Administration of Vietnam - Ministry of Health.

With the view of sustainable development based on continuous improvement to improve product quality, service quality, linking business development with environmental protection and building corporate culture, Traphaco CNC has been constantly researching, and developing green value chains from: Raw materials - Technology - Products - Distribution services and delivery to the market many unique products with high treatment efficiency and safety for users. For many years, the company has always maintained a leading role in the field of Traditional medicine and two outstanding products in the consumer market: Hepatobiliary drugs (Boganic) and neurological drugs (HHDN-Cebraton).



In 2019, the Company continues to maintain and affirm its position with the awards:

- Enterprise entitled to receive the emulation flag of the Prime Minister;
- Strong business and sustainable development, best-selling brand in Vietnam;
- Enterprise for the Workers;
- Enterprises with outstanding achievements for 10 years implementing the campaign "Buying Vietnamese" (2009-2019).



Traphaco CNC is always proud to provide consumers with high value products in terms of quality as well as usage value. And committed to continue to be a pioneer in developing products of natural origin and always investing in science and technology development, while maintaining the leading position in manufacturing enterprises for Traditional medicine in Vietnam.

BUSINESS PERFORMANCE OF 2019

In 2019, despite difficulties in production and technology, with the current environmental pollution situation, the level of consumers' interest in health issues is increasing.

According to many experts, this will be the driving force for Vietnam's pharmaceutical industry to continue growing.

However, at present, the expansion of investment, capacity, research and development activities are limited. In addition, the fierce competition with imported medicines, dependent material sources, and many inadequate policies is a challenge for many enterprises. Taking advantage of a reputed brand associated with prestige and quality, Traphaco CNC has been continuously researching and developing the



Green Value Chain from Materials - Technology - Products, delivering to the market products which are unique in formula, highly effective in treatment, and safe for users; Consider the benefit of community as a starting point for all activities and good competitiveness with imported products to affirm the quality and express the desire to pioneer and confidently advance

toward the goal of becoming a No.1 pharmaceutical enterprise in Vietnam. With the attention and close guidance of the Board of Directors in production and business activities; The determination efforts of the Board of Management and the efforts and professionalism of employees in the whole Company, in 2019, Traphaco CNC has completed the following planned targets:

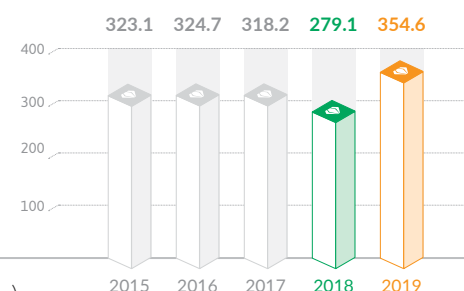
Business results in 2019



Total revenue
(VND billion)

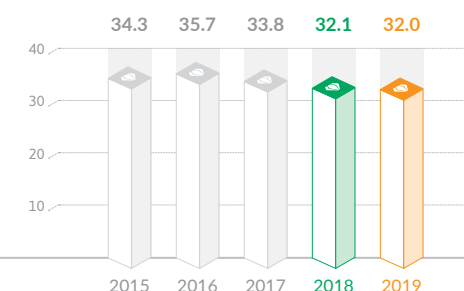
354.6

≈ 101.3% of the plan (VND 350 billion)
thanks to the changes in ordering and picking up goods of the parent company. The monthly pick up/order rate of the parent company in 2019 in average reached ~ 108.6%.



Profit after CIT
(VND billion)

32.0



SCALE AND STRUCTURE OF ASSETS



Short-term assets
(VND billion)

200.2

Approximately 71.5% of total assets,
increase 103% compared to 2018
(96.4 billion).



Long-term assets
(VND billion)

79.9

Approximately 28.5% of total assets,
decrease 3% compared to 2018
(82.2 billion).

FINANCIAL STATUS

In 2019, the company well-managed finance, strengthened corporate finance efficiency following the company's charter and legal regulations, collected debts and received Traphaco's payment in time, ensure all payments for clients and internal ones settled on due date as planned and committed.

The company's achieved improvements in 2019

- In 2019, the company made improvements to 04 production processes: Thap toan dai bo, Ha thu o, Tottri hard capsule, Totcos hard capsule. Labor productivity of production department increased by 7.1%;
- Successful implementation of new products: Tottri hard capsules, Totcos hard capsules and Bohairic achieved VND 9.3 billion revenue;
- Successfully keeping GMP - WHO certification, being eligible for producing food for healthcare protection and being granted GMP certification for 12 assembly lines from 03/07/2019;
- Strictly abide the requirements of labor and taxes laws On 23/07/2019, the company was awarded the Certificate of Merit for achievements in implementing tax policies and laws in 2018 by the General Department of Taxation.

DIRECTION IN 2020

According to the development orientation of the pharmaceutical industry to 2020, with a vision to 2030 of the State, the number of pharmaceutical products should meet 80% demand of domestic consumption. Currently the demand for drugs is constantly increasing with supplement dietary, so they have an irreplaceable role.

Life of people is improving, people's awareness in prevention and treatment with pharmaceutical products has been getting more attention. Besides, the pharmaceutical distribution system is developing strongly, increasing consumers' access to medicine.

In the development of the market with the business orientation of deploying and implementing the Traphaco Culture in a new phase, Traphaco CNC puts the targets as follows:



488

(VND billion)

Total revenue 2020
In which: Production revenue shall be 135 billion dong, co-production shall be 353 billion dong.



28

(VND billion)

**profit
after tax**



Increase
1%-5%

compared to 2019
**average income of
employee in 2020**

With the strategy "to maintain leading position among traditional medicine manufacturers in Vietnam, deliver products to the market not only to expand in the domestic market but also to gain opportunities to be accepted in the international market".

3

CORPORATE GOVERNANCE

- 104 Overview of Corporate Governance
- 108 Legal regulations of Corporate Governance
- 110 Activities of the Board of Directors
- 115 The 2020 operating orientation of the BOD
- 116 Evaluation on the operation of the company and the Board of Management
- 118 Operation of sub-committees under the BOD
- 121 Stock information and investor relations (IR)
- 124 Report of the Board of Supervisors
- 129 Risk management report
- 137 Analysis based on Asean Corporate Governance scorecard
- 154 Transaction and remuneration
- 157 Assessing the situation of Corporate Governance in 2019

Transition along TECHNOLOGY

The strong transformation of the digital revolution is considered the right and inevitable direction of the era, Traphaco always pioneers in investing, researching and applying advanced technologies in production-distribution management, consider science and technology as the key to the strategy of strong development in the coming years with leading factories meeting GMP-EU standards.



OVERVIEW OF CORPORATE GOVERNANCE



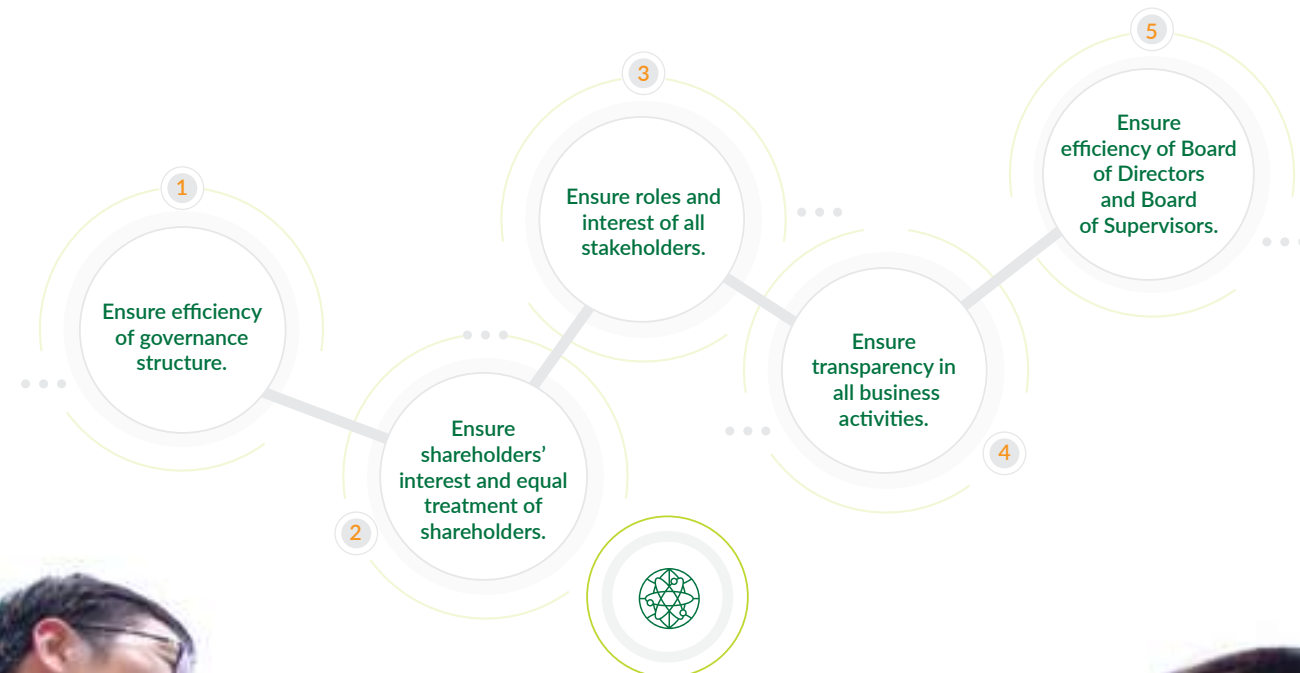
BRIEF INTRODUCTION OF CORPORATE GOVERNANCE AND GOVERNANCE MODEL AT TRAPHACO

Role of Governance to Traphaco's development

Corporate governance is considered the key for sustainable growth and development in long-term by TRAPHACO. Beside building a strong governance structure based on obeying Vietnam's law and application of international practices, TRAPHACO has adopted internal management regulations with the aim

to create a coherent process to control and supervise the Company's activities professionally, clearly and efficiently, contributing to ensure shareholders' interest in harmony with other stakeholders' including clients, employees and community.

Governance Principles at Traphaco



Governance Model at Traphaco

Traphaco's governance model is based on the best international practices and standards which ensure the presence of all needed administrators of a listed company. They are the General Assembly of shareholders, Board of Directors (including supporting sub-committees and secretary), Board of Supervisors, CEO, other divisions and representatives of capital of TRAPHACO in Subsidiaries.



This corporate governance model has been applied at Traphaco and gradually at other subsidiaries. Upon adopting the model, Traphaco has frequently evaluated its efficiency in order to make responsive adjustments to real business situations of Traphaco as well as other

subsidiaries. In general, the current organization structure has clearly shown function of each division, applying the best practices in business management and identifying relationship and responsibilities between Traphaco and other subsidiaries.

OVERVIEW OF CORPORATE GOVERNANCE

Governance structure at Traphaco



Pursuant to the Corporate Charter of Traphaco JSC;

Traphaco has evaluated and perfected the governance model which is standardized based on international practices. The model clearly separates responsibilities of the parent company and subsidiaries to enable each entity to be more active in its business activities and to ensure coherent management efficiency, improve professionalism and productivity and thus contribute to enhance business activities efficiency.

General Assembly of Shareholders include all shareholders with voting right. This is the most powerful body to make decisions of Traphaco.

Board of Supervisors is responsible for implementing duties assigned by General Assembly of Shareholders, supervising Board of Directors and CEO's activities in managing and operating Traphaco's business. Board of Supervisors is totally independent from Board of Directors and CEO.

Board of Directors is the managing body of Traphaco. It can represent Traphaco to make decisions and conduct rights and responsibilities of Traphaco that do not belong to GAS's authority.

Supporting sub-committees for Board of Directors: Board of Directors set up sub-committees to advise, recommend and support activities of Board of Directors.

Secretariat: Office of Board of Directors functions as the Company's Secretariat in order to support managing activities and make them more efficient. The office is in charge of organizing meetings for Board of Directors, Board of Supervisors and General Meeting of Shareholders, ensuring drafting, obeisance and periodical evaluation of managing policies and practices, providing fiscal information, copy of minutes of Board of Directors' meetings and other information for members of Board of Directors and Board of Supervisors as well as conducting other duties as regulated by Law, Internal Corporate Governance Regulations and The Company's charter.

The CEO and the Board of Directors are responsible for managing and operating the business activities of the Company by decentralization, authority devision between Leaders of departments/Offices of the Company to directly deal with specific tasks and support the units in business activities.

DIRECTIONS OF GOVERNANCE IN 2020



Building Traphaco Culture in a new phase.



Improving total operating costs of Traphaco.



Optimizing the value of the Company's assets.



Strengthening risk management, minimizing negative impacts on the company's supply chain.

LEGAL REGULATIONS OF CORPORATE GOVERNANCE

In 2019, Traphaco continued to screen and reinforce the foundation for issues relating to corporate governance

OBEY VIETNAM'S LAW OF CORPORATE GOVERNANCE AND INFORMATION DISCLOSURE

As one of the top listed companies in Vietnam in terms of medicine, Traphaco always obeys corporate governance regulation framework as stated in the Law on Enterprise and other specific rules of corporate governance applied to listed companies stipulated in Decree 71/2017/TT-BTC and Circular 95/2007/TT-BTC issued by Ministry of Finance and supervision of listed companies by HCM Stock Exchange.

In 2019, the Board of Directors issued the Regulation on Information Disclosure of Traphaco JSC.

The Company actively implemented internal audit activities to soon complete within the deadline specified in Decree 05/2019/ND-CP.

Information related to corporate governance and business operation as well as ad-hoc information are assured by Traphaco to be released in time as regulated by law and to be transparent to all shareholders, investors and other stakeholders.

ENHANCE GOVERNANCE CAPABILITY BASED ON APPLICATION OF THE BEST INTERNATIONAL PRACTICES

For Traphaco, enhancing the quality of corporate governance is essential to its development strategy which aims to build up a strong governance system based on application of the best international practices along with power of internal resources in order to control and supervise the Company's activities more responsibly, transparently and effectively. In 2019, Traphaco studied the Corporate Governance Regulations

following the OECD (Corporate Governance Manual) and applied in the activities of the Board of Directors as a separate meeting of non-executive members to assess honestly and objectively the Company's operations and Management Board capacity; Study and draft the Code of Business Ethics, The procedure for reporting violations in the Company, the Internal Audit Regulation, ...

APPLY GOVERNANCE CRITERIA PURSUANT TO ASEAN GOVERNANCE SCORECARD

This was the 4th time that Traphaco applied and compared criteria pursuant to ASEAN scorecard with the Company's activities in order to enhance governance capability and support members of Board of Directors, Executive Board and Board of Supervisors in understanding and applying principles pursuant to governance scorecard in terms of shareholders' rights, stakeholders' roles, information disclosure and transparency, Board of Directors' responsibility so that the Company can develop sustainably in long-term.



ENHANCE GOVERNANCE CAPABILITY FOR MEMBERS OF BOARD OF DIRECTORS, BOARD OF SUPERVISORS, EXECUTIVE BOARD AND MANAGERS BY TRAINING COURSES OF CORPORATE GOVERNANCE AND SUSTAINABLE DEVELOPMENT

In 2019, in order to update the latest knowledge about corporate governance, members of the Board of Directors, the Board of Supervisors, the CEO, the Company Secretary and other managers participated in the training courses:

- Building and implementing effective Board of Directors activities: Roles of Chairman & Succession Planning;
- What businesses need to do to attract strategic investors through M&A transactions;
- Violation reporting system and application of UK Code of Conduct for Vietnamese businesses;
- Directorship Certification Program for Board members
- Training-of-trainer program on the Code of Conduct, etc.

ACTIVITIES OF THE BOARD OF DIRECTORS



In 2019, the Board of Directors directed, supervised the implementation of the development strategy, followed all the company's activities with efficiency and a high sense of responsibility.



Annual meeting of the Board of Directors of Traphaco Company

RIGHTS AND DUTIES OF BOARD OF DIRECTORS

Pursuant to the Law on Enterprise and Traphaco's Charter, Board of Directors of Traphaco is the managing body of Traphaco. It can represent Traphaco to make decisions and conduct rights and responsibilities of

Traphaco that do not belong to GAS's authority. Perform functions and duties of the Board of Directors, in 2019, the Board of Directors of Traphaco supervised and directed the following tasks within its rights:

- 1 — Supervise the implementation of business and production plans of the Company.
- 2 — Direct the Executive Board to hold the Annual General Meeting of Shareholders in 2019.
- 3 — Considering and proposing to organize an Extraordinary General Meeting of Shareholders in September 2019, appointing (assigning tasks) new Board members and adjusting the Company's business plan,
- 4 — Direct, supervise and support the CEO and other managers to implement Resolution of the General Assembly of Shareholders; the BoD's resolutions and decisions.

MEMBER STRUCTURE OF BOARD OF DIRECTORS

BoD maintains its operation pursuant to regulations in the Company's Charter and BoD's rules with 07 (seven) members. The followings are list of members of BoD as of December 31st, 2017:

List of members of BoD for the 2016 – 2020 period (as of 31/12/2019)

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 the interests of shareholders and employees.

| Board members | Title | Status | Ratio of voting share at Traphaco | Position holding in another organizations |
|------------------------|---------------------------|---------------|--|---|
| 1. Md. Vu Thi Thuan | Chairwoman | Non-executive | 1.14% (Personal ownership: 471,254 shares) | Board Member of Traphaco High Technology JSC. |
| 2. Mr. Nguyen Anh Tuan | Vice Chairman | Non-executive | 12.50% (Representative ownership of State capital: 5,181,709 shares) | Member of the BoD of Tien Phong Plastic Joint Stock Company. BoD member of Vietnam National Fisheries Corporation. |
| 3. Mr. Tran Tuc Ma | Board member cum CEO | Executive | 13.74% (Representative of state ownership: 4,423,106 shares. Personal ownership: 1,272,308 shares) | Chairman of Traphaco Hung Yen Limited Company. BoD Member of Traphaco High Technology JSC. |
| 4. Mr. Nguyen Quoc Huy | Board member | Non-executive | 12.50% (Representative of State ownership: 5,181,709 shares) | Chairman of Vietnam National Fisheries Corporation. |
| 5. Mr. Ji Chang Won | Board member | Non-executive | 0.00% | n/a |
| 6. Mr. Lee Choong Hwan | Board member | Non-executive | 24.99% | n/a |
| 7. Mr. Kim Dong Hyu | Board member - Deputy CEO | Executive | 0.00% | n/a |

ACTIVITIES OF THE BOARD OF DIRECTORS

ACTIVITIES OF THE BOARD OF DIRECTORS IN 2019

HĐQT họp định kỳ nhằm đánh giá tình hình hoạt động và đưa ra các định hướng phát triển của Traphaco

In 2019, implementing the provisions of the Law on Enterprise and the Charter of Traphaco, the Board convenes regular meetings 2 times/quarter in order to discuss and exchange, conclude and timely direct the operation of the Company. In 2019, the Board of Directors held 08 regular meetings, including 01 meeting for non-executive members only, according to the Company's Charter.

Assign KPIs according to the strategic goals (changing the way salary is calculated to pharmacists, staff of the whole system), renewing marketing activities (accumulation program), optimizing costs, promoting hospital sales channels; Analyze financial ratios, compare the performance of companies on the stock exchange in the same industry, advise the Board of Directors to adjust the annual business plan, ...

Meetings of the BoD ensured the compliance with the provisions of the Traphaco Charter and the Law on Enterprise. Board members strictly attended the meetings or authorized other members and voted according to the Company Charter and Regulation on the function and operation of BoD, as following:

Meetings of Board of Directors (BoD)

| Board member | Position | Date becoming Board member | Number of attendance | Ratio | Reasons for absence |
|-------------------------|---------------|-----------------------------------|----------------------|-------|------------------------------------|
| 1. Md. Vu Thi Thuan | Chairwoman | 30/3/2016 | 8/8 | 100% | |
| 2. Mr. Nguyen Anh Tuan | Vice Chairman | 30/3/2016 | 8/8 | 100% | |
| 3. Mr. Tran Tuc Ma | Member | 30/3/2016 | 7/7 | 100% | 01 meeting of non-executive member |
| 4. Mr. Nguyen Quoc Huy | BoD member | 30/3/2018 | 8/8 | 100% | |
| 5. Mr. Lee Choong Hwan | BoD member | 05/7/2018 | 8/8 | 100% | |
| 6. Mr. Kim Dong Hyu | BoD member | 05/7/2018 | 8/8 | 100% | |
| 7. Mr. Ji Chang Won | BoD member | 26/9/2019 | 2/2 | 100% | Newly appointed |
| 8. Mr. Marcus John Pitt | BoD member | 30/3/2016 Retired: 9/6/2019 | 4/4 | 100% | |

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 component strategies; develop Business Plan for the year of 2019 and 2020;
- Supplying concrete guidance to the implementation of the business plan and the Resolution of the General Meeting of Shareholders for the 2016-2020 term, the Resolution of the 2019 AGM and EGM;
- 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.

BoD's Resolutions issued in 2019

The Board approved 19 decisions on the following issues:

- On Governance of Management: **10** decisions;
- On Governance of HR: **03** decisions;
- On Governance of Shareholders (for shareholders' benefits): **06** decisions.

| Resolution / Decision | Date | Content |
|-----------------------|------------|--|
| 1. 01/QĐ-HĐQT | 02/01/2019 | Establishment of the hospital sales division. |
| 2. 02/NQ-HĐQT | 22/01/2019 | Organize 2019 Annual General Meeting of Shareholders. |
| 3. 04/QĐ-HĐQT | 14/02/2019 | Dispatch officials on a study tour in Korea. |
| 4. 05/QĐ-HĐQT | 01/3/2019 | Dispatch officials on a study tour in Thailand. |
| 5. 08/QĐ-HĐQT | 14/3/2019 | Dismissed the title of Director of Hung Yen Branch. |
| 6. 11/QĐ-HĐQT | 28/5/2019 | Selection of the auditing firm for the financial statements in 2019. |
| 7. 12/NQ-HĐQT | 28/5/2019 | Plan to pay the remaining 10% dividend of 2018. |
| 8. 13/QĐ-HĐQT | 28/5/2019 | Dismissed the title of Director of Phu Tho Branch. |
| 9. 14/QĐ-HĐQT | 28/5/2019 | Dispatch officials on a study tour in China. |
| 10. 16/QĐ-HĐQT | 02/8/2019 | Dispatch officials on a study tour in Singapore. |
| 11. 17/QĐ-HĐQT | 06/8/2019 | Extraordinary General Meeting of Shareholders in 2019. |
| 12. 18/QĐ-HĐQT | 08/8/2019 | Dispatch officials on a study tour in China. |
| 13. 19/QĐ-HĐQT | 12/8/2019 | Dispatch officials to attend the seminar "Solutions on resources for businesses before the application of IFRS". |
| 14. 20/QĐ-HĐQT | 06/9/2019 | Appointed Deputy CEO. |
| 15. 28/QĐ-HĐQT | 09/12/2019 | Advance payment of dividend in 2019, 1 st time. |
| 16. 29/QĐ-HĐQT | 10/12/2019 | Promulgate the Regulation on Salary payment of Traphaco JSC. |
| 17. 30/QĐ-HĐQT | 12/12/2019 | Dispatch officials on a study tour in Korea. |
| 18. 31/QĐ-HĐQT | 12/12/2019 | Approval of the advertising agency bidding plan for 2020. |
| 19. 33/QĐ-HĐQT | 30/12/2019 | Approval of the selection of advertising contractors in 2020. |

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

The Board of Directors strengthened the Company's senior personnel including the dismissal and additional election of 01 member of the Board of Directors; Dismissed / appointed Directors of the Branch and Head of units of the Company. The Board continued to review and improve the system of rules and regulations in order

to unify the internal corporate governance mechanism 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.

ACTIVITIES OF THE BOARD OF DIRECTORS

Audit the 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 BoD 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.

The Board of Directors supervises, directs the CEO and Managers to operate the company's business

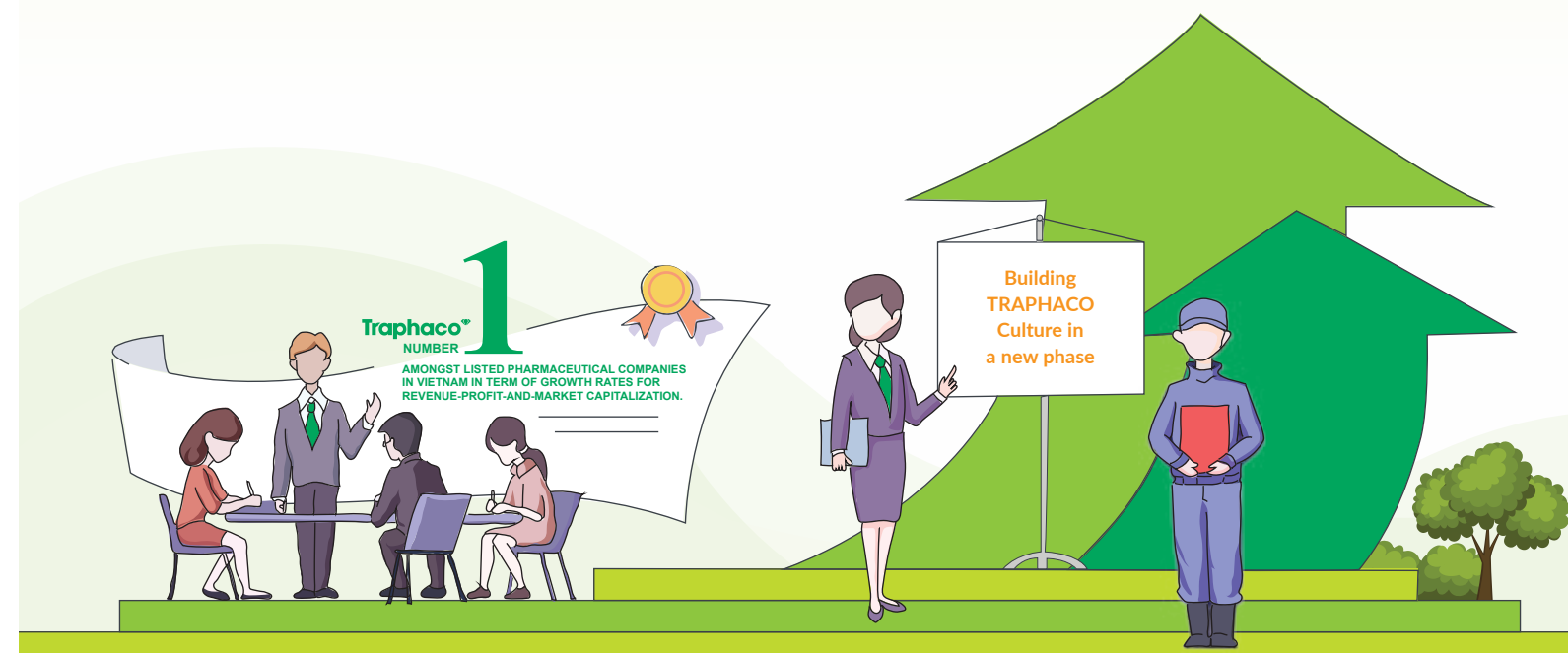
- Supervise the implementation of business and production plans of the Company.
- Direct the Executive Board to hold the Annual General Meeting of Shareholders in 2019.
- Consider and propose to organize an Extraordinary General Meeting of Shareholders in September 2019, appoint (assign tasks) new Board members and adjust the Company's business plan,
- Direct, supervise and support the CEO and other managers to implement the Resolution of the General Assembly of Shareholders; the BoD's resolutions and decisions.
- Direct and supervise the deployment of 5 major solutions (innovation activities) of the Company: Assign KPIs according to the strategic goals (changing the calculation method of salary of pharmacists, staff of the whole system), innovating marketing activities (accumulation program), optimizing costs, promoting hospital sales channels,
- Build Traphaco Culture in a new phase,
- Direct and urge the development of the Business Plan 2020, ensuring the feasibility,
- Direct 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 .



THE 2020 OPERATING ORIENTATION OF THE BOD

2020 is the year with the theme “Building Traphaco Culture in a new phase”, the Company focuses on building Traphaco Culture throughout the system, nurturing and developing the 06 highest cultural principles of Traphaco people. The Board of Directors orients the key tasks in 2020 as follows:

- 1 — Organize 2020 Annual General Meeting of Shareholders;
- 2 — Direct and supervise the implementation of objectives in the component strategy in 2020;
- 3 — Continue to effectively implement 05 major solutions of 2019;
- 4 — Build Traphaco Culture in a new phase:
- 5 — Optimize the value of the Company's assets;
- 6 — Strengthen the capacity of the distribution system, improve the operational efficiency of branches;
- 7 — Strengthen risk management, minimize negative impacts on the company's supply chain.



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



The Board of Management complies with the regulations, reports and implements resolutions of the Board of Directors, the General Assembly of Shareholders in the organization, departments and tasks of the Company seriously, as required.



The legal representative complies with the law, ensures sustainable development, takes care of social responsibility, takes care of employees' life, maintains the Company's Core Values and has been honored by the community and society. In 2019, compared to the assigned plan (adjusted), the revenue did not reach target (1,710 billion/1,850 billion, 7% lower), the consolidated profit reached 100% (170/170 billion). Compared to 2018, revenue decreased by 5%, consolidated profit decreased by 2.7%.



The Board of Management has actively implemented 5 major solutions

- **Developing ETC channel** as a strategic goal, appointing 01 Deputy CEO to lead and direct the innovation of sales activities into ETC channel. Exploiting new content of the bidding circular, preparing conditions for several products to grow in the ETC channel;
- **Enhancing marketing activities:** Gaining good results from the point-accumulating program (increasing SKU at drugstores), many digital activities, targeting online users, applying technology, personalizing clients;
- Developing the Implementation Plan for the Company and for each division.
- Drawing experience from the implementation of KPIs applied to the sales sector, salary payment is made according to approved plan, and according to KPI results.
- Managing expenses according to cost norms.



- The Production and Business Plan in 2019 was not well developed, still subjective and impractical, thus it must be adjusted.
- Learning experience from implementing sales policies and applying KPI were still slow (in the first 6 months of the year).
- Not active in using and exploitation of fixed assets, wasting resources on material facilities of factories, underemployed workers, and intangible depreciation.
- Not yet timely evaluating the effectiveness of marketing programs, market-monitoring costs, client feedback to make timely changes in sales policies.

Other important tasks in the year



- **Innovating sales policies**, focusing on better client management to be able to manage product price, avoid speculation/dumping, and regain trust and support of clients. Especially in the last 6 months of the year, drawing continuous experience for better management, as a result, production and business activities were better than those of the first 6 months;
- **Actively preparing the source of products** from actively deploying scientific and technological cooperation activities, connecting with import-related partners, researching and developing products, meeting the needs of new factories and markets;
- **Registered to be a science and technology enterprise for the new factory:** This is an opportunity to increase business efficiency and contribute to branding;
- **Especially:** Facing with some signs of decreasing corporate culture which is no longer suitable for development requirements, the Board of Management bravely acknowledged and assessed the weaknesses to build Traphaco Culture in the new phase, preparing human resources: Treatment, employing and development training.

Business results did not meet the plan, however, the Board of Management has been very concerned, actively considered, dared to change for the better, and has been maintaining and developing resources, as well as seized opportunities, strengthened Corporate Governance on the basis of information technology, customer policies, leadership of the staffs (especially 2020 is the year to build Traphaco's culture in the new phase, continue to actively promote 05 major solutions in 2019), ... creating conditions to create motivational growth in 2020 and the following years.

OPERATION OF SUB-COMMITTEES UNDER THE BOARD OF DIRECTORS



In order to improve the effectiveness of governance according to international standards, the Board of Directors established sub-committees including: Development & Policy Subcommittee; Human Resources and Remuneration Subcommittee; Auditing Subcommittee; to improve the effectiveness of strategic direction, auditing, financial management, risk, senior human resources and investment.

POLICY AND DEVELOPMENT SUB-COMMITTEE



HUMAN RESOURCES AND REMUNERATION SUBCOMMITTEE



OPERATION OF SUB-COMMITTEES UNDER THE BOARD OF DIRECTORS

AUDITING SUB-COMMITTEE

TASKS AND FUNCTIONS

The auditing sub-committee is a body in the managerial structure of Traphaco, which was established by the Board of Directors. Main functions are:

- Selecting an independent auditor, evaluating the independence of independent auditor, applying criteria to consolidate financial report of subsidiaries companies and associated companies;
- Reviewing the effectiveness of the Company's risk management, its compliance with the law, company charter, management regulations and internal management regulations...

MEMBERS OF THE SUB- COMMITTEE

The Subcommittee operates with 01 Chairperson who is the Chairwoman of the Board of Directors and 02 Board members who are representatives of SCIC and MAGBI Fund Ltd. with many years of experience in the field of auditing and finance.

ACTIVITIES OF SUB-COMMITTEE IN 2019

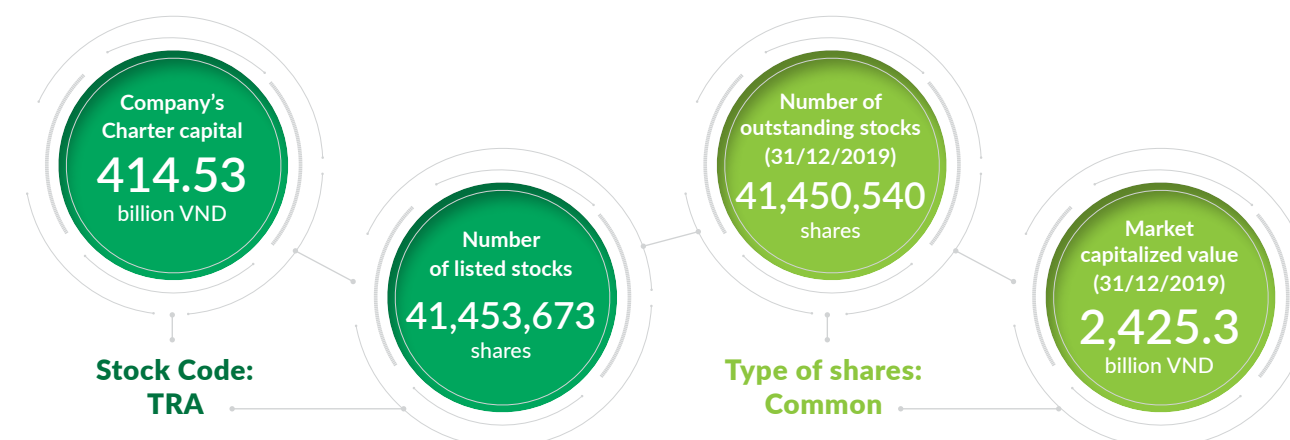
- Reviewing the audited financial statements for 2018, semi-annual reviewed financial statements for 2019;
- Working with subsidiaries on the plan to meet targets for sales, profit in 2019.
- Analyzing financial ratios, comparing the performance of companies on the stock market in the same industry, consulting the Board of Directors to adjust the annual business plan;
- Providing advice on the effective and optimal use of the company's assets;
- Working with new branches to deploy regional sales.
- Working with the audit firm and the Board of Supervisors on financial and stakeholder issues.

ORIENTATION FOR ACTIVITIES IN 2020

- Assessing the audited financial statements in 2019,
- Assessing the audited financial statements bi-annually in 2020,
- Working with subsidiaries on the plan to meet targets for sales, profit in 2020.
- Advising the Board of Directors on Internal Audit;
- Strengthening risk management, minimizing negative impacts on the company's supply chain.
- Working with affiliates on sales policies, discount regimes, costs, customer policies;
- Monitoring the compliance with internal regulations, other investment projects and major contracts in 2020
- Working with the auditing company and the Board of Supervisors on financial matters and related parties through the audit letter of the independent auditing company as well as direct communication;
- Monitoring the implementation of the Board's Resolution on investment and expenses.

STOCK INFORMATION AND INVESTOR RELATIONS (IR)

STOCK INFORMATION ON TRA (As of 26/02/2020)



Shareholder structure at the closing date of 26.02.2020

| Shareholder | Ratio % |
|-----------------------|---------|
| Foreign shareholders | 44.11 |
| Domestic shareholders | 55.89 |
| Of which: | |
| State shareholders | 35.67 |
| Treasury shares | 0.01 |

OWNERSHIP STRUCTURE

List of major shareholders owning over 5% of the Company's equity

| Name of organization | Business registration number | Address | Number of shares | Ownership ratio (%) |
|--|------------------------------|--|------------------|---------------------|
| 1 State Capital Investment Corporation | 0101992921 | No.117 Tran Duy Hung street, Cau Giay district, Hanoi City | 14,786,512 | 35.67 |
| 2 Magbi Fund Limited | CB2132 | Unit 810, 8/F Star Hse 3 Salisbury Rd Tst Kln Hong Kong | 10,361,385 | 25.00 |
| 3 Super Delta Pte. Ltd. | CB2320 | 10 Anson Road, # 23-14P, International Plaza, Singapore (079903) | 6,267,289 | 15.12 |



STOCK INFORMATION AND INVESTOR RELATIONS (IR)

INVESTOR RELATIONS (IR)

INCREASING TRANSPARENCY OF INFORMATION, INCREASING THE RELIABILITY OF INFORMATION PROVIDED TO THE MARKET





Protecting the rights and interests of shareholders and investors is one of the core issues that Traphaco integrates in corporate governance. As a listed company with nearly 2,000 shareholders, Traphaco always orients its shareholder relations activities towards protecting and fully exercising shareholder rights, complying with the law, ensuring information disclosure with transparency and equal treatment of shareholders.

DIVERSIFY CHANNELS TO PROVIDE INFORMATION TO SHAREHOLDERS AND INVESTORS

Information is the basis of all investment decisions, thus Traphaco always strives to diversify and improve quality of information channels to enable shareholders and investors to access information fully and promptly of strategic orientation, business performance, corporate governance situation, ...

In addition to disclosing information in accordance with the provisions of Circular 155/2015/TT-BTC, Traphaco also proactively publishes information which are deemed crucial and may affect the interests of investors; Proactively disclosing information about the Company's production and business activities, major events so that investors can timely capture information related to Traphaco's activities.

Diversify information channels for shareholders and investors

-  Annual General Shareholders' Meeting;
-  Annual Report and Sustainable Development Report;
-  Investment promotion conference;
-  Information disclosure channel of Stock Exchange, SSC;
-  Website, Fanpage, Application, Mass media.

INVESTOR RELATIONS (IR) ACTIVITIES HAVE BEEN IMPLEMENTED IN 2019 TO IMPROVE TRANSPRENCY AND RELIABILITY OF INFORMATION.

Improve the credibility of data

Prepare financial statements in accordance with Vietnamese Accounting Standards (VAS).

Review semi-annual financial statements and auditing annual financial statements.

Disclose information in a proactive and transparent manner

Disclose information in accordance with Circular 155/2015/TT-BTC.

Timely disclosing information that is deemed crucial, that may affect the interests of investors.

Regularly update the section dedicated to shareholders on the website in English and Vietnamese.

Strengthen dialogue with Investors

Organize more meetings to understand the needs for information of investors.

Address issues that investors concern.

By fully satisfying the key elements of information disclosure and implementing effective shareholder relations policies, maintaining the leading position in the traditional medicine market in Vietnam, Traphaco has continued to be voted into the list of TOP 50 leading brands (Top 50 Forbes) and the third consecutive year to be in the Vietnam Listed Company Awards in 2019 (VLCA).

PROTECT SHAREHOLDERS' INTERESTS AND ENSURE EQUALITY AMONG SHAREHOLDERS

The implementation of policies to protect the rights of shareholders and ensure equality among major shareholders and minority shareholders is always paid attention to by Traphaco to ensure that shareholders are provided the same information, including information

about time and rate of dividend payment, information about the issuance of stock, information about inviting to annual and extraordinary General Meeting of Shareholders, creating conditions for shareholders to exercise voting rights,...

STANDARDIZE THE ORGANIZATION PROCESS OF THE GENERAL MEETING UNDER THE CURRENT REGULATIONS AND INTERNATIONAL PRACTICES

On the basis of complying with current laws and applicable international best practices on corporate governance such as ASEAN Management Scorecard, OECD and IFC Corporate Governance Principles, Traphaco continues to standardize the process and procedures for convening meetings and voting at the General Meeting of Shareholders, posting the invitation for meetings on 03 consecutive issues of a nationally published newspaper, and also fully publishing meeting documents as stipulated on the website 15 days before

the meeting and instructing shareholders to access the documents as a basis for discussion and voting at the Meeting. In addition, Traphaco always encourages shareholders to be more aware of their rights including the right to vote, the right to receive dividends, the right to nominate candidates to the Board of Directors, Board of Supervisors, and the right to make approval of annual financial statements and access to information about Traphaco's activities

MAINTAIN PAYING DIVIDEND BY CASH THROUGH SEVERAL YEARS

Traphaco understands that one of the most important rights of shareholders is the right to receive dividends. Through regular cash dividend policy since listing, Traphaco hopes to ensure periodic dividends and ensure

a stable income for shareholders. In 2018, with more than 124 billion VND to pay dividends, the total amount of dividends Traphaco has paid to shareholders since listing up to now is nearly 1,000 billion VND.

ORIENTATIONS FOR 2020

1

Convening more meetings to understand the needs of investor, thereby seeking effective cooperation opportunities with investors in Vietnam and abroad;

2

Restructuring the website interface for shareholders, investors on the website and application of Traphaco IR in a more friendly and accessible manner;

3

Continuing to publish bilingual information in English and Vietnamese for documents posted on the Traphaco website.

REPORT OF THE BOARD OF SUPERVISORS



MEMBER AND STRUCTURE OF THE BOARD OF SUPERVISORS



| No. | Member | Position | Number of shares | Notes |
|-----|----------------------|----------|-------------------|--------------------------------------|
| 1 | Mr. Duong Duc Hung | Head | 1,008 (0.002%) | Elected to the new term on 30/3/2016 |
| 2 | Ms. Nguyen Thanh Hoa | Member | 0 | Elected to the new term on 30/3/2016 |
| 3 | Ms. Tran Thi Ly | Member | 0 | Elected to the new term on 5/7/2018 |

ACTIVITIES OF THE BOARD OF SUPERVISORS

The Board of Supervisors consists of 03 members elected by the General Assembly of Shareholders for the period 2016-2020 to carry out monitoring activities by law and operation regulation of the Company. The Board of Supervisors conducts the following main tasks: implement the rights to monitor the execution of the Charter and the resolutions approved by the annual and tenured GMS; supervise financial activities; monitor the implementation of BoD and Executive Board by law, the company charter and the operating regulations of the Board. In the fiscal year of

2019, according to the theme orientation of the year 'Professional management - Cost optimization', the Board of Supervisors focused on evaluating the price of raw materials and input materials of the Company; Review the compliance with the Company's operating procedures: select partners to implement advertising, register intellectual property products ...; review contracts (large, with related companies ...) to identify risks when performing contracts; ensure the Company's operations are professional, operating costs are optimal, and in accordance with the law.

MEETINGS OF THE BOARD OF SUPERVISORS

In 2019, the Board of Supervisors held 06 regular meetings as scheduled and attended all meetings of the Board of Directors of Traphaco. The main sessions of BoS are as follows:

| Sessions | Thành phần tham dự | Nội dung chính |
|--------------------------------|--------------------|---|
| Session 1: Jan, 2019 | 3/3 | <ul style="list-style-type: none"> Analyzing and evaluating contracts, transactions with related parties in 2019, submitting to the AGM. Role assignment to Board members, review remuneration of Board members. |
| Session 2: Feb, 2019 | 3/3 | <ul style="list-style-type: none"> Review and evaluate if the Executive Board complies with the regulations, resolutions of AGM and Board of Directors and KPIs. Control 48 input materials, the list of supplies that need action. Examine the 2019 financial statements; |
| Session 3: Jun, 2019 | 3/3 | <ul style="list-style-type: none"> Evaluate the selling ability of 300 large customers of the sales bloc. Plan the organization of internal audit activities under Decree 05. Review the technical assistance contract from Daewoong, identify risks when performing the contract. |
| Session 4: Sep, 2019 | 3/3 | <ul style="list-style-type: none"> Review the process of selecting partners for advertising and communication. |
| Session 5: Oct, 2019 | 3/3 | <ul style="list-style-type: none"> Evaluate and assess the price of input materials of 48 major supplies in 2019 and propose solutions to optimize the cost of input materials for 2020. |
| Session 6: Dec, 2019 | 3/3 | <ul style="list-style-type: none"> Review the intellectual property registration of the Company's products. |

MONITORING RESULTS OF THE IMPLEMENTATION PROCESS OF 2019 AGM'S RESOLUTIONS

- 1 — The Company has completed setting up funds as regulated; ensured the state budget contribution in accordance with the law.
- 2 — The Company (already completed) paid the second dividend of 2018 in July 2019, advanced 20% of the first dividend in 2019 in cash in January 2020 and expected to pay 10% of the second dividend in cash in Q2/2020.
- 3 — In 2019, the Company's revenue was at VND 1,710 (equals to 93% of 2019 targeted number, equals 95.1% compared to 2018); profit after tax was at VND 170.6 (equals to 100% of 2019 targeted number, decreases 2.7% compared to 2018). The average income of employees of the parent company in 2019 is 19.67 million VND, which does not reach the plan in 2019 (22,085 million VND, 89%), down 3% compared to 2018.
- 4 — In 2019, the Company has paid remuneration to the members of BoD and BoS as approved by the 2019 AGM.
- 5 — 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.
- 6 — The Company has selected Deloitte Vietnam as the auditor for 2019 financial statements.

REPORT OF THE BOARD OF SUPERVISORS

MONITORING RESULT OF THE BOARD OF DIRECTORS, EXECUTIVE BOARD

The Board of Directors have 7 members; In 2019, one Board member resigned in June 2019, the BoD 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 phase. In 2019, the Board of Directors held 08 regular meetings, including 01 meeting for non-executive members only, 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 Directors to implement the Company's major solutions: Assign KPIs according to strategic objectives, innovate marketing activities, optimize costs, promote hospital sales channels, 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



In September 2019, a new member was appointed - Mr. Ji Chang Won - Production Director of Korean Daewoong Pharmaceutical Group.

budget of the financial plan, promote the Southern market, evaluate the performance/capacity of staff in the distribution system, analysis of financial ratios/performance comparison of companies in the same industry on the stock market (consulting the Board of Directors to adjust annual business plans), effective use, optimal asset of the Company etc ...

In 2019, the Board of Management proactively and actively implemented 05 major solutions: Assign KPIs to the departments according to the strategic goals, creating an urgent pace to achieve the targets right from the beginning of the year; Apply KPI results associated with 3Ps salary to the lump sum system; Innovating marketing activities, increasing communication activities at point of sale and product promotion programs; Assigning cost norms, optimizing costs for all work segments; Promote hospital sales.

The Board of Directors and the Board of Management carry out the report and disclosure of sufficient information in accordance with current regulations of the law.

MONITORING RESULTS OF THE COMPANY'S OPERATIONS AND FINANCES

The Company's consolidated business results

| Targets in Resolution | Plan of 2019 (billion VND) | Results in 2019 (billion VND) | The ratio compared to planned (%) | Compared to 2018 (%) |
|--|-------------------------------|----------------------------------|---|----------------------------|
| Net revenue from sales and services | 1,850 | 1,710 | 93 | 95.1 |
| - Manufactured goods | 1,560 | 1,408,8 | 90 | 95.7 |
| 1 - Consigned Export-Import goods and services, other products | 60 | 73,5 | 122.5 | 75.8 |
| - Revenue from subsidiaries | 230 | 228,2 | 99 | 99.5 |
| 2 Net profit from business operation | - | 214,8 | - | 99.1 |
| Consolidated profit after tax | 170 | 170,6 | 100 | 97.3 |
| 3 Average income of employees of mother Company (VND) | 22,085,000 VND | 19,670,000 VND | 89 | 97 |
| 4 Contribution to the State budget | | 117,992,949,325 VND | | |

Unfulfilled targets

Revenue target: down 7% compared with the plan, sales from manufactured goods just equaled 90% of the plan. The reason was that the pharmacy sales channel did not grow; medicine bidding circular was delayed than expected so the Company has not taken advantage of the hospital sales channel; The Board of Management proactively assessed customer capacity and applied limits for clients by mid-2019, creating a premise for sustainable growth in the coming years.

Profit target: Parent company EAT (153.42 billion) was 1.8% lower than the same period (156.3 billion). The reason was that the Company has actively implemented the cost norms for the Company's activities but has not yet controlled the reduction of input material price norms well.

The income of employees decreased by 3% compared to 2018, reaching only 89% of the yearly plan.

Appraisal of 2019 financial statements

The Board of Supervisors has reviewed, verified and agreed with the 2019 consolidated financial statements and separate financial statements of the Company audited by Deloitte Việt Nam. The financial statements ended on December 31, 2019, the six-month financial statements and quarters in 2019 represented honestly and reasonably all important aspects, regarding the financial situation and business results. The Company

has complied with the requirements of accounting standards, accounting regimes as well as the current regulations on financial management, accounting and taxation in organizing financial and accounting work and accounting practice. The 2019 financial statements are promptly and correctly prepared.

EXPENSE FOR ACTIVITIES OF THE BOARD OF SUPERVISORS

Remuneration and operating expenses of the Board of Supervisors in 2019 were made in accordance with the AGM's Resolution dated March 28, 2019. Specifically:

| No. | Name | Term | Date of appointment/termination of office | Monthly remuneration |
|-----|---------------------|-----------|---|----------------------|
| 1 | Duong Duc Hung | 2016-2020 | Appointed on 30/3/2016 | 26,000,000 |
| 2 | Nguyen Thanh Hoa | 2016-2020 | Appointed on 30/3/2016 | 10,000,000 |
| 3 | Tran Thi Ly | 2016-2020 | Appointed on 05/7/2018 | 10,000,000 |
| 4 | Company's Secretary | | | 4,000,000 |

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 2019, there has been no request from the General Assembly of Shareholders, shareholder group or individual shareholder under Clause 2, Article 114 of the Law on Enterprises to the Board of Supervisors on the examination of any specific issue in management or operations of the Company.



It is expected that in 2020, the Company will continue to implement major solutions of 2019; and focus on building:

TRAPHACO CULTURE
IN A NEW PHASE

RECOMMENDATIONS

The Board of Supervisors recommends the following points for 2020: ➤



- The Company continues to implement major solutions of 2019 effectively.
- The Company calculates production activities at Traphaco Hung Yen to optimize its advantages as a high-tech company.
- The Company focuses on coordinating with Daewoong to implement technical assistance in producing effective new products.
- The Company actively implemented internal audit activities to finish within the deadline specified in Decree 05/2019/ND-CP.
- Develop risk management system in line with the Strategy and deploying to subsidiaries.

OPERATION PLAN OF THE BOARD OF SUPERVISORS IN 2020

- 1 The Board of Supervisors will continue to perform the inspection and supervision functions and duties stipulated in the Enterprise Law and the Charter of the Company;
- 2 Monitor the Board of Directors and the Board of Management in the implementation of the resolutions by the General Assembly of Shareholders;
- 3 Coordinate with independent auditors and internal auditors in auditing financial statements. Monitor the implementation of proposals, suggestions and recommendations by independent auditors;
- 4 Implement the assessment of reports on business situation and management practice by the Board of Directors to submit in the 2021 AGM;
- 5 Continue to review and propose the shortcomings in the processes, regulations, business operations of the Company. Supervise the compliance with procedures and regulations.



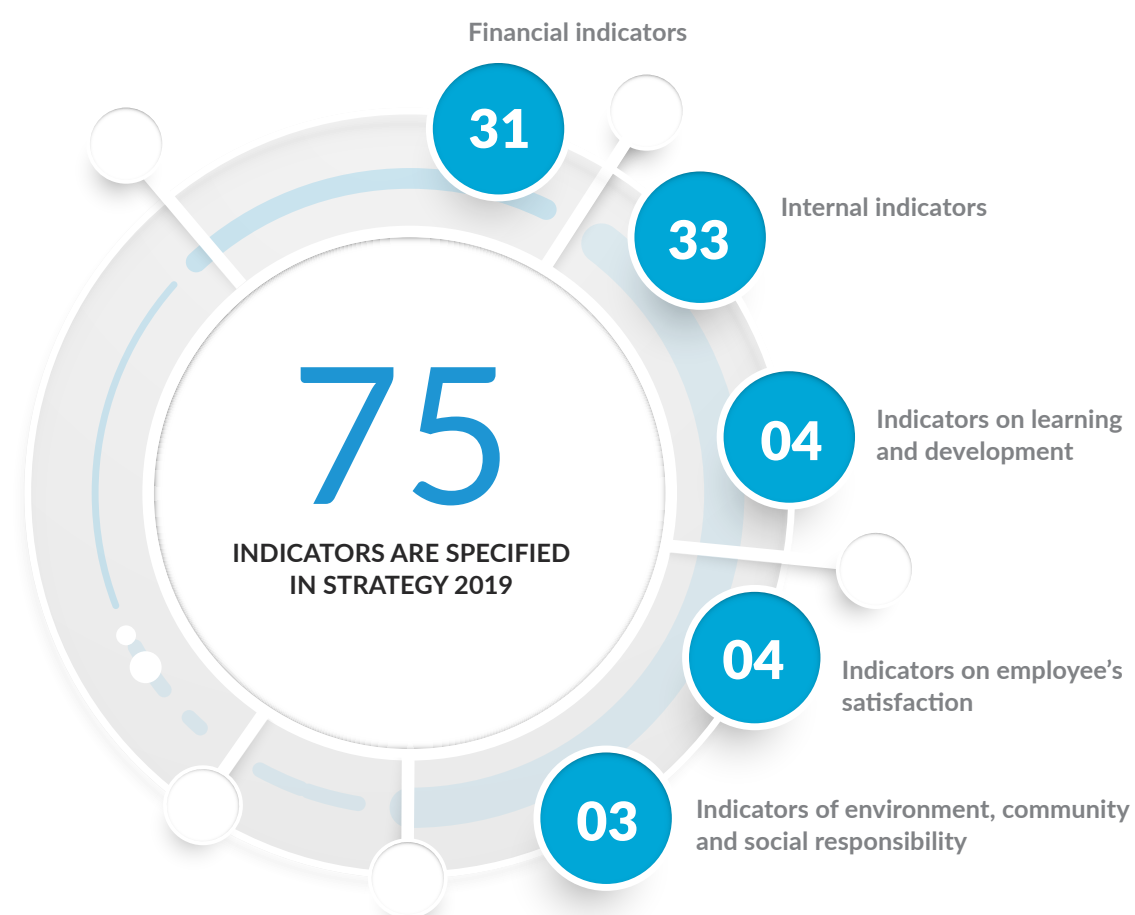
RISK MANAGEMENT REPORT

In 2019, with many changes in the regulations related to the pharmaceutical industry, besides taking opportunities, the company also confronted difficulties in the face of changes in the legal environment, business environment, and the pursuit of competitors, ... In this context, to ensure the achievement of risk management tasks, the focus will be increased and it will play an important role in effective corporate governance. On the other hand, the company plans to organize internal audit activities to support the improvement of the risk management system and internal control framework, ensuring the effectiveness of corporate governance.



STRATEGIC RISK MANAGEMENT

Throughout Traphaco's 47-year journey, sustainable development is a strategy implemented consistently, covering the Company's space and timeline. Traphaco's strategic objectives are set under the consideration to 17 sustainable development goals of the United Nations. Implementing the Sustainable Development Strategy 2017-2020, with the focus in 2019 to be Corporate Governance. Meanwhile, besides the development and implementation of strategies are comprehensive strategic risk management measures.



ASSIGNED RESPONSIBILITY

- For each member of the Strategy Implementation Committee;
- For each department;
- For each managerial staff.

The 2019 Strategy has been implemented and controlled according to the process:



The Strategic Committee prepares an annex to identify the annual context, with written guidelines related to the company's risk management in order to provide risk control measures for each appropriate period after analyzing strengths and weaknesses and challenges.



Good strategic risk management helps the company develop in the right direction, allocate appropriate resources to achieve the goals set at the optimal cost.



LEGAL RISK MANAGEMENT

The Legal unit under the Risk Management Committee contributes to the optimization of the company's internal control system, control of internal compliance with the law. In addition, the Company maintains an annual contract with a law firm to give advice on legal issues of the business.

Legal Risk Management activities undertaken in 2019:



- Made comments on the draft legal documents.
- Analyzed, evaluated Impact, and effects of legal documents on the Company.
- Updated on sectoral legislation
- Internal consulting, reviewing the legality of contracts and transactions.



- Updating the Draft legal documents, directly contributing ideas and getting comments, synthesizing from relevant departments, Subsidiaries and sent them to the authorities.
- Updating legal documents related to the Company's activities such as: Pharmaceuticals, Taxes, Import-Export, Labor, and supplement dietary, Food safety, administrative procedures, corporate governance, ... The update is performed weekly and selected by field and sent to related departments through the Company's document management system and via email.
- 100% contracts are controlled under the company's "Trading Contract Review" provisions.
- For newly issued documents that have significant impact on the system, the Legal unit - Risk Management Committee actively evaluates as well as get comments from relevant departments and subsidiaries.

Legal risk management has been implemented more comprehensively and synchronously than before, making an important contribution to the implementation of Traphaco's strategic goals in 2019 associated with "Corporate governance".

In addition, the Board of Supervisors analyzes and evaluates contracts and transactions with related parties; support to review major contracts, identify risks when executing contracts (technical assistance contracts from Daewoong).



FINANCIAL MANAGEMENT



- In order to ensure transparency, accuracy and control of financial risks, Traphaco hired a reputable independent auditor (one of Big 4) to review the interim financial statements and audit the financial statements of the year 2019 (Deloitte company). The Board of Supervisors has reviewed, verified and agreed with the 2019 consolidated financial statements and separate financial statements of the Company audited by Deloitte Việt Nam.
- Participation of members of the Risk Management Committee in the Board of Supervisors of the parent company (Head of the Risk Management Committee as the Head of the Board of Supervisors), Supervisors (subsidiaries: TraphacoSapa Co., Ltd.), a member of the Board of Supervisors of the member company: the DakLak Pharmaceutical & Medical Equipment Company) contributes to more effective financial risk management.
- Effective cost management will contribute to effective corporate governance.

In 2019, the Company built a method to control selling expenses, operating expenses, expenses at departments by cost norms, the departments have been assigned the responsibility to control the allocated norms, ensuring maximum advantages for each segment. Besides, deploying integrated cost management on ERP system.



OPERATIONAL RISK MANAGEMENT

Risk of fluctuations in input material prices

The fluctuation of price of input materials, especially key materials, greatly affects the cost of goods sold and profits of the Company.

- The valuation of input materials valued at over 1 billion according to the 2019 plan of the Risk Management Committee in coordination with the Board of Supervisors is an activity to more effectively control the cost of input materials, contributing to complete the target "Decrease at least 4% the cost of purchasing raw materials."
- Based on the results of appraisal and control of materials, the recommendations of the Risk Management Committee and the recommendations of the Control Board, the company has established a Material Supplier Evaluation Committee with the advisory function for the CEO to select the right supplier to optimize the price. This is the innovation, a premise for other 2020 activities of the company.
- The company is proactive in sourcing medicinal materials that meet GACP - WHO

Risks of fluctuations of input prices

- One of the factors that bring success to businesses is continuous innovation, product innovation, delivering products that meet the demand of the market. Challenges: waste resources in research, products are not suitable with market demand ...
- The company coordinates and links R&D activities with other stages of the company's value chain (sales and marketing) right from the concept screening phase. The data on demand, market capacity, product consumption estimation contribute an important part in choosing the right products and tastes of the market.
- Develop a product deployment plan for 3 years for each product. The implementation

standards, proactively developing a list of medicinal materials purchased seasonally to ensure the supply source, stable quality and the best price.

- The quality of the company's input materials is quite stable because the supplier's capacity is seriously evaluated by the company according to the standards specified in the process to decide the selection. Besides, the company actively sought alternative sources, new suppliers have the capacity to prevent the risk of shortage of inputs when old suppliers encounter problems.
- Make an estimate of the amount of spare supplies to avoid price increasing during periods of fluctuating prices (such as forecasting scarcity of goods, exchange rate fluctuations, taxes, and price increase impacts in Supplier's production) or for seasonal supplies.

plan for each month is formulated with basis, content, a clear management and monitoring mechanism, and specific revenue, expense and profit estimates.

- Besides, implementing programs to support sales of new products. The points-accumulation program has been well received by the Customers, increasing the opportunity to deploy and promote the development of products that are not being advertised.
- In the process of deploying and putting products into the market, marketing department is responsible for monitoring and evaluating the possibility of sales, product coverage ...



- SPMs produced in 2018 under the concentric product diversification strategy all achieved good growth results such as: Tottri hard capsules, Antot Thymo, Methorphan Ivy, Boganic Lippi.
- The Company successfully completed the technology transfer phase 1 with Daewong at Traphaco Hung Yen factory, successfully received 7 Daewoong products.

Risk of labor productivity decline due to failure to ensure the average income

Ensuring the average income for employees is a motivating factor at work, increasing labor productivity.

- The Company makes payment of salary by 3Ps for the office division, prioritizing position points (P1) for important positions that bring value to businesses, leader and management positions, middle management. Apply KPI results in combination with 3Ps salary to the lump sum system.
- Develop competency standards for each job position and make recruitment based on competency standards to recruit the right people to meet the job. Every year, the company invites independent units to periodically evaluate the capacity of each

employee corresponding to each position from which to consider salary adjustments.

- Make regulations on the minimum wage for each job position to be the basis for the company to consider supporting when the employee has a monthly salary lower than the minimum wage, to ensure income for employees.
- In addition, the company continues to deploy training and development of human resources in the company, especially the next generation of human resources.

Risk of counterfeit and pirated products

- The phenomenon of counterfeit goods, pirated goods, goods infringing intellectual property rights, especially with key products of the Company, seriously affects profitability, reputation of businesses and consumers' interests. Facing this situation, the company is very drastic and proactive in managing intellectual property assets.

- The Board of Supervisors coordinated with the legal department to review the intellectual property registration of the Company's products; survey the status and statistics of the Company's intellectual properties and 3 subsidiaries from which propose solutions and recommendations to advise the Board of Directors.

- On the other hand, the company also focuses on investing in brand promotion, strengthening communication activities to spread brand image.



*Risk
Management*

STRATEGIC RISK MANAGEMENT

**HELP THE COMPANY TO DEVELOP IN THE RIGHT DIRECTION,
ALLOCATE THE RESOURCES ACCORDINGLY TO ACHIEVE THE GOALS
SET AT THE BEST PRICE.**



ANALYSIS BASED ON ASEAN CORPORATE GOVERNANCE SCORECARD



This is the fourth year that Traphaco conducts the evaluation of ASEAN Regional Corporate Governance Scorecard to get closer to the regional Corporate Governance standards as well as self-assess the quality of Corporate Governance and promote the improve management practices at the Company, ensure the sustainable development of the Enterprise.



ANALYSIS BASED ON ASEAN CORPORATE GOVERNANCE SCORECARD

✓: Best practice ✓: Lack of practice ✗: No practice

| Code | Criteria | Current situation until 2019 | General assessments |
|--------------------------------|--|------------------------------|---|
| LEVEL 1 | | | |
| PART A. RIGHTS OF SHAREHOLDERS | | | |
| A.1 | Basic shareholder rights | | |
| A.1.1 | The Company pay dividends within 30 days after being declared. | ✓ | Traphaco is following this practice well. It is shown in Page 155-156 |
| A.2 | Right to participate in decisions concerning fundamental corporate changes | | |
| | Shareholders have the right to participate in | | |
| A.2.1 | Amendment of the Company's charter. | ✓ | Traphaco collects opinions of shareholders on the amendment of its charter at the General Meeting of Shareholders and put the amendment content of the company's regulations into the meeting agenda whenever they belongs to the authority (approval) of the Genera Meeting of Shareholders. |
| A.2.2 | Vote for the additional issuance of shares | ✓ | Traphaco collects shareholders' opinions in writing or submit to the General Meeting of Shareholders for approving the plan of additional issuance of shares. |
| A.2.3 | The transfer all or most of the Company's assets which results in the sale of the Company. | ✓ | This situation has never happened in Traphaco. |
| A.3 | Right to participate effectively in and vote in the General Meeting of Shareholders and should be informed of the rules, including voting procedures. | | |
| A.3.1 | Do shareholders have the opportunity to give their opinions according to the meeting agenda such as approve the remuneration or any increases in remuneration for non-executive Board member(s)? | ✓ | Traphaco is following this practice well. |
| A.3.2 | Does the Company provide non-controlling shareholders a right to nominate candidates for the Board of Directors? | ✓ | Traphaco is following this practice well. Regulations on the nomination/self-nomination of candidates for the Board of Directors/Board of Supervisors are announced on the Company's website before the General Meeting of Shareholders and approved before the election. |
| A.3.3 | Does the Company allow shareholders to elect each board member? | ✓ | Traphaco is following this practice well. |
| A.3.4 | Does the Company disclose the voting procedure before the carry-out of the meeting? | ✓ | Traphaco is following this practice well. <i>Nomination and voting procedures are announced on the website 10 days before the date of the Genera Meeting of Shareholders.</i> |
| A.3.5 | Do the minutes of the most recent AGM record that shareholders were give the opportunity to ask questions and the questions raised by shareholders and answers given recorded? | ✓ | Minutes of the General Meeting of Shareholders recorded the discussion of shareholders. Since the 2017 meeting, the GMS minute noted the details of questions and answers. |
| A.3.6 | Does the Company disclose the voting result including approving, dissenting, and abstaining votes for each agenda item for the most recent AGM? | ✓ | Traphaco has indicated the results of voting for each content of the draft of the latest meeting. |

| Code | Criteria | Current situation until 2019 | General assessments |
|---|--|------------------------------|---|
| A.3.7 | Does the Company disclose the list of board members who attended the most recent AGM? | ✓ | Traphaco has listed the Board members in the minutes of the General Meeting of Shareholders. |
| A.3.8 | Does the Company disclose that all board members and the CEO/Executive director (if he is not a board member) attended the most recent AGM? | ✓ | Traphaco has well implemented these points for many years and the senior leaders of the Company, such as the Chairwoman, the CEO,... always attend the meetings. |
| A.3.9 | Does the Company allow absentee voting? | ✓ | The Company allows absentee voting through a legally authorized representative in accordance with the Company's regulations. |
| A.3.10 | Did the Company vote by poll (as opposed to by show of hands) for all resolutions at the most recent AGM. | ✓ | The Company uses the form of voting based on voted ballots of shareholders for all resolutions at the most recent General Meeting of Shareholders, not by show of hand. |
| A.3.11 | Does the Company disclose that it has appointed an independent party (scrutineers, inspectors) to count and/or validate the votes at the AGM? | ✓ | Traphaco has well implemented this practice from the General Meeting of Shareholders for the term 2016-2020. |
| A.3.12 | Does the Company publicly announce the results of voting on all resolutions on the next working day of the nearest General Meeting of Shareholders? | ✓ | Traphaco always complies with the announcement of the announcement of the Resolution and minutes of the meeting, minutes of counting votes within 24 hours as prescribed. |
| A.3.13 | Does the Company provide at least 21 days notice for all AGMs and EGMs? | ✓ | Traphaco is following this practice well. |
| A.3.14 | Does the Company provide the rationale and explanation for each agenda item which require shareholders' approval in the notice of AGM/ circulars and/or the accompanying statement? | ✓ | The AGM documents of Traphaco have provided sufficient information and background on issues submitted to the AGM for approval. |
| A.3.15 | Do shareholders have the opportunity to contribute (discuss) on the agenda of the General Meeting of Shareholders. | ✓ | Traphaco is following this practice well. |
| A.4 | Market for corporate control should be allowed to function in an efficient and transparent manner | | |
| A.4.1 | In the case of mergers, acquisition and/ or take overs requiring the approval of the shareholders, does the board members of the offeree company appoint an independent party to evaluate the fairness of transaction price. | ✓ | This situation has never happened in Traphaco. |
| A.5 | The exercise of ownership rights by all shareholders, including institutional investors, should be facilitated | | |
| A.5.1 | Does the Company publicly disclose its policies/ practices to encourage shareholders to engage with the Company beyond AGM? | ✓ | Traphaco has disclosed this content in detail in its annual report (specifically in the part of shareholder relations, policies on encouraging shareholders to exercise their rights, enabling shareholders to vote and cast ballot on important issues). |
| PART B. EQUITABLE TREATMENT OF SHAREHOLDERS | | | |
| B.1 | Shares and voting rights | | |
| B.1.1 | Each common stock of the company has one vote. | ✓ | Traphaco is following this practice well. |
| B.1.2 | Where the company has more than one class of shares, does the company publicise the voting rights attached to each class of shares? | ✓ | Traphaco has publicised that "the company has only one type of common stock" in the notice of closing list, financial statements and annual reports. |



ANALYSIS BASED ON ASEAN CORPORATE GOVERNANCE SCORECARD

✔: Best practice ⚠: Lack of practice ✖: No practice

| Code | Criteria | Current situation until 2019 | General assessments |
|------------|--|------------------------------|---|
| B.2 | Notice of AGM | | |
| B.2.1 | Each resolution in the most recent AGM only relate to one content of the draft resolution, i.e., there is no bundling of several contents in the same resolution. | ✔ | Depending on the actual situation, the important nature of the contents of the meeting, there is a flexibility in recording voting issues in the minutes and resolutions of AGM. |
| B.2.2 | Are the company's notice of the most recent AGM/circulars fully translated into English and published on the same date as the local-language version. | ✔ | Since 2017, all materials for the General Meeting of Shareholders have been fully translated into English |
| | The notice of the General Meeting of Shareholders contains the following issues: | | |
| B.2.3 | Are the profiles of directors/commissioners (at least age, qualification, date of first appointment, experience, and directorship other listed companies) in seeking election/re-election included? | ✔ | Traphaco publicised the CV of candidates |
| B.2.4 | Are the auditors seeking appointment/ re-appointment clearly identified? | ✔ | Traphaco well implemented this practice by submitting the proposal letter to the General Meeting of Shareholders for approving the list of independent audit companies. |
| B.2.5 | Is the authorization letter to attend the General Meeting of Shareholders easily provided? | ✔ | Traphaco is following this practice well. the authorization letter to attend the General Meeting of Shareholders is attached with the invitation letter, and also posted on the company's website (the link attached in the invitation letter). |
| B.3 | Insider trading and abusive self-dealing should be prohibited | | |
| B.3.1 | Does the company have policy to prohibit Board members and employees to benefit from information which is not disclosed outside? | ✔ | Traphaco is following this practice well. there are regulations on contract management, trading between Traphaco JSC with related persons, and other regulations. |
| B.3.2 | Are the directors/commissioners required to report their dealings in company shares within 3 business days? | ✔ | Traphaco has implemented this criteria in accordance with Circular 155/2015/TT-BTC |
| B.4 | Related party transactions by directors and key executives | | |
| B.4.1 | Does the Company have a policy to require Board members to disclose relevant interests in transactions and any conflict of interest with the Company? | ✔ | Traphaco has this content specified in the Company's Charter and Internal Regulations on corporate governance. |
| B.4.2 | Does the Company have a policy requiring a committee of independent directors/commissioners to review material/significant RPTs to determine whether they are in the best interests of the company and shareholders? | ⚠ | Traphaco operates according to the model in Clause a), Section 1, Article 134 of the Law on Enterprises. This activity is conducted by the Board of Supervisors. |
| B.4.3 | Does the company have a policy requiring board members (directors/commissioners) to abstain from participating in the board discussion on a particular agenda when they are conflict? | ✔ | It is stipulated in the financial regulation. |
| B.4.4 | Does the Company have a policy on loans for its members, which prohibits this activity or ensures that loans are made on a commercially reasonable market rate? | ✔ | Traphaco is following this practice well. |

| Code | Criteria | Current situation until 2019 | General assessments |
|-------------------------------------|--|------------------------------|--|
| B.5 | Protecting minority shareholders from abusive actions | | |
| B.5.1 | Does the company disclose that RPTs are conducted in such a way to ensure that they are fair and at arms' length? | ✔ | Traphaco is following this practice well. |
| B.5.2 | In the event that a shareholder's approval is required for related party transactions, the vote for approval must be voted on by the unrelated shareholders. | ✔ | |
| PART C. ROLE OF STAKEHOLDERS | | | |
| C.1 | The rights of stakeholders that are established by law or through mutual agreements are to be respected. | | |
| | Does the company disclose a policy and practices that: | | |
| C.1.1 | Disclose a policy and practices to address customers' welfare. | ✔ | Traphaco disclosed policies in its annual report and sustainable development report. |
| C.1.2 | Disclose a policy and practices that adress supplier/contractor selection practice procedures? | ✔ | Since 2017, Traphaco has disclosed policies and practices, proceedings and procedures for selecting suppliers in its sustainable development report. |
| C.1.3 | Disclose a policy and practices that address the company's efforts to ensure that its value chain is environmentally friendly or is consistent with promoting sustainable development. | ✔ | Traphaco disclosed policies in its annual report and sustainable development report. |
| C.1.4 | Disclose a policy and practices that address the company's efforts to interact with the communities in which they operate. | ✔ | Traphaco disclosed policies in its sustainable development report. |
| C.1.5 | Disclose a policy and practices that address the company's anti-corruption programs and procedures. | ✔ | Traphaco has issued regulations on financial management, clearly defining the decision authority on assets, money, etc. of the Company. |
| C.1.6 | Disclose a policy and practices that address how creditors' rights are safeguarded? | ⚠ | Since 2014, Traphaco has applied a new sales policy: cash-on-delivery (COD), resulting in a solid financial foundation, short / long-term debt is small. The payment and compensation of obligations to creditors shall comply with the provisions of law. |
| C.1.7 | The company has a separate report / section that discusses its efforts on environment / economy and social issues. | ✔ | Traphaco disclosed these policies in its annual report and sustainable development report. |
| C.2 | Where stakeholder interests are protected by law, stakeholders should have the opportunity to obtain effective redress for violation of their rights | | |
| C.2.1 | Does the Company provides contact detail via the company's website or Annual report which stakeholders can use to voice their concerns and/or complaints for possible vioation of their rights?. | ✔ | Traphaco has identified the focal point and investor relation contact in the Company's Annual Report and on its website. |
| C.3 | Performance-enhancing mechanisms for employee's participation should be permitted to develop | | |
| C.3.1 | The company explicitly disclose the health, safety, and welfare policy for its employees. | ✔ | Traphaco explicitly disclosed these policies in its annual report and sustainable development report. |
| C.3.2 | The Company have training and development programmes for its employees. | ✔ | Traphaco has performed well and fully stated in the Sustainable Development Report. |
| C.3.3 | The company has a reward/ compensation policy that accounts for the performance of the company beyond short – term financial measures. | ✔ | Traphaco fully disclosed this policy in its annual report and sustainable development report. |



ANALYSIS BASED ON ASEAN CORPORATE GOVERNANCE SCORECARD

✓: Best practice ⚠: Lack of practice ✗: No practice

| Code | Criteria | Current situation until 2019 | General assessments | |
|---|---|------------------------------|--|---|
| C.4 | Stakeholders, including individual employee and their representative bodies, should be able to freely communicate their concerns about illegal or unethical practices to the Board of Directors and their rights should not be compromised for doing this | | | |
| C.4.1 | The company has a whistle blowing policy which includes procedures for complaints by employees and other stakeholders concerning alleged illegal and unethical behaviour. | ☑ | Traphaco sent staff to attend a training course on the "Code of Conduct", and the company has drafted a procedure/policy. This work will be completed and integrated in the Internal Audit Regulation being built in 2020. | |
| C.4.2 | The company has a policy or procedures to protect an employee/person who reveals illegal/unethical behavior from retaliation. | ☑ | | |
| PART D. DISCLOSURE AND TRANSPARENCY | | | | |
| D.1 | Transparent ownership structure | | | |
| D.1.1 | The information on shareholdings reveal the identity of beneficial owners, holding 5% shareholding or more. | ☑ | Traphaco is following this practice well. | |
| D.1.2 | Disclose the direct and indirect (deemed) shareholdings of major and/or substantial shareholders. | ☑ | | |
| D.1.3 | The company disclose the direct and indirect (deemed) shareholdings of directors (commissioners). | ☑ | | Traphaco specifically disclosed these information in its annual report. |
| D.1.4 | Disclose the direct and indirect (deemed) shareholdings of senior management. | ☑ | | |
| D.1.5 | Disclose detailed information on parent company, subsidiaries, associates, joint ventures. | ☑ | | |
| D.2 | Quality of Annual Report | | | |
| D.2.1 | Corporate objectives | ☑ | Traphaco specifically disclosed these information in its annual report. | |
| D.2.2 | Financial performance indicators | ☑ | | |
| D.2.3 | Non-financial performance indicators | ☑ | | |
| D.2.4 | Dividend policy | ☑ | | |
| D.2.5 | Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners. | ☑ | | |
| D.2.6 | Attendance details of each director/commissioner in all director/commissioner meetings held during the year. | ☑ | | |
| D.2.7 | Total remuneration of each member of the board of directors/commissioners. | ☑ | | |
| Corporate Governance Confirmation Statement | | | | |
| D.2.8 | The Annual Report contain a statement confirming the company's full compliance with the code of corporate governance and where there is non-compliance, identify and explain reasons for each such issue. | ☑ | Traphaco specifically disclosed these information in its annual report. | |

| Code | Criteria | Current situation until 2019 | General assessments |
|-------|---|------------------------------|--|
| D.3 | Disclosure of related party transactions (RPT) | | |
| D.3.1 | The company disclose its policy covering the review and approval of material/significant RPTs. | ✓ | Traphaco has this content specified in the Company's Charter; concretize by regulations on management of contracts, transactions between Traphaco JSC and its related parties. |
| D.3.2 | The company disclose the name, relationship, nature and value for each material/significant RPT. | ✓ | |
| D.4 | Directors and commissioners dealings in shares of the company | | |
| D.4.1 | The company disclose trading in the company's shares by insiders. | ✓ | Traphaco specifically disclosed these information in the Chapter on corporate governance, the Annual report. |
| D.5 | External auditor and Auditor Report | | |
| | Where the same audit firm provides both audit and non-audit services | | |
| D.5.1 | Disclose audit fees. | ✗ | Traphaco did not disclose this information. |
| D.5.2 | Disclose non-audit fees. | ✗ | |
| D.6 | Medium of communications | | |
| | Công ty có sử dụng các hình thức truyền thông sau đây? | | |
| D.6.1 | Quarterly reporting. | ✓ | Traphaco fully published. |
| D.6.2 | Company website. | ✓ | Traphaco has fully updated its website in Vietnamese and English. |
| D.6.3 | Analyst's briefing | ✓ | Traphaco has linked the news articles on the business performance of the company semi-annually, annually, stock trends analysis ... on the company's website. |
| D.6.4 | Media briefings /press conferences. | ✓ | Traphaco has promoted its business information widely and regularly on the mass media. |
| D.7 | Timely filing/release of annual/ financial reports | | |
| D.7.1 | The audited annual financial report / statement is released within 120 days from the financial year end. | ✓ | Traphaco strictly adheres to this regulation. |
| D.7.2 | The annual report is released within 120 days from the financial year end. | ✓ | Traphaco fully published this content. |
| D.7.3 | The true and fairness/fair representation of the annual financial statement/reports is affirmed by the board of directors/commissioners and/ or the relevant officers of the company. | ✓ | Traphaco fully published this content. |
| D.8 | The company has a website to publish up-to-date information on the following | | |
| D.8.1 | Financial statements/reports (latest quarterly). | ✓ | Adequate information is provided and regularly updated. |
| D.8.2 | Materials provided in briefings to analysts and media. | ✓ | |
| D.8.3 | Downloadable annual report | ✓ | |
| D.8.4 | Notice of AGM and/or EGM. | ✓ | |
| D.8.5 | Minutes of AGM and/or EGM. | ✓ | |
| D.8.6 | Company's constitution (company's by-laws, memorandum and articles of association) is downloadable. | ✓ | |
| D.9 | Investor Relations | | |
| D.9.1 | Does the company disclose the contact details (e.g. telephone, fax, and email) of the officer / office responsible for investor relations? | ✓ | Traphaco fully disclosed this information on its annual report, its sustainable development reports and its website. |



ANALYSIS BASED ON ASEAN CORPORATE GOVERNANCE SCORECARD

✓: Best practice ✓: Lack of practice ✗: No practice

| Code | Criteria | Current situation until 2019 | General assessments |
|---------------------------------------|---|------------------------------|---|
| PART E. RESPONSIBILITIES OF THE BOARD | | | |
| E.1 | Board duties and responsibilities | | |
| | The responsibilities of the Board and the corporate governance statute are clearly specified | | |
| E.1.1 | Disclose the company's corporate governance policy, board charter. | ✓ | They are disclosed on Traphaco's official website. |
| E.1.2 | Are the types of decisions requiring board of directors/commissioners' approval disclosed? | ✓ | These decisions are publicly available as required by law. |
| E.1.3 | Are the roles and responsibilities of the board of directors/commissioners clearly stated? | ✓ | Traphaco fully disclosed those contents in its Annual Report, Corporate Governance Regulations and Charter. |
| E.1.4 | Does the company have an updated vision and mission statement? | ✓ | Traphaco fully published these contents in its Annual Report. |
| E.1.5 | Does the board of directors play a leading role in the process of developing and reviewing the company's strategy at least annually? | ✓ | The Board of Directors directs the development/ closely monitor the implementation and specify strategic goals. |
| E.1.6 | Does the board of directors have a process to review, monitor and oversee the implementation of the corporate strategy? | ✓ | The Board of Directors considers, supervises and monitors the implementation of the company's strategy in meetings, between meeting sessions, and have a specific procedure. The Board of Directors has a Development and Policy Sub-Committee, and the Board of Management has a Strategy Implementation Committee (headed by the CEO - Board member cum Head of the Committee). |
| E.2 | Board structure | | |
| | Code of conduct/ethics | | |
| E.2.1 | Are the details of the code of ethics or conduct disclosed? | ✓ | |
| E.2.2 | Are all directors/commissioners, senior management and employees required to comply with the code/s? | ✓ | Traphaco has built Traphaco culture in a new phase, with 6 ultimate culture principles for Traphacoers. The Code of Ethics, incorporating the contents in the Cultural Handbook will be issued in the first quarter of 2020. |
| E.2.3 | Does the company have a process to implement and monitor compliance with the code/s of ethics or conduct? | ✓ | |
| | Board structure | | |
| E.2.4 | Do independent directors/commissioners make up at least 50% of the board of directors/ commissioners? | ✓ | Since 10/2019, Traphaco's BoD has 01 independent member out of 07 Board members. |
| E.2.5 | Does the company have a term limit of nine years or less or 2 terms of five years each for its independent directors/ commissioners? | ✓ | Traphaco is in compliance with the Charter with the term of the Board of Directors not exceeding 5 years. |
| E.2.6 | Has the company set a limit of five board seats that an individual independent/non-executive director/commissioner may hold simultaneously? | ✓ | It has not concretized into regulations by Traphaco, but is well-applied. |
| E.2.7 | Does the company have any executive directors who serve on more than two boards of listed companies outside of the group? | ✓ | Traphaco well applies this principle. The Board of Directors of Traphaco has only one executive member, who is the CEO - serving on 2 Boards of subsidiaries (not listed outside the group). |

| Code | Criteria | Current situation until 2019 | General assessments |
|---------------------------|--|------------------------------|---|
| Human resources committee | | | |
| E.2.8 | Does the company have a Nominating Committee? | ✓ | Traphaco has a human resources and remuneration committees. |
| E.2.9 | Is the Nominating Committee comprised of a majority of independent directors/ commissioners? | ✓ | The Human Resources and Remuneration Committee has 4 members, including 01 independent member of the Board of Directors. |
| E.2.10 | Is the chairman of the Nominating Committee an independent director/commissioner? | ✓ | |
| E.2.11 | Does the company disclose the terms of reference/ governance structure/charter of the Nominating Committee? | ✓ | Traphaco is following this practice well. |
| E.2.12 | Is the meeting attendance of the Nominating Committee disclosed and if so, did the Nominating Committee meet at least twice during the year? | ✓ | |
| E.2.13 | Does the company have a Remuneration Committee? | ✓ | Traphaco has a human resources and remuneration committees. |
| E.2.14 | Is the Remuneration Committee comprised of a majority of independent directors/ commissioners? | ✓ | The Human Resources and Remuneration Committee has 4 members, including 01 independent member of the Board of Directors. |
| E.2.15 | Is the head of the Remuneration committee an independent Board member? | ✓ | |
| E.2.16 | Does the company disclose the regulation of operation/ governance structure/charter of the Remuneration Committee? | ✓ | Traphaco is following this practice well. |
| E.2.17 | Is the meeting attendance of the Remuneration Committee disclosed and if so, did the Remuneration Committee meet at least twice during the year? | ✓ | |
| The Audit Sub-committee | | | |
| E.2.18 | Does the company have an Audit committee? | ✓ | Traphaco is following this practice well. |
| E.2.19 | Is Audit Committee comprised of all non-executive Board members? | ✓ | Audit Committee comprised of all non-executive Board members. |
| E.2.20 | Is the head of the Audit committee an independent Board member? | ✗ | The Chairwoman of the Audit Committee is the Board Chairwoman. |
| E.2.21 | Does the company disclose the regulation of operation/ governance structure/charter of the Audit Committee? | ✓ | Traphaco is following this practice well. |
| E.2.22 | Does at least one of the independent directors/ commissioners of the committee have accounting expertise (accounting qualification or experience)? | ✗ | Members of the Audit committee specialize in accounting but they are not independent Board members. |
| E.2.23 | Is the meeting attendance of the Audit Committee disclosed and, if so, did the Audit Committee meet at least four times during the year? | ✓ | The Audit committee has separate meetings and meetings with independent auditors. |
| E.2.24 | Does the Audit Committee have primary responsibility for recommendation on the appointment, and removal of the external auditor? | ✓ | This is stipulated in the regulations and operation rules of the Board of Directors. |
| E.3 | Board processes | | |
| | Board meetings and attendance | | |
| E.3.1 | Are the board of directors meeting scheduled before the start of financial year? | ✓ | The agenda for the next year meetings of Board of Directors is scheduled and raised tentative contents at the last meeting of the current year. |



ANALYSIS BASED ON ASEAN CORPORATE GOVERNANCE SCORECARD

✓: Best practice ✓: Lack of practice ✗: No practice

| Code | Criteria | Current situation until 2019 | General assessments |
|--|--|------------------------------|---|
| E.3.2 | Does the board of directors/commissioners meet at least six times during the year? | ✓ | In 2019, Traphaco's Board of Directors held 10 meetings, and all members attended. |
| E.3.3 | Has each of the directors/commissioners attended at least 75% of all the board meetings held during the year? | ✓ | Traphaco strictly adheres to this regulation. |
| E.3.4 | Does the company require a minimum quorum of at least 2/3 for board decisions? | ✓ | This is stipulated in the regulations and operation rules of the Board of Directors. |
| E.3.5 | Did the non-executive directors/commissioners of the company meet separately at least once during the year without any executives present? | ✓ | Traphaco strictly adheres to this regulation. |
| Access to information | | | |
| E.3.6 | Are board papers for board of directors/commissioners meetings provided to the board at least five business days in advance of the board meeting? | ✓ | This content is included in the Traphaco Regulations and is well implemented. |
| E.3.7 | Does the company secretary play a significant role in supporting the board in discharging its responsibilities? | ✓ | It is clearly provided in the company's charter. |
| E.3.8 | Is the company secretary trained in legal, accountancy or company secretarial practices and has kept abreast on relevant developments? | ✓ | The company's secretary is full-time officer, trained in accounting, fully understands legal regulations on industry, business law, securities law ... |
| Appointment and re-election of Board members | | | |
| E.3.9 | Does the company disclose the criteria used in selecting new directors/commissioners? | ✓ | The criteria for selecting members of the Board of Directors are specified in the Regulations on the nomination self-nomination of candidates for the Board of Directors and announced on the Company's website before the meeting. |
| E.3.10 | Did the company describe the process followed in appointing new directors/commissioners? | ✓ | Traphaco has introduced the process of electing new Board members in the Regulations to nominate and self-nominate members of the Board of Directors and announce on the Company's website before the meeting. |
| E.3.11 | Are all directors/commissioners subject to reelection every 3 years; or 5 years for listed companies in countries whose legislation prescribes a term of 5 years each? | ✓ | The term of Traphaco's Board members is 5 years. |
| Remuneration matters | | | |
| E.3.12 | Does the company disclose its remuneration (fees, allowances, benefit-in-kind and other emoluments) policy/practices (i.e. the use of short term and long term incentives and performance measures) for its executive directors and CEO? | ✓ | Traphaco published this content in its Annual Report. |
| E.3.13 | Is there disclosure of the fee structure for nonexecutive directors/commissioners? | ✓ | |

| Code | Criteria | Current situation until 2019 | General assessments |
|---------------------------|--|------------------------------|--|
| E.3.14 | Does the shareholder or the Board of Directors approve the remuneration of the executive board member and / or senior management. | ✓ | Remuneration of the Board members is approved by the General Assembly of Shareholders. |
| E.3.15 | Does the company have measurable standards to align the performance-based remuneration of the executive directors and senior executives with long-term interests of the company, such as claw back provision and deferred bonuses? | ✗ | Traphaco has not developed this policy. |
| Internal audit | | | |
| E.3.16 | Does the company have a separate internal audit function? | ✓ | Traphaco has developed the operating regulations, defining the functions and tasks, inviting consultants to speak to the Board of Directors in 2019. In 2020, this activity will be more actively implemented, eventually establishing a separate internal audit department. |
| E.3.17 | Is the head of internal audit identified or, if outsourced, is the name of the external firm disclosed? | ✓ | |
| E.3.18 | Does the appointment and removal of the internal auditor require the approval of the Audit Committee? | ✓ | |
| Risk monitoring | | | |
| E.3.19 | Does the company establish a sound internal control procedures/risk management framework and periodically review the effectiveness of that framework? | ✓ | Traphaco had a risk management system and published in the annual report since 2017. |
| E.3.20 | Does the Annual Report/Annual CG Report disclose that the board of directors/commissioners has conducted a review of the company's material controls (including operational, financial and compliance controls) and risk management systems? | ✓ | Traphaco is following this practice well. |
| E.3.21 | Does the company disclose the key risks to which the company is materially exposed to (i.e. financial, operational including IT, environmental, social,economic)? | ✓ | Traphaco classifies risks, presents the main risk management methods and discloses them in the annual report since 2016. |
| E.3.22 | Does the Annual Report/Annual CG Report contain a statement from the board ofdirectors/commissioners or Audit Committee commenting on the adequacy of the company's internal controls/risk management systems? | ✗ | The Annual Reports have not clarified this statement. |
| E.4 | People on the Board | | |
| Chairperson | | | |
| E.4.1 | Do different persons assume the roles of chairman and CEO? | ✓ | Traphaco has met this criteria from 2011 to the present. |
| E.4.2 | Is the chairman an independent director/commissioner? | ✗ | Traphaco has not met this criteria. |
| E.4.4 | Are the role and responsibilities of the chairman disclosed? | ✓ | Traphaco has regulated the role and responsibilities of the Chairman of the Board of Directors in the Charter of the Company, the Regulation on the structure and operation of the Board of Directors. |
| Lead independent director | | | |
| E.4.5 | If the Chairman is not independent, has the Board appointed a Lead/Senior Independent Director and has his/her role been defined? | ✗ | Traphaco has not made this practice due to the limited number of members of the BoD. |



ANALYSIS BASED ON ASEAN CORPORATE GOVERNANCE SCORECARD

✓: Best practice ✓: Lack of practice ✗: No practice

| Code | Criteria | Current situation until 2019 | General assessments |
|---|---|------------------------------|---|
| Skills and competencies | | | |
| E.4.6 | Does at least one non-executive director/commissioner have prior working experience in the major sector that the company is operating in? | ✓ | The Company has 02 members of the Board of Directors with experience in the field of pharmacy in which the company is operating (Chairwoman of the Board is Master of Pharmacy with more than 38 years' experience, 01 member of the Board of Directors is the director of production of Daewoong Pharmaceutical Group, Korea). |
| E.5 Board performance | | | |
| Development of Board members | | | |
| E.5.1 | Does the company have orientation programmes for new directors/commissioners? | ✓ | The company has orientation program for new Board members. New Board members can meet, work with all divisions, units to understand the business activities of the company; approach the board meeting documents to grasp the development direction of the company. |
| E.5.2 | Does the company have a policy that encourages directors/commissioners to attend on-going or continuous professional education programmes? | ✓ | In 2017, Traphaco held corporate management courses for board members and company leaders. |
| Appointment and Performance of CEO/Executive Board | | | |
| E.5.3 | Does the company disclose the process on how the board of directors/commissioners plans for the succession of the CEO/Managing Director/President and key management? | ✓ | Traphaco has the regulation on appointing leaders and managers. |
| E.5.4 | Do members of the BoD conduct annual performance assessments for the CEO/Key Management? | ✓ | It is specified in the regulation on the organization and operation of the BoDs, and is carried out twice a year. |
| Performance Assessment of the Board | | | |
| E.5.5 | Did the company conduct an annual performance assessment of the board of directors/commissioners and disclose the criteria and process followed for the assessment? | ✓ | The company summarizes and evaluates the performance of the Board of Directors annually, and discloses in its annual report. |
| Evaluation of Board members | | | |
| E.5.6 | Did the company conduct an annual performance assessment of the individual directors/commissioners and disclose the criteria and process followed for the assessment? | ✗ | Traphaco has not implemented this practice. |
| E.5.7 | Did the company conduct an annual performance assessment of the board committees and disclose the criteria and process followed for the assessment? | ✗ | |

| Code | Criteria | Current situation until 2019 | General assessments |
|---|---|------------------------------|--|
| LEVEL 2 | | | |
| BONUS ITEMS | | | |
| (B) A. Rights of shareholders | | | |
| (B) A.1 | The right to participate effectively and vote in the General Meeting of Shareholders is announced in the regulations, including the voting procedure taking place in the General Meeting of Shareholders | | |
| (B) A.1.1 | Does the company allow the use of secure electronic voting in absentia at the shareholders' meeting? | ✗ | Traphaco has not implemented this practice. |
| (B) B. Equal treatment of shareholders | | | |
| (B) B.1.1 | Does the company issue a notice of the General Meeting of Shareholders (with detailed agenda and explanatory notice), as notified to the Exchange, at least 28 days before the meeting date. | ✓ | At present, the notice is 20 days prior to the final registration date (i.e. 28 days before the General meeting of shareholders). |
| (B) C. Roles of stakeholders | | | |
| (B) C.1 | The rights of stakeholders that are established by law or through mutual agreements are to be respected. | | |
| (B) C.1.1 | Does the company adopt an internationally recognized reporting framework for sustainability (i.e. GRI, Integrated Reporting, SASB)? | ✓ | Traphaco's sustainability report is developed based on the GRI criteria. |
| (B) D. Disclosure and transparency | | | |
| (B) D.1 | Quality of annual report | | |
| (B) D.1.1 | Are the audited annual financial report / statement released within 60 days from the financial year end? | ✓ | Traphaco releases the annual financial reports in accordance with the regulation on information disclosure of the State Securities Commission, specifically not more than 90 days since the end of fiscal year. |
| (B) D.1.2 | Does the company disclose details of remuneration of the CEO? | ✓ | Traphaco disclosed the detailed remuneration of the CEO in its Annual Report, since 2016. |
| (B) E. Responsibilities of the Board | | | |
| (B) E.1 | Competencies and diversity of the Board | | |
| (B) E.1.1 | Does the company have at least one female independent director/commissioner? | ✗ | Traphaco has one male independent board member. |
| (B) E.1.2 | Does the company have a policy and disclose measurable objectives for implementing its board diversity and report on progress in achieving its objectives? | ✓ | Traphaco has achieved EDGE certification on gender equality, applied to all levels of personnel of the Company. However, the Board level is more difficult because the supply of high-level human resources in the pharmaceutical industry in the Vietnamese market is not much. |
| (B) E.2 Board structure | | | |
| (B) E.2.1 | Does the Nominating Committee comprise entirely of independent directors/commissioners? | ✗ | The Human resources Committee has 5 members: 01 is an independent member, 02 is non-executive member and the rest is the CEO, Deputy CEO. |
| (B) E.2.2 | Does the Nominating Committee conducts the process of developing criteria for the quality of Board members in accordance with the Company's strategic orientation. | ✓ | In fact, the Board members are selected, developed according to the quality criteria in accordance with the strategic orientation of the company, for each specific time. However, it has not been stipulated in a set of criteria and throughout applied. |

ANALYSIS BASED ON ASEAN CORPORATE GOVERNANCE SCORECARD

✓: Best practice ✗: Lack of practice ✗: No practice

| Code | Criteria | Current situation ntil 2019 | General assessments |
|-------------------------|--|-----------------------------|---|
| (B) E.3 | Appointment and re-election of Board members | | |
| (B) E.3.1 | Does the company use professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors/ commissioners? | ✓ | The company use these ways when looking for candidates for the board members. |
| (B) E.4 | Structure and composition of the BoD | | |
| (B) E.4.1 | Do independent non-executive directors/ commissioners make up more than 50% of the board of directors/commissioners? | ✓ | Since 5/2018, Traphaco' BoD has 02 independent members out of 07 Board members compared to the previous time with only 1 independent member. |
| (B) E.5 | Risk management | | |
| (B) E.5.1 | Does the board describe its governance process around IT issues including disruption, cyber security, disaster recovery, to ensure that all key risks are identified, managed and reported to the board? | ✓ | Traphaco has a Risk Management Committee in charge of these issues to regularly monitor and supervise, control risks and report to the BoDs upon requested. |
| (B) E.6 | Performance of the Board | | |
| (B) E.6.1 | Does the company have a separate level Risk Committee? | ✗ | Currently, the Risk Management Committee under the authorization of the Executive Board. |
| PENALTY QUESTION | | | |
| (P) A. | Rights of shareholders | | |
| (P) A.1 | Basic rights of shareholders | | |
| (P) A.1.1 | Does the company fail or neglect to offer equal treatment for share repurchases to all shareholders? | ✓ | All shareholders are treated equally to repurchase shares |
| (P) A.2 | Shareholders, including institutional shareholders, should be consulted on issues related to the fundamental rights of shareholders as set out in this Corporate Governance Code, except for the exception to prevent abuse | | |
| (P) A.2.1 | Is there evidence of barriers that prevent shareholders from communication or consulting with other shareholders? | ✓ | There is no proof. |
| (P) A.3 | The right to participate effectively and vote in the General Meeting of Shareholders and be informed about the regulations, including the voting procedure takes place in the General Assembly of Shareholders | | |
| (P) A.3.1 | Does the company include additional content and are not notified in advance on the agenda to notice AGM/EGM. | ✓ | Traphaco organized the AGM in accordance with the provisions of the Enterprise Law and related guiding documents, not violating this content. |
| (P) A.3.2 | Did the Chairman of the Board, Audit Committee Chairman, and CEO attend the most recent AGM? | ✓ | All Board members attend the most recent AGM. |

| Code | Criteria | Current situation ntil 2019 | General assessments |
|-----------|--|-----------------------------|---|
| (P) A.4 | Capital structure and agreements allow some shareholders to hold control not corresponding to the proportion of shares they own must be publicly disclosed | | |
| | The company fails to disclose the existence of: | | |
| (P) A.4.1 | Shareholder agreement. | ✓ | Traphaco has not these privileges/constraints. |
| (P) A.4.2 | Voting limit. | ✓ | |
| (P) A.4.3 | Share of multiple voting rights. | ✓ | |
| (P) A.5 | Capital structure and agreements allow some shareholders to hold control not corresponding to the proportion of shares they own must be publicly disclosed | | |
| (P) A.5.1 | Do pyramid-owned structures and/ or cross-ownership structures exist? | ✓ | Is a pyramid ownership structure and/ or cross holding structure apparent? |
| (P) B. | Equal treatment of shareholders | | |
| (P) B.1 | Insider trading and abusive self-dealing should be prohibited | | |
| (P) B.1.1 | Has there been any conviction of insider trading involving members of the Board of Directors, Executive Board and employees in the past three years? | ✓ | There are no violations, transaction information of insiders and related persons were disclosed in accordance with regulations. |
| (P) B.2 | Protecting minority shareholders from abusive action | | |
| (P) B.2.1 | Are there any cases of non-compliance with the laws, rules and regulations related to significant or crucial party transactions in the past three years? | ✓ | None. |
| (P) B.2.2 | Were there any RPTs that can be classified as financial assistance (i.e not conducted at arms length) to entities other than wholly-owned subsidiary companies? | ✓ | |
| (P) C. | Roles of stakeholders | | |
| (P) C.1 | The rights of stakeholders that are established by law or through mutual agreements are to be respected | | |
| (P) C.1.1 | Are there any violations of any laws pertaining to labor / employment / consumer / bankruptcy / trade / competition or environmental? | ✓ | None. |
| (P) C.2 | When stakeholders participate in the corporate governance process, they must have access to relevant, adequate and reliable information in a timely and regular basis | | |
| (P) C.2.1 | Does the company have any penalty imposed by the regulator for failure to disclose information within the requisite time for material events? | ✓ | None. |
| (P) D. | Disclosure and transparency | | |
| (P) D.1 | Penalties of regulatory authorities related to financial statements | | |
| (P) D.1.1 | Does the company receive "exclusion opinion" in the independent audit report? | ✓ | No. |
| (P) D.1.2 | Does the company receive "negative opinion" in the independent audit report? | ✓ | No. |
| (P) D.1.3 | Does the company receive "refusal to provide opinions" in the independent audit report? | ✓ | No. |
| (P) D.1.4 | Did the Company revise its financial report in the past year for a reason other than changes in accounting policies. | ✓ | No. |

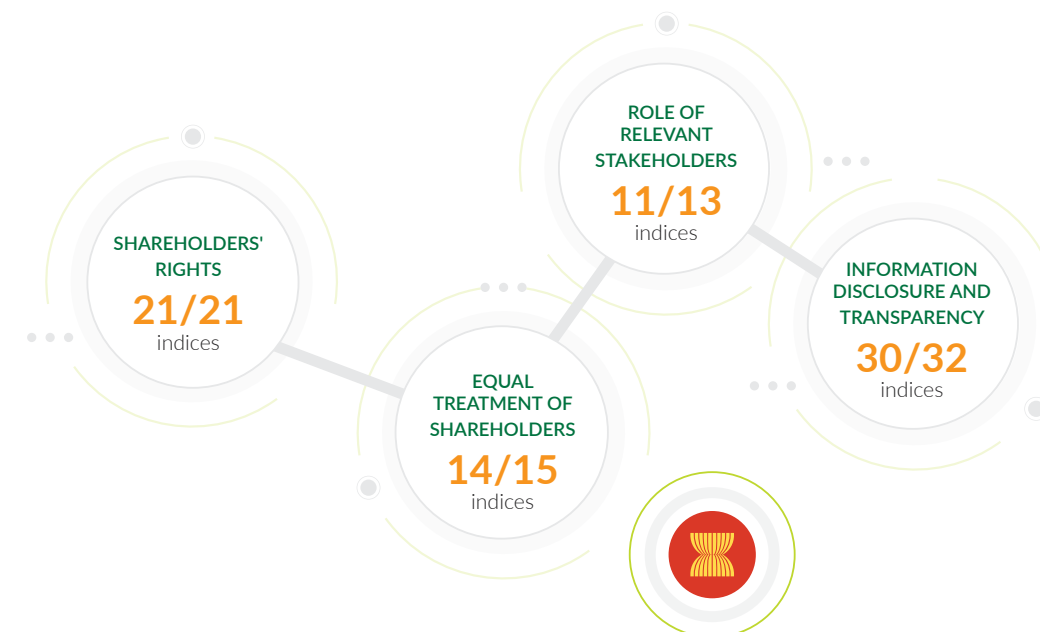


ANALYSIS BASED ON ASEAN CORPORATE GOVERNANCE SCORECARD

✓: Best practice ✗: Lack of practice ✗: No practice

| Code | Criteria | Current situation ntil 2019 | General assessments |
|-----------|---|-----------------------------|---|
| (P) E. | Responsibilities of the Board | | |
| (P) E.1 | Compliance with current regulations, rules and regulations on listing | | |
| (P) E.1.1 | Is there evidence that the company did not comply with the rules and regulations on listing in the past year in addition to disclosure requirements. | ✓ | There is no proof. |
| (P) E.1.2 | Are there cases in which non-executive Board members have resigned and raised any concerns regarding governance. | ✓ | There is no case. |
| (P) E.2 | Board structure | | |
| (P) E.2.1 | Does the Company have any independent directors/commissioners who have served for more than nine years or two terms of five years each (which ever is higher) in the same capacity? | ✓ | None. |
| (P) E.2.2 | Does the company not specify who is an independent member of the BoD. | ✓ | The company clearly identifies 2 independent board members. |
| (P) E.2.3 | Does the company have any independent directors/non-executive/commissioners who serve on a total of more than five boards of publicly-listed companies? | ✓ | None. |
| (P) E.3 | Independent audit | | |
| (P) E.3.1 | (In the past two years) Are there any members of the board of directors or senior executives who were former employees or partners of the current external auditor. | ✓ | No. |
| (P) E.4 | Structure and composition of the Board | | |
| (P) E.4.1 | Has the Chairman been the company CEO in the last three years? | ✓ | No. |
| (P)E.4.2 | Do independent non-executive directors/commissioners receive options, performance shares or bonuses? | ✓ | No. |

EVALUATION WITH THE IMPLEMENTATION OF TRAPHACO'S CORPORATE GOVERNANCE CARD



Among 5 areas of Corporate Governance, there are 4 areas that Traphaco performs well according to the common practice: **Shareholders' rights** (met 21/21 indicators, 100%), **Equal treatment of shareholders** (met 14/15 indicators), the only indicator that failed to meet was about "voting contents", however, the Company flexibly applied depending on the conditions and important nature of the content to vote. Regarding the **role of stakeholders** (met 11/13 indicators), unfulfilled targets related to the "denouncing process, employee protection policy", in 2019, Traphaco sent a staff to participate in the training on the "Code of Conduct", and drafted the process/policy and this work will be completed and integrated when developing the Internal Audit Regulation in 2020. **Information disclosure and transparency** (30/32 indices).

Regarding the responsibilities of the Board of Directors, Traphaco has not achieved good scores in the regulations on Audit Committee; Internal audit; The evaluation of members and subcommittees, the Company will pay attention to early implementation according to recommendations, recommendations, Internal Audit activities are being actively implemented in the first months of the year. Regarding the number of independent members, Traphaco temporarily has 01 independent member, since 1 independent member was previously appointed to join the Board of Management. In 2020, the Board of Directors will focus on the succession of leadership planning, will actively seek new candidates to meet the criteria of independence, prepare personnel for the next term, ensuring adequate ratio as prescribed in the Decree 71/2017/ND-CP.

Since the 2017 Annual General Meeting, Traphaco has published all information of the meeting documents in English on the same day with the documents in Vietnamese, ensuring fair treatment among shareholders about access. information and exercise voting rights.

A number of solutions need to be implemented to improve management evaluation results according to the scorecard and management practice capacity at Traphaco Joint Stock Company as follows:

- Promulgating the "**Code of Conduct**", the process of "denouncing violations", the policy of "protecting employees", ...;
- Establish a separate Internal Audit department;
- On-going improvement of indicators that have not made best practice in ASEAN Corporate Governance Scorecard Assessment.

TRANSACTION AND REMUNERATION



TRANSACTION AND REMUNERATION

The members of the Board of Directors, Board of Supervisors

The total remuneration for members of the Board of Directors, the Board of Supervisors of Traphaco is approved by the General Meeting of Shareholders for the period of 2016 - 2020 as follows:

- Remuneration for the Board of Directors: VND 3,500,000,000.
- Remuneration for the Board of Supervisors: VND 600,000,000.

Payment rule

The monthly payment for members complies with the rate stipulated in the Decision of the Board of Directors on the issuance of regulations on remuneration, bonus and operating expenses for members of the Board of Directors, the CEO and member of the Board of Supervisors of Traphaco JSC.

The 2019 payment of remuneration

Based on the above remuneration rate and based on the actual number of members of the Board of Directors, the Board of Supervisors at each time in 2019, the remuneration payment in 2019, as follows:

Remuneration to members of Board of Directors in 2019 (Unit: VND)

| Name | Responsible | cum-Executive | Term | Date of appointment/ termination of office | Monthly remuneration |
|--------------------------|-------------|---------------|----------------------------|---|----------------------|
| 1 Md. Vu Thi Thuan | ☑ | | 2011- 2016, 2016 - 2020 | 30/3/2016 | 100,000,000 |
| 2 Mr. Tran Tuc Ma | | ☑ | 2011- 2016, 2016 - 2020 | 30/3/2016 | 31,000,000 |
| 3 Mr. Nguyen Anh Tuan | ☑ | | 2016 - 2020 | 30/3/2016 | 37,000,000 |
| 4 Mr. Nguyen Quoc Huy | ☑ | | 2016 - 2020 | Appointed 30/3/2019 | 23,000,000 |
| 5 Mr. Ji Chang Won | ☑ | | 2016-2020 | Appointed 26/9/2019 | 23,000,000 |
| 6 Mr. Lee Choong Hwan: | ☑ | | 2016 - 2020 | Appointed 05/7/2018 | 23,000,000 |
| 7 Mr. Kim Dong Hyu | ☑ | | 2016 - 2020 | Appointed 05/7/2018 | 27,000,000 |
| 8 Mr. Marcus John Pitt | ☑ | | 2016-2020 | Appointed 30/3/2016 Retired 9/6/2019 | 47,000,000 |
| 9 Secretary to the Board | | | | 10/2016 | 6,000,000 |

Remuneration to members of Board of Supervisors in 2019 (Unit: VND)

| Name | Term | Date of appointment/ termination of office | Monthly remuneration |
|------------------------|----------------------------|---|----------------------|
| 1 Mr. Duong Duc Hung | 2011- 2016, 2016 - 2020 | Appointed 30/3/2016 | 26,000,000 |
| 2 Ms. Nguyen Thanh Hoa | 2011- 2016, 2016 - 2020 | Appointed 30/3/2016 | 10,000,000 |
| 3 Ms. TRAN THI LY | 2016 - 2020 | Appointed 05/7/2019 | 10,000,000 |
| 4 Company's Secretary | | 10/2016 | 4,000,000 |

Transactions between the company and the affiliated persons or between the company and major shareholders, internal persons and related person of internal person: None.

Stock transactions between internal shareholders and related parties: None.

Transaction of treasury shares: None.

Transactions with related parties

Important transactions between Traphaco JSC and related parties in 2019:

| Related parties | Transaction | Amount (VND) |
|---|---|----------------|
| I. FOUNDING SHAREHOLDERS | | |
| 1. State Capital Investment Corporation | Dividends for 2018 (2 nd time) | 14,786,512,000 |
| II. LARGE SHAREHOLDERS | | |
| 2. Magbi Fun Limited | Dividends for 2018 (2 nd time) | 10,361,385,000 |
| 3. Super Delta Pte. Ltd | Dividends for 2018 (2 nd time) | 6,267,289,000 |
| III. SUBSIDIARIES | | |
| 1. Traphacosapa | Profit return | 2,031,869,114 |
| 2. Traphaco High Technology JSC. | Profit return | 30,471,956,543 |
| | Dividend received | 14,479,965,000 |
| 3. Quang Tri Pharmaceutical and Medical Materials JSC | Profit return | 7,090,034,188 |
| | Dividend received | 1,921,460,700 |
| 4. Traphaco Hung Yen | Profit return | 26,824,179,193 |
| 5. Quang Tri Pharmaceutical and Medical Materials JSC | Dividend received | Has divested |



TRANSACTION AND REMUNERATION



Transactions between the company and the affiliated persons or between the company and major shareholders, internal persons and related person of internal person:

| Sales | 12-month term end on 31/12/2019 (VND) | 12-month term end on 31/12/2018 (VND) |
|---|--|--|
| Traphaco JSC | 183,723,880,799 | 1,405,961,200 |
| Traphaco Hung Yen | 117,493,822,374 | 127,615,480,393 |
| Traphacosapa | 17,668,647,385 | 14,298,962,076 |
| Dak Lak Pharmaceutical & Medical Supplies JSC., | 34,102,216,139 | 24,911,489,961 |
| Sao Mai Pharmaceutical Company (Ms. Dao Thuy Ha – Authorized person to disclose information) | 56,186,023,062 | 69,035,584,708 |

| Purchase of goods and services | 12-month term end on 31/12/2019 (VND) | 12-month term end on 31/12/2018 (VND) |
|--|--|--|
| Traphaco CNC JSC. | 354,558,521,013 | 279,335,287,921 |
| Traphaco Hung Yen Ltd. | 292,269,442,500 | 257,199,973,274 |
| TraphacoSapa one-member Ltd. | 24,073,159,090 | 29,685,473,143 |
| Mr. Vu Van An (husband of Deputy CEO Nguyen Thi Lan) | No Accrued | 16,200,000 |

ASSESSING THE SITUATION OF CORPORATE GOVERNANCE IN 2019



- 1 In 2019, the Company held the General Assembly of Shareholders twice to approve and decide the issues within its authority. The General Assembly of Shareholders of the Company is organized legally and validly, ensuring compliance with the provisions of the Law on Enterprise regarding the order and procedures;
- 2 Shareholders are treated fairly and protected by their legal rights. The Company paid dividends in 2018 according to the Resolution of the Congress; The order, procedures and time for payment complied with Article 132 of the Law on Enterprise;
- 3 The Company issued the Information Disclosure Regulation in accordance with Decree 71/2017/ND-CP;
- 4 In 2019, the Board of Directors has 01 member resigned. BoD considering and proposing to organize an Extraordinary General Assembly of Shareholders in September 2019, appointing (assigning tasks) new Board members. The election and nomination of the Board Member complies with the provisions of the Law on Enterprise and Decree 71. New members of the Board of Directors meet the criteria and conditions prescribed in the Law on Enterprise and the Charter of the Company;
- 5 The Board of Directors fully complies with the obligations and duties of the Law on Enterprises and the Charter of the Company, treats all shareholders equally and respects the interests of people with interests related to the Company. Members of the Board of Directors perform their duties honestly, prudently in the best interests of Shareholders and the Company. Members of the Board of Directors, Supervisors, CEO and managers have publicly disclosed relevant benefits, reported to the Board of Directors and the Board of Supervisors;
- 6 The Company fully, accurately and promptly discloses periodic and extraordinary information on the situation of production, business, finance and corporate governance.

Broaden GREEN AREAS

With a community-based business development model, Traphaco has been well maintaining the Green Plan project to revive valuable Vietnamese medicinal plants for the manufacturing of highly effective drugs. Traphaco not only creates value for the health of users but also contributes for the stable life of the local community, the establishment and promotion of traditional medicine of the country.

SUSTAINABLE DEVELOPMENT REPORT

| | |
|-----|---|
| 161 | Overview of Sustainable Development Report |
| 162 | Sustainable development model of Traphaco |
| 163 | Strategic Orientation for Sustainable Development |
| 166 | Action Plan in 2020 |
| 168 | Economic growth |
| 172 | Social investment |
| 192 | Environmental protection |





TRAPHACO

COMMUNITY COHERENCE - SUSTAINABLE DEVELOPMENT

OVERVIEW OF SUSTAINABLE DEVELOPMENT REPORT



Traphaco's approach to sustainability issues is closely connected with the long-term objective of economic growth, social development and environmental protection, hence valuable contribution to the community development. This report documented important activities of Traphaco and Traphaco member units (hereinafter referred to as "Traphaco") related to sustainability issues in 2019.



Scope of report: Traphaco JSC

Reporting Period: 01/01/2019 - 31/12/2019

Standards applied: Traphaco develops its own Sustainable Development Report in accordance with "Suitable" guidelines - Core plan of GRI Standards. In this Chapter 6, we select some content from the separate Sustainable Development Report for reporting.

Contact: To send questions and recommendations related to sustainable development activities of Traphaco as well as the content of the Report, please contact us as below:

Ms. Dao Thuy Ha

Marketing Director

Authorized person for information disclosure

Address: Lane 15, Ngoc Hoi Road, Hoang Mai District, Ha Noi

E-mail: hadt@traphaco.com.vn



Your comments will help Traphaco to make appropriate decisions to carry out the vision toward 2025 to become the number one pharmaceutical industry in Vietnam in terms of growth rate of revenue and profit, and to ensure the mission in **Pioneering the innovation of Green products for the protection of human health.**



SUSTAINABLE DEVELOPMENT MODEL OF TRAPHACO

Traphaco always connect economic growth with environmental protection and social responsibility - three factors which play a fundamental role in the long-term success of Traphaco. The communication process with stakeholders helps us to realize that besides economic growth, ensuring the benefits of society, community and environmental preservation are equally important for the sustainable development of Traphaco.

STRATEGIC ORIENTATION FOR SUSTAINABLE DEVELOPMENT

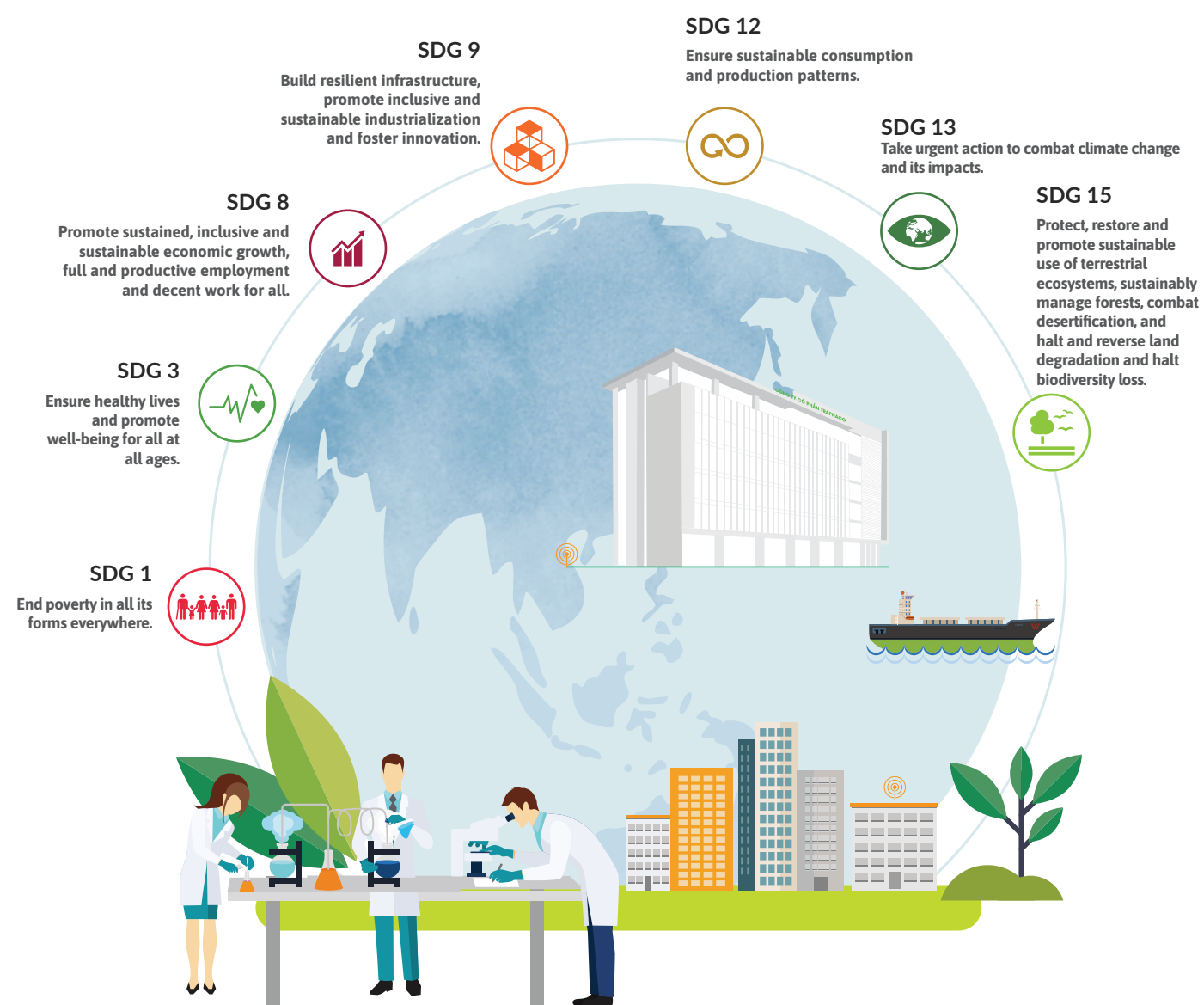
The Summit of the High-Level Political Forum (HLPF) on Sustainable Development in 2017 took place in July 2017 with the theme "**Eradicating poverty and promoting prosperity in a changing world**". The categories of goals which have been discussed and c the next phase include:



Also according to Vietnam's Voluntary National Evaluation Report (VNR) presented by Deputy Minister of Ministry of Planning and Investment Nguyen The Phuong in HLPF 2018, the outstanding achievements are GDP Growth and Reduction of Poverty (SDG1). Health Insurance (SDG 3), Management of Environment and Natural Resources have also been improved (SDG 15).

STRATEGIC ORIENTATION FOR SUSTAINABLE DEVELOPMENT

Based on the specific content of 17 United Nations Sustainable Development Goals (SDG), also referring to the goals of Vietnam (VSDG) and issues considered at the High-Level Political Forum in 2017, as a business enterprise in the field of pharmaceutical production and trading, Traphaco selected and integrated the following objectives in the orientation of the Enterprise Sustainable Development Strategy for the period 2017-2020:



EFFICIENT AND SUSTAINABLE GROWTH

- GOAL 1 (SD8)**
Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- GOAL 2 (SD12)**
Ensure sustainable consumption and production patterns.
- GOAL 3 (SD9)**
Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.

Optimize the capacity and effectiveness of Corporate Governance and Green Value Chain. Improve business efficiency by expanding business scale and boosting productivity to increase Traphaco's value, making it the leading Green Trademark in Vietnam.

Invest in research and development activities, especially in time-honoured tradition of medicinal herbs, using high quality medicinal herbs grown in Vietnam to create modern products to serve domestic demand and overseas market.

Increase efficiency through investment in the cutting-edge technology of Vietnam's pharmaceutical industry to boost the efficiency of resource use, and application of clean and environment-friendly technologies; modern Governance System based on integrated information technology.

Build the best teamwork environment in Vietnam; Ensure salary, remuneration, welfare for employees, creating motivation and encouraging creativity.

CONTRIBUTE TO GENERAL DEVELOPMENT OF THE SOCIETY

- GOAL 4 (SD1)**
End poverty in all its forms everywhere.
- GOAL 5 (SD3)**
Ensure healthy lives and promote well-being for all at all ages.

Pioneer in responding to the movement to encourage Vietnamese people to: Utilize Vietnamese raw materials, Vietnamese knowledge for health care.

Transfer techniques and monitor cultivation and development of medicinal herbs in localities to help increase income and stabilize the life of ethnic people and farmers.

Making medicines more accessible to communities through continuous innovation to improve product quality, labor productivity, costs optimization, and medicines creation to meet the demands of the society.

JOINT HAND TO PROTECT THE ENVIRONMENT

- GOAL 6 (SD13)**
Take urgent action to combat climate change and its impacts.
- GOAL 7 (SD15)**
Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.

Ensure the preservation of ecosystems, biodiversity, desertification, rehabilitation of degraded lands and soils.

Reforest vacant, bare hills by cultivating medicinal herbs in GACP - WHO standards.

Minimize activities that generate waste and pollute the environment, contributing to the improvement of natural environment and human health.

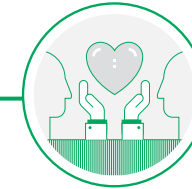
Utilizing energy efficiency through the rational use of energy resources and natural resources.

ACTION PLAN 2020



EFFICIENT AND SUSTAINABLE GROWTH

- 1 Promote sustainable, effective and long-term economic growth; Create jobs and increase productivity.
- 2 Optimize the capacity and effectiveness of Corporate Governance and Green Value Chain.
- 3 Improve business efficiency by expanding business scale and boosting productivity to increase Traphaco's value, making it the leading Green Trademark in Vietnam.
- 4 Invest in research and development. Implement the strategy for developing diversified concentric products based on key products. Focus on developing modern medicine lines, especially eye and nose drops - applying fully closed technology.
- 5 Optimize costs in all business activities, by: Allocating norms, assigning responsibilities and control by the norms.



CONTRIBUTE TO GENERAL DEVELOPMENT OF THE SOCIETY

- 1 Increase efficiency through investment in the cutting-edge technology of Vietnam's pharmaceutical industry, maximize the efficiency of resource use, and application of clean and environment-friendly technologies; Build modern management system based on integrated information technology.
- 2 Establish the best working environment; ensure the salary, remuneration, welfare for employees, creating motivation and encouraging creativity.
- 3 Ensure sustainable consumption and production patterns. Enhance value for customers and product quality.
- 4 Pioneer in responding to the movement to encourage Vietnamese people to: Utilize Vietnamese raw materials, Vietnamese knowledge for health care.
- 5 Transfer techniques and monitor cultivation and development of medicinal herbs in localities to help increase income and stabilize the life of ethnic people and farmers.
- 6 Ensure healthy lives and promote well-being for all at all ages.



JOINT HAND TO PROTECT THE ENVIRONMENT

- 1 Take urgent action to combat climate change and its impacts: Carry out the Carbon Footprint Report of the parent company and member companies.
- 2 Reforest vacant, bare hills by cultivating medicinal herbs in GACP - WHO standards.
- 3 Minimize activities that generate waste and pollute the environment, contributing to the improvement of natural environment and human health.
- 4 Utilize energy efficiency through the rational use of energy resources and natural resources.
- 5 Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.



ECONOMIC GROWTH



EXAMPLES

OPERATE SMART FACTORY FROM INTERNATIONAL TECHNOLOGY TRANSFER

5th March 2019, at Traphaco Hung Yen Co. Ltd., the kick-off ceremony of the technology transfer project between Traphaco and Daewoong Pharmaceutical Company, South Korea took place.



Mr. **Tran Tuc Ma**
CEO of Traphaco said:

Traphaco has prepared the best conditions to be able to receive technology transfer for manufacturing products in a quick and effective manner.

Among technology transfer products, there are Western medicine products for liver and gall which are leading products in the Korean market with annual turnover up to US \$ 100 million. According to IMS health Quarter 2/2019, the total market share of liver protection drugs of Vietnam market was 1,664 billion, ranking 11th in the largest market capacity drug groups. It is forecasted that this market will continue to grow well in the future due to the problem of food hygiene, smoking and heavy drinking habits of Vietnamese people.

Other products are also in the active ingredient groups with the fastest growth rate currently, with products containing new active ingredients - the active ingredient of the future, at the moment there has been only a few competitors, the market for these two products is extremely open. It can be seen that technology transfer products cooperating with Daewoong are potential Western products, which will be deployed mainly at ETC channel - a strong development orientation of Traphaco in the future.



On Daewoong side, Mr. **Ji Chang Won**
Daewoong Production Manager shared:

The technology transfer project is in Daewoong's strategic direction for cooperation in product development, distribution, export, ... Daewoong has sent key personnel to directly participate in this transferring process to ensure quality and progress.





ECONOMIC GROWTH

ENSURING EFFECTIVE & SUSTAINABLE GROWTH



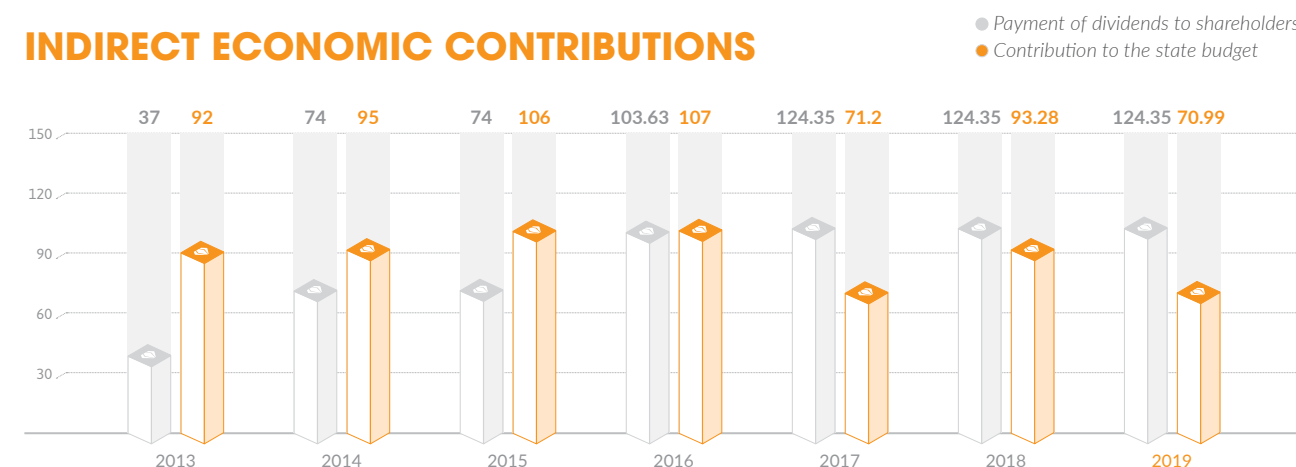
From a business ranked 5th among listed pharmaceutical enterprises in 2011, Traphaco has become the 2nd largest listed pharmaceutical company in terms of revenue and profit, with complete value chains and strong brands, nationwide distribution system through 28 branches, 01 subsidiary distribution, direct sales to more than 27,000 retail customers.



Regarding the general situation in 2019, this is a difficult year for Traphaco in particular and the domestic pharmaceutical industry. For Traphaco, 2019 was the year with a lot of fluctuation, the Company faced fierce competition, the pursuit of competitors, from media to the shelves. The situation of counterfeit and fake goods imitating Traphaco's key products generated significant pressure on the distribution system. Thus Traphaco was required to solidify goals but flexible in directing and operating solutions to meet the market, turning it into motivation to overcome difficulties.

Total consolidated revenue of the Company in 2019 (excluding VAT) reached VND 1,710 billion; Profit after tax reached VND 170.6 billion.

INDIRECT ECONOMIC CONTRIBUTIONS



Total dividends paid to shareholders of Traphaco from 2013-2019 was VND 661.68 billion. In 2019, Traphaco maintained the dividend rate of 30 which was high compared to the average rate of the pharmaceutical market.



TOTAL INVESTMENT FOR COMMUNITY ACTIVITIES

Of which, the public health care consultancy activities have been particularly focused. In addition, Traphaco has actively contributed to humanitarian, charitable, and benevolent activities with the desire to contribute to a happier and better quality of life. Social charitable activities are frequent, indispensable events, and they are received enthusiastic response from leaders to employees.

JOBS CREATION AND LOCAL ECONOMY DEVELOPMENT

Continuing to affirm the pioneering role of a leading pharmaceutical brand in sustainable development, Traphaco has been well maintaining the GreenPlan project and has been the only pharmaceutical company that owns 05 medicinal plants with GACP-WHO cultivation areas.

Traphaco has been cooperating with more than 675 households to collect GACP-WHO medicinal plants, and thousands of households are harvesting/collecting medicinal plants with GACP-WHO standard. The company helps generating stable income for households planting/collecting medicinal herbs with a profit of 8.6 - 16.6 million VND/ha/month.

Traphaco's factories ensure stable jobs for workers in local areas (Lao Cai, Hung Yen, Hanoi). Especially, with the modern Western Pharmaceutical Factory, applying fully closed automatic lines, the arrangement of jobs for workers in the positions for supporting and product finishing has been focused to harmonize the trend of modernization - complete technologization of production lines and employment needs of local workers.



SOCIAL INVESTMENT



ENHANCING HUMAN RESOURCES AND POLICIES FOR EMPLOYEES

EXAMPLES



Traphaco achieved the certificate of Global Gender Equality EDGE

On 22/10/2019, the Australian Consulate in Ho Chi Minh City in collaboration with the Australian Chamber of Commerce in Vietnam (AusCham) organized a Workshop on gender equality with the theme "Dialogue for women and men". Traphaco was honored to receive EDGE Certification and was welcomed to become a new member of VBCWE.

The EDGE Certified Foundation works with nearly 200 organizations in 23 different industries in 50 countries around the world. In Vietnam, the Vietnam Business Coalition for Women's Empowerment (VBCWE) was established in September 2019. Traphaco is proud to be one of the seven Big Companies that founded VBCWE.

Gender equality is an indispensable trend for the sustainable development of businesses not only in Vietnam, but worldwide.

At the World Economic Forum in 2011, the EDGE Certified Foundation (Switzerland) proposed a method of assessing and certifying leading business standards on gender equality for businesses around the world, that is the EDGE certification (Economic benefits from gender equality).

To be granted EDGE certification, Traphaco must conduct the process of surveying, evaluating policies and enforcing gender equality in accordance with the standards. The assessment has been conducted in an objective and transparent manner based on 3 main agendas, including: Gender diversity; Equality of wages, effectiveness of policies and reality; The inclusiveness of Corporate Culture. At the same time, absolute comparisons based on EDGE standards and relative comparisons to other companies in the market were carried out.



Total number of employees
as of 31/12/2017 was

728

& 197 COLLABORATORS



With an increasingly
qualified workforce,
Traphaco has met its business
and sustainable development
requirements.



In terms of qualifications, the
number of employees who has a
college or postgraduate degree
accounted for

47.93%

Labor force

By 31/12/2017, the total number of employees was 728, and 197 collaborators, down 4.3% compared to 2018 (due to the transfer of staff from Traphaco to Traphco Hung Yen). The percentage of male labor accounted for 60% and the percentage of female labor accounted for 40%. The number of middle-aged workers (from 30 to 50 years old) with solid professional and actual experience accounted for 77.19%, 14.70% are young workers under 30, and over 50 workers who are very experienced and has been with Traphaco a long time accounted for 8.11%.

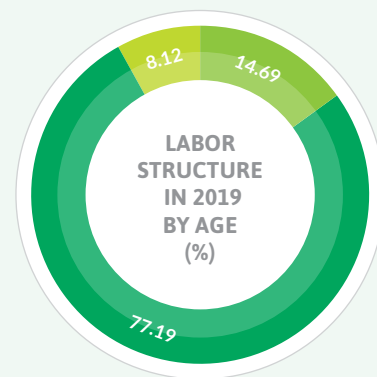
In 2019, Traphaco's resignation rate was 8.51% (transferred 01 staff from Traphaco to work at Traphaco Hung Yen Company; 17 retired; 44 people terminated labor contract) in which the resignation rate of male was higher than female. Employees over 50 years old tended to have the highest stability, thus the resignation rate was low (0.13%). Meanwhile, workers under 30 accounted for 1.37% of resignation and employees aged 30-50 years old had the highest rate of resignation (4.53%).



SOCIAL INVESTMENT

Labor force (continued)

| Labor structure 2019 Criteria | Amount staffs | Percentage of total Traphaco staffs |
|-------------------------------|---------------|-------------------------------------|
| Nationality | | |
| Vietnamese | 728 | 99.87% |
| Foreign | 1 | 0.13% |
| Structure by ethnicity | | |
| Kinh | 715 | 98.21% |
| Ethnic minorities | 13 | 1.79% |
| Gender | | |
| Male | 439 | 60% |
| Female | 289 | 40% |
| Age | | |
| Under 30 | 107 | 14.69% |
| 30-50 | 562 | 77.19% |
| Over 50 | 59 | 8.12% |
| Education | | |
| Post-Graduate | 40 | 5% |
| Graduate | 252 | 35% |
| Other | 436 | 60% |
| Sector | | |
| Sales | 531 | 72.93% |
| Manufacturing | 23 | 3.17% |
| Office | 174 | 23.90% |



● Under 30 ● 30-50 ● Over 50



● Postgraduate ● Graduate ● Other

| | | Age | | | Gender | |
|--|---------|------|-------|------|--------|--------|
| | | <30 | 30-50 | >50 | Male | Female |
| The number of employees terminated labor contract, other | Amount | 10 | 33 | 1 | 30 | 14 |
| | Ratio % | 1.37 | 4.53 | 0.13 | 6.83 | 4.84 |
| Labor rotation | Amount | 0 | 1 | 0 | 1 | 0 |
| | Ratio % | | 0.13 | | 0.22 | |
| Retirement | Amount | 0 | 0 | 17 | 8 | 9 |
| | Ratio % | 0 | 0 | 2.3 | 1.82 | 2.76 |



THROUGHOUT 47 YEARS OF ESTABLISHMENT AND DEVELOPMENT, TRAPHACO IDENTIFIES HUMAN RESOURCES AS THE KEY FACTOR WHICH DETERMINES THE SUCCESS OF THE COMPANY

PAYING ATTENTION TO THE LIVING OF STAFFS AND EMPLOYEES IS ALSO
CARING AND PRESERVING THE COMPANY'S PRICELESS ASSETS.

With the goal to 2020 "Traphaco people are happy, satisfied in life and work. Traphaco is listed in the best working environment list in Vietnam", Traphaco employees are always guaranteed with their material incomes and mental gains, a good working environment, receiving respects and plenty of thriving opportunities.



SOCIAL INVESTMENT

EDUCATION AND TRAINING

Training activities at Traphaco Joint Stock Company: There is no gender discrimination or type of labor that is performed unfairly to meet the assigned job requirements.

Training results in 2019

| No. | Content | Unit | 2018 | % compare to actual results |
|---------------------------------------|--|-----------------|-----------|-----------------------------|
| 1 | Total cost of training: | VND 1,000 | 2,211,311 | |
| | Training cost/person/year | VND 1,000 | 2,390.61 | |
| 2 | Total number of people x session trained | Number of turns | 4,363 | |
| | Training cost/person/year | Number of turns | 4.72 | |
| 3 | Total hours of training: | Hours | 25,566 | |
| | Average hours of training/person/year | Hours | 26.8 | |
| 4 | Number of training courses | Courses | 60 | |
| 5 | Average satisfaction level/total training courses completed | % | 99.69% | |
| I Analysis by training content | | | | |
| 1 | Compliance, mandatory training (4 courses) | Number of turns | 148 | 3.39 |
| | | VND 1,000 | 63,850 | 2.89 |
| 2 | Management skills (5 courses) | Number of turns | 8 | 0.18 |
| | | VND 1,000 | 196,628 | 8.89 |
| 3 | Soft skills and professional skills (44 courses) | Number of turns | 4,053 | 92.89 |
| | | VND 1,000 | 1,940,941 | 87.77 |
| 4 | Attending workshops, conferences, listening to seminars, ... Support advanced training (7 courses) | Number of turns | 154 | 3.53 |
| | | VND 1,000 | 9,892 | 0.45 |
| II Analysis by personel groups | | | | |
| 1 | Training for Managers | Number of turns | 609 | 13.96 |
| | | VND 1,000 | 366,562 | 16.58 |
| 2 | Training for Sales staffs | Number of turns | 2,857 | 65.49 |
| | | VND 1,000 | 1,328,612 | 60.08 |
| 3 | Training for Office Staff | Number of turns | 853 | 19.55 |
| | | VND 1,000 | 493,747 | 22.33 |
| 4 | Training for Production Staff | Number of turns | 44 | 1.00 |
| | | VND 1,000 | 22,390 | 1.01 |



New accomplishment in training activities in 2019



Applying technology in training and dissemination of "Product knowledge of monthly point earning program in 2019" starting from June 2019 to the Director, Head/Deputy Manager at Level II Branch, Head/Deputy Head Divisions in the Province, and Sale representatives across all of the Company's business divisions.



Result: Trainee were actively learning through devices (computers/tablets, ..), software (DMS software, Traphaco email, training software - e-learning). After training, trainee can take online knowledge tests and receive immediate results when finishing the test. Over 7 months, 2,284 employees of Business Division participated in this new method.



New methods: Flexibly create a test bank, save testing time, automatic result checking, track progress and save costs. Trainee were familiar with and felt comfortable taking tests of knowledge using the online method.



SINCERELY APPRECIATE THE CONTRIBUTIONS OF THE EMPLOYEES

In 2019, Traphaco still ensured good remuneration and welfare, and that was also a recognition for the efforts of employees.



**Total expenditure on
bonus and Welfare funds in 2019**

17.7
BILLION VND

The year of 2019 marks the 6-year milestone implementing the program to vote for Top 20 outstanding individuals. Outstanding individuals are praised at the Company's Traditional Day Celebration (system-wide livestream) and rewarded a study tour abroad.

Welfare policy

Income, bonus and welfare for workers were secured: On-site poisoning bonus; Gasoline, telephone support; Special support regime for female staff; Vacation; Bonuses for holidays; Gifts for employees who are children of war invalids and martyrs; Gifts for children on the occasion of Mid-Autumn Festival, 01/6; Maintaining the commendation ceremony for the children and employees who have academic achievements ...

Implement the current labor regulations, make communication activities through annual employee conferences, trade unions, internal surveys to understand the aspirations, as well as to share the business direction, results of Traphaco activities, to align and harmonize the goals and motives individuals with the common goals of the organization.

Strengthen knowledge on protection and health care, especially for female workers.

Effective work management systems and remuneration by performance

Effective management systems continue to be applied and increasingly improved to enhance efficiency in practice. Since its inception, this system has been helping to align Traphaco's goals to each division and staff, contributing to improve business efficiency by equipping every individual in organizing capacity and tools to clearly identify Traphaco's expectations, enabling individuals to operate effectively, to leverage their abilities and potential and to contribute to the success of Traphaco.

Maintain well the implementation of the "Assigning tasks and performance evaluation according to KPI". Monthly, assign and evaluate the efficiency of work of divisions and individuals as a basis for payment of wages and bonuses. This policy ensures that employees are paid consistently, transparently and in a manner consistent with the nature of their work, work efficiency and effort, motivating them to work.

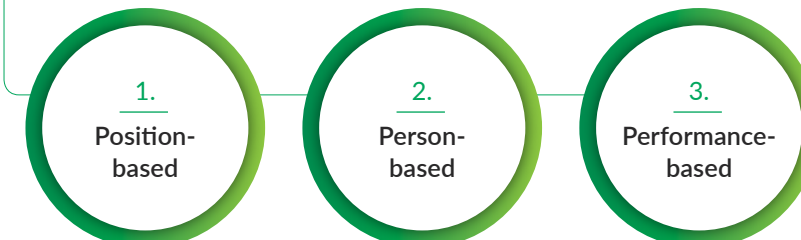
Payroll policy by effectiveness

In addition to the salary paid to employees in the year, including basic salary and salary based on work performance or contract salary, Traphaco also applies other remuneration policies to employees such as reward for completion of production plan Quarterly, bonus the occasion of the establishment of Traphaco, Tet holidays; toxic bonuses, petrol, telephone, working allowance, uniforms, meals, social insurance, health insurance, etc. In particular, in 2019, Traphaco has improved the New payroll regulations by 3Ps. Advantages of applying 3Ps salary:

- The payment of wages and bonuses under 3Ps will be an advanced compensation system, ensuring fairness, competition and transparency, creating motivation for employees;



The 3Ps salary system has separate salaries based on job position, individual capacity, and job performance:



- The deployment of 3Ps salary has received positive support from employees. During the year, the Appendix of Salary Regulation has been supplemented, specifically: Appendix 02 Adding 02 new positions and adjusting job position coefficients for 05 positions; Appendix 05 Increase the allowance level for Cleaner from 150,000 VND/month to 200,000 VND/month; Appendix 06: Regulations on efficiency ratios for salary calculation; Appendix 07: Addition of hi coefficient and standard of hi coefficient. Adjust the coefficient (pi) for 107 positions. Well implemented regulations on social insurance contributions, social insurance premium should not be lower than the regional minimum wage x 1.07;
- Employees are well aware of their roles and responsibilities in enhancing personal capability, work efficiency and have a development plan suitable to the capability framework of the position they undertake;
- The payment of wages, ensuring suitability and competitiveness in the market;
- Overcoming the drawbacks of old salary system, relatively flat, there was not much differences among job positions. There is a clear distinction between the salary of the job position, especially the most complicated job



position compared to the simple job 32.74 times (the old salary system was 28 times);

- Specialist positions; leader; managers, salary levels are increased more in line with market salaries (technical experts are paid higher than support specialists while the old salary system was the opposite), this is a necessary task to motivate high quality workers.

In 2019, Traphaco's employees were entitled to a full 12 months' salary, in addition to bonuses, 04-month salary support for effective performance and 2-month fixed salary support. The average income reached 19.67 million VND/Person/month, down 3.1% compared to 2018 (due to uncompleted revenue plan).



SOCIAL INVESTMENT



Assessing the capability of employees: Basis of salary calculation P2

In 2019, performed two competency evaluations of Managerial staffs, the competencies assessed were: Planning; Organization; Supervising and monitoring; Coordination to perform the work; Expertise.

THE FIRST EVALUATION

Evaluating 32 staffs of the Office division, by evaluation questionnaire

Result:

- Planning capacity: **53.2%** qualified;
- Organization capacity: **62.5%** qualified;
- Supervising and monitoring: **59.4%** qualified;
- Coordination to perform the work: **75%** qualified;
- Expertise: **62.5%** qualified;
- Company knowledge: **75%** qualified.

THE SECOND EVALUATION

Assessing the competency of 60 Sales Managers, in the form of online assessment through questionnaire

Result:

- Planning capacity: **55.0%** or more qualified;
- Organization capacity: **76.7%** or more qualified;
- Supervising and monitoring: **68.3%** or more qualified;
- Coordination to perform the work: **86.7%** or more qualified;
- Expertise: **76.7%** or more qualified.



Significance of evaluating managerial competency:

- Assessing the quality of the Company's human resources;
- Evaluating specific strengths and weaknesses of each individual by different criteria from many Perspectives i.e Upper level; Same level and Lower levels (Staff);
- Training to develop the missing competencies for managers;
- Change the perception and thinking of the Managers on capacity development to meet job requirements;
- Improve the responsibility of the Middle Management team and staff.

OCCUPATIONAL HEALTH AND SAFETY



Traphaco follows the GRI G4 guidelines on occupational safety and health issues.

Workers' representatives in official Occupational Health and Safety Committees between Management Boards and Workers.

The Company manages the occupational safety and health through the Safety Committee, and the network of staffs in charge of safety issue and the Fire Safety and Emergency Response Team.

The Safety Committee is a bridge between employers and employees in occupational safety and health.

The Company applies OHSAS 18001 (Occupational Health and Safety Assessment Series) to manage occupational health and safety.

Functions and duties of the Safety Committee

To advise and assist the employer in organizing the implementation, inspection and supervision of occupational safety and health, food hygiene and safety, fire and explosion prevention and flood prevention and response in the Company.

1.

Coordinate with other divisions in carrying out the work

- Develop regulations, procedures, and measures to ensure occupational safety and health (OSH), food hygiene and safety (FHS), fire and explosion prevention (FEP), in the Company.
- Manage the monitoring of the registration and inspection of machines, equipments, supplies and substances subject to strict labor safety requirements.
- Develop annual plans of OSH, FHS, FEP, and urge and supervise the implementation of these plans; evaluate risks and develop emergency plans.
- Organize activities of propaganda and dissemination of regulations on OSH, FHS, FEP, storm and flood prevention from the State and the Company to all employees.
- Provide trainings on OSH, FHS to employees.
- Conduct inspections on OSH, FEP at least once a month at the production units; Check the working environment, food safety in the kitchen of the Company at least twice a month.
- Monitor the situation of work-related injuries and illnesses; Propose measures to the employer to manage and take care of employees' health.
- Organize emergency response: Response plans, preparation of forces, facilities, finance and willingness to perform tasks when emergencies occur within the Company or locality when required.
- Organize the actual inspection of the implementation of internal rules, regulations and application of 5S good practice tools of the whole Company.



Functions and duties of the Safety Committee (continued)

2.

Propose to the employer

- Participation in inspecting the observance of regulations of OSH, FHS, FEP according to the current law provisions.
- Measures to overcome shortcomings of OSH, FHS, FEP.

3.

Monthly or ad-hoc reports on violations of OSH, FHS, FEP; OSH risks.

4.

Make recommendations on rewards and disciplines regarding collectives and/or individuals in implementing OSH, FHS, FEP

Ensure occupational safety and health is one of the rights of employees. In 2019 the Company conducted trainings and disseminations of knowledge on occupational safety and health:

- Ensure employees receive sufficient training duration and contents:

Group 6

04 hours
of training

Group 5

56 hours
of training

Group 4

08 hours
of training

Group 3

12 hours
of training

Group 2

24 hours
of training

Group 1

08 hours
of training

- Fully provide the information on the work-related hazards and harmful factors to the employees by identifying hazards, disseminating the identification plates to the employees working at the following positions: Operating tablet presses, Labor safety, Chemical safety - Handling chemical spills;
- Ethylene oxide operation, laser printer etching operation, warehouse locations ...;
- Provide training on fire prevention and firefighting skills to employees.

The number of procedures issued and amended in 2018 regarding occupational safety and health:

- Number of procedures issued and revised: 02.

Occupational Safety and Health Risk Assessment:

- Number of job positions first and periodically assessed for risk: 06;
- Number of hazards detected: 71.

The Safety Committee conducts a monthly inspection of the whole plant to actively identify hazards and improve safe working conditions. The Company encourages and commends employees for their positive contributions to reducing the risks and identifying dangerous and harmful factors.

- Number of hazards identified and resolved: 55;
- Number of hazards to be resolved on schedule: 48;
- Number of hazards resolved with slow progress: 7;
- Number of remaining hazards: 0.



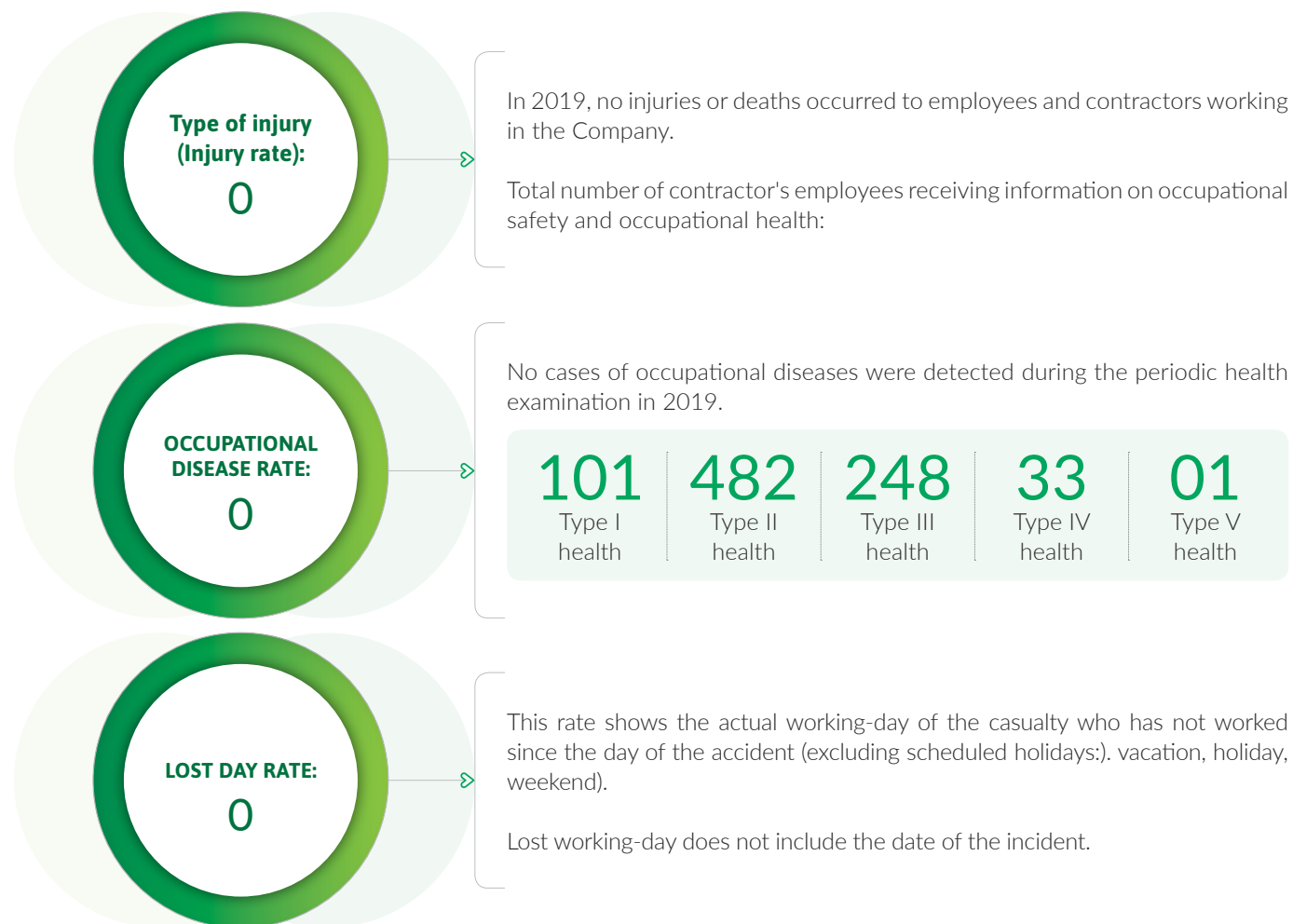
- This activity is regular by month and creates a characteristic culture of Traphaco;
- Inspections in 2019.

| No. | Content | Quantity | Equipment name and quantity |
|-----|--|----------|---|
| 1 | Inspection of equipment with strict requirements on safety | 18 | Elevator (05 units) |
| | | | Forklifts (04 units) |
| | | | Autoclave, 2-shell boiler, steam generator, compressed air container (06 units) |
| | | | HVAC system (03 system) |
| 2 | Industrial gas system | 2 | Gas system of the canteen |
| | | | Gas system of the Research and Development division |
| 3 | Gas Detector | 3 | Research and Development area and the canteen |
| 4 | Grounding resistance | 4 | Around the plant |
| 5 | Differential pressure gauge and pressure gauge | 132 | Ancillary system |
| | | | The factory |
| | | | Quality Inspection Division |
| | | | Research Division |



SOCIAL INVESTMENT

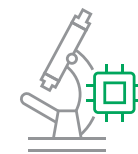
Type of injury, injury rate, occupational disease, lost work day, absence and number of work-related deaths



Positive safety-related indicators affirm positive trends in employee morale and productivity. Safety is associated with the quality and strategy of the Company.



Result of monitoring and measuring the working environment



555

Monitoring criteria & Qualified criteria

The Company always makes sure the employees work in good working conditions with minimal health risks.

Two evaluation results of the working environment in 2019: No indicator was over standard and the results were reported to all employees.



Labor environment testing and monitoring result 2018

| No. | Tested and measured criteria | Total samples | Number of samples qualified Work hygiene criteria | Number of samples unqualified Work hygiene criteria |
|-----|------------------------------|---------------|--|--|
| 1 | Temperature | 34 | 34 | 0 |
| 2 | Humidity | 34 | 34 | 0 |
| 3 | Wind speed | 34 | 34 | 0 |
| 4 | Equivalent noise | 34 | 34 | 0 |
| 5 | Noise frequency band (63) | 34 | 34 | 0 |
| 6 | Noise frequency band (125) | 34 | 34 | 0 |
| 7 | Noise frequency band (250) | 34 | 34 | 0 |
| 8 | Noise frequency band (500) | 34 | 34 | 0 |
| 9 | Noise frequency band (1000) | 34 | 34 | 0 |
| 10 | Noise frequency band (2000) | 34 | 34 | 0 |
| 11 | Noise frequency band (4000) | 34 | 34 | 0 |
| 12 | Noise frequency band (8000) | 34 | 34 | 0 |
| 13 | Total dust | 34 | 34 | 0 |
| 14 | Respiratory dust | 34 | 34 | 0 |
| 15 | CO ₂ | 34 | 34 | 0 |

According to the results of the labor environment test, the noise fluctuates in the range of 55 -72.8 dB, lower than the permitted standard of 85dB (QCVN24: 2016/BYT National technical regulation on noise - noise exposure level allowed at work).

Microclimate conditions at the measurement locations are all within the permitted limits (QCVN26: 2016/BYT National technical regulation on microclimate - the permissible microclimate in the workplace).



SOCIAL INVESTMENT

Management measure

To ensure the noise is always lower than the permitted standard and to ensure the health of workers in the factory and no effect to the surrounding environment, the Company has introduced some measures to reduce noise and vibration as following:

- Check for worn-out parts and lubricate or replace parts monthly.
- Provide labor protection for positions with noise higher than 80 dB.

The control of microclimate conditions is managed through the HVAC system (Heating, Ventilation, and Air Conditioning) to the production lines.

- **The technology of the system:** When the system is taking air from the surrounding environment, the air follows the pipeline entering the treatment system (AHUs), which consists of three levels of pre-filtering – intermediate – refining; it is a circulating system, which adds air to the treatment and delivers to the production room. The same amount of air is then taken from the production room back to the pipeline through filters and will be taken out by the exhaust system.

For locations with chemical vapors, the Company ensures that hood systems work well and workers are provided with adequate personal protective equipment: Shoes, safety goggles and masks/respirators.

- **Principles of operation:** The fans of the hood draws poison air generated during the experiments and push it into the air processing tower. At the tower, this air is sprayed with solution (diluted NaOH) moving in the opposite direction to absorb, neutralize the toxic gas. Then the air is absorbed into activated charcoal before being discharged into the external environment.



COMPLAIN

In 2019, there was no record of complaints from employees in the entire Traphaco system.

TOPIC

HEALTH AND SAFETY HAS BEEN MENTIONED IN THE OFFICIAL AGREEMENT WITH THE TRADE UNION

The employer and the representative of employees jointly enter into an agreement, stating the provisions on OSH as follows:



1. The employer is responsible for equipping the employees with protection equipment and improving the working conditions: Each year, those who are directly involved in the production process are given 2 sets of blouses, caps, masks, slippers, soap, gloves, etc., depending on the characteristics of each type of work.
2. The protection equipment given to employees must be of a quality standard and suitable to the users.
3. The employer must regularly prepares prevention plans for labor accidents and occupational diseases, examine and measure hazardous elements, and establish ventilation systems equipped with heat fans and internal work safety regulations.
4. The employer must periodically inspect and repair machines, equipment, workshops and warehouses according to the labor safety and labor hygiene standards.
5. Employees must be instructed fully and must comply with the regulations on labor safety, occupational health and labor regulations of the Company.
6. Employees must:
 - Make maximum use of labor protection equipment according to work requirements.
 - Be responsible for maintaining personal protective equipment; safely operate and maintain machinery and hygiene at work.
 - Strictly follow regulations on fire prevention and fighting and actively participate in overcoming the consequences of unfortunate events.
7. When recruiting and arranging labor, the employer must base on the health standards prescribed for each type of work; provide adequate training and instructions and inform the employees about the regulations and measures on work safety, hygiene and accidental precautions in the work of each employee.
8. Employees must have their health checked when recruited and the Company will hold a medical examination once a year.
9. The employer will equip helmet for workers: 01 unit/person/2 years.
10. The employer will equip rain coats for workers: 01 unit/person/01 year.

EXAMPLES

**LABOR UNION OF TRAPHACO JOINT STOCK COMPANY
RECEIVED THE FIRST-CLASS LABOR MEDAL**



At the celebration of the Company's Traditional Day, the First-Class Labor Medal was awarded to the Company Union with the State-level Ceremony of Commendation and Reward.

It is the pride of the Company's Trade Union in particular and the Traphaco's staffs in general; It is a recognition of the Party and the State for an organization that always devoted itself to the rights of workers. Also in the ceremony, Traphaco Joint Stock Company was honored to receive the emulation flag of the Ministry of Health for the positive contributions to the care and protection of people's health for many years.

As an indispensable part of Vietnam Transport Union (GTVT), Trade Union of Traphaco Joint Stock with its special functions always excellently fulfills its missions in the following periods: Provision of health care for railway employees during the resistance war against the US to save the country, and later the period of building infrastructure when peace was restored; Efforts and pioneering in production and working during the period of enterprise equitization.

Mr. **Do Nga Viet**
Chairman of Vietnam Transport Union said:

Vietnam Transport Trade Union highly appreciated the achievements of the Trade Union of

Traphaco Joint Stock Company through the years, always shown to be one of the leading trade union organizations of the Trade Union in this industry:

Trade Union of Traphaco Joint Stock Company has always accompanied with expertise, under the leadership of Vietnam Transport Union, the Company's Party Committee performed well the function of trade union organization, continuously improving the happiness index of employees, continuously earning the title of "Enterprise For Workers", becoming one in 50 enterprises with the best workplace in Vietnam.



**SOCIAL COMMUNITY
ACTIVITY**

Traphaco is known to be the leading and persistent company for many years fulfilling social responsibilities, environmental protection requirements and sustainable development.



**TOP 10
VIETNAM GOLD STAR
AWARD IN 2018**

recognized the tireless contributions of Traphaco in sharing and improving the quality of life for the whole society.



16.5 BILLION VND

**Total amount spent
for community activities in 2019.**

121.9 MILLION VND

Other sponsorship programs

Sponsoring gifts for Hai Duong Medical Association
Nam Dinh City Elderly Association
Market Management Department of Ha Tinh Province
Football tournament of Vietnam Children Fund

1.7 BILLION VND

**Sponsorship/support programs
for the disadvantaged elderly**

VND 1.69 billion: Sponsorship for the program Come Back Home, support for disadvantaged families, remote areas.
10 million VND" Support the fund 'For the homeland and the sea'.

14.7 BILLION VND

**20 continuous years
Providing free health care counselling
sessions and gifts for the elderly,
women across the country.**



SOCIAL INVESTMENT

ACTIVELY IMPLEMENT COMMUNITY HEALTH CARE COUNSELING

IN **20** CONSECUTIVE YEARS WITH **500** HEALTH CARE COUNSELING SESSIONS PER YEAR



Those are real numbers about the public health care service that Traphaco is still working on. Health counseling, medicine distribution and Healthy Living Magazine are free to millions of members of the Elderly Association, Women's Union, Red Cross, Veterans Association, and Retirement Association... nationwide; especially in rural and remote areas; Those are always the most practical approach for Traphaco to carry out the mission of protecting the health of Vietnamese people.

477 Advocacy Conferences - Seminars on Health Promotion nationwide This year, the Company paid more attention to the Women's Union, who takes care of the family, cares about its members' health

and quickly updates new knowledge and information. In addition, the Company adds electronic consulting media channels, for example: Traphaco Youtube channel The Green Health Path, so people can follow the advice at home.

Traphaco's public health consultancy activities are closely coordinated with enthusiastic participation of the Elderly Association, Women's Union, Red Cross, Veterans Association, Retirement Association ... nationwide; which have brought love and care to people expressed through many letters sent to thank the Company. The result of that continuous dedication is the recognition of the State and the social community with the reward "Top 10 Corporate Social Responsibility" in 2011, 2013 and 2015.



EXAMPLES



TRAPHACO ACCOMPANIES PEOPLE TO PROTECT VIETNAMESE LIVER ON HEPATITIS WORLD DAY 28/07

On the occasion of World Hepatitis Day (July 28), Traphaco Joint Stock Company and Boganic brand attended the meeting for World Hepatitis Day 2019 and Jogging event in the program which the Liver Association Program Vietnam and the World Health Organization (WHO) collaborated to organize.

As the No. 1 liver tonic and liver detoxifier in Vietnam, Boganic is committed to accompany the Ministry of Health, WHO and the Vietnam Hepatobiliary Society in dissemination to raise public awareness about hepatitis; Financially support and sponsor drug products for liver disease prevention and treatment activities; Continuing to implement health consultancy activities, giving free drugs to people nationwide.

With the message of
CARE FOR THE LIVER BEFORE IT IS TOO LATE

Boganic wants to join hands to protect the health of the liver for the Vietnamese people, step by step repel hepatitis, cirrhosis and biliary diseases in general according to the WHO's 2030 targets.



ENVIRONMENTAL PROTECTION



MANAGEMENT APPROACH

As a pharmaceutical enterprise, Traphaco is aware that the production and trading of medicines - chemical & cosmetic products - dietary supplement have an impact on the environment.

Therefore, for internal activities, we focus on controlling the consumption of fuel, raw materials in production and waste treatment at Traphaco's plants - ensuring that the environmental standards are met; Minimize the use of non-renewable energy and natural resources, thereby contributing to the reduction of greenhouse gas emissions.

In 2019, thanks to the effectiveness of environmental management systems, Traphaco has no cases of violations of environmental laws and regulations.

With the commitment of "Green Health Path", Traphaco periodically conducts an evaluation with the Quacert unit about Environmental Management System Certification, the Company considers the following issues: The involvement of managers and staffs in environmental management, environmental aspects, meaningful environmental aspects, compliance with legal requirements, control of energy use, water and waste control, environmental cost savings initiatives, potential environmental incidents, etc., to help employees better understand and create an environment-friendly organization by themselves.



IDENTIFICATION OF ENVIRONMENTAL ASPECT ON SUPPLY CHAIN





ENVIRONMENTAL PROTECTION



All of activities on the supply chain of Traphaco Joint Stock Company are analyzed for environmental aspects, to identify the significant environmental aspects. From that, determine objectives and indicators to set up the environmental management program.

Environmental aspects of the supply chain: Solid wastes, domestic wastes, hazardous wastes, natural resources, waste water, air pollution, dust, noise...

With respect to each aspect, management measures aim to limit the impact on the environment:

- Vehicles have to be eligible registered for entry into service before running on roads.
- Orders are arranged for delivery on an appropriate route to save fuel consumption, reduce emissions to the environment.
- Packaging materials are selected with a priority be given to environment-friendly and recyclable
- Conventional and hazardous waste are classified at source.
- Equipment maintenance/Equipped with noise muffler.

The environmental impact associated with each environmental aspect is assessed on two sides:

1

Potential for adverse effects

Frequency of occurrence is evaluated over the time of the incident.

| Frequency of occurrence | Score 1 | Score 2 | Score 3 | Score 4 |
|-------------------------|--|-----------------------------|-------------------------|-----------------------|
| Time period | May occur one time in more than a year | Occur every quarter to year | Occur weekly to monthly | Occur daily to weekly |

2

Consequences of adverse effects can be caused to the environment

| Level of impact | Pollution Level (S) | | | |
|---|--|--|--|--|
| | Article 1 | Article 2 | Article 3 | Article 4 |
| Impact range | Very small and not significant | Local | Local and in the Company | Company and outside |
| Contamination concentration vs. environmental standards | Below the acceptable threshold | ~ to 1 time | 1 to 1.5 times | ≥ 1.5 times |
| Use of natural resources | Utilize clean energy (wind - sunlight) | Utilize soil, water ... types of renewable resources | Non-renewable resources such as coal, oil and natural gas... Limited resources | Utilize, exploit and pollute the resources |
| Complaints from related parties | No | Not satisfactory comment | Complain | Complain |
| Violation of laws and other requirements | No | Risk of violation | Signs of violations | Violation |
| Control ability | Controlled | Can be controlled internally | Hard to be controlled internally | Uncontrollable |



USE OF SUSTAINABLE MATERIALS

Traphaco Joint Stock Company continues to maintain "Standard of competitive selection of suppliers" which clearly shows that the Company encourages suppliers to apply environmental and safety management system, ensuring the suppliers go on the same path of sustainable development for the community.

Management system certification

Based on the management system certification that suppliers has





ENVIRONMENTAL PROTECTION

USE OF WATER RESOURCES AND ENERGY SAVING - EFFECTIVELY

Use non-renewable energy sources

The Company uses gas and DO oil for two main purposes: cooking, and making testing products and running generators in unexpected case of electrical failure or notification of power outage from the regulator.

Total gas consumption in 2019: 3189 kg.

- Gas for cooking: 2019 kg;
- Gas for researching products: 1170 kg.

Total amount of DO oil for generator: ~ 300 liters.

Consumption of raw materials from renewable sources

Total electricity cost in 2019: 2,073,455,702 VND.

The Company mainly uses electricity for production and daily living activities, total power consumption in 2019 972.480 KW, of which:

- For manufacturing: 793,620 KW;
- For office: 178,860 KW.



Compared to 2018, the Company's electricity consumption is down by

~20%
(2018: 1,207,036 KW)

Maintain measures to reduce energy consumption



- 1 Disseminates electricity and water saving to employees by training, posters.
- 2 Limit the temperature of air conditioning on hot days.
- 3 Use LED bulb to replace Compact bulb.
- 4 Install sensors, sensory lamps to illuminate areas of corridors and office stairs.
- 5 Use inverter to automatically turn on/off for HVAC system.
- 6 Have regulations about time, turn on duration, minimum outdoor temperature, closed-door when enter air-conditioning room ... for each division, each staff.



The reduction in electricity use in 2019, partly because of product restructuring to the new pharmaceutical factory to Traphaco Hung Yen.

In 2019, Traphaco Hung Yen was honored to receive the certification of science and technology enterprises. Aware of the use of modern production equipment systems, automation in the production process; The company was soon concerned with the use of water resources, and the issue of power consumption at the plant.

The project "Effective and economical management of the use of electricity and water resources" is one of 20 outstanding projects in 2019 awarded by the Company, with the changes in a set of measures at Traphaco Hung Yen such as: : Install power consumption meter in some units; Strengthen inspection and supervision for efficient use of electricity - water; make appropriate regulations on electricity and water use, saving nearly 1.5 billion dong on electricity and water costs at Traphaco's factory of Western medicine.

We can see that the issue of efficient use of resources and energy has always been paid special attention aligning with Traphaco's sustainable development orientation.

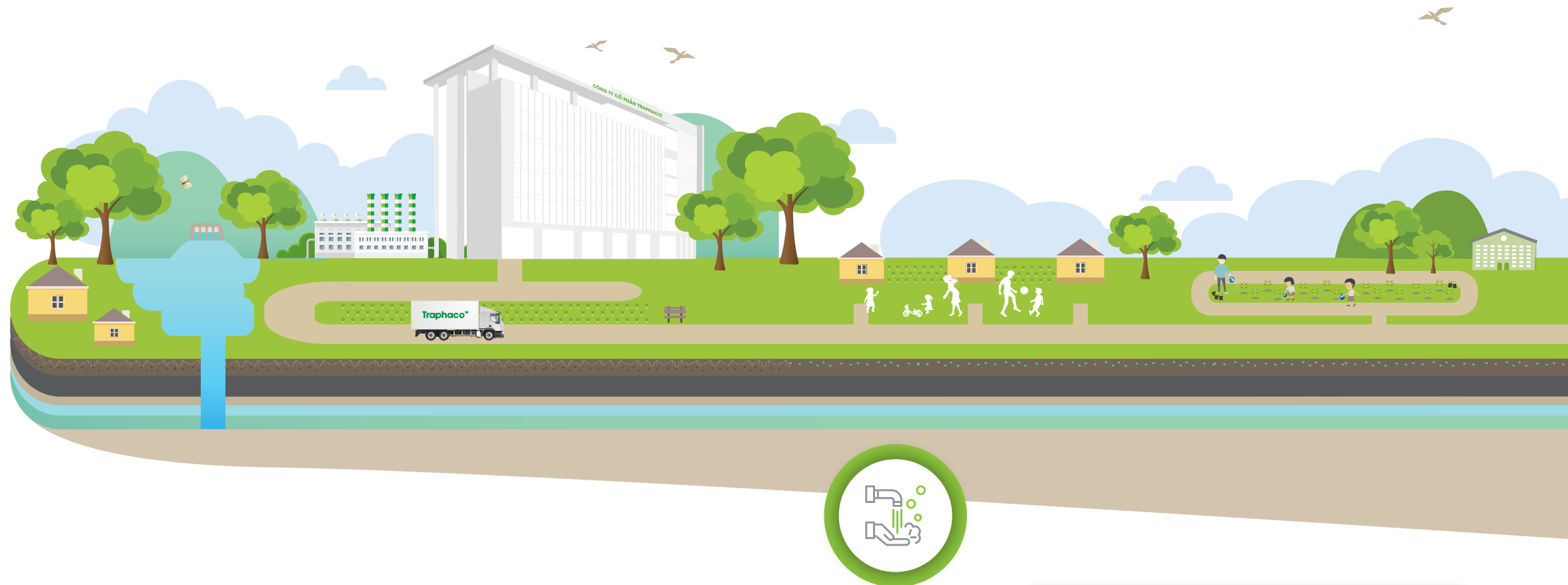


ENVIRONMENTAL PROTECTION

Effective use of water resources

Input water by source

- Total water usage: 12,726 m³;
- Data are updated directly from the supplier's water meter;
- Water supplier: Hanoi Clean Water Limited Company.
- Water provided by the supplier are met QCVN02/2009/ BYT of National Technical Regulation on domestic water quality;
- Every month the Company requests the water supplier to provide the results of water supply monitoring. Twice a year, the Company evaluates the water quality in internal pipelines.



| Criteria | Methods | Unit | 19.1781/127/NSH/2928 | QCVN 02:2009/BYT Column I |
|--|-------------------|-----------------|----------------------|---------------------------|
| 1 Color | TCVN 6185:2015 | TCU | <0.03 | 15 |
| 2 Taste | Observing methods | - | 7.75 | No strange scent or taste |
| 3 Turbidity | TCVN 6184:2008 | NTU | 1.24 | 5 |
| 4 Residual chlorine | TCVN 6225-3:2011 | mg/L | <0.002 | 0.3 ÷ 0.5 |
| 5 pH | TCVN 6492:2011 | - | 0.80 | 6 ÷ 8.5 |
| 6 Ammonium content | TCVN 6179-1:1996 | mg/L | 140 | 3 |
| 7 Total Iron content (Fe ²⁺ +Fe ³⁺) | SMEWW 3113B:2012 | mg/L | 21.0 | 0.5 |
| 8 Pecmanganat index | TCVN 6186:1996 | mg/L | <0.030 | 4 |
| 9 Hardness calculated by CaCO ₃ | TCVN 6224:1996 | mg/L | <0.0016 | 350 |
| 10 Chloride content | TCVN 6194:1996 | mg/L | 0 | 300 |
| 11 Fluoride content | TCVN 6494-1:2011 | mg/l | 0 | 1.5 |
| 12 Total arsenic content | SMEWW 3113B:2012 | mg/L | 0 | 0.01 |
| 13 Total coliform | TCVN 8775:2011 | Bacteria /100mL | 0 | 50 |
| 14 E.Coli or Coliform heat-resistant | TCVN 6187-1:2009 | Bacteria /100mL | 0 | 0 |

(Source Station for monitoring and analysing working environment in November 2919)

Water consumption decreased by **33,6%** over the same period in 2018.

The reduction was partly because of the product restructuring to factories.



In addition, the Company continues to maintain current water consumption reduction measures:

- 1 Utilize wastewater from the RO system to cool the equipment.
- 2 Optimize hygiene processes for: Washing bottles, sanitizing equipment, cleaning plants with standard operating procedures.
- 3 Continuous production to reduce the number of times for machines cleaning, reduce the energy consumption of water, reduce waste water.
- 4 Use wastewater after standard treatment for irrigation and campus sanitation.
- 5 Use of administrative measures: Hang water saving posters, instruction in frequently use water areas.
- 6 Remind people of keeping the equipment on and off for the right purpose and educate energy saving in internal trainings.



ENVIRONMENTAL PROTECTION

EMISSION CONTROL EFFICIENCY

Emissions from generators: Only use generators in unexpected cases such as power failure. The company plans to proactively schedule production as soon as there is a notice of power failure.

Exhaust emissions from vehicles entering and leaving the plants (vehicles of employees and vehicles transporting raw materials and finished products) shall be minimized and controlled by the following measures:

- Spray water onto roads in dry days.
- Disseminate and sign the regulations on safety and environment with all contractors/suppliers when entering the Company.

Avoid using the means of transport beyond the time of circulation and the vehicle which is too old. All trucks must be periodically inspected by the Vietnam Register on Environmental Safety to be allowed to operate and are regularly maintained.

Results of emission monitoring in 2019

| Criteria | Methods of testing | Unit | Exhaust system HOOD 1 cabinet | Exhaust system HOOD 2 cabinet | Exhaust system HOOD 3 cabinet | Exhaust system HOOD 4 cabinet | QCVN 19:2009/ BTNMT C* Concentration |
|--|------------------------|--------------------|-------------------------------|-------------------------------|-------------------------------|-------------------------------|--------------------------------------|
| 1 Amoniac and ammonium compounds | IS 11255 (part 6):1999 | mg/Nm ³ | <4.00 | <4.00 | <4.00 | <4.00 | 50 |
| 2 Sulfur dioxide, SO ₂ | TCVN 6750:2000 | mg/Nm ³ | <6.00 | <6.00 | <6.00 | <6.00 | 500 |
| 3 Axit clohydric, HCl | TCVN 7244:2003 | mg/Nm ³ | <1.00 | <1.00 | <1.00 | <1.00 | 50 |
| 4 Hydro sunphua, H ₂ S | IS 11255 (part 4):2006 | mg/Nm ³ | <2.00 | <2.00 | <2.00 | <2.00 | 7.5 |
| 5 Carbon oxide, CO | TCVN 7242:2003 | mg/Nm ³ | <30.0 | <30.0 | <30.0 | <30.0 | 1,000 |
| 6 Nitrous oxide, NO _x (caculated in NO ₂) | TCVN 7172:2002 | mg/Nm ³ | <5.00 | <5.00 | <5.00 | <5.00 | 850 |

(Source Station for monitoring and analysing working environment in November 29/19)

Traphaco

TRAPHACO JOINT STOCK COMPANY

BM75/01

BH/SD: 22/07/16

APPENDIX

safety, health and environmental requirements for contractors working at Traphaco Joint Stock Company

1. The contractor must comply with regulations on occupational safety and environment.
2. The Contractor must ensure that employees working at the Company are competent, aware of and shall comply with the Company's regulations.
3. The contractor must take full responsibility before law for labor safety and environmental issues arising from the construction process.
4. The Contractor must assign a person responsible for occupational safety and sanitation and this person must be present during the construction period to supervise the construction area.
5. Contractors must organize professional and technical training for workers and employees who perform jobs subject to strict labor safety requirements and must have safety cards (or equivalent papers) and provide Traphaco Joint Stock Company upon request.
6. Before starting the construction, the Contractor must devise a construction plan or perform a work safety analysis and be accepted by the management department.
7. All staffs and employees of the contractor working at Traphaco Joint Stock Company must: Fully understand regulations of Traphaco Joint Stock Company.
8. During the construction process, wear labor protection equipment suitable for each specific job.
9. Do not arbitrarily take photos and interfere with the system of equipment, machinery, ... without permission of the management department.
10. If any equipment on the list is subject to strict registration, it must be tested and provided with inspection documents before being brought into Traphaco Joint Stock Company. For supportive or hand-held devices (saws, grinders, welders, safety belts, scaffolds, etc.), the contractor must ensure safety before use.
11. Dangerous, flammable and explosive objects: Chemicals, gasoline, oil, ... when brought into the company must be declared to the company at the security.
12. If there is an accident, injury, incident (regardless of whether it is heavy or light) about safety - environment, the contractor is responsible for reporting to Traphaco's employees and responsible people for assistance and direction to handle: Failure to report will be handled on a case by case basis.
13. Wishing to be a long-term partner, Traphaco Joint Stock Company encourages contractors to buy accident insurance for all their employees when working at Traphaco Joint Stock Company.
14. During the course of work, if Traphaco Joint Stock Company detects any violation of the contractor, depending on the seriousness of the violation, there will be sanctions ranging from warning to temporary of full suspension of construction, the contractor must bear all the costs arising from this incident.

This annex is made into bản.
Enclosed with contract no.:



WASTEWATER AND WASTE CONTROL



Industrial and domestic wastewater

The Company has procedures and appoints staffs to monitor and operate daily wastewater treatment system, to check the quality of wastewater after treatment and to take measures to improve in time. Have a daily log for system operation.

The technology of wastewater treatment system

- Industrial wastewater collection and treatment system is built based on biotechnology, designed capacity of 30 m³/day and night.
- The daily-life wastewater collection and treatment system applies the technology of mobile microfiltration, designed capacity of 5 0 m³/day and night.

Discharge modes: Continuity.

Discharge method: Self flowing.

Wastewater receiving sources: Wastewater after treatment is discharged into the common drainage system of Hoang Liet Ward, Hoang Mai District, Hanoi.

Criteria applicable to wastewater: QCVN 40: 2011/BTNMT (National Technical Regulation on Industrial Wastewater) and QCVN 14: 2008/BTNMT (National Technical Regulation on Domestic Wastewater).

The company has an independent unit to periodically check the quality of wastewater every 06 months. The wastewater after treatment at the final discharge point of the system before being discharged into the environment at all times of the year meets the standards of wastewater according to the criteria in discharge permit.

Analysis results of wastewater at the final point of discharge before being discharged into the environment:

| Criteria | Methods of testing | Unit | 19.1781/127/NT/2927 | QCTĐHN02:2014/BTNMT (B)* | QCVN 14:2008/BTNMT |
|---|------------------------|-----------------|---------------------|--------------------------|--------------------|
| 1 Temperature | SMEWW 2550B:2012 | °C | 25.6 | 40 | - |
| 2 Color | TCVN 6185:2015 | Pt/Co | 16 | 150 | - |
| 3 pH | TCVN 6492:2011 | - | 8.13 | 5.5 ÷ 9 | 5 ÷ 9 |
| 4 BOD ₅ (20°C) | TCVN 6001-1:2008 | mg/L | 4.6 | 50 | 50 |
| 5 COD | SMEWW 5220C:2012 | mg/L | 30.4 | 150 | - |
| 6 Floating solids | TCVN 6625:2000 | mg/L | 9 | 100 | 100 |
| 7 Total dissolved solids | SOP-TDS | mg/L | 240 | 1,200 | 1,000 |
| 8 Animal and vegetable fats and oils | TCVN 5070:1995 | mg/L | <0.30 | 24 | 20 |
| 9 Phosphat (PO ₄ ³⁻) (calculated by P) | TCVN 6202:2008 | mg/L | 0.510 | 12 | 10 |
| 10 Total phenol | TCVN 6216:1996 | mg/L | <0.001 | 0.5 | - |
| 11 Total cyanide | SMEWW 4500-CN-C&E:2012 | mg/L | 0.0069 | 0.1 | - |
| 12 Sulfur | TCVN 6637:2000 | mg/L | <0.022 | 0.5 | 4 |
| 13 Ammonium (calculated by N) | TCVN 6179-1:1996 | mg/L | 0.31 | 10 | 10 |
| 14 Nitrate (NO ₃ ⁻) (calculated by N) | TCVN 6494-1:2011 | mg/L | 7.17 | 60 | 50 |
| 15 Total Nitrogen | SMEWW 4500-N.C:2012 | mg/L | 10.90 | 40 | - |
| 16 Total phosphorus (calculated by P) | TCVN 6202:2008 | mg/L | 0.60 | 6 | - |
| 17 Chloride | TCVN 6194:1996 | mg/L | 18.0 | 1,000a | - |
| 18 Residual chlorine | TCVN 6225-3:2011 | mg/L | <0.17 | 2 | - |
| 19 Coliform | TCVN 8775:2011 | Bacteria /100mL | 4,300 | 5,000 | 5,000 |
| 20 Total surfactants | TCVN 6622-1:2000 | mg/L | <0.15 | 12 | 10 |

(Source Station for monitoring and analysing working environment in November 2919)



ENVIRONMENTAL PROTECTION

Waste and hazardous waste

Waste volume and treatment methods

| Waste name | Weight (kg) | Method of processing | Unit |
|--------------------------------------|-------------|--------------------------|--|
| 1 Solid waste | 4,000 | Burning | Hoang Mai Project Management Unit. |
| 2 Scrap: Carton packaging, materials | 1,484 | Recycling | Tien Dung Investment Joint Stock Company. |
| 3 Hazardous waste | 398 | Clean, incinerate, bury. | Urenco10 Urban and Industrial Environment Joint Stock Company, transports and treats hazardous waste annually. |



Measures for waste management and recycling

- Classify at source, disseminate and implement waste classification regulations in each division or unit;
- Place collection bins at places that are convenient for identification, storage.
- Carry out regular transportation of waste and recycle waste according to the Company's regulations.
- Recycling contract has been signed with Tien Dung Investment Limited Company.
- Domestic waste has been signed with Hoang Mai Project Management Unit.

Measures to manage hazardous waste

- The Company has made the report and registration of the hazardous waste source with the Department of Natural Resources and Environment of Hanoi and was granted the register of hazardous waste source owner, hazardous waste code: (01.000054.T)
- Regularly collect, classify and store wastes in separate tanks, with HWs label in strict compliance with the provisions of Circular No. 36/2015/TT-BTNMT.
- Regulations and instructions are disseminated to all employees in the Company.
- Storage houses have shelves, walls, lock doors and have a warning sign in accordance with TCVN 6707:2009.
- Assign the specialized taskforce to perform the task of monitoring and managing hazardous wastes.
- The contractors entering the workplace are disseminated and complied with the Company's waste management procedures.

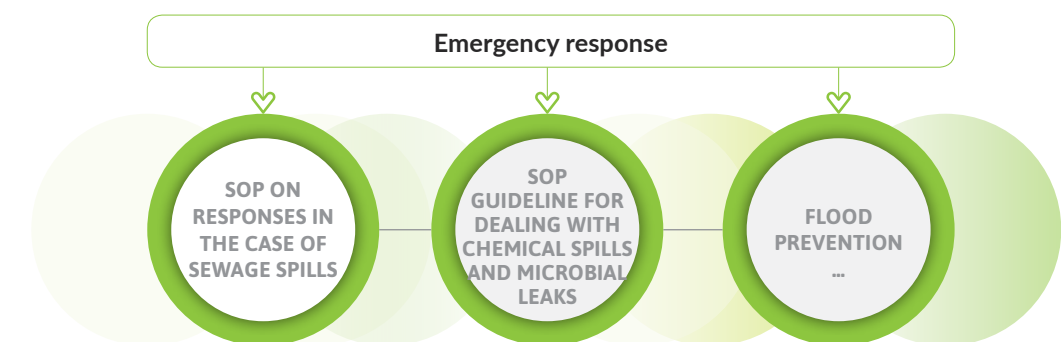
RESTRICTED LIMITATION OF ENVIRONMENTAL INCIDENT

Environmental incident prevention and response is an important regulation defined in Section 3, Chapter X of the Environment Protection Law 2014 and many other provisions such as regulations on environmental protection planning.

The company safety committee has identified the risks of causing environmental incidents in the production and business stages: Waste water, chemical spill, microbiological leakage, flood, ...

For each specific situation, there are different prevention options, which are specified in the "Emergency response procedure" which clearly identifies a number of emergency situations.

In 2019, the Company has no environmental incidents.



COMPLIANCE WITH ENVIRONMENTAL REGULATIONS

The Company complies and does not violate environmental legislation and follow the guidance of the environmental management agency.

Maintain updating and evaluating the influence of legal documents on the Company's system.

Systemize relevant legal documents that are constantly updated on the Company's internal network and inform the influence of the documents to related divisions.



5

THE CONSOLIDATED FINANCIAL STATEMENT

- 208 Report of the Executive Board
- 210 Report of the Independent Auditor
- 212 The consolidated balance sheet
- 214 The Report on the consolidated business performance
- 215 The Report on the consolidated cash flow
- 217 Consolidated Financial Statements



Belief in TRUE VALUE

With the goal of bringing increasing values, Traphaco always focuses on development investment, finds solutions to use capital resources for the purpose of "Green" in the most effective way. With the values brought over the years, Traphaco has affirmed its belief in the true value for shareholders and investors.

STATEMENT OF THE BOARD OF GENERAL DIRECTOR

The Board of General Director of Traphaco Joint Stock Company (the “Company”) presents this report together with the Company’s consolidated financial statements for the year ended 31 December 2019.

THE BOARDS OF MANAGEMENT, GENERAL DIRECTORS AND SUPERVISION

The members of the Boards of Management, General Directors and Supervision of the Company who held office during the year and to the date of this report are as follows:

Board of Management

| | |
|----------------------|---|
| Ms. Vu Thi Thuan | Chairwoman |
| Mr. Nguyen Anh Tuan | Vice Chairman |
| Mr. Tran Tuc Ma | Member |
| Mr. Nguyen Quoc Huy | Member |
| Mr. Lee Choong Hwan | Member |
| Mr. Kim Dong Hyu | Member |
| Mr. Ji Chang Won | Member (appointed on 26 September 2019) |
| Mr. Marcus John Pitt | Member (resigned on 06 August 2019) |

Board of General Directors

| | |
|--------------------|--|
| Mr. Tran Tuc Ma | General Director |
| Mr. Nguyen Huy Van | Deputy General Director |
| Ms. Nguyen Thi Lan | Deputy General Director |
| Mr. Nguyen Van Bui | Deputy General Director |
| Mr. Kim Dong Hyu | Deputy General Director (appointed on 01 October 2019) |

Board of Supervision

| | |
|----------------------|--------------------|
| Mr. Duong Duc Hung | Head of department |
| Ms. Nguyen Thanh Hoa | Member |
| Ms. Tran Thi Ly | Member |

THE BOARD OF GENERAL DIRECTORS’ STATEMENT OF RESPONSIBILITY

The Board of General Directors of the Company is responsible for preparing the consolidated financial statements, which give a true and fair view of the consolidated financial position of the Company as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting. In preparing these consolidated financial statements, the Board of General Director is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgments and estimates that are reasonable and prudent;
- State whether applicable accounting principles have been followed, subject to any material departures disclosed and explained in the consolidated financial statements;
- Prepare the consolidated financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- Design and implement an effective internal control system for the purpose of properly preparing and presenting the consolidated financial statements so as to minimize errors and frauds.

The Board of General Director is responsible for ensuring that proper accounting records are kept, which disclose, with reasonable accuracy at any time, the consolidated financial position of the Company and that the consolidated financial statements comply with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting. The Board of General Director is also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of frauds and other irregularities.

The Board of General Director confirms that the Company has complied with the above requirements in preparing these consolidated financial statements.

For and on behalf of the Board of General Director,



Tran Tuc Ma
General Director
29 February 2020

To: The shareholders
 The Board of Management and Board of General Director of
 Traphaco Joint Stock Company

We have audited the accompanying consolidated financial statements of Traphaco Joint Stock Company (the "Company"), prepared on 29 February 2020 as set out from page 5 to page 29, which comprise the consolidated balance sheet as at 31 December 2019, and the consolidated statement of income and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of General Director's Responsibility for the Consolidated Financial Statements

The Board of General Director is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting and for such internal control as the Board of General Director determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Vietnamese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting.

Other Matter

The consolidated financial statements of the Company for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 15 March 2019..



Dang Chi Dung
Deputy General Director
Audit Practising Registration Certificate
No. 0030-2018-001-1

Do Trung Kien
Auditor
Audit Practising Registration Certificate
No. 1924-2018-001-1

Deloitte.
DELOITTE VIETNAM COMPANY LIMITED

29 February 2020
Hanoi, S.R. Vietnam

CONSOLIDATED BALANCE SHEET

As at 31 December 2019
B 01-DN/HN

Unit: VND

| ASSETS | Codes | Notes | Closing balance | Opening balance |
|--|------------|-----------|--------------------------|--------------------------|
| A. CURRENT ASSETS | 100 | | 888,025,065,162 | 859,394,250,379 |
| I. Cash and cash equivalents | 110 | 4 | 297,466,318,638 | 316,133,597,252 |
| 1. Cash | 111 | | 207,466,318,638 | 183,433,597,252 |
| 2. Cash equivalents | 112 | | 90,000,000,000 | 132,700,000,000 |
| II. Short-term financial investments | 120 | | 14,500,000,000 | 9,400,000,000 |
| 1. Held-to-maturity investments | 123 | 5 | 14,500,000,000 | 9,400,000,000 |
| III. Short-term receivables | 130 | | 163,014,157,863 | 153,573,242,990 |
| 1. Short-term trade receivables | 131 | 6 | 138,089,031,947 | 119,920,467,304 |
| 2. Short-term advances to suppliers | 132 | 7 | 18,255,858,091 | 27,023,529,891 |
| 3. Other short-term receivables | 136 | 8 | 12,690,697,953 | 9,417,833,528 |
| 4. Provision for short-term doubtful debts | 137 | 9 | (6,021,430,128) | (3,531,683,174) |
| 5. Deficits in assets awaiting solution | 139 | | - | 743,095,441 |
| IV. Inventories | 140 | 10 | 364,250,561,407 | 337,532,727,721 |
| 1. Inventories | 141 | | 365,620,223,427 | 340,215,347,140 |
| 2. Provision for devaluation of inventories | 149 | | (1,369,662,020) | (2,682,619,419) |
| V. Other short-term assets | 150 | | 48,794,027,254 | 42,754,682,416 |
| 1. Short-term prepayments | 151 | 11 | 3,403,818,611 | 3,153,891,885 |
| 2. Value added tax deductibles | 152 | | 42,121,696,818 | 38,882,258,658 |
| 3. Taxes and other receivables from the State budget | 153 | 18 | 3,268,511,825 | 718,531,873 |
| B. NON-CURRENT ASSETS | 200 | | 683,486,922,926 | 730,467,787,830 |
| I. Fixed assets | 220 | | 619,527,444,271 | 656,015,996,965 |
| 1. Tangible fixed assets | 221 | 12 | 567,041,810,467 | 605,501,757,295 |
| - Cost | 222 | | 960,887,228,076 | 937,239,254,139 |
| - Accumulated depreciation | 223 | | (393,845,417,609) | (331,737,496,844) |
| 2. Intangible assets | 227 | 13 | 52,485,633,804 | 50,514,239,670 |
| - Cost | 228 | | 59,465,654,975 | 56,485,859,975 |
| - Accumulated depreciation | 229 | | (6,980,021,171) | (5,971,620,305) |
| II. Long-term assets in progress | 240 | | 14,423,333,008 | 13,862,042,593 |
| Long-term construction in progress | 242 | 14 | 14,423,333,008 | 13,862,042,593 |
| III. Long-term financial investments | 250 | | 500,000,000 | 500,000,000 |
| Equity investments in other entities | 253 | 15 | 500,000,000 | 500,000,000 |
| IV. Other long-term assets | 260 | | 49,036,145,647 | 60,089,748,272 |
| 1. Long-term prepayments | 261 | 11 | 39,195,773,272 | 45,615,788,088 |
| 2. Deferred tax assets | 262 | | 4,669,421,421 | 6,482,490,528 |
| 3. Goodwill | 269 | 16 | 5,170,950,954 | 7,991,469,656 |
| TOTAL ASSETS (270=100+200) | 270 | | 1,571,511,988,088 | 1,589,862,038,209 |

Unit: VND

| RESOURCES | Codes | Notes | Closing balance | Opening balance |
|--|------------|-----------|--------------------------|--------------------------|
| C. LIABILITIES | 300 | | 453,482,230,205 | 482,648,007,819 |
| I. Current liabilities | 310 | | 343,492,701,045 | 312,184,478,659 |
| 1. Short-term trade payables | 311 | 17 | 102,706,696,269 | 90,476,519,865 |
| 2. Short-term advances from customers | 312 | | 167,908,888 | 290,302,335 |
| 3. Taxes and amounts payable to the State budget | 313 | 18 | 24,596,541,925 | 25,807,516,670 |
| 4. Payables to employees | 314 | | 42,337,824,517 | 39,970,540,791 |
| 5. Short-term accrued expenses | 315 | 19 | 27,352,408,849 | 23,438,788,773 |
| 6. Short-term unearned revenue | 318 | 20 | 20,480,269,378 | - |
| 7. Other current payables | 319 | 21 | 88,508,937,169 | 91,448,492,842 |
| 8. Short-term loans and obligations under finance leases | 320 | 22 | 34,434,000,000 | 36,499,046,771 |
| 9. Bonus and welfare funds | 322 | | 2,908,114,050 | 4,253,270,612 |
| II. Long-term liabilities | 330 | | 109,989,529,160 | 170,463,529,160 |
| 1. Other long-term payables | 337 | | - | 60,000,000 |
| 2. Long-term loans and obligations under finance leases | 338 | 23 | 109,989,529,160 | 170,403,529,160 |
| D. EQUITY | 400 | | 1,118,029,757,883 | 1,107,214,030,390 |
| I. Owner's equity | 410 | 24 | 1,116,169,959,036 | 1,106,059,699,835 |
| 1. Owner's contributed capital | 411 | | 414,536,730,000 | 414,536,730,000 |
| - Ordinary shares carrying voting rights | 411a | | 414,536,730,000 | 414,536,730,000 |
| 2. Share premium | 412 | | 133,021,732,000 | 133,021,732,000 |
| 3. Other owner's capital | 414 | | 9,652,783,012 | 9,652,783,012 |
| 4. Treasury shares | 415 | | (3,593,000) | (3,593,000) |
| 5. Investment and development fund | 418 | | 377,188,672,853 | 366,638,254,471 |
| 6. Retained earnings | 421 | | 95,211,969,791 | 95,763,019,441 |
| - Retained earnings accumulated to the prior year end | 421a | | 42,591,709,898 | 45,868,977,713 |
| - Retained earnings of the current year | 421b | | 52,620,259,893 | 49,894,041,728 |
| 7. Non-controlling interests | 429 | | 86,561,664,380 | 86,450,773,911 |
| II. Other resources and funds | 430 | | 1,859,798,847 | 1,154,330,555 |
| 1. Subsidised funds | 431 | | 839,374,300 | - |
| 2. Funds for fixed assets acquisition | 432 | | 1,020,424,547 | 1,154,330,555 |
| TOTAL RESOURCES (440=300+400) | 440 | | 1,571,511,988,088 | 1,589,862,038,209 |



Preparer
Nguyen Thi Ngoc Thuy



Chief Accountant
Dinh Trung Kien



General Director
Tran Tuc Ma

29 February 2020

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2019
B 02-DN/HN

Unit: VND

| ITEMS | Codes | Notes | Current year | Prior year |
|---|-------|-------|-------------------|-------------------|
| 1. Gross revenue from goods sold and services rendered | 01 | 27 | 1,716,062,237,858 | 1,808,372,414,400 |
| 2. Deductions | 02 | 27 | 5,622,769,436 | 10,022,748,108 |
| 3. Net revenue from goods sold and services rendered (10=01-02) | 10 | 27 | 1,710,439,468,422 | 1,798,349,666,292 |
| 4. Cost of sales | 11 | 28 | 770,011,246,983 | 863,658,955,814 |
| 5. Gross profit from goods sold and services rendered (20=10-11) | 20 | | 940,428,221,439 | 934,690,710,478 |
| 6. Financial income | 21 | | 4,773,654,144 | 2,482,257,574 |
| 7. Financial expenses | 22 | 30 | 17,805,246,529 | 12,353,745,874 |
| - In which: Interest expense | 23 | | 17,764,076,691 | 12,203,877,990 |
| 8. Selling expenses | 25 | 31 | 489,643,762,133 | 485,528,676,504 |
| 9. General and administration expenses | 26 | 31 | 222,945,532,474 | 222,452,464,674 |
| 10. Operating profit (30=20+(21-22)-(25+26)) | 30 | | 214,807,334,447 | 216,838,081,000 |
| 11. Other income | 31 | | 2,495,861,511 | 1,427,373,019 |
| 12. Other expenses | 32 | | 2,464,458,556 | 2,055,148,405 |
| 13. Lợi nhuận/(lỗ) khác (40=31-32) | 40 | | 31,402,955 | (627,775,386) |
| 14. Profit from other activities (50=30+40) | 50 | | 214,838,737,402 | 216,210,305,614 |
| 15. Current corporate income tax expense | 51 | 32 | 42,433,441,791 | 45,182,398,908 |
| 16. Deferred corporate tax expense/(income) | 52 | | 1,813,069,107 | (3,745,590,256) |
| 17. Net profit after corporate income tax (60=50-51-52) | 60 | | 170,592,226,504 | 174,773,496,962 |
| In which: | | | | |
| Profit after tax attributable to equity holders of the Parent Company | 61 | | 153,427,254,762 | 156,277,889,721 |
| Profit after tax attributable to noncontrolling interests | 62 | | 17,164,971,742 | 18,495,607,241 |
| 18. Basic earnings per share | 70 | 33 | 3,269 | 3,322 |

Preparer
Nguyen Thi Ngoc Thuy

Chief Accountant
Dinh Trung Kien



General Director
Tran Tuc Ma

29 February 2020

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 December 2019
B 03-DN/HN

Unit: VND

| ITEMS | Codes | Current year | Prior year |
|---|-------|------------------|------------------|
| I. CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| 1. Profit before tax | 01 | 214,838,737,402 | 216,210,305,614 |
| 2. Adjustments for: | | | |
| Depreciation and amortisation of fixed assets and goodwill | 02 | 82,099,343,496 | 79,439,413,700 |
| Provisions | 03 | 1,176,789,555 | 196,883,663 |
| Foreign exchange gain arising from translating foreign currency items | 04 | (9,270,781) | (7,346,501) |
| Gain from investing activities | 05 | (3,504,445,175) | (3,929,082,528) |
| Interest expense | 06 | 17,764,076,691 | 12,203,877,990 |
| 3. Operating profit before movements in working capital | 08 | 312,365,231,188 | 304,114,051,938 |
| Change in receivables | 09 | (20,896,847,443) | 29,019,212,280 |
| Change in inventories | 10 | (25,404,876,287) | (6,185,897,403) |
| Change in payables (excluding accrued loan interest and corporate income tax payable) | 11 | 29,840,731,289 | (67,811,829,963) |
| Change in prepaid expenses | 12 | 6,170,088,090 | (4,821,775,437) |
| Interest paid | 14 | (17,908,686,932) | (10,627,492,800) |
| Corporate income tax paid | 15 | (45,746,821,997) | (54,444,764,918) |
| Other cash inflows | 16 | 2,130,000,000 | - |
| Other cash outflows | 17 | (23,495,230,752) | (20,571,173,178) |
| Net cash generated by operating activities | 20 | 217,053,587,156 | 168,670,330,519 |



CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the year ended 31 December 2019

B 03-DN/HN

Unit: VND

| ITEMS | Codes | Current year | Prior year |
|--|-----------|--------------------------|-------------------------|
| II. CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| 1. Acquisition and construction of fixed assets and other long-term assets | 21 | (31,921,925,665) | (43,647,952,609) |
| 2. Proceeds from sale, disposal of fixed assets and other long-term assets | 22 | 492,145,912 | - |
| 3. Cash outflow for lending, buying debt instruments of other entities | 23 | (10,000,000,000) | (4,400,000,000) |
| 4. Cash recovered from lending, selling debt instruments of other entities | 24 | 4,900,000,000 | 3,600,000,000 |
| 5. Interest earned, dividends and profits received | 27 | 4,485,042,828 | 1,297,451,822 |
| Net cash used in investing activities | 30 | (32,044,736,925) | (43,150,500,787) |
| III. CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| 1. Proceeds from borrowings | 33 | 1,023,239,617 | 329,512,196,048 |
| 2. Repayment of borrowings | 34 | (63,502,286,388) | (159,681,484,108) |
| 3. Dividends and profits paid | 36 | (141,193,892,558) | (140,120,496,486) |
| Net cash used in financing activities | 40 | (203,672,939,329) | 29,710,215,454 |
| Net (decrease) in cash (50=20+30+40) | 50 | (18,664,089,098) | 155,230,045,186 |
| Cash and cash equivalents at the beginning of the year | 60 | 316,133,597,252 | 160,903,552,066 |
| Effects of changes in foreign exchange rates | 61 | (3,189,516) | - |
| Cash and cash equivalents at the end of the year (70=50+60+61) | 70 | 297,466,318,638 | 316,133,597,252 |

Preparer
Nguyen Thi Ngoc Thuy

Chief Accountant
Dinh Trung Kien



General Director
Tran Tuc Ma

29 February 2020

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

FORM B 09-DN/HN

1. GENERAL INFORMATION

Structure of ownership

Traphaco Joint Stock Company (the “Company”) is a joint stock company which was transformed from a State-owned enterprise into a Joint Stock Company under Decision No. 2566/1999/QĐ-BGTVT dated 27 September 1999 issued by the Minister of Transport and the Business Registration Certificate No. 058437 issued by the Department of Planning and Investment of Hanoi City for the first time on 24 December 1999. The Company also received the subsequent amendments, with the latest is the 22nd amendment, being granted by the Department of Planning and Investment of Hanoi on 1 August 2017 and tax code number No. 0100108656.

The Company's head office is located at No. 75 Yen Ninh street, Quan Thanh ward, Ba Dinh district, Ha Noi, Viet Nam.

The number of employees as at 31 December 2019 was 1,438 (31 December 2018: 1,407).

Operating industry and principal activities

Operating activities of the Company and its subsidiaries are production and trade of food and cosmetics; export and import of pharmaceutical materials and products; consultancy on manufacturing of medicines and cosmetics; dispensing prescription drugs; production and trade of medicines, chemical and medical supplies and equipment; production and trade of alcohol, beer, soft drinks (not including bar operating); advisory services on medical technology transfer; purchasing, planting, processing pharmaceutical materials.

The principal activities of the Company and its subsidiaries are production and trade of pharmaceutical products, chemicals, medical supplies and equipment.

Normal production and business cycle

The Company's normal production and business cycle is carried out for a time period of 12 months or less.

The Company's structure

As at 31 December 2019, the Company has 28 dependent units which are branches in 28 provinces, cities and 4 subsidiaries. Details of the Company's subsidiaries are as follows:

| No. | Name | Proportion of ownership interest | Proportion of voting power held | Head office's address | Principal activities |
|-----|--|----------------------------------|---------------------------------|--|--|
| 1 | TraphacoSapa One Member Company Ltd. | 100% | 100% | Group 9, Sapa town, Sapa district, Lao Cai province | Plant, process pharmaceutical materials, agriculture and forestry products, food; Produce and trade pharmaceutical products, pharmaceutical materials, food. |
| 2 | Traphaco Hi-tech Joint Stock Company | 51% | 51% | Tan Quang commune, Van Lam district, Hung Yen province | Produce oriental medicine. |
| 3 | Dak Lak Pharmaceutical and Medical Equipment Joint Stock Company | 58% | 58% | No. 9A Hung Vuong Street, Tu An ward, Buon Ma Thuot city, Dak Lak province | Produce and trade pharmaceutical products, nutritional foods; Export and import medicines, pharmaceutical materials. |
| 4 | Traphaco Hung Yen Company Ltd. | 100% | 100% | Tan Quang commune, Van Lam district, Hung Yen province | Producing western medicine. |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements
Form B 09-DN/HN

1. GENERAL INFORMATION (continued)

Disclosure of information comparability in the consolidated financial statements

Comparative figures are the figures of the audited consolidated financial statements for the year ended 31 December 2018 that was audited by another audit firm.

2. ACCOUNTING CONVENTION AND FINANCIAL YEAR

Accounting convention

The accompanying consolidated financial statements, expressed in Vietnam Dong (VND), are prepared under the historical cost convention and in accordance with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting.

The accompanying consolidated financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Vietnam.

Financial year

The Company's financial year begins on 01 January and ends on 31 December.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies, which have been adopted by the Company in the preparation of these consolidated financial statements, are as follows:

Estimates

The preparation of consolidated financial statements in conformity with Vietnamese Accounting Standards, accounting regime for enterprises and legal regulations relating to consolidated financial reporting requires the Board of General Director to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the financial year. Although these accounting estimates are based on the Board of General Director's best knowledge, actual results may differ from those estimates.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by the Company.

Intragroup transactions and balances are eliminated in full on consolidation.

Non-controlling interests consist of the amount of those non-controlling interests at the date of the original business combination (see below) and the non-controlling interests' share of changes in equity since the date of the combination. Losses in subsidiaries are respectively attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Business combinations

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired is credited to profit and loss in the period of acquisition.

The non-controlling interests are initially measured at the non-controlling shareholders' proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Goodwill

Goodwill represents the excess of the cost of acquisition over the Company's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is amortised on the straight-line basis over its estimated period of benefit of 10 years.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in transit, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Held-to-maturity investments

Held-to-maturity investments comprise investments that the Company has the positive intent or ability to hold to maturity, including term deposits.

Held-to-maturity investments are recognised on a trade date basis and are initially measured at acquisition price plus directly attributable transaction costs. Post-acquisition interest income from held-to-maturity investments is recognised in the income statement on accrual basis. Pre-acquisition interest is deducted from the cost of such investments at the acquisition date.

Held-to-maturity investments are measured at cost less provision for doubtful debts.

Provision for doubtful debts relating to held-to-maturity investments is made in accordance with prevailing accounting regulations.

Equity investments in other entities

Equity investments in other entities represent the Company's investments in ordinary shares of the entities over which the Company has no control, joint control, or significant influence.

Equity investments in other entities are carried at cost less provision for impairment (if any). Provisions for impairment of investments in subsidiaries are made when there is reliable evidence for declining in value of these investments at the balance sheet date.

Receivables

Receivables represent the amounts recoverable from customers or other debtors and are stated at book value less provision for doubtful debts.

Provision for doubtful debts is made for receivables that are overdue and when the debtor is may be unable to repay the debt.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements
Form B 09-DN/HN

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Inventories are recorded using the perpetual inventory method.

The evaluation of necessary provision for inventory obsolescence follows current prevailing accounting regulations which allow provisions to be made for obsolete, damaged, or sub-standard inventories and for those which have costs higher than net realisable values as at the balance sheet date.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

The costs of purchased tangible fixed assets comprise their purchase prices and any directly attributable costs of bringing the assets to their working condition and location for their intended use.

The costs of self-constructed or manufactured assets are the actual construction or manufacturing cost plus installation and test running costs.

Tangible fixed assets are depreciated using the straight-line method over their estimated useful lives as follows:

| | Current year |
|--------------------------|--------------|
| Buildings and structures | 05 - 40 |
| Machinery and equipment | 02 - 15 |
| Motor vehicles | 03 - 10 |
| Office equipment | 02 - 12 |
| Others | 05 - 15 |

Loss or gain resulting from sales and disposals of tangible fixed assets is the difference between profit from sales or disposals of assets and their residual values and is recognised in the consolidated income statement.

Intangible assets and amortisation

Intangible assets represent land use rights and computer software those are stated at cost less accumulated amortisation.

Land use rights comprise the indefinite land use rights and the prepayment for the land lease contracts which are effective prior to 2003 and for which, land use right certificates have been issued. Indefinite land use rights are not amortised.

Definite land use rights are amortised using the straight-line method over the duration of 30 - 50 years.

Computer software are initially recorded at purchase price and amortised using the straight-line method over their estimated useful life.

Construction in progress

Properties in the course of construction for production, rental or administrative purposes, or for other purposes, are carried at cost. Cost includes costs that are necessary to form the assets in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Prepayments

Prepayments are expenses which have already been paid but relate to results of operations of multiple accounting periods, including compensation and site clearance expense, tools and supplies issued for consumption, overhauling expenses of fixed assets and other types of prepayments, which are expected to provide future economic benefits to the Company. These expenditures have been capitalised as prepayments, and are allocated to the income statement using the straight-line method in accordance with the current prevailing accounting regulations.

Accruals

Accruals are recorded based on reasonable estimates of the amounts payable for goods or services received from sellers or provided to buyers during the year but not actually paid at the year end.

Revenue recognition

Revenue from the sale of goods

Revenue from the sale of goods is recognised when all five (5) following conditions are satisfied:

- (a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- (b) The Company retains neither continuing managerial involvement to the degree usually associated with; ownership nor effective control over the goods sold;
- (c) The amount of revenue can be measured reliably;
- (d) It is probable that the economic benefits associated with the transaction will flow to the Company; and
- (e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements
Form B 09-DN/HN

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue from rendering of services

Revenue of a transaction involving the rendering of services is recognised when the outcome of such transactions can be measured reliably. Where a transaction involving the rendering of services is attributable to several periods, revenue is recognised in each period by reference to the percentage of completion of the transaction at the balance sheet date of that period. The outcome of a transaction can be measured reliably when all four (4) following conditions are satisfied:

- (a) The amount of revenue can be measured reliably;
- (b) It is probable that the economic benefits associated with the transaction will flow to the Company;
- (c) The percentage of completion of the transaction at the balance sheet date can be measured reliably; and
- (d) The costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the applicable interest rate.

Dividend income from investments is recognised when the Company's right to receive payment has been established.

Foreign currencies

Transactions arising in foreign currencies are translated at exchange rates ruling at the transaction date. The balances of monetary items denominated in foreign currencies as at the balance sheet date are retranslated at the exchange rates on the same date. Exchange differences arising from the translation of these accounts are recognised in the consolidated income statement.

Borrowing costs

Borrowing costs are recognised in the income statement in the year when incurred unless they are capitalised in accordance with Vietnamese Accounting Standard No. 16 "Borrowing costs". Accordingly, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the cost of those assets. For specific borrowings for the purpose of construction of fixed assets and investment properties, borrowing costs are capitalised even when the construction period is under 12 months.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years (including loss carried forward, if any) and it further excludes items that are never taxable or deductible.

Deferred tax is recognised on significant differences between carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and is accounted for using balance sheet liability method. Deferred tax liabilities are generally recognised for all temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same tax authority and the Company intends to settle its current tax assets and liabilities on a net basis.

The determination of the tax currently payable is based on the current interpretation of tax regulations. However, these regulations are subject to periodic variation and their ultimate determination depends on the results of the tax authorities' examinations.

Other taxes are paid in accordance with the prevailing tax laws in Vietnam.

4. CASH AND CASH EQUIVALENTS

| | Closing balance VND | Opening balance VND |
|----------------------|------------------------|------------------------|
| Cash on hand | 29,048,375,664 | 26,052,936,805 |
| Demand deposits | 178,073,178,174 | 157,380,660,447 |
| Cash in transit | 344,764,800 | - |
| Cash equivalents (i) | 90,000,000,000 | 132,700,000,000 |
| | 297,466,318,638 | 316,133,597,252 |

(i) Cash equivalents as at 31 December 2019 represent time deposits at banks by VND with original terms not exceeding 3 months, interest is 5% per annum.

5. HELD-TO-MATURITY INVESTMENTS

Held-to-maturity investments as at 31 December 2019 include term deposits at bank by VND with terms ranging from 6 - 12 months and earn interest at 5.3% - 8.1% per annum (31 December 2018: 5.5% - 7.3% per annum).

6. SHORT-TERM TRADE RECEIVABLES

| | Closing balance VND | Opening balance VND |
|---|------------------------|------------------------|
| Nam Duong Investment Joint Stock Company | 17,607,461,193 | 79,894,122 |
| Lam Dong Pharmaceutical Joint Stock Company | 5,262,353,991 | 7,154,395,413 |
| Bac Ninh Pharmaceutical Joint Stock Company | 4,599,021,521 | 3,499,853,245 |
| Life Care Vietnam Company Limited. | 3,333,447,647 | 3,453,593,056 |
| Others | 107,286,747,595 | 105,732,731,468 |
| | 138,089,031,947 | 119,920,467,304 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements
Form B 09-DN/HN

7. SHORT-TERM ADVANCES TO SUPPLIERS

| | Closing balance VND | Opening balance VND |
|--|------------------------|------------------------|
| Mrs. Tran Thi Tam | 3,385,000,000 | 3,385,000,000 |
| Lien Vinh Trading Company Limited. | 2,026,000,000 | 2,300,000,000 |
| KaRa Vietnam Joint Stock Company | 1,000,000,000 | - |
| 319 Consulting Design and Construction Joint Stock Company | 416,889,000 | 1,604,602,000 |
| Thanh Cong Investment Construction Joint Stock Company | - | 3,634,291,000 |
| Others | 11,427,969,091 | 16,099,636,891 |
| | 18,255,858,091 | 27,023,529,891 |

8. SHORT-TERM OTHER RECEIVABLES

| | Closing balance VND | Opening balance VND |
|-----------------------------|------------------------|------------------------|
| Advance to employees | 6,760,875,079 | 4,829,580,320 |
| Deposits and mortgages | 2,116,186,670 | 2,164,725,096 |
| Deposit interest receivable | 333,561,643 | 655,479,454 |
| Others | 3,480,074,561 | 1,768,048,658 |
| | 12,690,697,953 | 9,417,833,528 |

9. BAD DEBTS

| | Closing balance VND | | | Opening balance VND | | |
|--|------------------------|------------------------|----------------------|------------------------|------------------------|----------------------|
| | Cost | Recoverable amounts | Provision | Cost | Recoverable amounts | Provision |
| Mr. Nguyen Tuong Lam | 2,336,744,473 | - | 2,336,744,473 | 2,336,744,473 | 2,336,744,473 | - |
| Khanh Son Health Center | 757,078,788 | - | 757,078,788 | 757,078,788 | - | 757,078,788 |
| Mr. Bui Trung Dung | 698,838,980 | - | 698,838,980 | 698,838,980 | - | 698,838,980 |
| Ha Anh Pharmaceutical and Medical Materials Co., Ltd. | 580,845,000 | - | 580,845,000 | 580,845,000 | - | 580,845,000 |
| Quang Ngai Pharmaceutical and Medical Materials Co., Ltd. | 481,274,969 | - | 481,274,969 | 481,274,969 | - | 481,274,969 |
| Others | 1,243,371,857 | 76,723,939 | 1,166,647,918 | 1,167,624,098 | 153,978,661 | 1,013,645,437 |
| | 6,098,154,067 | 76,723,939 | 6,021,430,128 | 6,022,406,308 | 2,490,723,134 | 3,531,683,174 |

The recoverable amount of the bad debts is determined at cost less provision.

10. INVENTORIES

| | Closing balance VND | | Opening balance VND | |
|--------------------|------------------------|----------------------|------------------------|----------------------|
| | Giá gốc | Dự phòng | Giá gốc | Dự phòng |
| Goods in transit | 2,223,210,830 | - | 118,925,367 | - |
| Raw materials | 165,874,226,455 | 1,351,322,415 | 149,745,953,601 | 2,682,619,419 |
| Tools and supplies | 478,397,330 | - | 358,052,328 | - |
| Work in progress | 25,244,344,049 | - | 33,763,772,887 | - |
| Finished goods | 123,413,202,559 | 10,897,996 | 108,389,440,647 | - |
| Merchandise | 48,386,842,204 | - | 7,441,609 | 47,839,202,310 |
| | 365,620,223,427 | 1,369,662,020 | 340,215,347,140 | 2,682,619,419 |

11. PREPAYMENTS

| | Closing balance VND | Opening balance VND |
|---|------------------------|------------------------|
| a. Current | | |
| Overhauling expenses of fixed assets | 1,917,912,878 | 1,162,546,920 |
| Tools and supplies issued for consumption | 382,503,713 | 1,015,295,630 |
| Other short-term prepaid expenses | 1,103,402,020 | 976,049,335 |
| | 3,403,818,611 | 3,153,891,885 |
| b. Non-current | | |
| Compensation and site clearance expense | 25,279,310,307 | 26,044,575,176 |
| Overhauling expenses of fixed assets | 5,280,991,126 | 7,585,150,091 |
| Tools and supplies issued for consumption | 2,309,673,178 | 4,601,827,883 |
| Pre-operation training expense | 1,760,551,467 | 2,018,556,272 |
| Other short-term prepaid expenses | 4,565,247,194 | 5,365,678,666 |
| | 39,195,773,272 | 45,615,788,088 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

Form B 09-DN/HN

12. INCREASES, DECREASES IN TANGIBLE FIXED ASSETS

| | Buildings and structures VND | Machinery and equipment VND | Motor vehicles VND | Management tools and equipment VND | Others VND | Total VND |
|---|------------------------------|-----------------------------|--------------------|------------------------------------|---------------|------------------|
| COST | | | | | | |
| Opening balance | 329,842,324,516 | 514,707,944,055 | 70,434,011,580 | 16,882,706,038 | 5,372,267,950 | 937,239,254,139 |
| Increase due to purchasing, transferred from construction | 14,919,306,229 | 18,355,829,108 | 6,153,952,725 | 1,269,595,889 | 143,934,000 | 40,842,617,951 |
| Reclassification | - | (1,060,989,318) | - | 1,060,989,318 | - | - |
| Disposals | (1,688,315,388) | (11,742,959,715) | (3,300,106,493) | (463,262,418) | - | (17,194,644,014) |
| Closing balance | 343,073,315,357 | 520,259,824,130 | 73,287,857,812 | 18,750,028,827 | 5,516,201,950 | 960,887,228,076 |
| ACCUMULATED DEPRECIATION | | | | | | |
| Opening balance | 98,110,541,749 | 172,958,420,826 | 44,062,908,056 | 12,575,833,185 | 4,029,793,028 | 331,737,496,844 |
| Charge for the year | 21,389,144,402 | 48,643,245,568 | 6,550,090,946 | 1,403,211,887 | 208,637,133 | 78,194,329,936 |
| Reclassification | - | (84,795,916) | - | 84,795,916 | - | - |
| Disposals | (1,688,315,388) | (10,811,970,766) | (3,142,793,258) | (443,329,759) | - | (16,086,409,171) |
| Closing balance | 117,811,370,763 | 210,704,899,712 | 47,470,205,744 | 13,620,511,229 | 4,238,430,161 | 393,845,417,609 |
| NET BOOK VALUE | | | | | | |
| Opening balance | 231,731,782,767 | 341,749,523,229 | 26,371,103,524 | 4,306,872,853 | 1,342,474,922 | 605,501,757,295 |
| Closing balance | 225,261,944,594 | 309,554,924,418 | 25,817,652,068 | 5,129,517,598 | 1,277,771,789 | 567,041,810,467 |

The cost of the Company's fixed assets includes VND 144,652,132,255 (31 December 2018: VND 133,260,701,479) of assets which have been fully depreciated but are still in use.

Như trình bày tại Thuyết minh số 23, các công ty con của Công ty đã thế chấp nhà cửa, vật kiến trúc và các máy móc, thiết bị với giá trị còn lại tại ngày 31 tháng 12 nAs noted further in Note 23, the Company has pledged its building and machinery, which has the carrying value of VND 177,959,980,061 as at 31 December 2019 (31 December 2018: VND 195,548,288,296), to secure banking facilities granted to the Company.

13. INCREASES, DECREASES IN INTANGIBLE ASSETS

| | Land use rights VND | Computer software VND | Total VND |
|---------------------------------|---------------------|-----------------------|----------------|
| COST | | | |
| Opening balance | 49,632,073,505 | 6,853,786,470 | 56,485,859,975 |
| Additions | - | 3,189,795,000 | 3,189,795,000 |
| Disposals | - | (210,000,000) | (210,000,000) |
| Closing balance | 49,632,073,505 | 9,833,581,470 | 59,465,654,975 |
| ACCUMULATED AMORTISATION | | | |
| Opening balance | 1,826,759,089 | 4,144,861,216 | 5,971,620,305 |
| Charge for the year | 164,282,569 | 1,054,118,297 | 1,218,400,866 |
| Disposals | - | (210,000,000) | (210,000,000) |
| Closing balance | 1,991,041,658 | 4,988,979,513 | 6,980,021,171 |
| NET BOOK VALUE | | | |
| Opening balance | 47,805,314,416 | 2,708,925,254 | 50,514,239,670 |
| Closing balance | 47,641,031,847 | 4,844,601,957 | 52,485,633,804 |

14. LONG-TERM CONSTRUCTION IN PROGRESS

| | Closing balance VND | Opening balance VND |
|---|---------------------|---------------------|
| Office building in Gia Lai | 5,194,752,092 | 5,194,752,092 |
| Automatic canning machine and automatic shrink film | 3,433,435,950 | - |
| Office building in Can Tho | 2,352,727,272 | 2,352,727,272 |
| ERP software project | 680,000,000 | 1,173,590,000 |
| Office building in Da Nang | - | 2,965,335,000 |
| Other constructions | 2,762,417,694 | 2,175,638,229 |
| | 14,423,333,008 | 13,862,042,593 |

15. EQUITY INVESTMENTS IN OTHER ENTITIES

Investment in other entities shows the amount of Dak Lak Pharmaceutical - Medical Equipment Joint Stock Company (a subsidiary of the Company) invested in the Tay Nguyen Eye Hospital Company Limited with the amount of VND 500,000,000, corresponding to 5% of ownership rate.

The Company has not assessed fair value of this investment as at the balance sheet date since there is no comprehensive guidance of relevant prevailing regulations on determination of fair value of these financial investments.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements
Form B 09-DN/HN

16. GOODWILL

| | Goodwill for TraphacoSapa One Member Company Ltd. VND | Goodwill for Traphaco Hi-tech Joint Stock Company VND | Total VND |
|---------------------------------|---|---|----------------|
| COST | | | |
| Opening balance | 1,467,939,358 | 28,205,187,022 | 29,673,126,380 |
| Closing balance | 1,467,939,358 | 28,205,187,022 | 29,673,126,380 |
| ACCUMULATED DEPRECIATION | | | |
| Opening balance | 1,467,939,358 | 20,213,717,366 | 21,681,656,724 |
| Charge for the year | - | 2,820,518,702 | 2,820,518,702 |
| Closing balance | 1,467,939,358 | 23,034,236,068 | 24,502,175,426 |
| NET BOOK VALUE | | | |
| Opening balance | - | 7,991,469,656 | 7,991,469,656 |
| Closing balance | - | 5,170,950,954 | 5,170,950,954 |

17. TRADE PAYABLES

| | Closing balance VND | | Opening balance VND | |
|---|------------------------|-------------------------------|------------------------|-------------------------------|
| | Amount | Amount able to be paid off | Amount | Amount able to be paid off |
| Namum CNC | 17,160,011,305 | 17,160,011,305 | - | - |
| Agricultural Printing and Packing Joint Stock Company | 5,394,441,454 | 5,394,441,454 | 2,659,837,554 | 2,659,837,554 |
| Vimedimex Binh Duong Company Limited | 3,776,231,109 | 3,776,231,109 | 4,373,378,596 | 4,373,378,596 |
| Others | 76,376,012,401 | 76,376,012,401 | 83,443,303,715 | 83,443,303,715 |
| | 102,706,696,269 | 102,706,696,269 | 90,476,519,865 | 90,476,519,865 |

18. TAXES AND OTHER RECEIVABLES FROM/PAYABLES TO THE STATE BUDGET

| | Opening balance VND | Payable during the year VND | Paid/Adjustment during the year VND | Closing balance VND |
|--------------------------------------|------------------------|-----------------------------------|---|------------------------|
| a. Receivables | | | | |
| Output value added tax | 488,716,775 | 3,254,361,440 | 2,820,729,248 | 55,084,583 |
| Import, export duties | - | 1,099,696,832 | 1,668,488,157 | 568,791,325 |
| Corporate income tax | 211,071,744 | 83,569,501 | 2,496,592,758 | 2,624,095,001 |
| Personal income tax | 16,296,538 | 16,296,538 | - | - |
| Other taxes | 2,446,816 | - | 18,094,100 | 20,540,916 |
| | 718,531,873 | 4,453,924,311 | 7,003,904,263 | 3,268,511,825 |
| b. Payables | | | | |
| Output value added tax | 5,283,577,328 | 42,867,700,230 | 43,784,319,100 | 4,366,958,458 |
| Value added tax on imported goods | - | 6,076,676,436 | 6,076,676,436 | - |
| Import, export duties | - | 1,322,863,463 | 1,322,863,463 | - |
| Corporate income tax | 17,642,778,195 | 42,349,872,290 | 43,289,410,023 | 16,703,240,462 |
| Personal income tax | 2,880,865,787 | 17,404,367,017 | 16,759,114,759 | 3,526,118,045 |
| Other taxes | 295,360 | 6,670,306,576 | 6,670,376,976 | 224,960 |
| | 25,807,516,670 | 116,691,786,012 | 117,902,760,757 | 24,596,541,925 |

19. ACCRUED EXPENSES

| | Closing balance VND | Opening balance VND |
|-----------------------------------|------------------------|------------------------|
| Discount payable to customers | 15,344,335,246 | 12,388,040,316 |
| Remuneration to pay collaborators | 8,950,950,439 | 3,521,921,782 |
| Accruals for interets expenses | 222,241,527 | 366,851,768 |
| Bonus for employees | - | 2,687,000,000 |
| Other accruals | 2,834,881,637 | 4,474,974,907 |
| | 27,352,408,849 | 23,438,788,773 |

20. SHORT-TERM UNEARNED REVENUE

Short-term unearned revenue reflects the revenue corresponding to the accumulated points which customers earned by purchasing the Company's products but not yet redeemed for products and gifts according to the Company's sales policy at the end of the financial year.

21. OTHER PAYABLES

| | Closing balance VND | Opening balance VND |
|---|------------------------|------------------------|
| Discount payable to shareholders | 85,108,875,478 | 86,640,931,978 |
| Trade Union fee and compulsory insurance | 543,574,162 | 1,045,714,056 |
| Remuneration of the Board of Directors and Supervisory Board | 374,192,150 | 256,148,081 |
| Other payables | 2,482,295,379 | 3,505,698,727 |
| | 88,508,937,169 | 91,448,492,842 |
| Dividends payables to related parties (Details presented in Note 35) | 62,830,372,000 | 62,830,372,000 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

Form B 09-DN/HN

22. SHORT-TERM LOANS AND OBLIGATIONS UNDER FINANCE LEASES

| | Opening balance VND | | In the year VND | | Closing balance VND | |
|---|------------------------|-------------------------------|-----------------------|-----------------------|------------------------|-------------------------------|
| | Amount | Amount able to be paid off | Increases | Decreases | Amount | Amount able to be paid off |
| Short-term loans | 1,065,046,771 | 1,065,046,771 | 1,023,239,617 | 2,088,286,388 | - | - |
| Vietnam Joint Stock Commercial Bank for Industry and Trade - Yen Bai Branch | 1,065,046,771 | 1,065,046,771 | 1,023,239,617 | 2,088,286,388 | - | - |
| Current portion of long-term loans | 35,434,000,000 | 35,434,000,000 | 34,434,000,000 | 35,434,000,000 | 34,434,000,000 | 34,434,000,000 |
| Vietnam Joint Stock Commercial Bank for Industry and Trade - Yen Bai Branch | 3,014,000,000 | 3,014,000,000 | 2,014,000,000 | 3,014,000,000 | 2,014,000,000 | 2,014,000,000 |
| Vietnam Joint Stock Commercial Bank for Industry and Trade - Ba Dinh Branch | 31,920,000,000 | 31,920,000,000 | 31,920,000,000 | 31,920,000,000 | 31,920,000,000 | 31,920,000,000 |
| Hung Yen Environmental Protection Fund | 500,000,000 | 500,000,000 | 500,000,000 | 500,000,000 | 500,000,000 | 500,000,000 |
| | 36,499,046,771 | 36,499,046,771 | 35,457,239,617 | 37,522,286,388 | 34,434,000,000 | 34,434,000,000 |

23. LONG-TERM LOANS AND OBLIGATIONS UNDER FINANCE LEASES

| | Opening balance VND | | In the year VND | | Closing balance VND | |
|--|------------------------|-------------------------------|--------------------|-----------------------|------------------------|-------------------------------|
| | Amount | Amount able to be paid off | Increases | Decreases | Amount | Amount able to be paid off |
| Vietnam Joint Stock Commercial Bank for Industry and Trade - Yen Bai Branch (i) | 11,740,600,000 | 11,740,600,000 | - | 4,014,000,000 | 7,726,600,000 | 7,726,600,000 |
| Vietnam Joint Stock Commercial Bank for Industry and Trade - Ba Dinh Branch (ii) | 192,096,929,160 | 192,096,929,160 | - | 56,900,000,000 | 135,196,929,160 | 135,196,929,160 |
| Hung Yen Environmental Protection Fund (iii) | 2,000,000,000 | 2,000,000,000 | - | 500,000,000 | 1,500,000,000 | 1,500,000,000 |
| | 205,837,529,160 | 205,837,529,160 | - | 61,414,000,000 | 144,423,529,160 | 144,423,529,160 |
| In which: | | | | | | |
| - Amount due for settlement within 12 months | 35,434,000,000 | | | | 34,434,000,000 | |
| - Amount due for settlement after 12 months | 170,403,529,160 | | | | 109,989,529,160 | |

(i) Represents Loan under Credit Contract No. 01/2015-HDTDDA/NHCT170-Traphacosapa on 26 October 2015 signed between TraphacoSapa Company Limited (a subsidiary of the Company) and Vietnam Joint Stock Commercial Bank for Industry and Trade - Yen Bai Branch. The loan limit is VND 12,000,000,000, which is used to pay for expenses of project investment in plant processing, trading in medicine, pharmaceuticals and functional foods in Dong Pho Moi Industrial Zone. The loan term is 84 months since the first disbursement date. The floating interest rate, loan interest is paid monthly. The principal is paid in 25 consecutive periods based on the term of 3 months, grace period is 9 months from the first disbursement date. TraphacoSapa Company Limited used buldings and structures, machines along with equipment as collateral for this loan.

(ii) Represents Loan under Investment Loan Agreement No. 350/2017-HDCVDADT/NHCT124-TRAPHACO HUNG YEN on 31 August 2017 signed between Traphaco Hung Yen Co., Ltd. (a subsidiary of the Company) and Vietnam Joint Stock Commercial Bank for Industry and Trade - Ba Dinh Branch. The loan limit is VND 250,000,000,000, which is used to pay for legal project investment costs of Vietnam Pharmaceutical Factory. The loan term is 84 months from the date following the first disbursement date. The floating interest rate, loan interest is paid monthly. The principal is paid in 24

consecutive periods on the basis of term every 3 months, grace period is 12 months from the date following the first disbursement date. The loan's collateral includes all machinery and equipment of the Vietnam Pharmaceutical Manufacturing Plant Project, including but not limited to: Production lines for tablets, liquid medicine - syrup, eye-nasal drops; properties attached to land formed from the Project; Loan guarantee of Traphaco JSC has a minimum value of VND 250 billion during the loan outstanding.

(iii) Represents Loan under Credit Contract No. 01/2017/HDTD/QBVM-TRAPHACO on 07 August 2017 signed between Traphaco Hung Yen Co., Ltd. (a subsidiary of the Company) and the Hung Yen Environmental Protection Fund. The loan amount is VND 2,000,000,000, which is used to purchase equipment for the waste-water treatment plant of the Vietnam Pharmaceutical Factory. Loan term is 5 years from the date of signing the contract. The fixed interest rate is 3.6% per annum and is paid quarterly. The principal is paid once per year in 4 years, the grace period is 01 year from the date of signing the contract. The loan is secured by the bank's loan guarantee.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements

Form B 09-DN/HN

23. LONG-TERM LOANS AND OBLIGATIONS UNDER FINANCE LEASES (continued)

Long-term loans are repayable as follows:

| | Closing balance VND | Opening balance VND |
|--|------------------------|------------------------|
| Within one year | 34,434,000,000 | 35,434,000,000 |
| In the second year | 35,434,000,000 | 35,434,000,000 |
| From third year to fifth year | 74,555,529,160 | 102,972,600,000 |
| After five years | - | 31,996,929,160 |
| | 144,423,529,160 | 205,837,529,160 |
| Less: Amount due for settlement within 12 months (show under current liabilities) | 34,434,000,000 | 35,434,000,000 |
| Amount due for settlement after 12 months | 109,989,529,160 | 170,403,529,160 |

24. OWNER'S EQUITY

Movement in owner's equity

| | Owner's contributed capital VND | Share premium VND | Other owners' capital VND | Treasury shares VND | Investment and development fund VND | Retained earnings VND | Non - controlling Interests VND | Total VND |
|--|---------------------------------------|------------------------|---------------------------------|------------------------|---|--------------------------|---------------------------------------|--------------------------|
| Prior year's opening balance | 414,536,730,000 | 133,021,732,000 | - | (3,593,000) | 325,267,190,345 | 156,679,527,750 | 87,990,085,713 | 1,117,491,672,808 |
| Profit in the year | - | - | - | - | - | 156,277,889,721 | 18,495,607,241 | 174,773,496,962 |
| Dividend distribution | - | - | - | - | - | (41,450,540,000) | (5,617,280,394) | (47,067,820,394) |
| Allocated to Investment and development fund | - | - | - | - | 51,023,847,138 | (51,023,847,138) | - | - |
| Allocated to bonus and welfare funds | - | - | - | - | - | (39,877,797,692) | (2,026,305,267) | (41,904,102,959) |
| Bonus of Executive Board | - | - | - | - | - | (2,254,829,623) | (245,170,377) | (2,500,000,000) |
| Subsidiaries issue bonus shares | - | - | 9,652,783,012 | - | (9,652,783,012) | - | - | - |
| Advances of dividend from profit of 2018 | - | - | - | - | - | (82,901,080,000) | (12,118,361,792) | (95,019,441,792) |
| Other adjustments | - | - | - | - | - | 313,696,423 | (27,801,213) | 285,895,210 |
| Current year's opening balance | 414,536,730,000 | 133,021,732,000 | 9,652,783,012 | (3,593,000) | 366,638,254,471 | 95,763,019,441 | 86,450,773,911 | 1,106,059,699,835 |
| Profit in the year | - | - | - | - | - | 153,427,254,762 | 17,164,971,742 | 170,592,226,504 |
| Dividend distribution from profit of 2018 (i) | - | - | - | - | - | (41,450,540,000) | (3,191,853,664) | (44,642,393,664) |
| Allocated to Investment and development fund from profit of 2018 (i) | - | - | - | - | 10,550,418,382 | (10,550,418,382) | - | - |
| Allocated to bonus and welfare funds from profit of 2018 (i) | - | - | - | - | - | (1,222,416,604) | (502,353,842) | (1,724,770,446) |
| Allocated to bonus and welfare funds from profit of 2019 (ii) | - | - | - | - | - | (17,905,917,599) | (1,228,760,445) | (19,134,678,044) |
| Advances of dividend from profit of 2019 (iii) | - | - | - | - | - | (82,901,080,000) | (12,118,362,394) | (95,019,442,394) |
| Other adjustments | - | - | - | - | - | 52,068,173 | (12,750,928) | 39,317,245 |
| Current year's closing balance | 414,536,730,000 | 133,021,732,000 | 9,652,783,012 | (3,593,000) | 377,188,672,853 | 95,211,969,791 | 86,561,664,380 | 1,116,169,959,036 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements
Form B 09-DN/HN

24. OWNER'S EQUITY (continued)

Movement in owner's equity (continued)

(i) The Company and its subsidiaries paid dividends and distributed profits in 2018 according to the resolutions of the General Meeting of Shareholders and the Resolution of the Board of Directors.

(ii) During the year, the Company and its subsidiaries temporarily deducted the bonus and welfare fund from profits in 2019 according to the proposed plan approved by the Resolution of the General Meeting of Shareholders at the beginning of the year.

(iii) During the year, the resolutions of Board of Directors of the Company and its subsidiaries approved the advance of a part of dividends from profits in 2019 based on dividend payout plan approved by Resolution of the General Meeting of Shareholders at the beginning of the year.

Shares

| | Closing balance | Opening balance |
|--|-------------------|-------------------|
| Number of shares issued to the public | 41,453,673 | 41,453,673 |
| Ordinary shares | 41,453,673 | 41,453,673 |
| Number of treasury shares | (3,133) | (3,133) |
| Ordinary shares | (3,133) | (3,133) |
| Number of outstanding shares in circulation | 41,450,540 | 41,450,540 |
| Ordinary shares | 41,450,540 | 41,450,540 |

An ordinary share has par value of VND 10,000.

Charter capital

According to the Company's 22nd amended Business Registration Certificate issued by the Hanoi Department of Planning and Investment, the Company's charter capital is VND 414,536,730,000. As at 31 December 2019, the charter capital has been fully contributed by the shareholders and the ownership structure is as follows:

| | Closing balance | | | Opening balance | | |
|--|-------------------|------------------------|-------------|-------------------|------------------------|-------------|
| | Number of shares | Ordinary shares | % | Number of shares | Ordinary shares | % |
| State Capital and Investment Corporation | 14,786,512 | 147,865,120,000 | 35.67% | 14,786,512 | 147,865,120,000 | 35.67% |
| Magbi Fund Limited | 10,361,385 | 103,613,850,000 | 25.00% | 10,361,385 | 103,613,850,000 | 25.00% |
| Super Delta Pte.Ltd | 6,267,289 | 62,672,890,000 | 15.12% | 6,267,289 | 62,672,890,000 | 15.12% |
| Other shareholders | 10,035,354 | 100,353,540,000 | 24.21% | 10,035,354 | 100,353,540,000 | 24.21% |
| Share premium | 3,133 | 31,330,000 | 0.01% | 3,133 | 31,330,000 | 0.01% |
| | 41,453,673 | 414,536,730,000 | 100% | 41,453,673 | 414,536,730,000 | 100% |

25. OFF BALANCE SHEET ITEMS

| | Closing balance | Opening balance |
|------------------------------|-----------------|-----------------|
| Foreign currencies | | |
| United States Dollar (USD) | 13,127,60 | 6,657,00 |
| Bad debts written off | | |
| Bad debts written off (VND) | 2,560,552,240 | 2,560,552,240 |

26. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

During the year, the main operating activities of the Company and its subsidiaries are manufacturing and trading pharmaceuticals as well as related products, hence, the Company does not prepare the section report by business area. Besides, revenue and cost of sales are disclosed in Note 27 and Note 28 - Revenue and cost of sales from goods sold and services rendered.

Geographical segments

The business activities of the Company and its subsidiaries are conducted in the territory of Vietnam, therefore, the Company does not present the division report by geographical area.

27. REVENUE

| | Current year VND | Prior year VND |
|--|--------------------------|--------------------------|
| Sales of merchandise and services | 1,716,062,237,858 | 1,808,372,414,400 |
| In which: | | |
| Sales of finished goods | 1,409,231,597,120 | 1,477,848,545,435 |
| Sales of merchandises | 302,588,990,735 | 326,716,999,217 |
| Revenue from services rendered | 4,241,650,003 | 3,806,869,748 |
| Deductions | (5,622,769,436) | (10,022,748,108) |
| Sales return | (5,622,769,436) | (10,022,748,108) |
| Net revenue from goods sold and services rendered | 1,710,439,468,422 | 1,798,349,666,292 |

28. COST OF SALES

| | Current year VND | Prior year VND |
|-----------------------------|------------------------|------------------------|
| Cost of finished goods sold | 523,864,974,578 | 579,868,659,751 |
| Cost of merchandise sold | 245,566,589,108 | 283,044,345,002 |
| Cost of services rendered | 579,683,297 | 745,951,061 |
| | 770,011,246,983 | 863,658,955,814 |

29. PRODUCTION COST BY NATURE

| | Current year VND | Prior year VND |
|--|--------------------------|--------------------------|
| Raw materials and consumables | 396,076,106,221 | 473,791,684,330 |
| Labour | 378,555,089,168 | 377,494,839,083 |
| Depreciation, amortisation of fixed assets and amortized of goodwill | 82,099,343,496 | 79,439,413,700 |
| Out-sourced services | 153,206,505,492 | 103,913,658,464 |
| Other monetary expenses | 233,601,241,179 | 256,647,172,218 |
| | 1,243,538,285,556 | 1,291,286,767,795 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements
Form B 09-DN/HN

30. FINANCIAL EXPENSES

| | Current year VND | Prior year VND |
|--------------------------|-----------------------|-----------------------|
| Loan interest | 17,764,076,691 | 12,203,877,990 |
| Other financial expenses | 41,169,838 | 149,867,884 |
| | 17,805,246,529 | 12,353,745,874 |

31. SELLING EXPENSES AND GENERAL AND ADMINISTRATION EXPENSES

| | Current year VND | Prior year VND |
|--|------------------------|------------------------|
| General and administration expenses arising in the year | | |
| Labour costs | 113,434,723,884 | 116,941,029,349 |
| Expenses for external services | 28,594,672,475 | 24,464,908,666 |
| Depreciation, amortisation of fixed assets and amortized of goodwill | 22,299,707,062 | 18,680,798,852 |
| Others | 58,616,429,053 | 62,365,727,807 |
| | 222,945,532,474 | 222,452,464,674 |
| Selling expenses arising in the year | | |
| Labour costs | 132,648,559,700 | 116,808,527,410 |
| Advertising expenses | 79,650,321,226 | 89,788,136,324 |
| Sales discounts | 61,647,833,098 | 73,912,981,623 |
| Allowance for freelancers | 71,719,419,301 | 66,361,750,793 |
| Depreciation and amortisation | 8,355,050,119 | 7,762,662,453 |
| Other selling expenses | 135,622,578,689 | 130,894,617,901 |
| | 489,643,762,133 | 485,528,676,504 |

32. CORPORATE INCOME TAX EXPENSE

Current corporate income tax expenses incurred at the companies are as follows:

| | Current year VND | Prior year VND |
|--|-----------------------|-----------------------|
| Traphaco Joint Stock Company (i) | 33,532,359,434 | 35,251,084,608 |
| Traphaco Hung Yen Company Ltd. (ii) | 4,591,057,229 | 5,819,201,616 |
| Traphaco Hi-tech Joint Stock Company (iii) | 2,556,452,542 | 2,445,602,976 |
| Dak Lak Pharmaceutical and Medical Equipment Joint Stock Company (i) | 1,670,003,085 | 1,560,142,036 |
| TraphacoSapa One Member Company Ltd. (iv) | 83,569,501 | 106,367,672 |
| | 42,433,441,791 | 45,182,398,908 |

(i) The corporate income tax rates of these companies are subject to the basic tax rate of 20%.

(ii) The corporate income tax rate of Traphaco Hung Yen Company Limited is 20% of taxable income for common business activities. The company is exempted from corporate income tax for four years and is entitled to a 50% reduction of tax payable for the next nine years for income from scientific and technological activities according to Decree No. 13/2019/ND-CP on 01 February 2019 on science and technology enterprises, the company has benefited from the exemption since 2019.

(iii) The corporate income tax rate of Traphaco Hi-tech Joint Stock Company is 10% for income from medicine production which meets GMP standards within 15 years from 2007. The company is exempted from corporate income tax for 4 years from 2007 to the end of 2010 and is entitled to a 50% reduction of corporate income tax for 9 years from 2011 to the end of 2019. Other business activities are subject to the basic rate 20%

(iv) According to Official Dispatch No. 3087/CT-THNVDT on 23 July 2018 from Lao Cai Department of Taxation, TraphacoSapa One Member Company Limited is exempted from corporate income tax on profits generated at the Dong Pharmaceutical Plant Project for a period of 4 years from 2017 to the end of 2020 and is entitled to a 50% reduce of payable tax for 9 years from 2021 to the end of 2029. Other business activities are subject to the basic rate 20%.

33. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2019 is based on the profit attributable to ordinary equity holders and the weighted average number of ordinary shares as follows:

| | Current year | Prior year (Restated) |
|--|------------------------|--------------------------|
| Profit in the year attributable to ordinary shareholders of the Holding Company (VND) | 153,427,254,762 | 156,277,889,721 |
| - Allocate to bonus and welfare funds from the profits of the Holding Company and its subsidiaries (i) | (17,905,917,599) | (18,565,114,206) |
| Profit to calculate basic earnings per share (VND) | 135,521,337,163 | 137,712,775,515 |
| Average ordinary shares in circulation for the year (shares) | 41,450,540 | 41,450,540 |
| Basic earnings per share (VND/share) | 3,269 | 3,322 |

(i) The Company and its subsidiaries have made a temporary deduction for the Bonus and welfare fund from profits in 2019 based on proposed plan approved by the Resolution of the General Meeting of Shareholders at the beginning of the year. This bonus and welfare fund is subject to change under the approval of the General Meeting of Shareholders in 2020. Thus, the profit for calculating basic earnings per share and basic earnings per share in 2019 may vary accordingly to that change.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

These notes are an integral part of and should be read in conjunction with the accompanying consolidated financial statements Form B 09-DN/HN

33. BASIC EARNINGS PER SHARE (continued)

At the same time, the Company redetermined the amount of Bonus and Welfare Fund for the fiscal year ended 31 December 2018 according to the deduction from the Bonus and Welfare Fund in 2018 approved by the General Meeting of Shareholders of the Parent Company and its subsidiaries. In detail, the basic earnings per share for the year ended 31 December 2018 is presented as below:

| Prior year | | |
|--|------------------|------------------|
| | Reported | Restated |
| Profit in the year attributable to ordinary shareholders of the Holding Company (VND) | 156,277,889,721 | 156,277,889,721 |
| - Allocate to bonus and welfare funds from the profits of the Holding Company and its subsidiaries | (17,342,697,602) | (18,565,114,206) |
| Profit to calculate basic earnings per share (VND) | 138,935,192,119 | 137,712,775,515 |
| Average ordinary shares in circulation for the year (shares) | 41,450,540 | 41,450,540 |
| Basic earnings per share (VND/share) | 3,352 | 3,322 |

34. OPERATING LEASE COMMITMENTS

At the end of financial year, the Company had outstanding commitments under non-cancelable operating leases, which fall due as follows:

| | Current period VND | Prior period VND |
|---------------------------------------|--------------------|------------------|
| Within one year | 4,692,893,760 | 4,077,532,185 |
| In the second to fifth year inclusive | 13,617,530,073 | 11,498,323,072 |
| After five years | 19,394,900,369 | 16,220,648,131 |
| | 37,705,324,202 | 31,796,503,388 |

Operating lease commitments disclose the amount payable to lease land and office lease, etc. for the purpose of corporate production and business activities under signed operating lease contracts.

35. RELATED PARTY TRANSACTIONS AND BALANCES

List of related parties with significant transactions and balances for the year:

| Related party | Relationship |
|--|--------------|
| State Capital and Investment Corporation | Shareholder |
| Magbi Fund Limited | Shareholder |
| Super Delta Pte.Ltd | Shareholder |

During the year, the Company entered into the following significant transactions with its related parties:

| | Current period VND | Prior period VND |
|--|--------------------|------------------|
| Dividend paid | 94,245,558,000 | 94,245,558,000 |
| State Capital and Investment Corporation | 44,359,536,000 | 44,359,536,000 |
| Magbi Fund Limited | 31,084,155,000 | 31,084,155,000 |
| Super Delta Pte.Ltd | 18,801,867,000 | 18,801,867,000 |

Significant related party balances as at the balance sheet date were as follows:

| | Closing balance VND | Opening balance VND |
|--|---------------------|---------------------|
| Dividend payables | 62,830,372,000 | 62,830,372,000 |
| State Capital and Investment Corporation | 29,573,024,000 | 29,573,024,000 |
| Magbi Fund Limited | 20,722,770,000 | 20,722,770,000 |
| Super Delta Pte.Ltd | 12,534,578,000 | 12,534,578,000 |

Board of Management and General Directors' remuneration during the year:

| | Current period VND | Prior period VND |
|--|--------------------|------------------|
| Remuneration of Board of Directors and Board of Management | 8,445,679,070 | 9,411,917,343 |

Preparer
Nguyen Thi Ngoc Thuy

Chief Accountant
Dinh Trung Kien



General Director
Tran Tuc Ma

29 February 2020



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